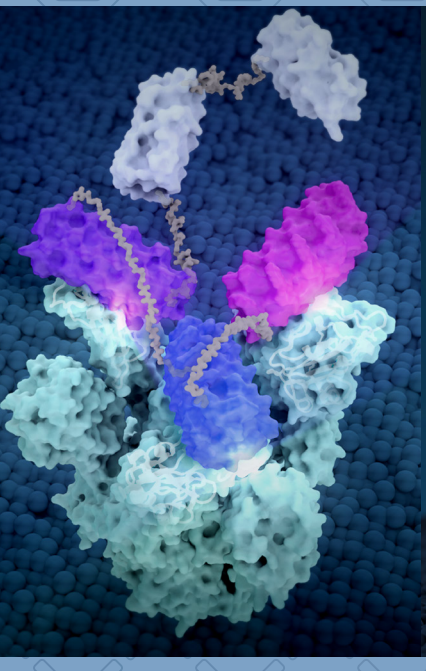
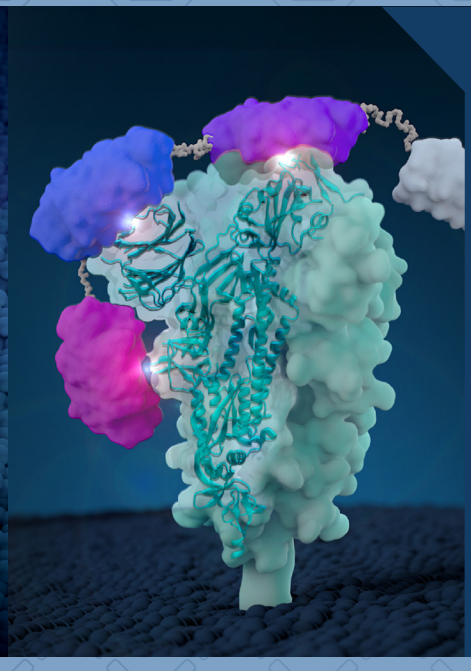




ANNUAL REPORT 2020

MOLECULAR partners

Custom-built biology for patients

At a Glance: Company Profile & Key Milestones

- *Pioneering a new class of custom-built protein drugs known as DARPin® therapeutics*
- *Advancing a diverse portfolio of differentiated DARPin® product candidates to transform the lives of patients with serious diseases*
- *Continuing to unlock new DARPin® therapeutic platforms to expand the pipeline while advancing a growing clinical portfolio in oncology and infectious diseases*

Company Profile

Molecular Partners AG is a clinical-stage biotech company developing DARPin® therapeutics, a new class of custom-built protein drugs designed to address challenges current modalities cannot. The Group has formed partnerships with leading pharmaceutical companies to advance DARPin® therapeutics in the areas of ophthalmology, oncology and infectious disease, 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***.

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 conventional monoclonal antibodies or other currently available protein therapeutics. DARPin® therapeutics have been clinically validated through to the registrational stage. The DARPin® platform is a fast and cost-effective drug discovery engine, producing drug candidates with optimized properties for development and very high production yields. DARPin® is a registered trademark owned by Molecular Partners AG.

2020 Operational and Financial Highlights

- Strong financial position with CHF 173.7 million in cash (including short-term deposits) as of December 31, 2020
- Net cash used in operating activities of CHF 29.0 million
- Operating loss of CHF 58.3 million and net loss of CHF 62.8 million
- Company funded into 2023, excluding any potential payments from R&D partnerships
- Talent base of 145 full-time employees at year-end 2020
- Gwen Fyfe has worked closely with the Board of Directors and informed the team of her intent not to stand for re-election at the Annual General Meeting on 21 April 2021

2020 Research & Development Highlights

- **Infectious Disease**

  - Initiated and rapidly advanced COVID-19 antiviral program into the clinic; secured collaboration with Novartis for co-development of multi-specific candidates MP0420 (ensovibep) and MP0423, including options for global commercialization; terms included potential total cash consideration of CHF 215 million, comprised of an upfront payment, equity purchase, and milestone, as well as 22% royalty on sales in commercial territories

  - Announced positive safety data from first dose cohort of ongoing phase 1 COVID-19 study which is on track to report data from all cohorts in Q1 2021

  - Announced intention to explore a broader infectious disease portfolio with focus on major global viral threats where unique therapeutic profile of DARPin® antivirals could make major impact

  - Published new research in February 2021 showing MP0420 (ensovibep) maintains activity against all major known mutations of SARS-CoV-2 including the variants first identified in United Kingdom and South Africa

- **Oncology**

  - First-in-human data from ongoing phase 1 study of MP0310/AMG 506 demonstrate biological activity, including successful localized tumor engagement and saturation of tumor antigen at higher doses; optimization of dosing schedule ongoing in 2021

  - Achieved proof-of-biology and mechanism in clinical studies of MP0250 and MP0274, which have no further studies planned

- **Research**

  - Advanced CD3/T cell engager therapeutics platform to demonstrate both highly selective, potent/efficacious and targeted T cell engagement, context-dependent T cell engagement, and 'slow release' T cell engagement, giving multiple new levels of control over this powerful immunomodulatory mechanism

  - Validated peptide MHC (pMHC) therapeutics platform, with data demonstrating high potency, specificity and extended systemic half-life of research candidates, and the capacity to rapidly generate multiple candidates in parallel

Contents

To Our Shareholders

We are committed to unlocking and expanding the capabilities of our unique class of multi-functional DARPin® therapeutics to treat many serious diseases.

The rapid spread of COVID-19 has left a path of devastation across the globe. Our industry has mobilized with unprecedented speed to develop tools to fight the pandemic, including the new viral variants evolving in real time. Molecular Partners, too, quickly saw the potential danger that lay ahead and felt an imperative to assess DARPin® molecules as anti-COVID-19 therapeutics. The properties of DARPin® molecules support a very strong anti-viral profile: injectable, ultra-potent, manufactured by highly scalable processes, and perhaps most important in the face of viral evolution: multi-specific – able to target multiple parts of a virus at once to reduce the likelihood any single mutation would limit efficacy.

Less than two months after launching our antiviral program targeting SARS-CoV-2, our team delivered the first and only multi-specific COVID-19 therapeutic candidates, designed to bind and neutralize the virus on three binding locations simultaneously. Within nine months from inception, we reached the clinic, supported by standout preclinical data and a collaboration with Novartis for co-development of two lead candidates, ensovibep (MP0420) and MP0423, to support potential global production and commercialization.

Thus, driven by a global need, we have expanded our DARPin® therapeutics to focus on viral targets, contributing to an urgent global need and delivering a highly valuable new collaboration, while in parallel advancing our core portfolio of investigational therapeutics to fight cancer. Using the lessons we learned from the COVID-19 program, seeing how powerful the DARPin® approach can be used against viral pathogens, we are now exploring other major global viral threats that could be amenable to our approach.

In oncology, we have advanced our lead programs while building exciting new foundational therapeutic platforms to supply a robust early-stage pipeline. We have now demonstrated encouraging biological activity as well as supportive safety and tolerability from the ongoing phase 1 trial of MP0310/AMG 506 in partnership with Amgen. We also achieved proof-of-biology and mechanism in clinical studies of MP0250 in multiple myeloma and MP0274 in HER2-positive solid tumors. Meanwhile, we have delivered and presented promising preclinical proof-of-concept for our CD3/T cell engagers and peptide-MHC platforms, two distinctly challenging areas within oncology, where we believe DARPin® therapeutics can prevail, to potentially open up a wide variety of new targets to immune modulation.

Beyond our core areas, we remain supportive of our partner Abbvie in their evaluation of their ophthalmological candidate, abicipar pegol. Given the extensive clinical data supporting its potential differentiation in the treatment of neovascular age-related macular degeneration we remain in ongoing dialogue with AbbVie on the status of the program.

We were pleased to welcome a number of new team members in 2020, including seasoned biotech executives Sandip Kapadia, Michael Vasconcelles and Vito J. Palombella who joined our Board of Directors to bring new experience and expertise to our growth strategy.

We look forward to a number of key potential events in 2021, including the continued clinical development and potential emergency use authorization of our COVID-19 program, the advancement of MP0310/AMG 506 to a combination trial with Amgen oncology assets and the initiation of a phase 1 study of MP0317, in H2 2021.

2020 Milestones and Corporate Highlights

Infectious Diseases

In April 2020, we leveraged our rapid discovery and candidate design capabilities to deliver multi-target binding DARPin® proteins that neutralized the SARS-CoV-2 virus in vitro. We then selected two unique tri-specific DARPin® candidates with the ability to inactivate the virus through multiple mechanisms simultaneously – cooperative target binding – and generate stronger antiviral effects through these synergies. With the rise of viral variants, cooperative binding is designed to allow DARPin® candidates to maintain a high level of potency even if one or two of the three binding domains lose some of their individual binding strength, which we believe is another key differentiator for our therapeutic approach.

In July, we announced a partnership with AGC Biologics to secure initial clinical and commercial scale manufacturing capacity for our COVID-19 programs. Further, in August 2020, we announced the reservation and purchase agreement by the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. In October 2020, we announced further supportive preclinical data from in vivo assessments of our two DARPin® candidates targeting SARS-CoV-2, supporting potential efficacy as therapeutic options in patients with late-stage disease.

In October 2020, we also signed a collaboration with Novartis for the co-development of ensovibep and MP0423 as well as options for global commercialization. This collaboration combines the innovative protein drug development expertise of Molecular Partners with Novartis' expertise in clinical development, manufacturing, regulatory affairs & commercialization to accelerate global development of both candidates. The terms of the collaboration are detailed later in this report.

In November 2020, we dosed the first cohort of healthy volunteers in a Phase 1, randomized, double-blind, placebo-controlled, first-in-human single ascending dose study to evaluate the safety, tolerability, and pharmacokinetics of intravenously administered MP0420 in up to 24 healthy volunteers divided into three dose cohorts, with each cohort stratified 3:1 in favor of ensovibep. Initial safety data from the first dose cohort was positive, and we expect to report all cohorts by the end of Q1 2021. Moreover, with the rise of new mutations and viral variants, cooperative binding allows DARPin® candidates to maintain a high level of potency even if one or two of the three binding domains lose some of their individual binding strength. As described in recent results, ensovibep and MP0423 continue to inhibit SARS-CoV-2 infections in vitro in the presence of multiple mutations, including those present in the B.1.1.7 P.1 and B.1.351 (variants first identified in the United Kingdom, Brazil and South Africa, respectively.

Molecular Partners is actively exploring opportunities to develop DARPin® therapeutics against other viral infections with significant unmet global need.

Oncology

We continued recruitment of patients with solid tumors in the phase 1 dose escalation study of AMG 506 (MP0310) (targeting fibroblast-associated protein – FAP – and the immune stimulator 4-1BB). Initial clinical data from 19 patients demonstrated that 50% of patients achieved stable disease.

Tumor biopsies confirm that MP0310 co-localizes to areas with high concentration of FAP, which is a key characteristic of the designed mechanism of action intended to enhance tumor specificity and reduce off-tumor effects. Additionally, biopsy data showed significant increases in activation

across multiple immune cell types, while inflammatory markers in the peripheral blood were unchanged. Grade 2/3 infusion-related responses were observed in 12 patients and were manageable.

Next steps for this program include investigating an optimized dosing schedule via exploration of weekly administration. We believe the identification of an optimized dosing schedule will be imperative to achieving sustained activity. Data from the dose escalation cohorts will be used to inform potential phase 1b combination studies with Amgen assets. Additionally, we presented preclinical data at the American Academy for Cancer Research (AACR) which describes the pharmacokinetic and pharmacodynamic research supporting the dose of AMG 506 (MP0310) used in the ongoing clinical study.

For MP0317 (targeting FAP and CD40), our second tumor-localized immune agonist, we presented preclinical data at research conferences which strongly supports its intended profile and CD40-mediated immune activation capabilities. Due to a loss of drug supply associated with fill/finish procedures, we now anticipate phase 1 initiation for MP0317 in H2 2021.

For MP0250 (targeting HGF and VEGF), by the end of 2020 thirty patients with multiple myeloma who have failed standard therapies had been enrolled in its ongoing phase 2 study in combination with the proteasome inhibitors bortezomib (Velcade®) and dexamethasone. Patients still receiving treatment will be monitored per protocol and no additional patients will be enrolled into the study. We are evaluating potential clinical collaborations for this program.

For MP0274 (binding two sites on HER2), recruitment for its phase 1 trial has concluded. In total 22 patients received treatment with MP0274, and one patient still continues on study. MP0274 was reported to be safe and well tolerated, with one patient observed to have a Partial Response. Presently, we do not plan any additional studies for MP0274.

To round out progress of our oncology portfolio, we made great strides forward for our new immune-oncology therapeutic platforms.

We have integrated the CD3-targeting approach to T cell engagement into a multi-DARPin® format that addresses multiple key challenges that other teams have faced in making this approach therapeutically feasible. The use of tumor localization DARPin® molecules in addition to a CD3-binding DARPin® has allowed the design of candidates with better specificity for a tumor (and thus reduced 'off-tumor' effects), potentially allowing for higher dose levels and better efficacy. We intend to further expand on positive preclinical data to-date by investigating the use of DARPin® candidates that ensure CD3 is only targeted locally in the tumor micro-environment and is released at a controlled rate to further control the risk of side effects and provide sustained activity. This therapeutic platform is ready for candidate generation and we expect it to be applicable against a wide variety of tumor targets.

Similarly, our peptide-MHC DARPin® platform worked through several key challenges in 2020 and is now ready for candidate generation. At AACR 2020 we presented proof-of concept data for this platform, which showed that we could deliver T cell engagers that bound with high specificity to a representative peptide-MHC complex.

Financial highlights in 2020

Molecular Partners remains well funded to capture upcoming value inflection points in 2021. In the financial year 2020, Molecular Partners recognized total revenues of CHF 9.3 million (2019: CHF 20.4 million) and incurred total expenses of CHF 67.7 million (2019: CHF 57.1 million). This led to an operating loss of CHF 58.3 million for 2020 (2019: Operating loss of CHF 36.7 million). The net financial loss of CHF 4.4 million recorded in 2020 compared to a net financial income of CHF 0.4 million in 2019. This resulted in a 2020 net loss of CHF 62.8 million (2019: Net loss of CHF 36.3 million).

The net cash used for operating activities in 2020 was CHF 29.0 million (2019: net cash used of CHF 1.2 million). Including time deposits, the cash and cash equivalents position increased by CHF 78.6 million vs. year-end 2019 to CHF 173.7 million as of December 31, 2020 (December 31, 2019: CHF 95.1 million). Total shareholders' equity stood at CHF 107.2 million as of December 31, 2020, an increase of CHF 53.1 million (December 31, 2019: CHF 54.1 million).

Board of Directors and Management Team

Sandip Kapadia appointed to the Board of Directors

Sandip is currently the chief financial officer of Intercept Pharmaceuticals with over 20 years of experience in building and leading finance and administration teams at life sciences companies both in Europe and in the United States. Prior to joining Intercept, Sandip held finance leadership positions over 19 years at Novartis and Novartis affiliates in the United States, Switzerland, the Netherlands, and the United Kingdom. This included serving as CFO of North America at Novartis's generic division, Sandoz. He was previously on the board of Therachon AG and has been serving on the Board of Directors for Passage Bio since January 2020. Sandip earned his bachelor's degree in business administration and accounting from Montclair State University, an MBA from Rutgers Graduate School of Management and is a certified public accountant.

Michael Vasconelles, M.D., appointed to the Board of Directors

Michael is currently chief medical officer of Flatiron Health and previously served as CMO at Unum Therapeutics Inc. Prior to Unum, Michael was accountable for the research and development strategy and execution of the oncology portfolio at both Takeda/Millennium and Genzyme, from discovery through product licensure and post-approval. Michael joined the faculty of the Harvard Medical School in 1996 and is currently a clinical instructor in medicine at Harvard Medical School and a practicing oncologist and associate physician at the Dana-Farber Cancer Institute and Brigham & Women's Hospital in Boston, Mass.

Vito J. Palombella, Ph.D., appointed to the Board of Directors

Vito is currently chief scientific officer of public biotech company Surface Oncology and has over 25 years of scientific leadership and experience advancing first-in-class therapeutic programs. Prior to Surface, he was EVP and CSO at Infinity Pharmaceuticals, where he was responsible for drug discovery and preclinical development. Prior to that, he was director of molecular biology and protein chemistry at Syntonix Pharmaceuticals, senior director of cell and molecular biology at Millennium Pharmaceuticals and held a number of positions at LeukoSite and ProScript. Vito was involved in the discovery and development of cancer therapies bortezomib (Velcade®), a proteasome inhibitor, and duvelisib (Copiktra®), a PI3K-d/g inhibitor.

Gwen Fyfe will not stand for re-election at the upcoming AGM on 21 April 2021

In February 2021, Gwen Fyfe has informed the Board of Directors that she will not stand for re-election at the upcoming Annual General Meeting on 21 April 2021. Gwen has been a member of the Board of Directors since 2017. Together with our fellow Board members, we would like to express our deep gratitude for Gwen's invaluable contributions and commitment to our Company during her years of service. Gwen will remain available to support our Company on a consultancy basis.

Business outlook and priorities for 2021 and beyond

In 2021, we will focus on advancing our oncology and infectious disease programs. For the COVID-19 program, we anticipate final data from the ongoing phase 1 study of ensovibep will be available in the first quarter of 2021. We also anticipate the initiation of additional clinical studies of ensovibep throughout the first half of 2021, with the goal of achieving clinical proof of concept and potential emergency use authorization within 2021.

In oncology, we plan to investigate an optimized dosing schedule for MP0310/AMG 506 via exploration of weekly administration ahead of potential combination studies with Amgen assets. We also expect initiation of a phase 1 study of MP0317, the second immuno-oncology local agonist, in H2 2021.

Additionally, we will continue to advance our oncology research pipeline, including the significantly advanced CD3 T-Cell targeting and peptide MHC (pMHC) therapeutic platforms, both of which have the potential to open up a range of new targets to DARPin® therapeutics, and plan to publish or present multiple updates across our portfolio at select scientific venues.

For the FY 2021, at constant exchange rates, the company expects total expenses of CHF 65-75 million, of which around CHF 7.0 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation. The increase versus the previous year is driven by the progress of the company's pipeline as well as the budgeted growth of the company's workforce. Capital expenditures in FY 2021 are expected to be approximately CHF 3.0 million.

Our purpose: Deliver an entirely new class of drugs to transform care for cancer and other serious diseases

At Molecular Partners, we have a core purpose of transforming treatment for patients suffering from serious diseases through delivering on the promise of DARPin® therapeutics. As a team, we are energized about the opportunities ahead and our progress in creating and growing the capabilities of DARPin® candidates. Our discovery and development capabilities continue to grow, as do the depth and breadth of our partnerships. We continue to demonstrate our capacity to respond to medical need and push our DARPin® expertise into new platforms to expand the potential of this unique class of drugs.

Thank you for your continued support of our work

Our continued progress and value creation wouldn't be possible without the full support and tireless work of our employees, strategic partners, investors, researchers and patients. We thank all these groups for their support, particularly in a challenging year of lockdowns and remote working. We look forward to sharing updates on our progress through 2021.

Sincerely,

Bill Burns
Chairman of the Board

Patrick Amstutz
Chief Executive Officer

Financial Summary

Results and overview

The following discussion and analysis of our financial condition and results of operations 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 2020**	**FY 2019**	**Change**
Total revenues	**9.3**	**20.4**	**(11.1)**
R&D expenses	(56.1)	(43.5)	(12.6)
SG&A expenses	(11.6)	(13.6)	2.0
Total operating expenses (incl depr. & amort.)	**(67.7)**	**(57.1)**	**(10.6)**
Operating result	**(58.3)**	**(36.7)**	**(21.6)**
Net finance result	(4.4)	0.4	(4.8)
Income taxes	—	—	—
Net result	**(62.8)**	**(36.3)**	**(26.5)**
Basic and diluted net result per share (in CHF)	(2.51)	(1.69)	(0.82)
Net cash from (used in) operating activities	(29.0)	(1.2)	(27.8)
Net cash from (used in) investing activities	(21.7)	(19.8)	(1.9)
Net cash from (used in) financing activities	113.2	(0.2)	113.4
Exchange gain/(loss) on cash positions	(4.5)	(2.0)	(2.5)
Net increase (decrease) in cash & cash equivalents	58.0	(23.2)	81.2
Cash & cash equivalents at December 31	**133.7**	**75.7**	**58.0**
Cash & cash equivalents at December 31 (incl. short-term time deposits)	**173.7**	**95.1**	**78.6**
Total non-current assets	9.7	5.0	4.7
Total current assets	177.8	99.9	77.9
Total shareholders' equity at December 31	107.2	54.1	53.1
Total non-current liabilities	22.7	22.2	0.5
Total current liabilities	57.7	28.6	29.1
Number of total FTE at December 31	**145.4**	**135.2**	**10.2**

Financial highlights

Over the course of 2020, Molecular Partners continued to increase investments in its clinical and preclinical programs, including in its novel anti-COVID-19 program, as well as in research and development in order to progress its proprietary oncology DARPin® candidates towards value-creating milestones.

The proceeds relating to the successful completion of the capital increase in July 2020 as well as the two upfront payments from the agreement with Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) in August 2020 and the collaboration agreement with Novartis in October 2020 further increased the Group's solid cash position with no debt on the balance sheet. This strong balance sheet continues to provide the Group with financial flexibility and a forecasted cash runway into 2023.

Molecular Partners' broad pipeline across multiple indications, its collaborations with bluechip pharma companies Novartis, Amgen and AbbVie, and its strong financial position combine to provide the Group a uniquely 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 targeting high-value indications.

Revenues

In 2020, the Group recognized total revenues of CHF 9.3 million, an decrease of 54% compared to the previous year (2019: CHF 20.4 million). The revenue in 2020 related exclusively to the Group's partnership with Amgen. As of December 31, 2020, the Group recorded a CHF 19.0 million contract liability position under the Amgen collaboration agreement. This contract liability is expected to be recognized as revenues over the coming years.

Molecular Partners has entered into partnerships pursuant to which the Group generally has been and will be entitled to upfront fees and milestone payments upon the achievement of predetermined development, regulatory and sales events. The Group's revenues to date primarily consisted of amounts received under such collaboration agreements. In addition, under the collaboration agreements, the Group will be generally entitled to royalty payments on the net sales of products ultimately developed and commercialized under the partnerships.

Operating expenses (incl. depreciation and amortization)

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

Overall, in 2020 total operating expenses increased by CHF 10.6 million (+19%) to CHF 67.7 million (compared to CHF 57.1 million in 2019). These costs included CHF 4.2 million in non-cash effective share-based compensation and pension costs as well as CHF 2.9 million in depreciation. The two major expense categories were personnel expenses of CHF 33.6 million (50% of total operating expenses) and research consumables and costs totaling CHF 26.6 million (39% of total operating expenses).

Total R&D expenses in 2020 increased by CHF 12.6 million (29%) to CHF 56.1 million (2019: CHF 43.5 million), mainly due to the growing proprietary pipeline of the Group. The Group charges all R&D expenses, including internal patent filing and patent maintenance costs, to the income

statement when incurred. Total SG&A expenses decreased by CHF 2.0 million (-15%) to CHF 11.6 million (2019: CHF 13.6 million), mainly due to lower professional fees.

As of December 31, 2020, the Group had 145 full-time employees (FTE) on its payroll, with ca. 85% in R&D functions. This represents an increase of 8% year-over-year (Dec. 31, 2019: 135 FTE).

Operating result

In 2020, the Group generated an operating loss of CHF 58.3 million (compared to an operating loss of CHF 36.7 million in 2019).

Financial result

In 2020, Molecular Partners recorded a net financial loss of CHF 4.4 million,compared to a net financial income of CHF 0.4 million in 2019. This loss is driven by foreign exchange losses of CHF 4.5 million in 2020 on the cash positions held in foreign currencies.

Income taxes and deferred taxes

The Swiss legal entity of the Group did not have to pay or accrue any income taxes in the reporting periods 2020 and 2019. Future taxable income in Switzerland will be subject to federal, cantonal and communal income taxes. The Group's applicable income tax rate in Switzerland is 21%.

Including the net operating loss of 2020, tax losses of CHF 157.9 million (thereof CHF 4.3 million are set to expire in 2021) may be used as tax loss carryforwards to offset future taxable income over a period of seven years. No deferred tax assets have been recognized for these tax loss carryforwards, because it is unlikely that such loss carryforwards can be utilized in the foreseeable future. Consequently, no deferred tax assets were recognized on the temporary difference on pension liabilities for the same reason.

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 state income taxes for Massachusetts and California.

Net result

In 2020, the Group recorded a net loss of CHF 62.8 million, basically mirroring the effects and the magnitude of the increased operating loss recorded (2019: net loss of CHF 36.3 million).

Balance sheet and capital resources

As of December 31, 2020, the Group's total balance of cash and cash equivalents plus the short-term time deposits increased by CHF 78.6 million compared to year-end 2019 to a level of CHF 173.7 million. This continued strong cash and cash equivalents position plus the short-term time deposits still represented over 93% of the total Group balance sheet.

The total shareholders' equity position increased to CHF 107.2 million as of December 31, 2020 (December 31, 2019: CHF 54.1 million). The Group's balance sheet continued to be debt-free in 2020.

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 80.4 million (2019: CHF 50.8 million), mainly driven by the contract

liabilities with various partners. These contract liabilities are the most significant liability item with an amount of CHF 45.9 million at the end of 2020 (2019: CHF 28.3 million). The contract liabilities are expected to be recognized as revenues as soon as the Group fulfills the related performance obligations. For more details see note 15 of the IFRS Financial Statements.

Cash flow statement

In 2020, Molecular Partners recorded a net cash outflow from operations of CHF 29.0 million, compared to the net cash outflow from operations of CHF 1.2 million in 2019. The operating cash flow reflects the Group's increased expenses for clinical activities as well as investments in research and development in order to rapidly progress its proprietary DARPin® candidates towards value-creating milestones.

Cash outflow from investing activities was CHF 21.7million, compared to a CHF 19.8 million cash outflow in 2019. The amount in 2020 reflects mainly a increase in short-term time deposits.

A CHF 1.7 million outflow was recorded for capital expenditure in equipment and intangible assets and a CHF 0.6 million inflow was recorded from interest received.

Net cash inflow from financing activities was CHF 113.2 million. In addition, the Group recorded a foreign exchange loss on cash positions of CHF 4.5 million in 2020 (2019: CHF 2.0 million loss).

Overall, this resulted in a net increase of the Group's total cash balance and short-term time deposits by CHF 78.6 million from CHF 95.1 million at the end of 2019 to CHF 173.7 million at the year-end 2020.

Financial risk management

The Group is developing several products and is currently not generating a constant revenue stream, which results in a negative cash flow from operating activities. At present, the lack of 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, management 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 potential adverse effects on the financial performance of the Group. The Group is not exposed to market price development as it has no saleable products.

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

- Foreign exchange risk: In order to reduce its foreign exchange exposure, Molecular Partners may enter into currency contracts (forwards and options) 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, EUR, GBP and USD. The Group's hedging policy is (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 negative interest rates 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.

- Interest rate risk: Molecular Partners earns interest income on cash and cash equivalents and its profit and loss may be influenced by changes in market interest rates. The Group is investing part of its cash through risk-free 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 three 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 2021-2025, management estimates that the Group is financed into 2023.

Financial outlook 2021

For the FY 2021, at constant exchange rates, the Group expects total P&L expenses of CHF 65-75 million, of which around CHF 7 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation. In terms of cash outflow the Group expects a gross cash burn of CHF 85-95 million, which includes CHF 20 million payable to Novartis for the manufacturing of commercial supply. This cash flow guidance does not include any potential payments from R&D partnerships.
With CHF 173.7 million cash at hand and no debt as per the end of 2020 and excluding any such potential payments from R&D partners, the Group is funded into 2023.

The unpredictable effects of the COVID-19 (coronavirus) pandemic, with its direct implications on the global economy across all sectors as well as on the financial markets, are expected to present a continued major challenge also in 2021.

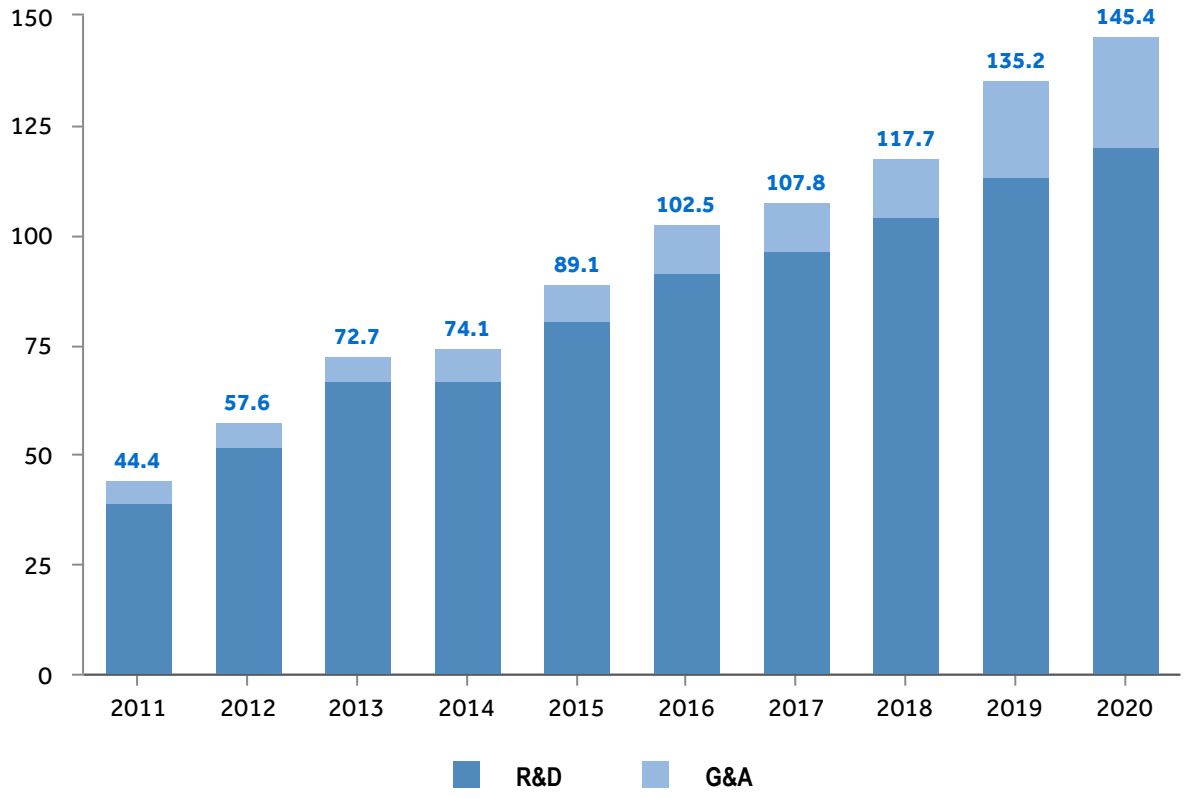
Financial calendar 2021

The following table summarizes the scheduled financial calendar for the financial year 2021.

Date:	Event:
March 26, 2021	Expected Publication Date of Annual General Meeting Invitation 2021
April 21, 2021	Annual General Meeting
May 12, 2021	Interim Management Statement Q1 2021
August 26, 2021	Publication of Half-year Results 2021 (unaudited)
October 28, 2021	Interim Management Statement Q3 2021

Development of employee base

The ongoing growth of the organization is reflected in the growth of the employee base, which continued in 2020. Total headcount (on a full-time equivalent/FTE basis) grew by 8% to145.4 of which about 85% are employed in R&D-related areas.



Research & Development

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

Overview & Outlook

At Molecular Partners we are pioneering DARPin® therapies to transform lives. Under our leadership, the DARPin® class continues to grow in versatility and maturity as we pursue new areas where this unique therapeutic class can deliver dramatic, differentiated impact for patients.

In 2020, this work included both a deepening of our oncology programs and validation of new therapeutic platforms. It also included the creation of our first antiviral program, targeting the causative agent of COVID-19, SARS-CoV-2. Our rapid candidate design and assessment process allowed us to quickly substantiate the potential of an antiviral DARPin® approach and its differentiation against other therapeutic approaches. We established a collaboration with global pharmaceuticals leader Novartis to provide a path to potential global development and delivery. The clinical phase of this program is now underway, and we are exploring other major opportunities in infectious diseases where there is significant unmet global need for a differentiated therapeutic.

Across our programs targeting cancer, we have progressed clinical activity and addressed multiple challenges our industry has faced in targeting the immunomodulatory proteins pMHC and CD3, to deliver robust DARPin® therapeutic platforms targeting both, ready for candidate generation. We have also now shown our ability to localize DARPin® molecules' effects to tumors across multiple programs, through the addition of single-domain DARPin® candidates targeting tumor-associated proteins such as FAP. We are uniting this localization therapeutic platform with various DARPin® candidates designed to engage immune-activating proteins, for a potent combinatorial effect focused on increasing the therapeutic window for immune activation and avoiding systemic toxicity.

Our ongoing phase 1 dose escalation study of our first immuno-oncology local agonist AMG 506 / MP0310 is supporting this thesis: delivering on a positive safety profile without major systemic toxicity. In addition, MP0310 has been observed within tumor tissue, accumulating in a dose-dependent fashion, and biopsies have further shown localized immune responses consistent with the mechanism of MP0310. Further clinical dosing exploration is planned. We expect clinical initiation of our second immuno-oncology local agonist, MP0317, in H2 2021.

Across all our programs, our team's purpose is to make a positive impact on patients' lives. We consistently build on our world-leading DARPin® R&D to expand the sophistication of our individual candidates and deliver new therapeutic platforms – custom-built biology – that address major challenges in therapeutic design and widen the horizons of possibility for the DARPin® class.

Our R&D strategy: Unlock & expand custom-built biology for patients

We are committed to leveraging our proprietary therapeutic platforms to unlock and expand the inherent advantages of the DARPin® class and deliver innovative therapies to patients suffering from severe disease with significant unmet medical needs. We continue to focus our in-house

portfolio on oncology, where we see great potential in the utility and flexibility of DARPin® molecules to offer differentiated cancer treatments. Given the momentum and early success of our first antiviral candidates and the severity of the ongoing COVID-19 pandemic, we are also expanding our R&D to tackle current and future viral threats.

Key aspects of our strategy include the following:

- Leverage our proprietary therapeutic platforms to expand the applicability of DARPin® therapeutics: We are growing a diverse set of therapeutic platforms – DARPin® domains designed to be added to new candidates, in a modular fashion, to precisely direct their mechanism of action. This process enables us to apply these therapeutic platforms in new disease areas and to quickly identify and progress differentiated candidates in oncology and infectious disease. For example, in immuno-oncology we are exploring the use of therapeutic platforms to selectively activate immune cells in tumors. In pursuit of a sustainable and diversified portfolio, we plan to develop highly innovative and potentially transformational constructs directed against the most promising targets in our areas of focus.

- Rapidly advance clinical development of our COVID-19 program: In collaboration with Novartis, we are developing MP0420 (ensovibep) and MP0423, two unique tri-specific DARPin® candidates with the ability to inactivate the SARS-CoV-2 virus through binding to multiple sites simultaneously. This offers the potential to both treat and prevent COVID-19 and reduce potential for the development of viral drug resistance which can result from selection pressure on any single molecular target. Our clinical strategy aims to achieve potential emergency use authorization in 2021.

- Develop novel DARPin® candidates for new viral targets: Given the momentum of our COVID-19 program as well as the clear fit between the DARPin® therapeutic profile and compelling antiviral product profiles, we intend to pursue other high value antiviral indications with unmet global need. We plan to announce our first new target in 2021.

- Advance the clinical programs of our local immune agonists: MP0310/AMG 506 and MP0317. MP0310/AMG 506, is being developed to locally activate immune cells in the tumor by binding to fibroblast associated protein (FAP) on tumor stromal cells (where it acts as a localizer) and co-stimulating T cells via 4-1BB (an immune modulator protein) for the treatment of FAP-positive cancers. Following initial positive clinical data, we plan to investigate an optimized dosing schedule to inform potential combination studies to be conducted by Amgen, our partner for this program. Our second tumor-localized immune agonist, MP0317, also includes a FAP localizer domain as well as a differentiated immune stimulator (CD40) domain. Phase 1 initiation for MP0317 is anticipated in H2 2021.

- Expand our two new immunomodulatory therapeutic platforms: We plan to generate novel candidates from our peptide MHC (pMHC) and CD3/T cell engager therapeutics platforms, which both open an array of new opportunities for modulating the immune system to fight disease. The pMHC platform is supported by technical proof-of-concept data demonstrating high sustained potency and specificity – resolving several major challenges of classical pMHC-targeted discovery via non-DARPin® approaches. Our CD3/T cell engager therapeutics platform has demonstrated both highly selective T cell activation in the tumor microenvironment, as well as the capacity for 'slow release' activation of T cells in the circulation, giving multiple levels of control over this key immuno-oncologic mechanism, which other T cell activator approaches have struggled to produce without systemic toxicity.

- Maintain a strategic approach to in-house vs partnered development: To unlock and expand the complete potential of our DARPin® therapeutic platforms, we intend to independently develop and commercialize product candidates in our core focus areas where we believe have a clear clinical and regulatory approval pathway and the resources to commercialize successfully. To complement this, we also plan to collaborate with larger biopharmaceutical companies on product candidates that have promising utility in disease areas or patient populations that require greater global development capabilities or more significant upfront development and commercialization costs. This strategy has allowed us to pursue major therapeutic innovations for the DARPin® class, often in parallel, across oncology, ophthalmology and infectious disease.

Therapeutic platforms

We are growing a diverse set of therapeutic platforms – DARPin® domains designed to be added to new candidates, in a modular fashion, to precisely direct their mechanism of action, what they target, or what biological effect they bring about. Our therapeutic platforms are designed to deliver multiple capabilities including:

Targeting multiple escape pathways in parallel. Cancer cells and viruses often develop resistance to conventional therapies by activating biological 'escape pathways' to evade the therapeutic attack. Multi-specific DARPin® candidates can bind to multiple targets at once and inhibit their associated escape pathways or reduce the likelihood of any single mutation reducing therapeutic efficacy. Our CD3/T-cell engager program links an immune activator domain (CD3) with multiple DARPin® molecules tailored to a tumor, enhancing specificity and reducing the likelihood of tumor escape. Our COVID-19 antiviral program candidates target multiple sites on the viral spike protein simultaneously to enhance neutralization but also reduce the risk of viral escape via mutation

Molecular handcuffing: preventing pathogenic protein shape changes. Many proteins that drive disease processes undergo a conformational (shape) change as part of their action. Precise multi-domain DARPin® binding can physically prevent this conformation change and thereby inhibit the disease process. We have observed that MP0274's ability to bind to multiple epitopes on the cancer-associated protein HER2 locks it in an abnormal position, thereby inducing cellular death, an effect that has not yet been observed in antibody-based approaches. Similarly, our COVID-19 antiviral candidate MP0423 has been shown to prevent the conformational change of the SARS-CoV-2 spike protein which is core to the virus' infection process.

Engaging and activating immune cells. Immuno-oncology utilizes a patient's immune response to fight tumors. By incorporating single-domain DARPin® molecules that bind to known immuno-modulatory proteins (such as CD3 or CD40), we can introduce a specific immuno-stimulatory component to a candidate, as we have done with our candidates MP0310 and MP0317. The unique binding surface of DARPin® molecules can be tailored to target pMHC immune complexes, which display the intracellular proteome on the surface of cells and thereby can show specific peptides intimately associated with virus-infected cells or tumor cells. They have proved extremely challenging to target – with high affinity and specificity – for other modalities. These therapeutic platforms can be combined with a localizing DARPin® for truly targeted immune activation.

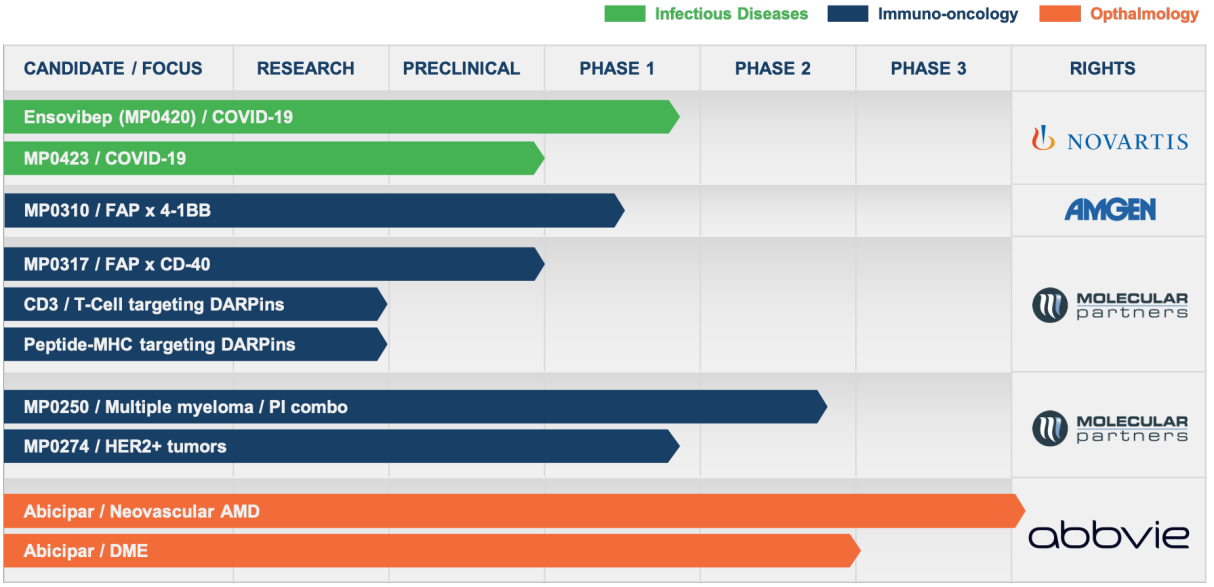
Localization: for targeted immune or drug conjugate activation. Tissue-specific protein targets can help a DARPin® candidate 'home in' on the tissues of therapeutic interest, such as tumors or specific organs. For example, MP0310 / AMG 506 is designed to locally activate immune cells in the tumor by binding to FAP on tumor stromal cells (acting as a localizer) and co-stimulating T cells via 4-1BB (an immuno-modulatory protein), whereas MP0317 utilizes the same binding target, FAP, while engaging a differentiated part of the immune system by use of the CD40 pathway. We believe

the same approach could be used to conjugate a localizer DARPin® molecule to a therapeutic payload that is only activated in the correct tissue.

Delivering a specific pharmacokinetic profile. We are able to tailor the half-life of our DARPin® product candidates to match the relevant target disease biology, through the incorporation of a specific number of single-domain DARPin® molecules targeting human serum albumin (HSA). This allows us to adjust systemic half-life or, in combination with localizing DARPin® molecules, the half-life of a candidate in specific tissues to truly tailor for a specific therapeutic setting.

Pipeline

Molecular Partners' pipeline includes three key areas: infectious disease (in green below), oncology (blue) and ophthalmology (orange).



Infectious Diseases

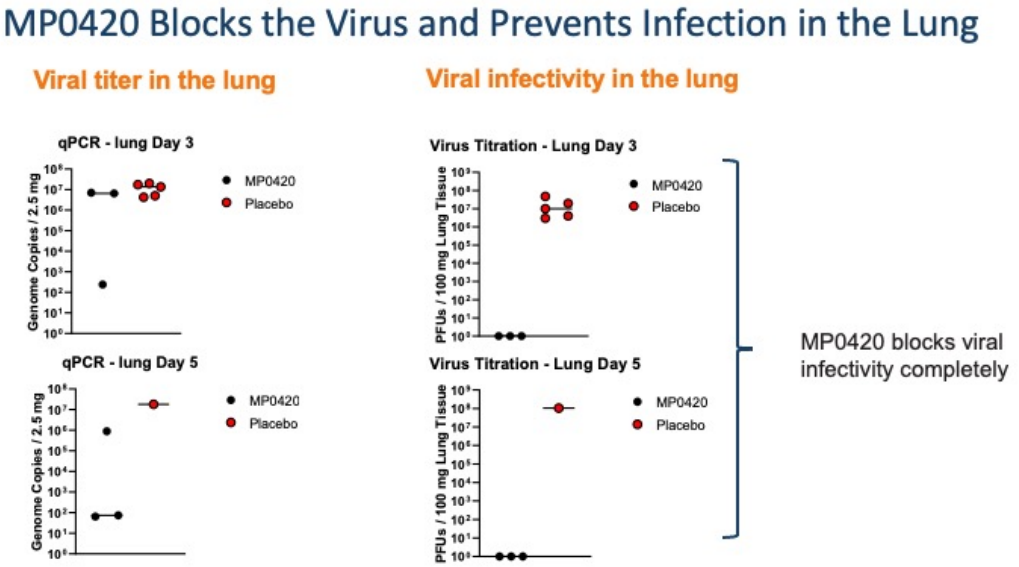
In 2020, we launched our first antiviral program targeting the causative agent of COVID-19, SARS-CoV-2. Our rapid candidate design and assessment process allowed us to quickly substantiate the potential of an antiviral DARPin® approach and its differentiation against other therapeutic approaches. Based on the strong potential of DARPin® therapeutics as antivirals, we have begun exploring other global viral threats with high unmet needs as potential targets for new programs.

COVID-19 Program

Molecular Partners has developed two tri-specific antiviral DARPin® candidates, MP0420 (ensovibep) and MP0423, with strong binding and neutralizing potency targeting multiple epitopes on the SARS-CoV-2 spike protein that are crucial for infection. MP0420 and MP0423 are subject to an option agreement with Novartis AG to develop, manufacture and commercialize Molecular Partners' anti-COVID-19 DARPin® program.

DARPin® candidates offer a differentiated approach to treating COVID-19 through a single molecule that can engage up to three parts of the SARS-CoV-2 virus simultaneously to neutralize the virus through multiple mechanisms. This offers potentially broader efficacy – across both therapeutic and prophylactic settings – and reduced potential for the development of viral drug resistance. Preclinical potency data suggests that our DARPin® candidates may be administrable as a subcutaneous injection, which would be a significant advantage for ease of delivery.

Our anti-COVID-19 DARPin® candidates are also built with a half-life enhancing DARPin® domain that binds to human serum albumin (HSA) to support long-lasting activity. HSA is found in elevated levels in the lung which may provide a further benefit in a respiratory viral setting.



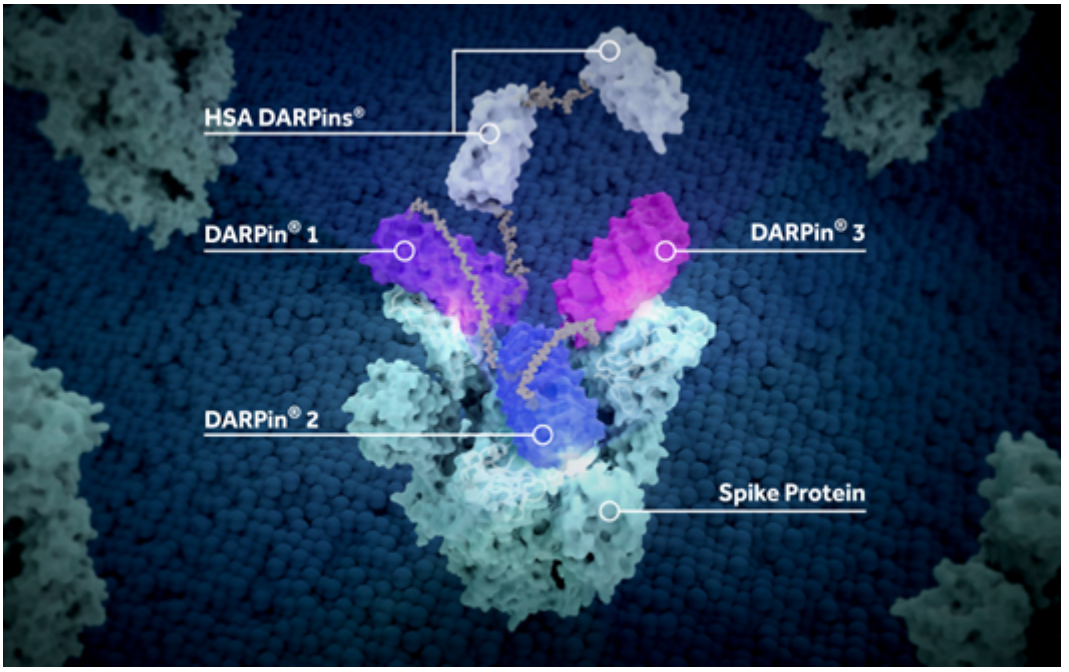
In vivo preclinical data demonstrating ability of MP0420 (ensovibep) to deliver extremely high suppression of virus in the lung of animal models, providing essentially complete blocking of viral infectivity

All DARPin® candidates are constructed to benefit from high-yield and low-cost microbial manufacturing. Molecular Partners is investigating whether the high thermal stability of DARPin® molecules can be used to overcome cold-chain requirements.

Molecular Partners is collaborating with AGC Biologics and Baccinex to support development of its anti-COVID-19 program and has reached an agreement with the Swiss Government regarding rights to purchase up to 3.2 million doses of MP0420, if it is approved in Switzerland.

MP0420 (ensovibep)

MP0420 is a unique tri-specific DARPin® candidate that has shown cooperative target binding and exhibits among the strongest virus inhibition potency reported to date. MP0420 targets three different epitopes on the receptor-binding domain (RBD) simultaneously. Preclinical data supports MP0420's potential efficacy as both a prophylactic and as an acute therapy.



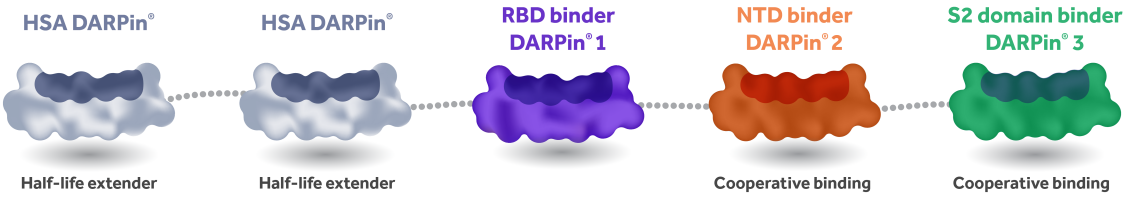
3D illustration of MP0420 (ensovibep) showing its binding and neutralizing action at the 'crown' of the SARS-CoV-2 spike protein, which the virus uses to infiltrate human cells.

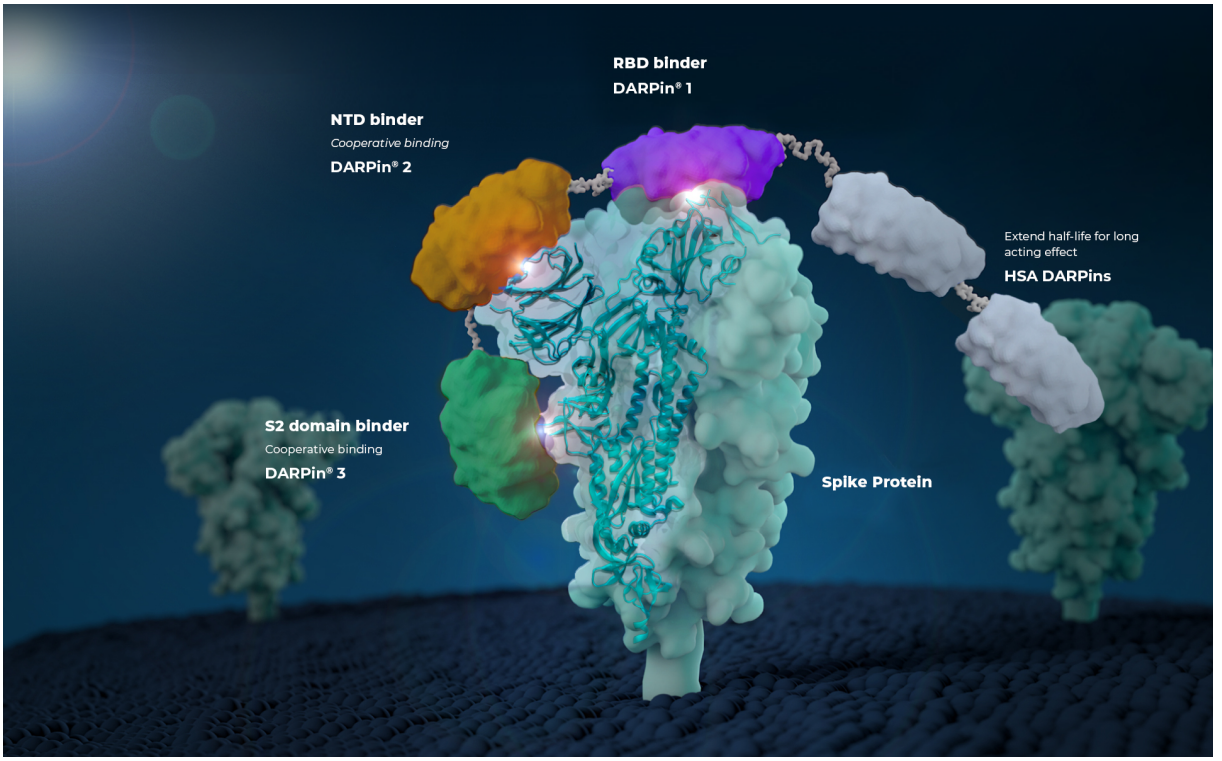
In November 2020, we dosed the first cohort of healthy volunteers in a Phase 1, randomized, double-blind, placebo-controlled, first-in-human single ascending dose study to evaluate the safety, tolerability, and pharmacokinetics of intravenously administered MP0420 in up to 24 healthy volunteers divided into three dose cohorts, with each cohort stratified 3:1 in favor of MP0420. To date MP0420 (ensovibep) has been seen to be well tolerated and we expect to report full data by Q2 2021.

Additional clinical studies are planned to initiate throughout the first half of 2021, with the goal of achieving clinical proof of concept and potential emergency use authorization in 2021.

MP0423

MP0423 is a unique tri-specific DARPin® candidate that shows cooperative target binding and exhibits among the strongest virus inhibition potency reported to date. MP0423 targets three different parts of the coronavirus spike protein simultaneously, including the RBD. By tackling multiple different viral spike domains in parallel, MP0423 is designed to provide additional protection against viral mutations that can reduce the binding ability of therapeutics to specific epitopes.





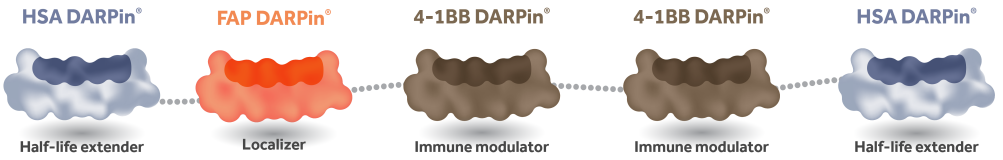
3D illustration of MP0423 showing its binding and neutralizing action through targeting multiple domains along the SARS-CoV-2 spike protein, which the virus uses to infiltrate human cells.

Oncology

Harnessing the immune system to fight tumors is the most promising breakthrough in cancer therapeutics in decades. We are building on years of DARPin® expertise to deliver multi-domain DARPin® candidates that combine targeting of promising immuno-stimulatory proteins with other enhancements designed to add specificity, potency, localization or sustained duration to optimize our candidates' therapeutic profile.

MP0310/AMG506: Multi-specific DARPin® molecule targeting 4-1BB x FAP

MP0310/ AMG506 is designed to locally activate immune cells in the tumor by binding to FAP on tumor stromal cells (where it acts as a localizer) and co-stimulating T cells via 4-1BB (an immune modulator protein).



In 2020, we presented data at the American Academy for Cancer Research (AACR) General Meeting describing the pharmacokinetic and pharmacodynamic research used to establish the optimal dose range for the ongoing multiple ascending dose, phase 1 study of this novel tumor-localized immune agonist.

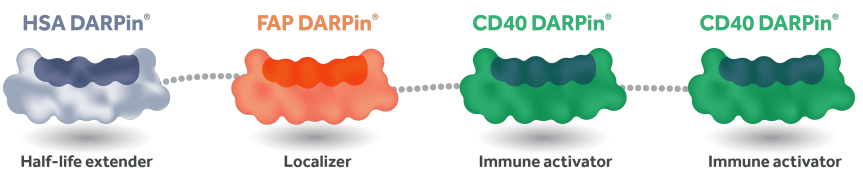
Initial clinical data from the ongoing study were presented in December 2020 at our virtual R&D day and support our preclinical observations. At the time of analysis, 19 of the 22 patients were available for evaluation. Of these, 50% of patients achieved stable disease (SD). To date, this study has reported no dose-limiting toxicities and no serious adverse events (SAEs) of special interest. Tumor biopsies confirm that MP0310 co-localizes to areas with high concentration of FAP, which is a key characteristic of the mechanism of action.

Additionally, significant increases in immune activation were seen across multiple immune cell types, while inflammatory markers were unchanged, and no MP0310 activity was seen in peripheral tissues. Grade 2/3 infusion-related responses (IRRs) were observed in 12 patients and were manageable.

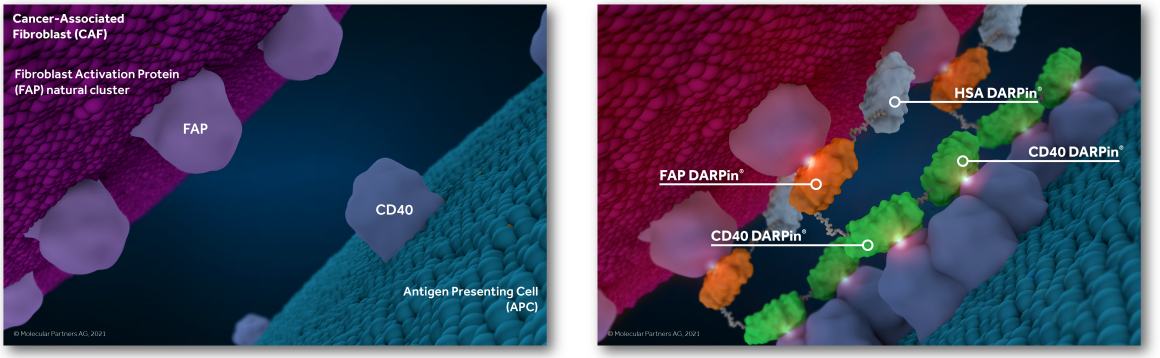
The clinical program will proceed into investigating an optimized dosing schedule to inform potential combination studies with Amgen assets. These studies would be conducted by Amgen.

MP0317: Multi-specific DARPin® molecule targeting FAP x CD-40

The tumor-localized immune agonist MP0317 is the second DARPin® protein in our immuno-oncology pipeline. MP0317 comprises localizer (FAP) and immune stimulator (CD40) DARPin® domains. FAP is found in the tumor stroma in high density and FAP binding is intended to create a local 'super-cluster' of MP0317, locally engaging CD40 on immune cells and activating them. As immune activation only occurs when both targets are simultaneously engaged, the mechanism is designed to ensure immune activation only occurs locally, thus reducing the likelihood of systemic side effects.

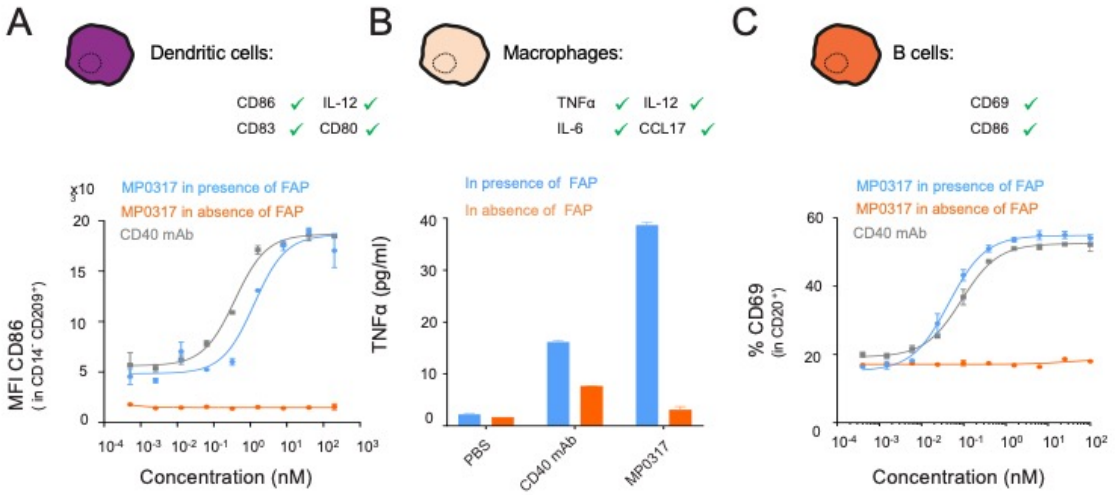


Mechanism of Action



MP0317 is designed to simultaneously engage FAP and CD40 to create tightly bound 'clusters' around tumors, which are necessary to induce CD40-mediated local immune activation.

In 2020, we presented preclinical data at research conferences strongly supporting the intended profile and CD40-mediated immune activation capabilities of MP0317 (see below). In a mouse model, a mouse-specific version of MP0317 was found to substantially inhibit the progression of FAP-positive tumors without showing any of the toxicities seen with administration of a mouse CD40 antibody.

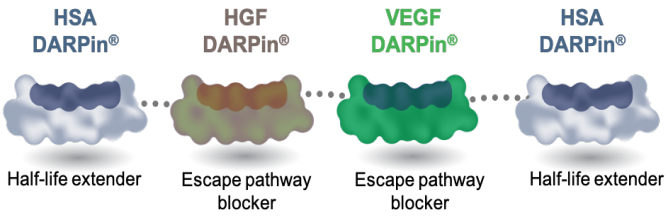


Preclinical data: In human B cells, macrophages and dendritic cells, MP0317 was found to activate the CD40 pathway solely in the presence of FAP-positive cells, confirming its strict dependence on FAP-mediated crosslinking.

Phase 1 initiation for MP0317 is now anticipated in H2 2021 due to a loss of drug supply associated with fill/finish procedures. New batches of MP0317 will be produced in H1 2021 and the clinical study is anticipated to initiate shortly thereafter.

MP0250: Multi-specific DARPin® molecule targeting VEGF x HGF

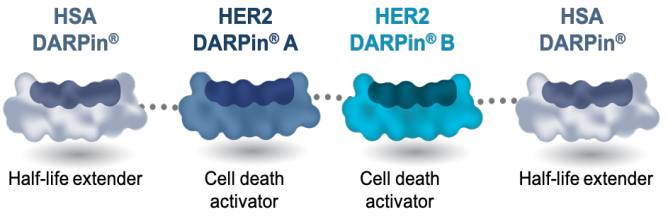
MP0250 consists of four domains that target vascular endothelial growth factor (VEGF), the hepatocyte growth factor (HGF) and human serum albumin (HSA) to increase half-life. VEGF is an important mediator of angiogenesis, the process by which tumors grow new blood vessels to supply them with nutrients. HGF is a growth factor that promotes tumor proliferation and metastasis.



Following promising preclinical data, clinical development of MP0250 proceeded into phase 2 in combination with the proteasome inhibitors bortezomib (Velcade®) and dexamethasone in multiple myeloma. As previously disclosed, deep and durable responses were seen in patients who had previously progressed on multiple lines of therapy, or had seen no prior response from therapy. This study confirmed MP0250's ability to deliver biological activity in combination therapy in this setting. Patient enrollment ended in 2020 and Molecular Partners is evaluating potential clinical collaborations for this program.

MP0274: Multi-specific DARPin® molecule targeting HER2 x HER2

MP0247 binds two distinct epitopes of HER2, an oncogenic protein that signals tumor cell survival and proliferation. It was developed for the treatment of solid tumors with strong expression of HER2. The binding action of MP0274 creates a "molecular handcuffs" effect on HER2, locking it in an inactive conformation, leading to potent inhibition of downstream HER2-mediated signaling.



The phase 1 study of MP0247 concluded in 2020. In total 22 patients received treatment with MP0274, one patient still continues on study. MP0274 was reported to be safe and well tolerated, with one patient observed to have a Partial Response. Presently, Molecular Partners does not plan any additional studies for MP0274.

Expanded Opportunities in Oncology and Beyond

Peptide-MHC targeting DARPin® molecules

Peptide-MHC (pMHC) targeting represents an opportunity for the DARPin® class to access a vast new category of immune targets. pMHC complexes display the intracellular proteome on the surface of cells and thereby can show specific peptides intimately associated with virus-infected cells or tumor cells. They have proved extremely challenging to target – with high affinity and specificity – for other modalities. Our data is demonstrating that the small size and unique binding surfaces of DARPin® molecules make them well suited for binding to pMHC targets with high affinity and specificity.

Other approaches to pMHC targeting such as antibodies have struggled to reconcile base physical attributes of their approach (i.e. the large, flexible nature of antibody structure) with the design parameters of an ideal pMHC binder. The generation of anti-pMHC antibody candidates has been typically very expensive and time-consuming and attempts to increase half-life have been associated with a loss of potency.

In 2020, Molecular Partners has worked to demonstrate that these key challenges are addressable for DARPin® molecules. We have evolved our pMHC candidate design process and achieved dramatic increases in potency and half-life without sacrificing strong selectivity. Crucially, the nature of DARPin® design, whereby we employ rapid high throughput screening against vast libraries of single domain DARPin® molecules before assembling multi-domain DARPin® candidates, has allowed us to generate and assess multiple pMHC candidates in parallel in less than six months. Furthermore, we have demonstrated proof-of-concept for the ability of DARPin® therapeutics to effectively and specifically drug peptide-MHC complexes. We have delivered a robust pMHC candidate design capability in 2020 and look forward to sharing further data at upcoming scientific meetings and creating our first therapeutic candidates.

CD3 / T-Cell targeting DARPin® molecules

Molecular Partners is pursuing T-cell activation through targeting CD3, a major T cell receptor. To-date, many programs targeting CD3 have suffered from toxicity issues arising from CD3 activation outside the tumor and over-stimulation of the immune system. When dealing with complex, heterogeneous tumors, breakthrough efficacy has also been challenging to attain. In 2020, Molecular Partners has worked to integrate the CD3-targeting approach to T cell engagement into a multi-DARPin® format that addresses these key challenges.

The use of tumor localization DARPin® molecules in addition to a CD3-binding DARPin® molecule has allowed the design of candidates with better specificity for a tumor (and thus reduced 'off-tumor' effects), allowing for higher dose levels and better efficacy. In preclinical tests against acute myeloid leukemia (AML) cells, new multi-DARPin® CD3/T cell engager candidates delivered highly potent and specific activity and the potential for a reduced systemic immune response.

We intend to further expand the ability of this therapeutic platform with DARPin® candidates that ensure CD3 is only targeted locally in the tumor microenvironment and is only released slowly over time to further control the risk of side effects and provide sustained activity.

We look forward to sharing further data from this program at upcoming scientific meetings and creating our first therapeutic candidates.

Ophthalmology

Molecular Partners' first registrational-stage candidate, abicipar, was developed as a potent single-domain DARPin® inhibitor of vascular endothelial growth factor (VEGF). Its half-life was designed to be extended via the incorporation of DARPin® molecules binding to HSA, a therapeutic platform now used in multiple DARPin® candidates. Abicipar was exclusively licensed to Allergan, an AbbVie company, in May 2011 on a worldwide basis in the field of ophthalmology.

Abicipar

Abicipar is a DARPin® therapeutic candidate designed to inhibit vascular endothelial growth factor (VEGF). It is at the registrational stage as an investigational candidate for the treatment of neovascular (wet) age-related macular degeneration (nAMD). Abicipar is also an investigational candidate for diabetic macular edema, or DME. Abicipar is designed to remain in the eye longer than current treatments and consequently offers the potential for less frequent dosing.
In June 2020, AbbVie received a Complete Response Letter (CRL) for the Biologics License Application (BLA) of abicipar. The agency's notice indicated that the rate of intraocular inflammation observed following administration of abicipar pegol results in an unfavorable benefit-risk ratio in the treatment of nAMD.

AbbVie has withdrawn its filings for abicipar with both the European Medicines Agency and the Japanese Regulatory Agency and is committed to working with these agencies to determine appropriate next steps and requirements for potential resubmissions for abicipar. There is substantial need for better treatment options for nAMD and we remain confident in the totality of data supporting abicipar's clinical profile for this indication.

As a first-generation DARPin® monomer, abicipar delivered on its promise of a powerful anti-VEGF mechanism and long half-life. Its development has provided a foundation for expanding the potential of the DARPin® drug class and our internal discovery and development capabilities, which are pursuing with success in our focus area of immuno-oncology. We believe this area provides a range of opportunities for DARPin® candidates to deliver unique therapeutic benefits which we have demonstrated through multiple multi-domain DARPin® programs that leverage new therapeutic platforms such as local activation of the immune system in tumors.

Partnering strategy

Molecular Partners has established multiple strategic partnerships to leverage the potential of the DARPin® platform and of DARPin® therapeutic candidates. These partnerships have allowed the Group to broaden and accelerate clinical trials, providing a nearer horizon of access for patients in need of novel treatments. Partnerships have also provided significant funding sources to cross finance the Group's proprietary pipeline. The Group is proud to have the following partnerships in place:

Strategic collaboration with Novartis for COVID-19

In 2020, Molecular Partners entered into a collaboration with Novartis to develop, manufacture and commercialize the DARPin® candidates MP0420 and MP0423, which are potential medicines with a unique approach for both the prevention and treatment of COVID-19.
Under the agreement, during the option period, Molecular Partners will conduct Phase 1 clinical trials for MP0420 and perform all remaining preclinical work for MP0423 and Novartis will conduct Phase 2 and Phase 3 clinical trials, with Molecular Partners as sponsor of these trials. Upon option exercise, Novartis would be responsible for all further development and commercialization activities. During the clinical development stage, Molecular Partners will provide clinical supply. The companies will work together to scale-up manufacturing capacity, in collaboration with Sandoz, the generics and biosimilar Novartis division, to provide worldwide supply.

Strategic collaboration with Amgen for MP0310/AMG 506

In 2018, Molecular Partners entered into a collaboration and license agreement with Amgen for the clinical development and commercialization of the local immune agonist candidate MP0310 (FAP x 4-1BB).
Under the terms of the agreement, Amgen obtains exclusive global development and commercial rights for MP0310. The collaboration aims at evaluating MP0310 in combination with Amgen's oncology pipeline products, including its investigational BiTE® (bispecific T cell engager) molecules. Under the collaboration, Molecular Partners retains certain rights to develop and commercialize its proprietary DARPin® pipeline products in combination with MP0310.

Strategic collaboration with Allergan in ophthalmology

Molecular Partners and Allergan entered into a broad discovery alliance in ophthalmology in 2012 aiming to develop novel multi-specific DARPin® molecules for diseases with high unmet medical need. This alliance broadened the companies' initial collaboration on abicipar from the year 2011. In late 2017, Allergan exercised two options to develop and commercialize DARPin® product candidates from its 2012 discovery alliance agreement with Molecular Partners. In February 2018, Allergan exercised one additional option to develop and commercialize DARPin® product candidates under the same agreement. Following these option exercises, Molecular Partners granted Allergan an exclusive license to the selected DARPin® molecules for use in ophthalmology.

Corporate Sustainability

Molecular Partners is committed to building a sustainable business that invests in the areas of environmental stewardship, social responsibility and corporate governance. Social responsibility is deeply connected to our primary corporate purpose, which is to put patients first and to deliver better treatment options for people with cancer.

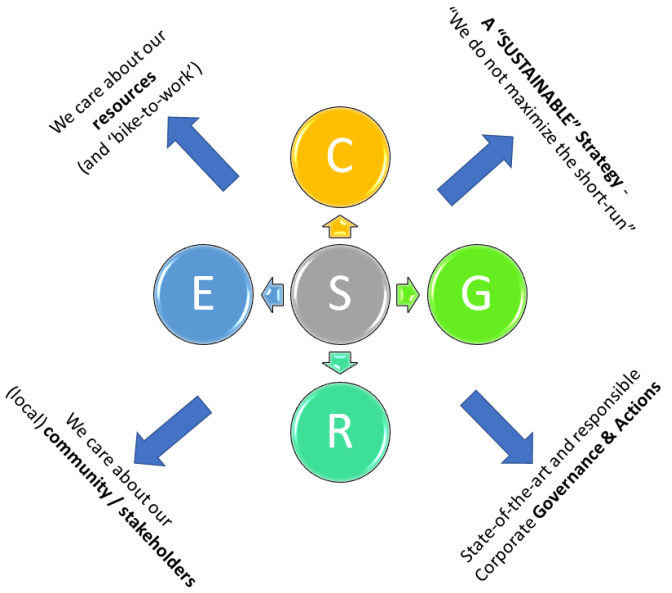
We intend to further formalize this commitment by undertaking measurement and goal-setting of our Environmental, Social and Corporate Governance (ESG) and/or Corporate Social Responsibility (CSR) performance. This is expected to be done with the support of Molecular Partners' Board of Directors and championed by our executive leadership team.

When speaking about CSR, we refer to the idea that a company should be interested in and willing to help society and the environment as well as be concerned about the products and profits it makes. ESG highlights the same theme from a different angle, analyzing the impact of Environmental, Social and Governance on the valuation of companies as Molecular Partners as well as on the society overall.

The Molecular Partners Sustainability Framework

We have developed our own Sustainability Framework to assess our performance on these important parameters.

ESG and CSR are often used interchangeably, or with significant overlap. The intersection of both frameworks is the "Social" lens on business operations; the positioning and behavior of a corporation as a "socially responsible" organization. The "S" is core to Molecular Partners, especially given that the nature of our operations – biopharmaceutical R&D – which do not generate substantial impacts of the type commonly scrutinized such as waste generation, or energy and water usage. Nor do we have extensive value chains, e.g. in emerging regions where we would be required to critically monitor our suppliers.



The Molecular Partners Sustainability framework

Our proprietary framework at the intersection of ESG and CSR comprises our four key initiatives:

- **We care about our resources**
- **We focus on the long-term**
- **We care about our stakeholders and community**
- **We responsibly govern our corporation and act accordingly**

Excellence in Governance remains a critical element of our organization, and is highlighted in detail in the subsequent section of this annual report.

We are a research-driven biotech company that, in keeping with the nature of our industry, is cash flow negative. We are positioned "upstream" in the pharma value chain and provide innovative know-how and unique technologies for large strategic partners such as Novartis, AbbVie or Amgen, all companies with high ambitions and undertaking substantial efforts respectively in the field of sustainability. ESG performance is one parameter by which we assess our partners in selecting which organizations to align with.

Given the nature of our business, we do not currently collect extensive statistics on the resource and environmental impact of our activities but an expanded ESG function is a priority for the organization once profitable status is reached. However, before that milestone we strive to behave environmentally responsibly and sustainably in all our daily behavior, and are guided in our thinking by external research and standards, such as the GRI Sustainability Reporting Standards. The GRI standards are the leading global standards for sustainability reporting and are compliant with regulations established by many governments, financial markets and international organizations.

Several frameworks segregate Corporate Sustainability into several building blocks. The below illustration, developed by Refinitive, highlights twelve key elements which are integrated into one overall ESG score, which informs our thinking at Molecular Partners.

Source: Refinitive

Corporate Sustainability is a theme in our management practices. Below we spotlight areas where we have addressed this theme in concrete initiatives - living out our values.

Spotlights of Contribution to Corporate Responsibility

In the following, we list six key spotlights addressing specific elements of the *Refinitive* framework.

Spotlight 1: COVID-19 program launched in night shifts

It was in March a year ago, when Molecular Partners executives were in Boston for a congress, that COVID-19 suddenly entered the consciousness of scientists. Because just in those days, a super-spreader outbreak in Boston would soon make headlines. In addition, the media showed the shocking pictures from Bergamo, Italy, where the pandemic was already raging. These events and images around the world shook the research team up, and it was thanks to the immediate and personal initiative of a few key individuals who where keen to showcase that the differentiating characteristics of our DARPin® therapeutics should make them ideally suited also for antiviral therapy.

Marcel Walser, team leader in research, was one of our initial champions of the cause, and strongly kept pushing the idea. Marcel hence wrote an e-mail to all employees asking if there were people who wanted to participate - including considerable extra work and additional shifts:

Dear all,
I hope you are healthy and all doing well!

Usually, I would call for a meeting for this but in these times an email has to work as well!

As some of you might have heard, we are considering the generation of COVID-19 neutralizing DARPin® candidates...

Around 30 employees spontaneously agreed. Starting with that key milestone, the momentum continued to accelerate, Marcel and his COVID-19 team worked full pace and extra shifts over the remainder of 2020 - even in a challenging operational environment given the pandemic and its related lockdowns.

External partners such as the University of Utrecht or the high-security laboratory in Spiez were found. And the hard work of our team bore fruit: In just six weeks, the first multi-specific agent was ready. In October, our collaboration agreement with Novartis to develop, manufacture and commercialize our COVID-19 program marked another key achievement, allowing to rapidly advance the program in keeping with the unprecedented global urgency created by the pandemic.

COVID-19 Project Leader Marcel Walser

Together with Novartis and all other partners we remain firmly committed to leverage our complementary strengths and expertise to urgently develop these two potential treatments and if the data are positive, facilitate access to these medicines for patients around the world as quickly as possible. We intensively collaborate with our partners to scale-up manufacturing capacity to provide worldwide supply.

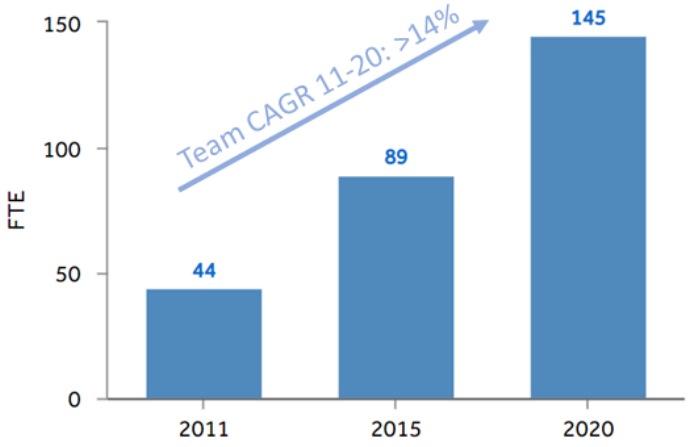
We have agreed to forgo royalties in lower income countries, and are fully aligned with Novartis' plans to ensure affordability based on countries' needs and capabilities. For those regions and their respective patients in need both, the cost-efficient manufacturing process in bacteria as well as the logistical advantages given the stability of DARPin® therapeutics at room temperature are key advantages.

This is our interpretation of Corporate Social Responsibility: To think out of the box, maximize efforts, work extra shifts & extra nights and to engineer our DARPin® candidates to be effective also against deadly viruses.
We do everything to contribute to fight the pandemic – on a global scale for every patient in need and even forgoing respective revenues.

The substantial progress made in the COVID-19 space triggered the decision to leverage the DARPin® platform and its differentiation into other areas of infectious diseases in order to defeat other life threatening diseases such as Dengue. Overall, our vision remains to support global society by developing DARPin® molecules that make an impact.

Spotlight 2: Growing responsibility as an employer in the region

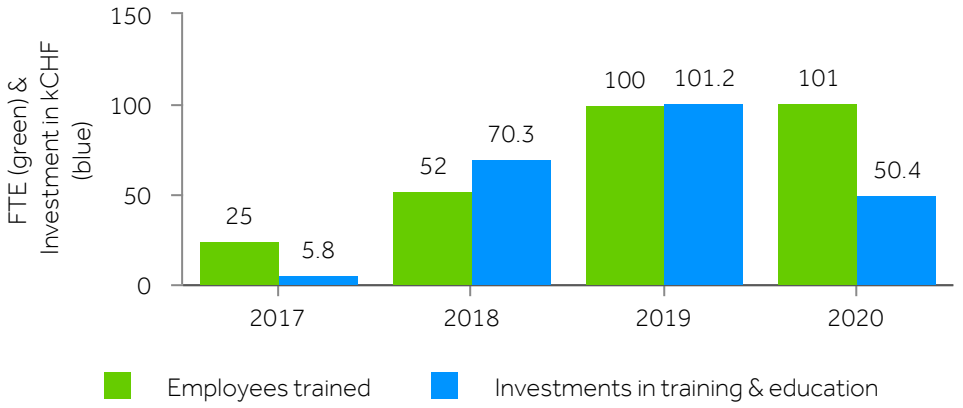
We continued to grow throughout the crisis and contributed to be a major employer in our local community, the biotech cluster Zurich-Schlieren. In 2020, the company's full-time employee (FTE) base grew another 8%, irrespective the COVID-19 pandemic. The compound annual growth rate (CAGR) of our employee base over the past nine years was an impressive 14%.



The vast majority of our employees continue to be researchers, both local and internationally based. We are among the the largest R&D-focused biotechs in Switzerland and our scientists are the key contributors to leveraging our DARPin® platform and make Molecular Partners realize its vision to support patients with cancer and other life-threatening diseases. Leveraging our synergistic partnerships with large pharma partners we are aware that Molecular Partners is a role model for smaller companies in the Swiss biotech space.

Molecular Partners pursues further initiatives to invest in our employees, our primary intellectual capital. Already in 2017, the company has started to roll-out a company-wide training and education initiative. As we strongly believe our employees are the most important resource to achieve our strategic objectives, this program has been extended gradually over the years and focuses both on technical skill oriented, as well as self-development courses.

In 2020 because of the Covid 19 pandemic, Molecular Partners decided to go for a complete online program. With the exception of one, all trainings were conducted via a variety of online tools. Looking at the immediate feedbacks on the trainings, this approach was highly appreciated. Moreover, it allowed to reduce the overall investments in training and education by 50% given the substantially lower logistics costs, having trained even marginally more employees than in 2019.



As working from home or using online tools was new to most employees, Molecular Partners also offered, in addition to the regular L&D program, short webinars on how to use online collaboration tools and managing teams remotely.

Overall, we are proud to say we were able to deliver qualitative and impactful trainings. These also served as get-together moments which were heavily needed to keep everyone engaged and on board. Our workforce also continued to share scientific knowledge and exchange on industry trends externally through conferences and seminars, albeit online.

Spotlight 3: Investments in our team, the workplace and infrastructure

The option to work from home has always been a guiding principle for Molecular Partners, even prior to the COVID-19 pandemic. In order to facilitate a seamless transition to home offices, the company has continuously intensified its investments in IT hardware, state-of-the art software, digital security but also in manpower to support the growing user base for the digital infrastructure.

On the personnel side, we have increased FTEs in our IT department by almost 30% throughout 2020 in order to facilitate smooth operations during the pandemic and an intensified work-from-home environment. A new level of virtual collaboration, meetings and discussion has been quickly adopted throughout the organization.

Finally, given we are working on critical research programs, partly together with public authorities such as Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) or with external strategic partners, or with sensitive patient data from clinical trials, data security is of utmost importance for Molecular Partners.

Spotlight 4: Supporting global scientific stakeholders

Molecular Partners generates intellectual property and pushes the frontiers of its area of medical research. It believes these are social 'goods' in addition to valuable assets. The company is also committed to being a strong industry contributor to scientific exchange and formal collaborations.

In addition to individual training initiatives, highlighted above, we heavily support the sharing of medical research and emerging insights across our industry. While the lockdowns and travel restrictions which were imposed over the course of 2020 evidently had a significant impact on our

researchers' participation in international scientific venues, Molecular Partners employees still participated in multiple key scientific conferences in 2020 - the majority of them held virtually - in order to foster robust scientific and business discourse.

On 2020, we also took-over the vice chair position of the Swiss Biotech Organization in order to contribute to the advancement of our industry, both locally and internationally. We continue to support Swiss startups with our sponsorship of Venture Lab, a leading Swiss startup-initiative and competition. Together with other partners we also sponsor events at the Biotech hub in Schlieren.

Spotlight 5: Corporate Governance, Code of Conduct and Compensation

Continuing throughout 2020, Molecular Partners' employees were trained on the company's Code of Conduct[1] which includes for example. provisions on clinical and scientific integrity, privacy, prohibition of harassment and discrimination, and the fair treatment of animals.

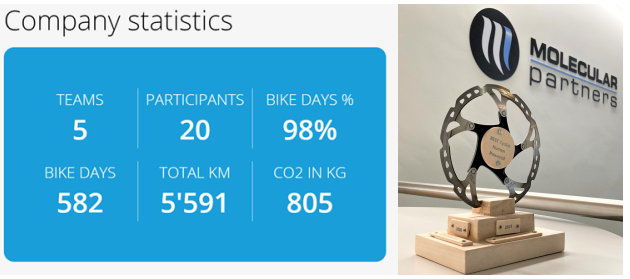
Also, we have in recent years taken steps to ensure fairness of compensation within the company and towards the external market. We therefore participated in Mercer's Life Science Switzerland compensation survey, both in 2019 and 2020, and gradually brought selected employees' compensation in line with this benchmark.

In 2020, we embarked upon a comprehensive internal equal pay analysis, as requested by the Swiss government to all Swiss companies. First high-level results of the 3-month equal pay analysis have confirmed that there is no significant difference in compensation evident, in respect to the gender of employees at Molecular Partners. We are now awaiting the result of the yearly KPMG audit to officially confirm this outcome and we will communicate back on this in next year's Annual Report.

We commit to continuing to take an active role in reviewing our operations and decisions in order to promote diversity, eliminate gender bias, and support equal opportunity. Our overall efforts and achievements in the field of Corporate Governance as well as Compensation are highlighted in detail in the following two key sections of this annual report.

Spotlight 6: "Bike to Work" Initiative

Starting in 2017, multiple groups of Molecular Partners employees have actively participated in a "Bike to work" initiative with the ambition to incentivize the use of the bicycle instead of the car for the daily commute to work. In 2020, again 20 employees actively participated in the initiative – while navigating the challenges created by the COVID-19 pandemic.



Bike to work statistics in 2020 (two month period) and winner award

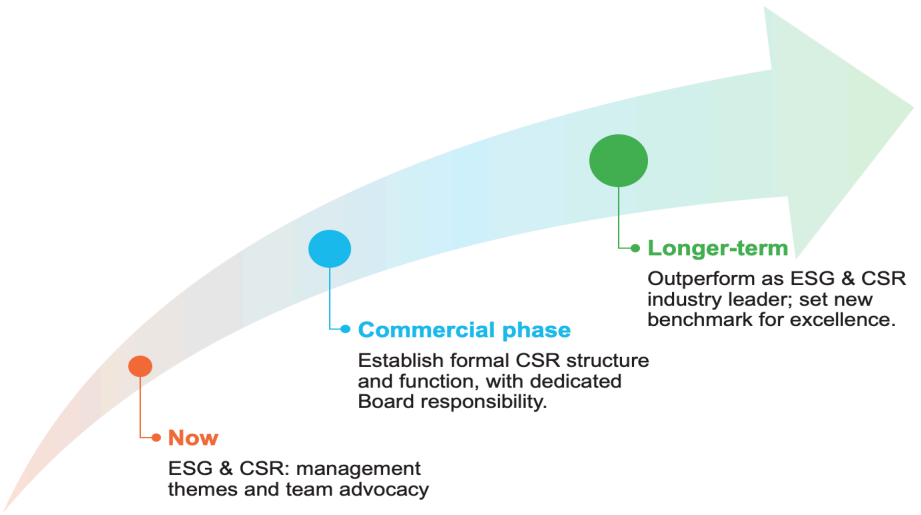
[1] investors.molecularpartners.com/governance-and-compliance/

As a company, we actively promote this initiative among our workforce in our corporate seminars and consequently awarding prizes to the most active teams. Our team celebrates this initiative as one little contribution to environmental responsibility and a corporate-level promotion of a enthusiastic attitude towards making a difference wherever possible.

Outlook & next steps

In the section above, we spotlighted several areas to illustrate that Corporate Responsibility is a core management theme at Molecular Partners. We follow a three-step plan to build upon our existing efforts and be a role model for our industry in Switzerland for best practice ESG for biotechnology companies. Currently we advocate for ESG practices as a core cultural and management theme.

Next steps include formally establishing Corporate Sustainability responsibility at a Board level, and subsequently to achieve the status as an outperformer on ESG initiatives.



Our Three-Step Approach to Corporate Sustainability Excellence

We intend to continue sharing information on our policies and performance on our Corporate Sustainability and Responsibility initiatives, to foster greater transparency, monitoring and mitigation of risk, improve our social impact, and find ways to deliver efficiencies as we deliver on our goal of developing transformative DARPin® therapies for patients.

Corporate Governance Report

The information published in this report follows the SIX Swiss Exchange (**SIX**) Directive on Information relating to Corporate Governance dated June 20, 2019 (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. The market capitalization of the Company as of December 31, 2020 was CHF 605 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, 2020 the most significant shareholders of the Company 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)	2,182,500	7.56 %
Hansjoerg Wyss	2,041,347	7.07 %
Suvretta Capital Management, LLC	1,750,000	6.06 %
Novartis AG	1,739,130	6.02 %
Federated Hermes, Inc.	1,675,900	5.81 %
Essex Woodlands Health Ventures VIII, LLC	1,620,247	5.61 %
UBS Fund Management (Switzerland) AG	1,074,122	3.72 %

[1] This table presents the number of shares held on December 31, 2020 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 20 of the Company Only Financial Statements on page 148 of this Annual Report.

[2] Based on the share capital registered in the Swiss Commercial Register on December 31, 2020 (i.e. CHF 2,886,841.10, divided into 28,868,411 registered shares).

On December 31, 2020, 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, 2020, the issued share capital of the Company amounted to CHF 2,914,699.20 divided into 29,146,992 fully paid up registered shares with a par value of CHF 0.10 per share.

The Company's share capital registered with the Swiss Commercial Register on December 31, 2020 amounted to CHF 2,886,841,10 divided into 28,868,411 fully paid up registered shares with a par value of CHF 0.10 per share.[2]

2.2 Authorized Share Capital

On December 31, 2020, the Company had an authorized share capital in the amount of up to CHF 13,177.10 through the issuance of up to 131,771 fully paid up registered shares with a par value of CHF 0.10 per share, which is valid until April 29, 2022. This authorized capital of up to CHF 13,177.10 equates to approximately 0.5% of the existing share capital. During 2020, the share capital was increased out of authorized share capital for a private placement performed in July 2020 [3]. As a result the available share capital was reduced by CHF 552,808.90 from CHF 565,986 to CHF 13,177.10 .

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.

[2] As a result of the exercise of 278,581 stock options exercised throughout the year 2020 and the vesting of Performance Share Units (PSU) and Restricted Share Units (RSU) from the PSU and RSU plans for 2017, the Company's share capital increased (out of conditional capital) by CHF 27,858.10 from CHF 2,886,841,10 to CHF 2,914,699.20. This capital increase was registered with the Swiss Commercial Register on January 29, 2021.

[3] On July 7, 2020, Federates Hermes, Inc., Camber Capital Management, LP, and Suvretta Capital Management, LLC and other investors acquired shares of the Company that were created from authorized share capital.

2.3 Conditional Share Capital

On December 31, 2020, the conditional share capital available as per Article 3b of the Articles of Incorporation of the Company (the **Articles**)[4] amounted to CHF 176,067.70 divided into 1,760,677 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 37,260 compared to December 31, 2019 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 176,067,70 equates to approximately 6% 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 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 equates to approximately 8% of the existing share capital.[5]

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]
2020	CHF 2,914,699.20[1]	CHF 13,177.10	CHF 176,067.70[3]	CHF 226,087[3]
2019	CHF 2,160,119.20[4]	CHF 565,986.00	CHF 203,925.80	CHF 400,000
2018	CHF 2,122,859.30	CHF 565,986.00	CHF 241,185.70	CHF 400,000

1 For more details, please refer to Section 2.1 on page 42 above.
2 https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20201028-statuten-molecular-partners.pdf
3 For more details, please refer to Section 2.3 on this page.
4 On December 31, 2019, the issued share capital of the Company amounted to CHF 2,160,119.20 whereas the registered share capital amounted to CHF 2,122,859.30. The capital increase was registered with the Swiss Commercial Register on February 13, 2020.

2.5 Participation Certificates and Profit-sharing Certificates

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

2.6 Convertible Bonds and Options

There are no outstanding convertible bonds on the Company's securities existing.

[4] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20210120-statuten-molecular-partners.pdf

[5] On October 28, 2020, Novartis Pharma AG acquired shares of the Company that were created from conditional share capital as part of the collaboration between Novartis and the Company. As a result of this collaboration, the available conditional share capital was reduced by 1,739,130 shares. For more information regarding the collaboration, please refer to page 32 and 82 of this Annual Report.

Details of the restricted share units (each a **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 the Compensation Report pages 69ff and 147 of 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, 2020:

No. of options outstanding	Last expiry date	Exercise price	Subscription ratio	Amount of share capital concerned (in CHF)
38,917	30.09.2022	CHF 2.31	1:1	3,892
2,815	30.04.2023	CHF 6.05	1:1	282
17,942	10.07.2024	CHF 6.06	1:1	1,794
322,385	31.10.2024	CHF 6.94	1:1	32,239
382,059				**38,206**

The above number of all outstanding options equates to approximately 1.3% of the existing share capital. Should all these options been exercised, the issued share capital would amount to CHF 2,952,905.

The number of outstanding options held by the individual members of the Board of Directors and the Management Board can be found in note 20 to the Company Only Financial Statements on page 148 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 2020, 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[6] provide that the Board of Directors shall consist of a minimum of three and a maximum of 11 members. On December 31, 2020, the Board of Directors consisted of seven members. Members (including the chairman of the Board of Directors (the **Chairman**)) 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[7] (including Charters for the Nomination and Compensation Committee[8], the Audit and Finance Committee[9] as well as the Research and Development Committee[10]). 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 2020, the Board of Directors met one time in person, and in addition conducted nine meetings by telephone conference and two circular resolutions. The vast majority of the members was present at each meeting. The physical meeting 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.

[6] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20210120-statuten-molecular-partners.pdf
[7] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf
[8] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-compensation-committee-20141003.pdf
[9] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-audit-committee-20141003.pdf
[10] 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.[11] 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[12], 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.

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, 2020, followed by a short description of each member's birth year, business experience, education and activities.

[11] Please refer to Section 4.6 on page 52 of this Corporate Governance Report for more details on areas of responsibilities of each committee of the Board of Directors..

[12] 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

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

On December 31, 2020, 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. The following changes occurred in the membership of the Board of Directors during 2020: Dr. Göran Ando, Dr. William A. Lee and Dr. Petri Vainio did not stand for re-election at the 2020 Annual General Meeting and left the Board of Directors on April 29, 2020. Sandip Kapadia, Vito J. Palombella, Ph.D., and Michael Vasconcelles, M.D. were elected at the 2020 Annual General Meeting.[13]

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

[13] On February 5, 2020, the Company announced that Dr. Gwen Fyfe would not stand for re-election at the general meeting of shareholders of April 21, 2021.

William M. Burns, born in 1947

William "Bill" Burns is the Chairman of the Board of Directors of the Company. Mr. Burns worked for Roche in various positions for 28 years culminating in the position as CEO of Roche Pharmaceuticals (2001-2009) and board seats at Roche (2010-2014), Genentech (2004-2014) and Chugai Pharmaceutical (2002-2014). He was non-executive director (2011-2014) and chairman (2014-2016) of BioTie Therapies Corp. Since 2010, he has been non-executive director of Shire Pharmaceuticals, and from 2016 senior independent director. He stepped down from the Shire board in April 2018. Since 2011, Mr. Burns has been a non-executive director of Vestergaard S.A. He became chairman of Vestergaard in 2017. Mr. Burns has been vice-chairman of Mesoblast since 2016. He has been a trustee and governor of the Welcome Trust Ltd. and a trustee of the Institute of Cancer Research, London until 2020. Since June 2020, Mr. Burns is a member of the Senior Advisory Board of Healthcare Royalty Partners. He is also a member of the Novo Holdings Advisory Group, and a member of the Scientific Advisory Board of the Center for Integrated Oncology of the University of Cologne/ Bonn. Mr. Burns holds a bachelor's degree in economics from the University of Strathclyde, Glasgow.

Dr. Gwen Fyfe, born in 1952

Dr. Gwen Fyfe has more than 20 years of drug development experience in oncology. She held various positions at Genentech from 1997-2009, including vice president, oncology development, playing an important role in the development of Genentech's approved oncology agents including Rituxan®, Herceptin®, Avastin® and Tarceva®. Since leaving Genentech in 2009, she has been a consultant for venture capital firms and for a variety of biotechnology companies. Dr. Fyfe is a recognized expert in the broader oncology community and has been an invited member of Institute of Medicine panels, National Cancer Institute working groups and grant committees and American Society of Clinical Oncologists oversight committees. Dr. Fyfe was member of the board of directors of Array BioPharma until 2019 and Cascadian Therapeutics until 2018. She is a graduate of Washington University School of Medicine and a board certified pediatric oncologist.

Steven H. Holtzman, born in 1954

Steven Holtzman is the chair of the boards of directors of Qihan Biotech and Camp4 Biotherapeutics, and a founder and member of the board of directors of Shoreline Bio, all private biotechnology companies. Since January 2020, he has served as a strategic advisor to Decibel Therapeutics, a private biotechnology company, where he served as the company's first president and chief executive officer and a member of the board of directors from 2016 to 2020. Prior to Decibel, from 2011 to 2016 he served as executive vice president, Corporate Development at Biogen, Inc., a public biotechnology company. Previously, from 2001 to 2011, Steve was a founder, and the chief executive officer and the chair of the board of directors of Infinity Pharmaceuticals, Inc., a public biotechnology company. He was also, from 1994 to 2001, an early leader and the chief business officer of Millennium Pharmaceuticals, a public biotechnology company. From 1986 to 1994 he was a founder, and the executive vice president and a member of the board of directors of DNX Corporation, a public biotechnology company. He is a member of the board of trustees 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 was appointed by President Clinton to the US National Bioethics Advisory Commission and he also served as the vice chair of the board of trustees of the Hastings Center for Bioethics and the Life Sciences. He obtained his undergraduate degree in Philosophy from Michigan State University and his graduate degree in Philosophy from Oxford University, which he attended as a Rhodes Scholar.

Sandip Kapadia, born in 1970

Sandip Kapadia brings over 20 years of life science industry experience and has served as the Chief Financial Officer for Intercept Pharmaceuticals, Inc. since July 2016. Previously, Mr. Kapadia has held numerous finance leadership positions over 19 years at Novartis and Novartis affiliates in the United States, Switzerland, the Netherlands, and the United Kingdom, including CFO of North America at Novartis's generic division, Sandoz. Mr. Kapadia is currently also a director of Passage Bio since January 2020 and Vectiv Bio Holding AG since December 2020, and previously of Therachon AG. Mr. Kapadia received a B.S. in Accounting from Montclair State University and an M.B.A. from Rutgers University, and is also a U.S. certified public accountant (CPA).

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 and translational research 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.

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

Michael Vasconcelles, M.D., is the Chief Medical Officer of Flatiron Health, a health technology company focused on improving patient care and accelerating cancer research through the use of real world data (RWD) and real world evidence (RWE) in oncology. Previously, Dr. Vasconcelles served as Chief Medical Officer at Unum Therapeutics Inc. Prior to Unum, he spent several years at Takeda/Millennium. As Senior Vice President and Global Therapeutic Area Head for oncology, he was accountable for the research and development strategy and execution of the oncology portfolio, from discovery through product licensure and post-approval. Dr. Vasconcelles joined the faculty of the Harvard Medical School in 1996 and is currently a clinical instructor in medicine at Harvard Medical School and a practicing oncologist and associate physician at the Dana-Farber Cancer Institute and Brigham & Women's Hospital in Boston. Dr. Vasconcelles is a member of numerous professional societies, including the American Society of Clinical Oncology and the American Society of Hematology. His current board commitments include the Personalized Medicine Coalition and the Eastern New England Board of the American Cancer Society. Dr. Vasconcelles completed his postgraduate training in internal medicine at the Beth Israel Hospital, and in hematology-oncology at the Brigham and Women's Hospital. He received his B.A. and M.D. from Northwestern University.

Dr. Patrick Amstutz, born in 1975

Dr. Patrick Amstutz has been CEO of the Company since November 2016. From 2014 to 2016, he was Chief Operating Officer and from 2006 to 2014, Chief Business Officer. He co-founded the Company and has been a member of the Company's Management Board since its inception in 2004. As Chief Operating Officer and Chief Business Officer, Dr. Amstutz was responsible for business development, alliance management and research and development (R&D) operations. He has established a wide range of commercial collaborations and out-licensed several key technologies. Since 2017, Patrick Amstutz has been vice-president of the board of the Swiss Biotech Association. Dr. Amstutz holds a Master of Science from the ETH Zurich and a PhD 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[14], 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.

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[15], the Charter of the Nomination and Compensation Committee[16] and the Charter of the Research and Development Committee[17].

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 external auditor, the financial statements and of the internal control system of the Company. In particular, the Audit and Finance Committee[18] (i) assesses the quality and effectiveness of the external audit, (ii) assesses the internal control system, including risk management and the efficiency and state of compliance with applicable norms and its monitoring within the Company, (iii) reviews the Company's financial statements, discusses them with the CEO and the CFO and, separately, with the external auditor, and decides whether the year-end financial statements can be recommended to the Board of Directors for presentation in the general meeting of shareholders, (iv) assesses the performance of, and the fees charged by, the external auditor, ascertains its independence and examines compatibility of the auditing responsibilities with any consulting mandates, (v) discusses with the Management Board any legal matters that may have a material impact on the Company Only Financial Statement or the Consolidated Financial Statements and any material reports or inquiries from regulatory or governmental agencies which could materially impact the Company's contingent liabilities or risks, (vi) supports the Board of Directors in the financial planning as well as in establishing principles of accounting and financial

[14] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20210120-statuten-molecular-partners.pdf
[15] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-audit-committee-20141003.pdf
[16] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-compensation-committee-20141003.pdf
[17] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20190205-charter-research-and-development-committee.pdf
[18] 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.

control and (vii) reviews finance policy and operations in treasury, controlling, insurance, tax, investments and acquisitions.

The Audit and Finance Committee holds meetings as often as required, but in any event at least twice a calendar year. In 2020, the Audit and Finance Committee held seven meetings of approximately one hour and a half each. 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 2020 the Audit and Finance Committee met with the external auditor four times.

On December 31, 2020, the Audit and Finance Committee consisted of Sandip Kapadia (chairperson), William M. Burns 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 page 62 of the Compensation 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 2020, five meetings of the Nomination and Compensation Committee took place and lasted on average for one hour and a half. In addition, two circular resolutions have been adopted. 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, 2020, 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 2020, seven 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 consultant who joined part of the committee meeting.

On December 31, 2020, the Research and Development Committee consisted of Dr. Michael Vasconcelles (chairperson), Dr. Gwen Fyfe 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 the Compensation Report at page 71ff of this Annual Report. Information about shareholdings of the members of the Board of Directors can be found in note 20 to the Company Only Financial Statements on page 148 of this Annual Report.

5. Management Board

5.1 Responsibilities and Organization

In accordance with Swiss law, the Articles[19] and the Organizational Rules[20], and subject to non-delegable 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.

[19] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20210120-statuten-molecular-partners.pdf
[20] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf

5.3 Members

The following table sets forth the name, nationality and function of each member of the Management Board on December 31, 2020, 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
Dr. Nicolas Leupin	Swiss	2019	Chief Medical Officer
Dr. Michael Tobias Stumpp	German	2018	Chief Operating Officer (from 2006 to 2018 Chief Scientific Officer)

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

Dr. Patrick Amstutz, born in 1975

Dr. Patrick Amstutz has been Chief Executive Officer of the Company since November 2016. From 2014 to 2016, he was Chief Operating Officer and from 2006 to 2014, Chief Business Officer. He co-founded the Company and has been a member of the Company's Management Board since its inception in 2004. As Chief Operating Officer and Chief Business Officer, Dr. Amstutz was responsible for business development, alliance management and research and development (R&D) operations. He has established a wide range of academic and commercial collaborations and in-/out-licensed several key technologies. Since 2017, Patrick Amstutz has been vice-president of the board of the Swiss Biotech Association. Dr. Amstutz holds a Master of Science from the ETH Zurich and a PhD in molecular biology from the University of Zurich.

Andreas Emmenegger, born in 1966

Andreas Emmenegger is Chief Financial Officer and Co-Entrepreneur of the Company since 2007. Prior to that, he was CFO of Glycart Biotechnology AG, which was acquired by Roche in 2005 and Head of Strategic Alliance Finance (Genentech) for Roche Headquarters in Switzerland from 2005 until 2007. He has more than 20 years of experience as a CFO of several public and private multinational companies, of which 15 years in the biotech industry. In these CFO roles, he raised overall around CHF 1 billion through public and private primary and secondary transactions. He led the IPOs at the SIX Swiss Exchange of Molecular Partners in 2014 and of Interroll Holding AG in 1997. In addition, Mr. Emmenegger has more than 10 years of international industry experience in banking, capital markets, M&A and human resources. Since 2016, he has been a member and chairman of the audit and finance committee 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.

Dr. Nicolas Leupin, born in 1973

Nicolas Leupin, M.D., MBA, is Chief Medical Officer of the Company. Dr. Leupin 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 Leupin held roles of increasing responsibility at Celgene, where he supported the clinical development of several drug candidates in lymphoma and multiple myeloma, resulting in regulatory filings in Europe and the U.S.

Dr. Michael Tobias Stumpp, born in 1972

Dr. Michael Tobias Stumpp is Chief Operating Officer of the Company. Dr. Stumpp is a co-founder of the Company and before assuming the role of the Chief Operating Officer, he was Chief Scientific Officer of the Company. Dr. Stumpp was part of the team working on designed repeat proteins as next-generation protein drugs at University of Zurich that also invented the DARPin® technology. He received his PhD from the University of Zürich for his work on repeat proteins. Since the Company`s inception, he also oversaw the DARPin® pipeline. Dr. Stumpp started his scientific career at the ETH Zurich and then progressed to the Imperial College London and the Tokyo Institute of Technology. Dr. Stumpp has published his research in many international peer reviewed scientific journals and presented his findings at numerous congresses.

5.4 Rules Regarding Mandates in the Articles

According to Article 33 of the Articles[21], 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 the Compensation Report on page 73 of this Annual Report. Information about shareholdings of the members of the Management Board can be found in note 20 to the Company Only Financial Statements on page 148 of this Annual Report.

[21] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20210120-statuten-molecular-partners.pdf

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 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, 2020, all four 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 the Compensation Report on page 68ff of 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 a **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[22] 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 has in place two new long-term incentive plans (each a **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 "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 a **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.

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

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 1,000	2020	2019
Auditing fees	180	183
Other assurance related services[23]	230	192
Tax related services	—	—

9.4 Informational Instruments 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 2020, 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's proposal for the (re-)election of the external auditor by the shareholders at the general meeting of shareholders.

[23] The 2020 fees for other assurance related services include, among other services, the fees related to the share capital increases performed by the Company in 2020.

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**) where its shares are listed and traded.

The Company publishes an annual report that provides (i) audited 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. 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 investors.molecularpartners.com/investor-and-scientific-documents/annual-and-financial-reports/ and at investors.molecularpartners.com/investor-and-scientific-documents/presentations/.

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 investors.molecularpartners.com/register-for-alerts/.

Ad hoc notices can also be found in the section on news releases at 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

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 2020 in accordance with Section 5 of the Annex to the Directive on Corporate Governance (**DCG**) and the Ordinance Against Excessive Compensation in Public Companies (**Compensation Ordinance**).

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 on page 53.

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:

Agenda Item	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 compensation and nomination matters as far as he or the Management Board is concerned. 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 2020, six meetings of the Nomination and Compensation Committee and the Board of Directors took place in January, February, March, June, September and December dealing with compensation matters. A meeting of the Nomination and Compensation Committee dealing with 2020 compensation and Compensation Report was held in January 2021. A meeting of the Board of Directors dealing with the Compensation Report was held in February 2021. The Nomination and Compensation Committee and the Board of Directors discussed and approved the following primary compensation matters:

December 2019

- Discussion of corporate goals 2020

January/February 2020

- Approval of corporate goals 2020
- Compensation of Board of Directors and Management Board for 2020
- Compensation report 2019
- Various compensation matters for senior management and employees

March 2020

- Motions to the Annual General Meeting 2020 regarding compensation
- Compensation report 2019
- Long-term equity incentive plans 2020 and allocation of related PSUs/RSUs

June 2020

- Mapping of Employment and Compensation Topics 2020/2021
- Interim review of achievement of corporate goals 2020

September 2020

- Follow-up on employment and compensation topics identified in June 2020 (in particular talent attraction, reward systems and adjustment to LTI plans),
- Review of corporate goals 2020
- Board self-assessment and Management performance surveys

December 2020

- Achievement of corporate goals 2020
- Determination of corporate goals 2021
- Compensation of Board of Directors and Management Board for 2021

January 2021

- Review of Compensation Report 2020

February 2021

- Approval of Compensation Report 2020

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

In summer 2018, 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 2020 of the Board of Directors and the Management Board. In this analysis, compensation data of 12 Swiss companies[24] (including biotechnology, medical technology and pharmaceutical companies) and 17 biotech companies listed on the NASDAQ[25] were collected. According to the above benchmark data, the cash and equity compensation of the Board of Directors was found to be below the 25th percentile of the peer group of the 17 biotech companies listed on the NASDAQ[26]. No additional benchmarking study was performed for the 2020 compensation.

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.[27]

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 on page 75.

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:

[24] Idorsia, Tecan, Ypsomed, Siegfried, Bachem, Aevis Victoria, Basilea, Coltene, Obseva, Evolva, Santhera and Newron Pharma.
[25] Tesaro, Blueprint Medicines, Ironwood, Spectrum, Repligen, Momenta, Epizyme, Immunogen, CytomX, Macrogenics, PTC, Five Prime, G1, Jounce, Pieris, Neon and Rubius.
[26] See footnote 25 above.
[27] https://investors.moleculARpartners.com/~/media/Files/M/Molecular-Partners/articles/20201028-statuten-molecular-partners.pdf

- 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' 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 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 2020 to the Annual General Meeting 2021, such fees are as follows:

Chairmanship Fee	CHF 125,000 (This fee is a lump sum fee which includes the Chairman's membership to the Nomination and Compensation Committee and to the Audit and Finance Committee, the chair of the Nomination and Compensation Committee and the travel fee)
Board Membership Fee	CHF 20,000
Committee Fee	CHF 10,000 for the Audit and Finance Committee and Research and Development Committee; CHF 5,000 for the Nomination and Compensation Committee
AFC Chair Fee	CHF 5,000
Travel Fee	CHF 10,000 for members based in the US and CHF 5,000 for members based in Europe[1]

[1] Despite travel restrictions during part of the year 2020, the travel fee was paid to the Board members also taking into consideration the increased Board work in 2020 related to, among other things, the material partnering and equity transactions and the strategic expansion into virology.

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[28].

[28] Please refer to footnotes 1 in the 2020 compensation table and to footnotes 1 and 3 in the 2019 compensation table in section 4.2 on page 73 of the Compensation Report.

3.2.2 Cash Bonus

Cash bonuses are awarded to reward employees and 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).

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 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 2020 were as follows:

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

The cash bonus can be between 0% and a maximum (cap) of 120% of the target bonus depending on the achievement of the corporate goals. In any event, not more than 120% of the target bonus will be paid out.

The corporate goals for 2020 were divided into five categories with each category having a predetermined weighting:

- Goals regarding Molecular Partners' research portfolio with the objective to develop differentiated products based on novel therapeutic DARPin® designs
- Goals regarding Molecular Partners' development portfolio with the objective to advance clinical stage compounds with focus and accelerate early immuno-oncology pipeline
- Goals regarding financing and partnering with the objective to ensure sufficient cash-reach to execute strategy and access to technology/expertise
- Goals regarding internal organization, capabilities and culture with the objective to develop organization capabilities and culture to innovate and execute the strategy
- Goals regarding Abicipar

Each category includes 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.

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 2020 were approved by the Board of Directors in March 2020. 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 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.

Performance Share Units (PSUs)

PSUs 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 number of the PSUs granted to the members of the Management Board are as follows:

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

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 three factors, being evaluated after 12 months (the so-called allocation date) from the grant date:

Factors	**Weighting**
Achievement of the corporate goals for the year 2020 (see section 3.2.2 above)	Between 0% and maximum 80%
Achievement of other long-term value driving milestones outside of the corporate goals 2020	Between 0% and maximum 20%
Share price performance[1] of Molecular Partners over 12 months since grant date: (i) 20% is reached if the share price performance is larger than/equal to 10% compared to the average performance of NBI/SPI indices; (ii) 0% is reached if share price performance is less than /equal to 0% compared to the average performance of NBI/SPI indices; and (iii) pro rata if share price is between 0-10% compared to the average performance of the NBI/SPI indices.	Between 0% and maximum 20%
Total	**Between 0% and maximum 120%**

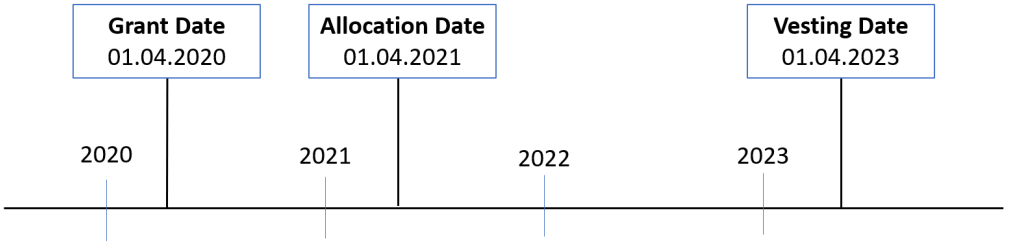
1 The relevant share price and NBI/SPI indices are the average of the last paid price/index of the trading days during the two months prior to the grant date compared to the same period in year plus one. (For PSUs 2020 granted on 1 April 2020: 1 February to 31 March 2020 vs 1 February to 31 March 2021)

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 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 three 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 achievement of the other long-term value driving milestones outside of the corporate goals (i.e. the two first factors above) 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.

From a time perspective, the PSU plan 2020 can be summarized as follow:



RSUs and PSUs grants and adoption of LTI Plan for 2020:

- Existing employees and members of the Management Board[29] received PSU grants on April 1, 2020 and the employees who joined Molecular Partners after April 1, 2020 received PSU grants depending on their entry date on July 1, 2020, October 1, 2020 or January 1, 2021.
- Members of the Board of Directors received their grants of RSUs under the RSU Plan 2020 after the ordinary shareholders' meeting of 2020, i.e. after shareholders' approval of the compensation amount for the Board of Directors.

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[30] 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, 2020, a total of 382,059 options were outstanding under the Employee Stock Option Plan 2009 and 2014[31]. For additional information reference is made to note 18.2 of the IFRS financial statements on pages 111ff of this Annual Report.

3.3 Change of Control Clauses

Please refer to section 8 of the Corporate Governance Report of the Company on page 58 of this Annual Report.

[29] For members of the Management Board, the grant is made subject to approval by the ordinary shareholders' meeting 2020 of the variable compensation amount for the year 2020.
[30] At the reporting date, there were no outstanding options under the Employee Stock Option Plan 2007.
[31] For details on the number of options held by the members of the Board of Directors and the Management Board, please refer to note 20 of the Company only Financial Statements on page 148 of this Annual Report.

4. Compensation for Financial Year under Review

4.1 Compensation to the Members of the Board of Directors

The tables below summarize the compensation of the members of the Board of Directors in 2020 and 2019:

Year 2020	Base compensation		RSUs		Total Compensation[1]
in CHF 1'000	Base fee (cash gross)	Pension contributions	Number of RSUs	Value of RSUs	
William Burns Member/Chairman	125	—	9,562	170	295
Dr. Göran Ando Member/Vice-Chairman[2]	15	—	—	—	15
Steven Holtzman Member	44	—	4,781	85	129
Dr. William A. Lee Member[3]	16	—	—	—	16
Dr. Petri Vainio Member[4]	13	—	—	—	13
Dr. Gwen Fyfe Member	40	—	4,781	85	125
Sandip Kapadia Member[5]	30	—	4,781	85	115
Vito J. Palombella Member[6]	27	—	4,781	85	112
Michael Vasconcelles Member[7]	30	—	4,781	85	115
Dr. Patrick Amstutz[8] Member	—	—	—	—	—
Total	340	—	33,467	595	935

[1] The total compensation awarded to the members of the Board of Directors shown in this table does not include the payments of TCHF 7 made by the Group in 2020 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2020 in 2023, the Group 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 2020 expected to vest in 2023 will amount to approximately TCHF 9.

[2] Dr. Göran Ando did not stand for re-election at the Annual General Meeting 2020 on April 29, 2020.

[3] Dr. William A. Lee did not stand for re-election at the Annual General Meeting 2020 on April 29, 2020.

[4] Dr. Petri Vainio did not stand for re-election at the Annual General Meeting 2020 on April 29, 2020.

[5] 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.

[6] 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.

[7] 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.

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

Year 2019 in CHF 1'000	Base compensation Base fee (cash gross)	 Pension contributions	RSUs Number of RSUs	 Value of RSUs	Total Compensation[1]
William Burns Member/Chairman	132	—	11,169	195	327
Dr. Göran Ando Member/Vice-Chairman	40	—	4,296	75	115
Steven Holtzman Member	34	—	4,296	75	109
Dr. William A. Lee Member	45	—	4,296	75	120
Dr. Petri Vainio Member	36	—	4,296	75	111
Dr. Gwen Fyfe Member	34	—	4,296	75	109
Dr. Patrick Amstutz Member	—	—		—	—
Total	321	—	32,649	570	891

[1] The total compensation awarded to the members of the Board of Directors shown in this table does not include the payments of TCHF 6 made by the Group in 2019 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2019 in 2022, the Group 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 2019 expected to vest in 2022 will amount to approximately TCHF 10.

The total compensation paid to the Board of Directors in 2020 slightly increased compared to 2019. While the cash compensation remained largely unchanged compared to the cash compensation 2019, the equity compensation 2020 in the form of RSUs slightly increased in accordance with the budget approved by the Annual General Meeting 2020. While the equity compensation of the Chairman decreased, the equity compensation of the members of the Board of Directors slightly increased, reflecting the need to attract[32] and retain qualified directors from the biotech industry in the United States given the importance on a global scale of US biotech companies and US market and regulations.

In 2020, the portion of compensation delivered in the form of RSUs (based on the fair value of the RSUs at grant[33]) amounted to 64% (2019: 64%) of the total compensation paid to the members of the Board of Directors.

The compensation paid out to the Board of Directors in 2020 and 2019 did not exceed the respective budgets approved by the Annual General Meetings 2020 and 2019.

Compensation Paid to Former Members of the Board of Directors

In 2020 and 2019, no compensation was paid to former members of the Board of Directors.

[32] At the Annual General Meeting 2020, three new US Board members were elected to the Board of Directors.
[33] The fair value is calculated at the grant date based on the average share price in the two months prior to the grant date.

4.2 Compensation to the Management Board in 2020 and 2019

The tables below summarize the compensation of the members of the Management Board in 2020 and 2019:

Year 2020	Fixed compensation		Variable compensation			Total Compensation
in CHF 1'000	Base salary (cash gross)[1]	Pension contributions	Bonus (cash gross)	Number of PSUs	Value of PSUs	Total Compensation[1]
Total Management	1,350	205	665	55,059	1,156	3,376
Patrick Amstutz (CEO)	380	59	218	18,096	380	1,037

1 The total compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 101 made by the Group in 2020 to cover the mandatory employer social security contribution on the base salary and on the bonus. In addition, upon vesting of the PSUs 2020 in 2023, the Group 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 2020 expected to vest in 2023 will amount to approximately TCHF 67 (assuming 100% target achievement and full vesting of the PSUs).

Year 2019	Fixed compensation		Variable compensation			Total Compensation
in CHF 1'000	Base salary (cash gross)[1]	Pension contributions	Bonus (cash gross)	Number of PSUs [2]	Value of PSUs [2]	Total Compensation[3]
Total Management	1,653	173	418	65,913	1,204	3,448
Patrick Amstutz (CEO)	363	56	131	20,043	380	930

[1] Out of TCHF 1,653 indicated as base salary in the 2019 table above, TCHF 43 relate to tax allowances and other allowances paid to Pamela Trail.

[2] Pamela Trail and Andreas Harstrick were granted PSUs in 2019 for an aggregate value of TCHF 542. However, because these PSUs forfeited according to the applicable PSU Plan 2019 upon their departure from the Management Board of the Group, the number and value of these PSUs are not included in the compensation table.

[3] The total compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 109 made by the Group in 2019 to cover the mandatory employer social security contribution on the base salary and on the bonus. In addition, upon vesting of the PSUs 2019 in 2022, the Group 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 2019 expected to vest in 2022 will amount to approximately TCHF 68 (assuming 100% target achievement and full vesting of the PSUs).

The compensation paid to the Management Board in 2020 includes the compensation paid to four members of the Management Board. While the base salaries paid to these executives remained unchanged compared to 2019[34], the bonus amount increased. This increase is exclusively function of a higher achievement ratio of the corporate goals in 2020 compared to the achievement ratio of the corporate goals in 2019[35]. The target bonus percentage of the four members of the Management Board (CEO, CFO, COO, CMO) remained unchanged in 2020 compared to 2019.

The compensation paid to the Management Board in 2019 includes the compensation paid to 6 individuals who were members of the Management Board at some point during the year 2019. In addition to Patrick Amstutz (CEO), Andreas Emmenegger (CFO) and Michael Stumpp (COO) who were members of the Management Board throughout the year 2019, the compensation described above includes the compensation paid to:

– Pamela Trail who was Chief Scientific Officer (CSO) of the Group until June 30, 2019;

[34] The difference between the CEO's compensation in 2019 and 2020 is due to a salary increase effective as of July 1, 2019 in line with the applicable compensation period for the Management Board which starts on July 1 of a year and ends on June 30 of the following year . The CEO's compensation remained unchanged for the period July 1, 2020 to June 30, 2021.

[35] The achievement ratio of the corporate goals 2019 reached 72% while the achievement ratio of the corporate goals 2020 reached 115%. Please refer to Section 3.2.2 above for more information on the determination of the cash bonus.

– Andreas Harstrick who was Chief Medical Officer (CMO) of the Group until August 31, 2019[36]; and

– Nicolas Leupin who was appointed CMO of the Group effective as of September 1, 2019.

Pamela Trail departed from her role as Chief Scientific Officer effective July 1, 2019 and was employed by the Group until July 9, 2019. The compensation paid to Pamela Trail until July 9, 2019 is included in the table above. Pamela Trail provided consultant services to the Group during the period July 10, 2019 to June 30, 2020. Please refer to note 23 ("Related Party Transactions") of the IFRS Financial Statements on page 119 for further information.

For the entire Management Board, the variable compensation (cash bonus and PSUs based on the fair value of the PSUs at grant[37]; excluding social security and pension contributions) represented 54% of the total compensation in 2020 (2019: 47%).

Use of Supplementary Amount

Financial Year 2020

The fixed and variable compensation paid to the Management Board in 2020 did not exceed the respective budget approved by the annual general meetings 2019 and 2020.

Financial Year 2019

Pamela Trail was appointed Chief Scientific Officer of the Company and member of the Management Board on June 21, 2018, i.e. after the Annual General Meeting held on April 18, 2018 which approved the fixed compensation budget of the Management Board for the period from July 1, 2018 through June 30, 2019, and the variable compensation budget of the Management Board for the year 2018. As a result, the fixed compensation paid to the Management Board for the period from July 1, 2018 through June 30, 2019 exceeded the fixed compensation budget approved by the annual general meeting 2018.

For the financial year 2019, TCHF 133 of Pamela Trail's fixed compensation for the period from January 1, 2019 to June 30, 2019 has been paid out of the supplementary amount pursuant to Article 29 of the Company's Articles. The fixed compensation paid out to the Management Board for the period from July 1, 2019 to December 31, 2019 did not exceed the fixed compensation budget approved by the annual general meeting 2019.

The variable compensation paid out to the Management Board in 2019 did not exceed the budget for the variable compensation approved by the annual general meeting 2019.

Compensation Paid to Former Members of the Management Board

In 2019, no compensation was paid to former members of the Management Board. In 2020, TCHF 53 were paid to Molecular Partners' former CMO, Andreas Harstrick, as base salary for the rest of his contractual notice period.

[36] The cash compensation paid to Andreas Harstrick in 2019 during his termination notice after August 31, 2019 is included in the table above.
[37] The fair value is calculated at the grant date based on the average share price in the two months prior to the grant date.

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[38] 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[39] 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, 2020 and 2019, 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 20 of the Company only Financial Statements on page 148 of this Annual Report.

[38] See Article 31 of the Articles (https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20201028-statuten-molecular-partners.pdf)
[39] See Article 32 of the Articles (https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20201028-statuten-molecular-partners.pdf)

Report of the Statutory Auditor

To the General Meeting of Molecular Partners AG, Schlieren

We have audited the accompanying compensation report of Molecular Partners AG for the year ended December 31, 2020. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in section 4 (pages 71-75) of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to remuneration, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2020 of Molecular Partners AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Judith Herold
Licensed Audit Expert

Zurich, February 24, 2021

KPMG AG, Räffelstrasse 28, Postfach, CH-8036 Zürich


MOLECULAR
partners

IFRS Consolidated Financial Statements

Consolidated statement of financial position as of December 31,		2020	2019
in CHF thousands	Note		
Assets			
Property, plant and equipment	6	9,387	4,242
Intangible assets	7	347	772
Total non-current assets		**9,734**	**5,014**
Short-term time deposits	11	40,000	19,368
Prepaid expenses and accrued income	9	1,254	2,497
Trade and other receivables	10	2,837	2,344
Cash and cash equivalents	11	133,721	75,712
Total current assets		**177,812**	**99,921**
Total assets		**187,546**	**104,935**
Shareholders' equity and liabilities			
Share capital	12	2,915	2,160
Additional paid-in capital		299,479	182,849
Cumulative losses		(195,174)	(130,870)
Total shareholders' equity		**107,220**	**54,139**
Contract liability	15	2,939	10,017
Lease liability	22	6,039	1,278
Employee benefits	18.1	13,678	10,896
Total non-current liabilities		**22,656**	**22,191**
Trade and other payables	13	5,825	2,410
Accrued expenses	14	7,718	6,618
Contract liability	15	42,948	18,310
Lease liability	22	1,179	1,267
Total current liabilities		**57,670**	**28,605**
Total liabilities		**80,326**	**50,796**
Total shareholders' equity and liabilities		**187,546**	**104,935**

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

Consolidated statement of comprehensive loss for the year ended December 31,		2020	2019
in CHF thousands	Note		
Revenues			
Revenues from research and development collaborations		9,344	20,383
Total revenues	5	**9,344**	**20,383**
Operating expenses			
Research and development expenses	16	(56,075)	(43,498)
Selling, general and administrative expenses	16	(11,595)	(13,545)
Total operating expenses		**(67,670)**	**(57,043)**
Operating result		**(58,326)**	**(36,660)**
Financial income	19	367	1,599
Financial expenses	19	(4,816)	(1,210)
Net financial result		**(4,449)**	**389**
Result before income taxes		**(62,775)**	**(36,271)**
Income taxes	20	11	(17)
Net result, attributable to shareholders		**(62,764)**	**(36,288)**
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax	18.1	(1,514)	(4,711)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(26)	(14)
Other comprehensive result, net of tax		**(1,540)**	**(4,725)**
Total comprehensive result, attributable to shareholders		**(64,304)**	**(41,013)**
Basic and diluted net result per share	21	(2.51)	(1.69)

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

Consolidated statement of cash flows for the year ended December 31,		2020	2019
in CHF thousands			
	Note		
Net result attributable to shareholders		(62,764)	(36,288)
Adjustments for:			
Depreciation and amortization	6 / 7	2,887	2,469
Share-based compensation costs	18	2,932	2,438
Change in employee benefits		1,268	473
Income tax	20	(11)	17
Financial income	19	(367)	(1,599)
Financial expenses	19	4,816	1,210
Changes in working capital:			
Change in prepaid expenses and accrued income		1,040	453
Change in trade and other receivables		(552)	49,570
Change in trade and other payables		3,395	(270)
Change in contract liability	15	17,560	(20,383)
Change in accrued expenses		1,037	217
Exchange gain/(loss) on working capital positions		6	604
Interest paid		(219)	(91)
Income taxes paid		(2)	—
Other financial expense		(9)	(9)
Net cash used in operating activities		**(28,983)**	**(1,189)**
Proceeds from investments in short-term time deposits		52,765	56,630
Investments in short-term time deposits		(73,397)	(75,998)
Acquisition of property, plant and equipment	6	(1,451)	(1,031)
Acquisition of intangible assets	7	(232)	(833)
Interest received		569	1,396
Net cash used in investing activities		**(21,746)**	**(19,836)**
Proceeds from issuance of new shares, net of transaction costs	12	113,613	—
Proceeds from exercise of stock options, net of transaction costs	12	840	1,010
Payment of principal portion of lease liabilities		(1,251)	(1,237)
Net cash from (used in) financing activities		**113,202**	**(227)**
Exchange loss on cash positions		(4,464)	(1,994)
Net increase (decrease) in cash and cash equivalents		**58,009**	**(23,246)**
Cash and cash equivalents at January 1		75,712	98,958
Cash and cash equivalents at December 31	11	**133,721**	**75,712**

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	Cumulative losses	Total shareholder's equity
At January 1, 2019	**2,123**	**179,438**	**(89,857)**	**91,704**
Net result	—	—	(36,288)	(36,288)
Remeasurement of net pension liabilities [1]	—	—	(4,711)	(4,711)
Exchange differences on translating foreign operations	—	—	(14)	(14)
Total comprehensive income	**—**	**—**	**(41,013)**	**(41,013)**
Share-based compensation costs [1]	—	2,438	—	2,438
Exercise of stock options, net of transaction costs [2]	37	973	—	1,010
At December 31, 2019	**2,160**	**182,849**	**(130,870)**	**54,139**
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 income	**—**	**—**	**(64,304)**	**(64,304)**
Share-based compensation costs [1]	—	2,932	—	2,932
Issuance of new shares, net of transaction costs [3]	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**

(1) See note 18
(2) See note 12
(3) See note 1 and 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", "Group") is a clinical stage biopharmaceutical company focusing on the discovery, development and commercialization of DARPin®, a novel class of therapeutic proteins. DARPin® combine the specificity and selectivity of monoclonal antibodies with many properties of small molecules, enabling new therapeutic approaches. 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 twelve-month period ended December 31, 2020 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.

Significant events during the reporting period

Allergan, an AbbVie Company following the acquisition by AbbVie, announced in June 2020 that the U.S. Food and Drug Administration issued a Complete Response Letter to the Biologics License Application for abicipar. AbbVie is to determine appropriate next steps with relevant regulatory agencies.

The Group announced on July 7, 2020 a placement of 5,528,089 new registered shares, corresponding to approximately 25% of the Group's registered share capital, by way of an accelerated bookbuilding process, at an offering price of CHF 14.50 per share. The gross proceeds, before deducting commissions and offering expenses, amounted to CHF 80.2 million. The offering included participation by new and existing institutional investors in Switzerland, the United States and the European Union. Please also see note 12.

On August 11, 2020 the Group announced the reservation by the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Group has received a reservation fee of CHF 7,0 million. This will secure priority access for the FOPH-BAG to purchase reserved doses of MP0420, if clinical trials are successful and MP0420 is approved in Switzerland. Clinical studies were initiated in Q4 2020. See also note 5.

On October 28, 2020 the Group announced an Option and Equity Rights agreement with Novartis. Novartis has been granted an option to in-license global rights of MP0420 and MP0423 – multi-targeted direct-acting antiviral therapeutic candidates demonstrating potential efficacy against COVID-19. Under the terms of the agreement, Molecular Partners has received a non-refundable cash payment of CHF 20 million for development activities relating to tech transfer and manufacturing for the commercial supply of MP0420. As part of the transaction, Novartis also

agreed to acquire CHF 40 million worth of ordinary shares, at a price of CHF 23 per share. As a result, Novartis holds approximately 6% of the outstanding shares of the Company as of December 31, 2020. Molecular Partners is eligible to receive a future payment of CHF 150 million, upon Novartis exercising the option for an exclusive license to both therapeutic candidates, two milestone payments of CHF 2.5 million each related to Phase 1 activities for MP0423 plus 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. Please also see note 5 and note 12.

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".

The Group is monitoring the situation surrounding the COVID-19 pandemic and its potential impact on patients, the team, the partners and the business. During the twelve month period ended December 31, 2020 as well as of the reporting date there are no, nor were there any, major disruptions to operations. The Group continues to comply with all local and federal instructions as it relates to the safety of our employees, patients, and citizens.

Based on the Group's cash position at December 31, 2020 and supported by the above, 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 period ended December 31, 2020 were approved for issuance by the Company's Board of Directors on February 24, 2021.

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 2020 did not have a material effect on these consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 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 loss 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 income.

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 currently solely comprise of IT 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 12 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. These are classified as non-current assets. Interest income on the short-term deposit is accounted for on the statement of comprehensive loss 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 takes into consideration 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.

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 2020 and 2019. 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 liable for US federal and Massachusetts and California state 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 an annual base salary exceeding CHF 150,000 are eligible to participate. 29 of the 31 eligible employees participated in this plan as of December

31, 2020 (30 out of 32 eligible employees as of December 2019). 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 income.

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 scheme and the associated expenses are presented under operating expenses in the statement of comprehensive loss.

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 Company'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 liability.

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 a cost-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 a cost-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 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 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 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 biotechnology 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. See note 4, "Critical accounting estimates and judgments." 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, 2020 and 2019.

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 circumstances include also the possible impacts of the COVID-19 pandemic.

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 regards 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. Revenues and entity-wide disclosures

The Group assesses and estimates the progress of its projects with alliance partners at each reporting date. When the cost-based / input method is applied, the Group recognizes revenue based on the ratio of the associated costs incurred to date and the total forecasted costs to satisfy the performance obligation.

During the second half of 2020 the Group increased its estimate of the total future costs required to satisfy the performance obligation under the Amgen collaboration. This change in estimate affects the allocation of revenue over time and has no impact on the total amount recognized or to be recognized into revenue under the agreement with Amgen. This increase in the total estimated future costs resulted in a lower amount of revenue recognized for the twelve month period ended December 31, 2020, as compared to the comparable prior year period. The increase in total future costs is primarily related to continued development of various dosing schedules under phase 1a of the collaboration. The remaining unrecognized transaction price at December 31, 2020 of TCHF 18,983 for Amgen will be recognized in line with the recognition of estimated expenses to satisfy the performance obligation.

In October 2020, the Group entered into a contract with Novartis, granting Novartis the exclusive option to in-license global rights in relation to drug candidates MP0420 and MP0423. Under the terms of the agreement, the Group has received an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Group has equally committed to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply for MP0420. Any such amount which is 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 to be offset against the upfront non-refundable fee from the contract (see below, as well as note 15).

During the reporting period, costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 in the amount of TCHF 96 have been offset against the upfront non refundable fee (see note 15).

During the twelve month periods ended December 31, 2020 and 2019, 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	**2020**	**2019**
Revenues USA	9,344	20,383
Total revenues	**9,344**	**20,383**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	**2020**	**2019**
Amgen Inc., USA	9,344	20,383
Total revenues	**9,344**	**20,383**

Option and Equity Rights Agreement with Novartis

On October 28, 2020 the Group announced entering into an Option and Equity Rights agreement with Novartis. Novartis has been granted an option to in-license global rights of MP0420 and MP0423 – multi-targeted direct-acting antiviral therapeutic candidates demonstrating potential efficacy against COVID-19. Please see note 12 for the related acquisition of shares by Novartis.

Under the agreement, during the option period, Molecular Partners will conduct Phase 1 clinical trials for MP0420 and, if agreed between the parties, perform all remaining preclinical work for MP0423 and conduct the MP0423 phase 1 trial for which two milestone payments of CHF 2.5 million each will be due in case of initiation and completion. Novartis will conduct Phase 2/3 clinical trials, with Molecular Partners as legal sponsor of these trials. The contract foresees the sharing of knowledge of the results of phase 1 and phase 2 activities with Novartis, though these do not result in a transfer of a license until the exercise of the option for an exclusive license. Upon exercise of such option, Novartis would be responsible for all further development and commercialization activities. During the clinical development stage, Molecular Partners will provide clinical supply.

The Group is eligible to receive a future payment of CHF 150 million, upon Novartis exercising the option for exclusive license to the therapeutic candidates, in addition to 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.

Molecular Partners is required to spend up to the full amount of the non-refundable fee of CHF 20 million for the commercial supply of MP0420, which is to be manufactured by Sandoz, a division of the Novartis Group. The full amount of the upfront fee is therefore allocated to the performance obligation for the tech transfer and manufacturing in relation to the required commercial supply of MP0420.

Given the urgency of finding a therapeutic solution for COVID-19, such production is already on-going, and anticipated to occur in parallel to Phase 1 and Phase 2/3 activities. The commercial supply manufacturing with Sandoz will provide Molecular Partners a supply of the drug candidate MP0420, which will be able to be commercialized only upon receiving regulatory approval. Should Novartis exercise the option for the exclusive license for drug candidates MP0420 and MP0423, such supply will be purchased by Novartis by reference to the costs incurred by the Group.

As Molecular Partners' performance obligation in relation to the tech transfer and manufacturing is highly inter-dependent with the actual manufacturing of the drug candidate MP0420 by the Novartis Group, the amount paid by Molecular Partners to the Novartis Group for the manufacturing and purchase of materials for the drug product is considered to be consideration payable to a customer. The related manufacturing costs paid to the Novartis Group are therefore offset against the non-refundable upfront fee (see note 15). The Group determined using an over time cost-based method to measure its progress in relation to the related tech transfer and manufacturing activity performed by third parties, most faithfully depicts the progress of the Group to satisfy the performance obligation.

Reservation Agreement with the Swiss Federal office of Public Health

The reservation agreement announced on August 11, 2020, resulted in a current contract liability of CHF 7.0 million, as presented in the consolidated statement of financial position. The agreement consists of two reservation rights: the first being FOPH-BAG's option to have priority access to the first 200,000 doses produced; and the second being FOPH-BAG's option to obtain access to 5% of the additional planned total production, up to 3,000,000 doses, if such production is undertaken by the Group. In case a final product will become available, the initial 200,000 doses, and any additional

doses are to be subject to a separate sales contract to be agreed amongst the parties. Certain pricing provisions have been pre-negotiated, but remain subject to final therapeutic dose and whilst there is preferential pricing for the initial doses, which results in a performance obligation, the pricing for any further doses is expected to be at market prices and therefore not considered to result in a separate performance obligation.

In the period, the Group has met the contractually agreed milestone specified in the contract, meaning that the reservation fee received from the FOPH-BAG is no longer refundable. However, as the fee refers to a reservation right, it will only be recognized as 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.

License and Collaboration Agreement with Amgen

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 terms of the agreement, the Group granted to Amgen an exclusive worldwide, royalty-bearing, sublicensable license under the Group's patents and know-how relating to MP0310 / AMG506 to develop and commercialize MP0310 / AMG 506. The parties will jointly evaluate MP0310 / AMG 506 in combination with Amgen`s oncology pipeline products, including its investigational BiTE® (bispecific T-cell engager) molecules. Under the collaboration, Molecular Partners retains certain rights to develop and commercialize its proprietary DARPin® pipeline products in combination with MP0310 / AMG 506.

Under the agreement the Group received a non-refundable upfront payment of $50 million. The Group has the lead on performing certain clinical development, manufacturing and regulatory activities in the first clinical phase and the Group assigned the full $50 million upfront as the transaction price to this performance obligation, based on the Group's development plan and the contractual agreement. The Group has considered if the contract contains a significant financing component and has concluded this was not the case. The Group is recognizing 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. The Group determined using an over-time cost-based method to measure its progress most faithfully depicts the inputs it will take the Group to satisfy the performance obligation. Please see also note 15 for the amount that has not yet been recognized as revenue.

In addition the Group is eligible to receive up to $497 million in development, regulatory and commercial milestone payments, as well as double-digit, tiered royalties up to the high teens. The Group considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason the Group considers the achievement of the various milestones as binary events that will be recognized into revenue upon occurrence. Furthermore, the parties will share the clinical development costs in defined percentages for the first three indications subject to certain conditions. For all additional clinical trials, Amgen is responsible for all development costs.

Abicipar Agreement with Allergan, an AbbVie Company

In May 2011, the Group entered into a license and collaboration agreement with Allergan. Under the agreement, the Group granted Allergan an exclusive, worldwide, royalty-bearing, sublicensable license under our patents and know-how relating to abicipar and other backup compounds to make, use, sell, offer for sale, and import products containing abicipar and its corresponding backups for ophthalmic indications. Allergan is responsible, at its expense, for developing and

commercializing abicipar, and must use commercially reasonable efforts to develop, seek regulatory approval for, and commercialize abicipar in certain key countries, including the United States, several major European markets and Japan. Allergan paid the Group an upfront license fee of $45 million in May 2011 and a regulatory milestone fee of $15 million upon the initiation of its Phase 3 clinical trials for wet AMD in July 2015. These non-refundable upfront fees have all been recognized into revenue in prior years. The Group is also eligible to receive up to an additional $210 million upon the achievement of certain development and regulatory milestone events and $150 million upon the achievement of certain sales milestone events. In addition, the Group will receive a tiered royalty percentage ranging from the low to mid-teens on worldwide annual net sales of abicipar.

Allergan, an AbbVie Company following the acquisition by AbbVie, announced in June 2020 that the U.S. Food and Drug Administration issued a Complete Response Letter to the Biologics License Application for abicipar. AbbVie is to determine appropriate next steps with relevant regulatory agencies.

Discovery Alliance Agreement with Allergan, an AbbVie Company

In August 2012, the Group strategically expanded its existing relationship with Allergan by entering into an exclusive discovery alliance agreement under which the parties will collaborate to design and develop DARPin® products against selected targets that are implicated in causing diseases of the eye. The Group received an upfront payment of $40 million and a further $1.5 million upfront payment in connection with a 2014 amendment to the agreement, and Allergan agreed to pay us an option exercise fee of $10 million upon its exercise of further options. In July 2015, Allergan agreed to make an accelerated payment of $30 million for the exercise of these options. In February 2018 Allergan exercised its last of the three options resulting in a recognized revenue of CHF 9.4 million. All revenue from these non refundable fees has been recognized in prior years. The Group is also eligible to receive additional success-based payments, including up to $960 million in development, regulatory and sales milestones, and tiered royalties ranging from a mid-single digit to low double digit percentage for future product sales by Allergan.

6. Property, Plant and Equipment

in CHF thousands	Lab equipment	Office equipment	IT hardware	Right-of-use assets	Leasehold improvements	Total
2020						
Cost						
At January 1, 2020	7,456	639	929	3,782	317	13,123
Additions	881	21	549	5,984	—	7,435
Disposals	—	—	(359)	(150)	—	(509)
At December 31, 2020	**8,337**	**660**	**1,119**	**9,616**	**317**	**20,049**
Accumulated depreciation						
At January 1, 2020	(5,963)	(579)	(856)	(1,247)	(236)	(8,881)
Depreciation charge for the year	(639)	(38)	(260)	(1,256)	(37)	(2,230)
Disposals	—	—	359	90	—	449
At December 31, 2020	**(6,602)**	**(617)**	**(757)**	**(2,413)**	**(273)**	**(10,662)**
Carrying amount at December 31, 2020	**1,735**	**43**	**362**	**7,203**	**44**	**9,387**

The right-of-use assets relate to the facilities the Group is leasing in Schlieren, Switzerland. The additions to the the right-of-use assets during 2020 were TCHF 5,984 and related to the remeasurement of the lease liability following the exercise by the Group of an option for the extension of the lease by 5 years (until December 31, 2026) with a new earliest contractual termination date for both the lessor and the Group on the major real estate lease of December 31, 2025. Disposals under the right-of-use assets related to the return of certain assets to the lessor. Please also see note 22.

in CHF thousands	Lab equipment	Office equipment	IT hardware	Right-of-use assets	Leasehold improvements	Total
2019						
Cost						
At January 1, 2019	6,553	603	839	—	317	8,312
Adoption of IFRS 16 as of January 1, 2019	—	—	—	3,639	—	3,639
Additions	903	38	90	143	—	1,174
Disposals	—	(2)	—	—	—	(2)
At December 31, 2019	**7,456**	**639**	**929**	**3,782**	**317**	**13,123**
Accumulated depreciation						
At January 1, 2019	(5,379)	(508)	(778)	—	(192)	(6,857)
Depreciation charge for the year	(584)	(73)	(78)	(1,247)	(44)	(2,026)
Disposals	—	2	—	—	—	2
At December 31, 2019	**(5,963)**	**(579)**	**(856)**	**(1,247)**	**(236)**	**(8,881)**
Carrying amount at December 31, 2019	**1,493**	**60**	**73**	**2,535**	**81**	**4,242**

7. Intangible assets

in CHF thousands	IT software
2020	
Cost	
At January 1, 2020	1,471
Additions	232
Disposals	(173)
At December 31, 2020	**1,530**
Accumulated amortization	
At January 1, 2020	(699)
Amortization charge for the year	(657)
Disposals	173
At December 31, 2020	**(1,183)**
Carrying amount at December 31, 2020	**347**

in CHF thousands	IT software
2019	
Cost	
At January 1, 2019	638
Additions	833
Disposals	—
At December 31, 2019	**1,471**
Accumulated amortization	
At January 1, 2019	(256)
Amortization charge for the year	(443)
Disposals	—
At December 31, 2019	**(699)**
Carrying amount at December 31, 2019	**772**

8. Financial instruments

in CHF thousands	Financial assets at amortized costs
2020	
Cash and cash equivalents	133,721
Trade and other receivables	159
Accrued income	2
Short-term time deposits	40,000
Balance at December 31	**173,882**
2019	
Cash and cash equivalents	75,712
Trade and other receivables	94
Accrued income	204
Short-term time deposits	19,368
Balance at December 31	**95,378**

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
2020	
Trade payables	2,800
Accrued project costs and royalties	1,972
Lease liabilities	7,218
Other non-employee related accrued expenses	775
Balance at December 31	**12,765**
2019	
Trade payables	2,019
Accrued project costs and royalties	3,343
Lease liabilities	2,545
Other non-employee related accrued expenses	507
Balance at December 31	**8,414**

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. Prepaid Expenses and Accrued Income

in CHF thousands	2020	2019
Prepayments	1,252	2,293
Accrued income	2	204
Balance at December 31	**1,254**	**2,497**

10. Trade and Other Receivables

in CHF thousands	2020	2019
Trade receivables	159	23
Value added tax	1,376	653
Withholding tax	199	486
Other receivables	1,103	1,182
Balance at December 31	**2,837**	**2,344**

Trade receivables are denominated in the following currencies:

in CHF thousands	2020	2019
CHF	159	21
USD	—	2
Balance at December 31	**159**	**23**

11. Cash, Cash equivalents and Short-term time deposits

in CHF thousands	2020	2019
Cash at bank in CHF	96,576	11,450
Cash at bank in EUR	6,365	12,803
Cash at bank in USD	29,776	47,220
Cash at bank in GBP	1,004	4,239
Total cash at bank at December 31	**133,721**	**75,712**
Short-term time deposits in CHF	40,000	—
Short-term time deposits in USD	—	19,368
Total short-term time deposits at December 31	**40,000**	**19,368**

The short-term time deposits in CHF at December 31, 2020 contain three positions with two major Swiss banks. The short-term time deposits in USD at December 31, 2019 contain one position with a major Swiss bank. Please also refer to note 25.

The increase in Cash, Cash equivalents and Short-term time deposits during 2020 was the result of the placement of new shares in July 2020, the reservation agreement with the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) in August 2020 and the Option and Equity Rights agreement with Novartis in October 2020, as also described in notes 1, 5 and 12.

12. Shareholders' Equity

The Group announced on July 7, 2020 a placement of 5,528,089 new registered shares, corresponding to approximately 25% of the Group's registered share capital, by way of an accelerated bookbuilding process, at an offering price of CHF 14.50 per share. The new shares were issued from existing authorized share capital of the company under exclusion of the existing shareholders' pre-emptive rights. The new shares were listed and admitted to trading on SIX Swiss Exchange as of July 9, 2020. Payment and settlement took place on the same date.

Presented under the caption of additional paid-in capital on the statement of financial position, the Group accounted for a deduction of 6,043 TCHF for transaction costs. This deduction represents the costs that were incremental and directly attributable to the issuance of the new shares. The Group invested part of the net proceeds from the capital increase into short-term time deposits and the remaining part into cash and cash equivalents.

On October 28, 2020 the Group announced an Option and Equity Rights Agreement with Novartis. As part of the transaction, Novartis agreed to acquire 1,739,130 new ordinary shares for CHF 40 million, out of the conditional capital, at a price of CHF 23 per share. As a result, Novartis holds approximately 6% of the outstanding shares of the Company.

Presented under the caption of additional paid-in capital on the statement of financial position, the Group accounted for a deduction of TCHF 501 for transaction costs. This deduction represents the costs that were incremental and directly attributable to the issuance of the new shares.

The Group invested part of the net proceeds from the capital increases into short-term time deposits and the remaining part into cash and cash equivalents.

Classes of Share Capital

Ordinary share capital
On December 31, 2020, the Company's issued share capital amounted to CHF 2,914,699.20 divided into 29,146,992 fully paid registered shares with a par value of CHF 0.10 each. As of December 31, 2019, the Company's issued share capital consisted of 21,601,192 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 regards to the Company's residual assets and dividends (if any should be declared in the future).

The Company's share capital registered with the Swiss Commercial Register on December 31, 2020, amounted to CHF 2,886,841.10 divided into 28,868,411 fully paid up registered shares with a par value of CHF 0.10 per share.

A total of 7,545,800 new registered shares were issued in 2020 as a result of the placement of new shares following the capital raise in July 2020 and the Novartis agreement in October 2020 plus the option exercises and the vesting of Performance Share Units ("PSU") and Restricted Share Units (RSU), from the PSU and RSU plans 2017. The corresponding capital increases were registered with the commercial register in three steps on July 20, 2020, and November 9, 2020 for the transactions in July and October and on January 29, 2021 for the option exercises and the vesting of the PSU and RSU Plans 2017 .

Authorized share capital
The Board of Directors is authorized to increase the share capital at any time until April 19, 2022 by a maximum amount of CHF 13,177 by issuing a maximum of 131,771 fully paid up shares with a par value of CHF 0.10 each. An increase of the share capital in partial amounts is permissible.

During 2020, the share capital was increased out of authorized share capital for the private placement performed in July 2020. As a result, the available authorized share capital was reduced by CHF 552,809 from CHF 565,986 to CHF 13,177.

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, 2020 the Company's share capital was allowed to be increased by an amount not to exceed CHF 176,068 through the issuance of up to 1,760,677 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 2020, 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 27,858 from CHF 203,926 to CHF 176,068.

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 2020, the share capital was increased out of this conditional capital for financing transactions and other purposes (Article 3c of the Articles of Association). As a result, the available conditional capital for financing transactions and other purposes was reduced by CHF 173,913 from CHF 400,000 to CHF 226,087.

In 2020, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") amounted to TCHF 848 and was all serviced from the issuance of new shares (conditional share capital).

In 2019, the cash proceeds from the exercise of share options and the early vesting of performance share units ("PSUs") amounted to TCHF 1,020 and all was serviced from the issuance of new shares (conditional share capital).

Significant Shareholders

As of December 31, the largest shareholders in the Company disclosed to the Company based on the published notifications to SIX, as applicable, are:

Shareholders with over 3% of share capital registered with the Commercial Register	**2020**	**2019**
Mark N. Lampert (Biotechnology Value Funds)	7.56 %	— %
Hansjoerg Wyss	7.07 %	9.62 %
Suvretta Capital Management, LLC	6.06 %	— %
Novartis AG	6.02 %	— %
Federated Hermes, Inc.	5.81 %	5.14 %
Essex Woodlands Health Ventures VIII, LLC	5.61 %	7.63 %
UBS Fund Management (Switzerland) AG	3.72 %	5.16 %
Michael Tobias Stumpp	<3.00%	4.80 %
Patrick Amstutz	<3.00%	4.06 %
Andreas Plückthun	<3.00%	4.15 %
Pictet Asset Management (Direction de Fonds)	<3.00%	3.32 %
Johnson &Johnson	<3.00%	3.12 %
Patrik Forrer	<3.00%	3.03 %
GAM Holding AG	<3.00%	3.03 %

The percentages above are based on (i) the number of shares held by such shareholders, excluding any options, PSUs and RSUs held by such shareholders and (ii) for the year ended December 31, 2020, 28,868,411 common shares, which is the share capital registered with the commercial registry on December 31, 2020 (December 31, 2019, 21,228,593 common shares).

13. Trade and Other Payables

in CHF thousands	2020	2019
Trade payables	2,800	2,019
Social security	1,715	391
Value added tax	1,310	—
Balance at December 31	**5,825**	**2,410**

Trade payables are denominated in the following currencies:

in CHF thousands	2020	2019
CHF	556	617
EUR	2,043	1,092
USD	17	172
GBP	184	138
Balance at December 31	**2,800**	**2,019**

14. Accrued Expenses

in CHF thousands	2020	2019
Accrued project costs and royalties	1,972	3,343
Accrued payroll and bonuses	4,967	2,751
Other	779	524
Balance at December 31	**7,718**	**6,618**

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 / cost reduction in year one after balance sheet date	42,948
Expected revenue recognition in year two after balance sheet date	2,939
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, 2020	**45,887**

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	18,310
Expected revenue recognition in year two after balance sheet date	9,530
Expected revenue recognition in year three after balance sheet date	487
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, 2019	**28,327**

The table below presents the movement during 2020 on the contract liability:

in CHF thousands	Contract liability at January 1, 2020	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2020
Amgen	**28,327**	—	(9,344)	—	**18,983**
Novartis	**—**	20,000	—	(96)	**19,904**
FOPH-BAG	**—**	7,000	—	—	**7,000**
	28,327	**27,000**	**(9,344)**	**(96)**	**45,887**

An amount of TCHF 96 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 (see note 5).

in CHF thousands	Current	Non-current	Contract liability
Amgen	16,044	2,939	18,983
Novartis	19,904	—	19,904
FOPH-BAG	7,000	—	7,000
Balance at December 31, 2020	**42,948**	**2,939**	**45,887**

16. Additional Information on the Nature of Expenses

Research and development expenses

in CHF thousands	2020	2019
Research consumables and external research and development expenses	(26,599)	(20,314)
Personnel expenses [1], see also note 18	(25,251)	(19,722)
Depreciation and amortization	(2,319)	(2,088)
Intellectual property	(492)	(568)
Facility expenses	(683)	(565)
Other research and development expenses	(169)	(191)
Royalties and license fees, see also note 17	(562)	(50)
Total year ended December 31	**(56,075)**	**(43,498)**

Selling, general and administrative expenses

in CHF thousands	2020	2019
Personnel expenses [2], see also note 18	(8,383)	(7,870)
Other administrative expenses	(2,587)	(5,231)
Depreciation and amortization	(568)	(381)
Facility expenses	(57)	(63)
Total year ended December 31	**(11,595)**	**(13,545)**
Total operating expenses	**(67,670)**	**(57,043)**

(1) Research and development non-cash effective pension and share-based compensation costs were TCHF 2,612 in 2020 and TCHF 1,549 in 2019.

(2) Selling, general and administrative non-cash effective pension and share based compensation costs were TCHF 1,573 in 2020 and TCHF 1,351 in 2019

17. Royalties and License Fees

The Group holds an exclusive perpetual license from the University of Zurich on patent applications and patents relating to the DARPin® base technology. Under this license agreement, the Group is required to pay the University of Zurich flat royalties of a low single digit percentage on net sales of licensed products, which vary based on the field in which the licensed product is commercialized. In addition, the Group is obligated to pay the University of Zurich a percentage of license fee revenues it receives from sublicensing its rights to third parties in five tiers, ranging from the low single digits to the low teens, depending on the total amount of payments received for the particular sublicense granted.

Finally, the Group is also obligated to pay the University of Zurich a percentage of the royalty payments it receives from sublicensees in three tiers based on their net sales of licensed products and the applicable field in which the licensed product is sold, ranging from the low single digits to the mid teens. The Group has the right to terminate the license at any time with six months' prior written notice. The minimum amount the Group is required to pay is CHF 60,000 per annum (including CHF 10,000 for another separate license). The minimum amount payable for 2019 was CHF 50,000. For both 2020 and 2019 the minimum amounts were payable. Royalties to the University of Zurich are due annually based on a full calendar year and payable until the end of February in the following calendar year.

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. An additional fee of CHF 250,000 is payable under this agreement.

18. Personnel Expenses

in CHF thousands	2020	2019
Salaries	(23,525)	(18,868)
Share-based compensation (non-cash effective)	(2,932)	(2,438)
Pension costs	(3,080)	(2,043)
Social security costs	(2,393)	(1,869)
Other personnel expenses	(1,704)	(2,374)
Total year ended December 31	**(33,634)**	**(27,592)**

Full-time equivalents and head count	**2020**	**2019**
Average number of full-time equivalents	142.5	127.1
Full-time equivalents at year end	145.4	135.2
Headcount at year end	159	147

18.1 Pension Costs and Liabilities

in CHF thousands	2020	2019
Defined benefit pension plans		
Actuarial assumptions		
Discount rate at January 1	0.20 %	0.90 %
Discount rate at December 31 [1]	0.20 %	0.20 %
Future salary increases at December 31	2.00 %	2.00 %
Mortality tables	BVG2015 GT	BVG2015 GT
Date of last actuarial valuation	31.12.2020	31.12.2019
Reconciliation of the amount recognized in the statement of financial position		
Defined benefit obligation at December 31	54,512	48,455
Fair value of plan assets at December 31	41,089	37,799
Net defined benefit liability at December 31 [2]	**13,423**	**10,656**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	3,033	2,053
Past service cost	—	(105)
Interest expense on defined benefit obligation	103	356
Interest (income) on plan assets	(80)	(304)
Administrative cost excl. cost for managing plan assets	24	18
Defined benefit cost recognized in profit or loss	**3,080**	**2,018**
thereof service cost and administrative cost	3,057	1,966
thereof net interest expense on the net defined benefit liability	23	52

in CHF thousands	2020	2019
Reconciliation of net defined benefit liability		
Net defined benefit liability at January 1	10,656	5,482
Defined benefit cost recognized in profit or loss [3]	3,080	2,018
Remeasurement of net pension liabilities	1,514	4,711
Contributions by the employer [3]	(1,827)	(1,555)
Net defined benefit liability at December 31 [2]	**13,423**	**10,656**
Reconciliation of defined benefit obligation		
Defined benefit obligation at January 1	48,455	36,609
Interest expenses on defined benefit obligation	103	356
Current service cost (employer)	3,033	2,053
Contributions by plan participants	1,138	967
Benefits (paid)/deposited	1,424	2,819
Past service cost	—	(105)
Administrative cost (excl. cost for managing plan assets)	24	19
Actuarial (gain)/loss on defined benefit obligation	335	5,737
Defined benefit obligation at December 31	**54,512**	**48,455**
Reconciliation of amount recognized in OCI		
Actuarial (gain) / loss on changes in financial assumptions	—	4,774
Actuarial (gain) / loss arising from experience adjustments	335	963
Actuarial (gain)/loss on defined benefit obligation	**335**	**5,737**
Return on plan assets excluding interest income	1,179	(1,026)
Remeasurement of net pension liabilities	**1,514**	**4,711**
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	37,799	31,127
Interest income on plan assets	80	304
Contributions by the employer	1,827	1,556
Contributions by plan participants	1,138	967
Benefits (paid)/deposited	1,424	2,819
Return on plan assets excl. interest income	(1,179)	1,026
Fair value of plan assets at December 31	**41,089**	**37,799**
Best estimate of contributions of next year		
Contributions by the employer	1,834	1,724
Plan asset classes		
Cash and cash equivalents	8,118	6,836
Equity instruments	16,791	14,845
Debt instruments (e.g. bonds)	5,671	5,466
Real estate funds	1,075	4,565
Others	1,483	1,291
Total plan assets at fair value (quoted market price)	**33,138**	**33,003**
Others	7,951	4,796
Total plan assets at fair value (non-quoted market price)	**7,951**	**4,796**
Total plan assets at fair value at December 31	**41,089**	**37,799**

in CHF thousands	2020	2019
Total plan assets at fair value at December 31	**41,089**	**37,799**
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%	57,383	51,038
Defined benefit obligation at December 31 with discount rate +0.25%	51,871	46,077
Defined benefit obligation at December 31 with salary increases -0.25%	54,033	48,017
Defined benefit obligation at December 31 with salary increases +0.25%	54,999	48,887
Defined benefit obligation at December 31 with life expectancy +1 year	55,417	49,222
Defined benefit obligation at December 31 with life expectancy -1 year	53,611	47,691
Maturity profile of defined benefit obligation		
Weighted average duration of defined obligation in years at December 31	20.2	20.2
Weighted average duration of defined obligation in years at December 31 for active members	20.2	20.2
Weighted average duration of defined obligation in years at December 31 for pensioners	20.3	20.3

(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 statement of financial position included are also TCHF 255 (2019: TCHF 240) for accrued sabbatical cost.
(3) The sum of these two positions represent the non-cash effective pension costs recognized in the income statement, of which TCHF 1,039 are research and development costs (2019: TCHF 358) and TCHF 214 are selling, general and administrative costs (2019: TCHF 104).
(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 we could change the longevity for most of the age categories by one year longer or shorter than the baseline value.

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 vest quarterly over four years, with cliff vesting of 25% after one year. At the end of the option term, unexercised options expire without value. The expenses are recognized pro rata as per the graded vesting schedule starting generally from grant date until vesting date.

As of December 31, 2020, an aggregate of 382,059 options were outstanding under the ESOP 2009 and ESOP 2014. All these options are fully vested at the reporting date.

As of December 31, 2019, an aggregate of 560,250 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 2016 established in March 2016
- LTI plans 2017 established in March 2017
- LTI plans 2018 established in March 2018
- LTI plans 2019 established in March 2019
- LTI plans 2020 established in March 2020

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 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 certain corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 120% of the number of PSUs granted. Even after the determination of goal achievement, participants may lose their entitlements in full or in part depending on certain conditions relating to their employment. In certain circumstances, including a change of control, a full or partial accelerated vesting of the PSUs may occur.

The LTI plans are rolled out annually, which allows the Board of Directors to review and adjust the terms and 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, 2020, 445,198 PSUs and 87,906 RSUs were outstanding. As of December 31, 2019, 363,165 PSUs and 81,840 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 fair values at grant dates:

RSU/PSU, conditions and assumptions	2020	2019
Nature of arrangement	Grant of PSU/RSU	Grant of PSU/RSU
Grant date RSU	April 29, 2020	April 16, 2019
Grant dates PSU	Jan 1 - Oct 1	Jan 1 - Oct 1
Number of RSU granted	33,467	32,649
Number of PSU granted	267,657	258,445
Weighted average exercise price (CHF)	0.10	0.10
Share price (CHF)	14.50 - 21.50	14.56 - 19.06
Full contractual life for RSU (years)	3.00	3.00
Full contractual life for PSU (years)	2.25 - 3.00	2.25 - 3.00
Vesting period for RSU (years)	1.00	1.00
Vesting period for PSU (years)	2.25 - 3.00	2.25 - 3.00
Settlement	Common Shares	Common Shares
Expected volatility on Common shares	42.73 - 56.26	42.24 - 42.98
Risk-free interest rate p. a. (%) / CHF LIBOR / Common shares	(-0.42) - (-0.60)	(-0.50) - (-0.71)
Expected volatility on NBI	21.20 - 25.70	21.67 - 23.37
Risk-free interest rate p. a. (%) / USD LIBOR / NBI	0.36 - 2.00	2.03 - 2.76
Expected volatility on SPI	11.19 - 15.79	11.11 - 12.37
Risk-free interest rate p. a. (%) / CHF LIBOR / SPI	(-0.42) - (-0.60)	(-0.50) - (-0.71)
Expected dividend (CHF)	—	—
Weighted average fair value of rights granted (CHF)	20.18	19.13
Latest expiry date	Sep 30, 2023	Sep 30, 2022
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") were introduced as assumptions in determining the fair values for the 2019 and 2020 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, 2018	**1,184,663**	**3.66**	**864,197**	**4.98**	**320,466**	**0.10**
Granted	291,094	0.10	—	—	291,094	0.10
(Performance adjustment)[1]	(13,309)	0.10	—	—	(13,309)	0.10
(Forfeited)[2]	(84,594)	0.10	—	—	(84,594)	0.10
(Expired)	—	—	—	—	—	—
(Exercised)[(3)]	(372,599)	2.74	(303,947)	3.33	(68,652)	0.10
Balance outstanding at December 31, 2019	**1,005,255**	**3.32**	**560,250**	**5.87**	**445,005**	**0.10**
Granted	301,124	0.10	—	—	301,124	0.10
(Performance adjustment)[1]	(27,956)	0.10	—	—	(27,956)	0.10
(Forfeited)[2]	(84,679)	0.10	—	—	(84,679)	0.10
(Expired)	—	—	—	—	—	—
(Exercised)[)3]	(278,581)	3.05	(178,191)	4.70	(100,390)	0.10
Balance outstanding at December 31, 2020	**915,163**	**2.74**	**382,059**	**6.42**	**533,104**	**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 2020 amounted to CHF 19.73 (2019: CHF 15.95)

The following table applies to all share options, PSUs and RSUs outstanding at December 31, 2020:

Exercise price CHF	Options / PSU/RSU (number)	Remaining life (years)	Exercisable options
Options			
2.31	38,917	0.6	38,917
6.05	2,815	2.0	2,815
6.06	17,942	3.3	17,942
6.94	322,385	3.7	322,385
PSU/RSU			
0.10	533,104	1.6	—
Total	**915,163**		**382,059**

The following table applies to all share options, PSUs and RSUs outstanding at December 31, 2019:

Exercise price CHF	Options / PSU/RSU (number)	Remaining life (years)	Exercisable options
Options			
2.31	123,817	1.1	123,817
6.05	5,400	3.3	5,400
6.06	21,302	4.3	21,302
6.94	409,731	4.7	409,731
PSU/RSU			
0.10	445,005	1.6	—
Total	**1,005,255**		**560,250**

The non-cash costs for share-based payments recognized in the statement of comprehensive loss can be attributed to the Group's two functions as follows:

in CHF thousands	2020	2019
Research and development	1,573	1,192
Selling, general and administrative	1,359	1,246
Total year ended December 31	**2,932**	**2,438**

19. Financial Income and Financial Expense

Financial Income

in CHF thousands	2020	2019
Interest income on financial assets held at amortized costs	367	1,599
Total year ended December 31	**367**	**1,599**

Financial Expense

in CHF thousands	2020	2019
Net foreign exchange loss	(4,512)	(1,110)
Negative Interest on financial assets held at amortized costs	(271)	(64)
Interest expense on leases	(24)	(27)
Other financial expenses	(9)	(9)
Total year ended December 31	**(4,816)**	**(1,210)**

20. Taxes

Income Taxes

Molecular Partners AG did not have to pay or accrue any income taxes in the reporting periods. In 2020 and 2019, the Company generated a taxable loss in Switzerland which is part of the Company's cumulative tax loss carry forward. 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 2020 is 21% (2019: 21%).

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 state income taxes for Massachusetts and California.

For the twelve months ended December 31, 2020 a current income tax credit of TCHF 11 (TUSD 13) was recognized by the Group's U.S. based subsidiary for estimated U.S. tax obligations of the subsidiary based on intra-Group activity (twelve months ended December 31, 2019: tax expense of TCHF 17 (TUSD 17)). The tax benefit recognized during 2020 relates to the application of research and development tax credits that are applicable on the 2019 final tax positions of Molecular Partners Inc. The applicable income tax rates are 21% federal tax plus 8.00% state tax (Massachusetts) and 8.84% (California).

Deferred Taxes

The Company's net operating losses for tax purposes amounted to TCHF 58,631 in 2020 and TCHF 33,446 in 2019. The total tax losses of TCHF 157,900 may be used as tax loss carry forwards to offset future taxable income over a period of seven years, with the loss of TCHF 4,314 to expire in the year 2021. No deferred tax assets have been recognized for these tax loss carry forwards, because it is not 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 13,423, see also note 18.1) due to the significant tax losses carried forwards. Given the facts above, as well as the Company incurred no significant tax expense in the reporting periods presented, a numerical rate reconciliation is not provided. The major 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	**2020**	**2019**
2021	(4,314)	(4,314)
2022	—	—
2023	(15,976)	(15,976)
2024	(21,766)	(21,766)
2025	(23,767)	(23,767)
2026	(33,446)	(33,446)
2027	(58,631)	—
Thereafter	—	—
Total tax loss carry forwards as at December 31	**(157,900)**	**(99,269)**

21. Earnings per Share

Basic net result 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 net profit per share additionally takes into account the potential conversion of all dilutive potential ordinary shares. For the periods ended December 31, 2020 and 2019 there are no dilutive effects.

	2020	**2019**
Weighted average number of shares used in computing basic and diluted profit / (loss) per share	25,000,652	21,413,375

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	**2020**	**2019**
as at January 1,	2,545	3,639
Additions / new leases	—	143
Remeasurements[1]	5,924	—
Recognition of interest on lease liabilities	24	27
Payments	(1,275)	(1,264)
Balance as at December 31,	**7,218**	**2,545**
current	1,179	1,267
non-current	6,039	1,278
Balance as at December 31,	**7,218**	**2,545**

[1] The remeasurement consists of a net reduction of TCHF 60 (related to the return of number of parking spaces) and an increase of TCHF 5,984 related to the extension of the lease for another 5 years until December 31, 2026

The following are the expense amounts recognized in the consolidated statement of comprehensive loss.

in CHF thousands	**2020**	**2019**
Depreciation on right-of-use assets	1,256	1,247
Interest expense on lease liabilities	24	27
Short term leases	—	2
Total amount recognized in profit or loss	**1,280**	**1,276**

The total cash outflow for leases for the twelve months ending December 31, 2020 amounted to TCHF 1,275 (twelve months ending December 31, 2019 TCHF 1,266).

Contractual maturities of financial liabilities at December 31, 2020

in TCHF	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	1,232	7,392	7,218

Contractual maturities of financial liabilities at December 31, 2019

in TCHF	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cashflows	Carrying Amount lease liabilities
Lease liabilities	1,284	1,284	—	2,568	2,545

23. Related Party Disclosures

Compensation costs of key management, which includes executive management and the Board of Directors, are as follows:

in CHF thousands	2020	2019
Short-term employee benefits	2,408	2,392
Post-employment benefits	205	173
Share-based compensation	1,601	1,220
Total year ended December 31	**4,214**	**3,785**

Pamela Trail departed from her role as Chief Scientific Officer effective July 1, 2019 and was employed by the Group until July 9, 2019. Pamela Trail has continued to support the Group as a consultant after this date. For the twelve month period ending December 31, 2020, Pamela Trail's consulting fees amounted to TCHF 45. For the period from July 10 to December 31, 2019, Pamela Trail's consulting fees amounted to TCHF 70.

24. Capital Commitments

As of December 31, 2020 and December 31, 2019, 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, EUR, GBP and USD.

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 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 2020 and 2019, the Group did not enter into any forward currency transactions. No forward currency transactions were outstanding as of December 31, 2020 and 2019.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR and GBP exchange rates, 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		
2020	+10%	2,978
	-10%	(2,978)
2019	+10%	6,659
	-10%	(6,659)
EUR Positions		
2020	+10%	636
	-10%	(636)
2019	+10%	1,280
	-10%	(1,280)
GBP Positions		
2020	+10%	100
	-10%	(100)
2019	+10%	424
	-10%	(424)

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 limit negative 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 Groups strives to optimize the net balance of interest paid and interest received by monitoring the interest rates applicable over the various currencies the Group holds as well as the offered holding periods.

The following table demonstrates the sensitivity 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		
2020	+0.5%	683
	-0.5%	(683)
2019	+0.5%	57
	-0.5%	(57)
USD Positions		
2020	+0.5%	149
	-0.5%	(149)
2019	+0.5%	333
	-0.5%	(333)
EUR Positions		
2020	+0.5%	32
	-0.5%	(32)
2019	+0.5%	64
	-0.5%	(64)
GBP Positions		
2020	+0.5%	5
	-0.5%	(5)
2019	+0.5%	21
	-0.5%	(21)

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 of AAA (Zürcher Kantonalbank), AA (Luzerner Kantonalbank) and A+ (Credit Suisse and UBS) 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	2020	2019
Cash and cash equivalents	133,721	75,712
Trade and other receivables	159	94
Accrued income	2	204
Short-term time deposits	40,000	19,368
Total credit risk as at December 31	**173,882**	**95,378**

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 reporting date, giving the Group a secure source of funding for its research and development activities.

26. 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 (IFRS)

Opinion

We have audited the consolidated financial statements of Molecular Partners AG and its subsidary (the Group), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows 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 78-122) give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, 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 Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN

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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN

Key Audit Matter

The Group recognized revenue for the year ended December 31, 2020 of CHF 9.3 million related to the license and collaboration agreement with Amgen.

In December 2018, the Group entered into a license and collaboration agreement with Amgen Inc. and received an upfront payment of $50 million.

The Group recognizes revenue for the license and collaboration agreement with Amgen in relation to progress made towards completion of the performance obligation by using the cost based method which is measured by actual costs incurred in relation to the Group's best estimate of total expected costs to satisfy the performance obligation.

The Group's assessment of the progress made towards completion of the performance obligation, including the assessment of the estimated future costs to be incurred requires significant judgment.
Specifically, the assessment of changes in operational and/or technical collaboration and project requirements that could lead to a change in the amount of estimated project costs, requires a high degree of judgement.

Our response

The following are the primary procedures we performed to address the key audit matter:

- We assessed the Group's estimated project costs by:
  - Performing inquiry of collaboration project leaders to assess the Group's assertions made in the accounting analysis, collaboration project plan, and the estimated project costs.
  - Performing a retrospective assessment of historical forecasts of project costs by comparing prior period forecasts to actual results.
  - Assessing management's process for estimating total project costs to complete by selecting certain vendor contracts and obtaining underlying evidence including but not limited to actual invoices, email correspondence, clinical development progress, and collaboration project committee meeting minutes to evaluate the estimated project costs.
  - Obtaining the minutes of collaboration project committees to compare with other evidence obtained regarding the project progress to date and forecasted project completion to confirm any changes are properly reflected in the estimated project completion costs.
  - Evaluating the Group's assessment of project costs incurred to date relative to the Group's estimated project costs. For a sample of costs incurred to date, we compared such costs to underlying invoices, certain vendor contracts and other records obtained.

For further information on revenue recognition for the license and collaboration agreement with Amgen refer to the following:

- Note 2 Summary of Significant Accounting Policies: Revenue recognition
- Note 4 Critical Accounting Estimates and Judgments
- Note 5 Revenues and entity-wide disclosures
- Note 15 Contract Liability

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all 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 in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 the Swiss Auditing Standard 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

Judith Herold
Licensed Audit Expert

Zurich, February 24, 2021

Company Only Financial Statements

Balance sheet as of December 31, in CHF thousands	note	**2020**	**2019**
Assets			
Cash and cash equivalents	3	133,583	75,698
Trade accounts receivable		159	23
Other short-term receivables	4	2,677	2,301
Prepaid expenses and accrued income	5	1,240	2,481
Short-term time deposits	3	40,000	19,368
Total current assets		**177,659**	**99,871**
Investments	1	—	—
Property, plant and equipment:			
- Right-of-use asset for leased office buildings	6	7,203	2,535
- Other property, plant and equipment	6	2,183	1,705
Total property, plant and equipment		9,386	4,240
Intangible assets	7	347	772
Total non-current assets		**9,733**	**5,012**
Total assets		**187,392**	**104,883**
Shareholders' equity and liabilities			
Trade accounts payable		2,799	2,018
Other short-term payables	8	3,181	493
Accrued expenses	9	7,482	6,510
Contract liability	10	42,948	18,310
Lease liability	21	1,179	1,267
Total current liabilities		**57,589**	**28,598**
Contract liability	10	2,939	10,017
Lease liability	21	6,039	1,278
Long-term provisions		253	240
Total non-current liabilities		**9,231**	**11,535**
Total liabilities		**66,820**	**40,133**
Share capital		2,915	2,160
Legal capital reserves			
- Reserves from capital contributions		127,557	161,859
Free reserves			
- Reserves from capital contributions		148,000	—
Cumulative losses:			
- Loss carried forward		(99,269)	(65,823)
- Net result for the year		(58,631)	(33,446)
Total cumulative losses		(157,900)	(99,269)
Total shareholders' equity	**11**	**120,572**	**64,750**
Total liabilities and shareholders' equity		**187,392**	**104,883**

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

Income statement for the year ended December 31, in CHF thousands	note	**2020**	**2019**
Revenues			
Revenues from research and development collaborations	12	9,344	20,383
Total revenues		**9,344**	**20,383**
Operating expenses:			
Research and development expenses	13	(53,425)	(42,209)
Selling, general and administrative expenses	14	(10,101)	(12,010)
Total operating expenses		**(63,526)**	**(54,219)**
Operating result		**(54,182)**	**(33,836)**
Financial income	15	391	1,599
Financial expenses	15	(4,840)	(1,209)
Result before income taxes		**(58,631)**	**(33,446)**
Income taxes		—	—
Net result		**(58,631)**	**(33,446)**

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

Cash flow statement for the year ended December 31,		**2020**	**2019**
in CHF thousands	note		
Net result attributable to shareholders		(58,631)	(33,446)
Adjustments for:			
Depreciation and amortization		2,886	2,469
Non-cash personnel expenses		13	11
Financial income	15	(391)	(1,599)
Financial expenses	15	4,840	1,209
Changes in working capital:			
Change in prepaid expenses and accrued income		1,038	469
Change in trade and other receivables		(573)	49,570
Change in trade and other payables		3,451	(151)
Change in contract liability	10	17,560	(20,383)
Change in accrued expenses		896	126
Exchange gain/(loss) on working capital positions		32	619
Interest paid		(219)	(91)
Other financial expense		(9)	(8)
Net cash used in operating activities		**(29,107)**	**(1,205)**
Proceeds from investments in short term time deposits		52,765	56,630
Investments in short term time deposits		(73,397)	(75,998)
Acquisition of property, plant and equipment		(1,451)	(1,029)
Acquisition of intangible assets		(232)	(833)
Interest received		569	1,396
Net cash from (used in) investing activities		**(21,746)**	**(19,834)**
Proceeds from issuance of new shares, net of transaction costs	11	113,613	—
Proceeds from exercise of stock options, net of transaction costs	11	840	1,010
Payment of principal portion of lease liabilities		(1,251)	(1,237)
Net cash from (used in) financing activities		**113,202**	**(227)**
Exchange gain/(loss) on cash positions		(4,464)	(1,994)
Net increase (decrease) in cash and cash equivalents		**57,885**	**(23,260)**
Cash and cash equivalents at January 1		75,698	98,958
Cash and cash equivalents at December 31	3	**133,583**	**75,698**

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 (the Company or Molecular Partners) is a clinical stage biopharmaceutical company focusing on the discovery, development and commercialization of DARPin®, a novel class of therapeutic proteins. DARPin® combine the specificity and selectivity of monoclonal antibodies with many properties of small molecules, enabling new therapeutic approaches. The Company was founded on November 22, 2004 and is domiciled in Schlieren, Canton of Zurich, Switzerland. It is subject to the provisions of the articles of incorporation and to article 620 et seq. of the Swiss Code of Obligations, which describe the legal requirements for limited companies ("Aktiengesellschaften").

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 $1 (equals 1 CHF).

The Company's shares have been listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements of Molecular Partners for the year ended December 31, 2020 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 currently solely comprise of IT 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 liability.

Revenues include fees such as upfront payments received in connection with out-licensing of products and/or access to 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 a cost-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 also 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 regards 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 a cost-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 payments received 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 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 Plan

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 vest quarterly over four years, with cliff vesting of 25% after one year. At the end of the option term, un-exercised options expire without value.

As of December 31, 2020, an aggregate of 382,059 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 2016 established in March 2016
- LTI plans 2017 established in March 2017
- LTI plans 2018 established in March 2018
- LTI Plans 2019 established in March 2019
- LTI Plans 2020 established in March 2020

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 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 certain corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 120% of the number of PSUs granted. Even after the determination of goal achievement, participants may lose their entitlements in full or in part depending on certain conditions relating to their employment. In certain circumstances, including a change of control, a full or partial accelerated vesting of the PSUs may occur.

The LTI plans are rolled out annually, which allows the Board of Directors to review and adjust the terms and 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, 2020, 445,198 PSUs and 87,906 RSUs were outstanding. As of December 31, 2019, 363,165 PSUs and 81,840 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.

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 12 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 12 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 payment 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 financial statement position.

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

Balance at December 31 in CHF thousands	**2020**	**2019**
Cash and cash equivalents denominated in CHF	96,576	11,450
Cash and cash equivalents denominated in EUR	6,365	12,803
Cash and cash equivalents denominated in USD	29,638	47,206
Cash and cash equivalents denominated in GBP	1,004	4,239
Total cash at bank and at hand	**133,583**	**75,698**
Short-term time deposits in CHF	40,000	—
Short-term time deposits in USD	—	19,368
Total short-term time deposits	**40,000**	**19,368**

The short-term time deposits in CHF at December 31, 2020 contain three positions with two major Swiss banks. The short-term time deposits in USD at December 31, 2019 contain one position with a major Swiss bank.

The increase in Cash, Cash equivalents and Short-term time deposits during 2020 was the result of the placement of new shares in July 2020, the reservation agreement with the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) in August 2020 and the Option and Equity Rights agreement with Novartis in October 2020, as also described in notes 11 and 12.

4. Other short-term receivables

in CHF thousands	**2020**	**2019**
Value added tax	1,376	653
Withholding tax	199	486
Other receivables	1,102	1,162
Balance at December 31	**2,677**	**2,301**

5. Prepaid expenses and accrued income

in CHF thousands	**2020**	**2019**
Prepayments	1,221	2,277
Accrued income	19	204
Balance at December 31	**1,240**	**2,481**

6. Property, plant and equipment

in CHF thousands	2020	2019
Lab equipment	1,735	1,493
Office equipment	43	60
IT hardware	361	71
Leasehold improvements	44	81
Other property, plant and equipment	**2,183**	**1,705**
Right-of-use assets	7,203	2,535
Property, plant and equipment at December 31	**9,386**	**4,240**

The right-of-use assets relate to the facilities the Company is leasing in Schlieren, Switzerland. The change to the right-of-use assets during 2020 is mainly related to the remeasurement of the lease liability following the exercise by the Company of an option for the extension of the lease by 5 years (until December 31, 2026) with a new earliest contractual termination date for both the lessor and the lessee on the major real estate lease of December 31, 2025. This effect was partly compensated by a return of certain facilities to the landlord.

7. Intangible assets

in CHF thousands	2020	2019
IT software	347	772
Intangible assets at December 31	**347**	**772**

8. Other short-term payables

in CHF thousands	2020	2019
Social security	1,715	392
Value Added Tax	1,310	—
Payables to subsidiary	156	101
Balance at December 31	**3,181**	**493**

9. Accrued expenses

in CHF thousands	2020	2019
Accrued project costs	1,972	3,343
Accrued payroll and bonuses	4,824	2,693
Other	686	474
Balance at December 31	**7,482**	**6,510**

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 / cost reduction in year one after balance sheet date	42,948
Expected revenue recognition in year two after balance sheet date	2,939
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, 2020	**45,887**

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	18,310
Expected revenue recognition in year two after balance sheet date	9,530
Expected revenue recognition in year three after balance sheet date	487
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, 2019	**28,327**

The table presents the movement during 2020 on the contract liability:

in CHF thousands	Contract liability at January 1, 2020	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2020
Amgen	28,327	—	(9,344)	—	18,983
Novartis	—	20,000	—	(96)	19,904
FOPH-BAG	—	7,000	—	—	7,000
	28,327	**27,000**	**(9,344)**	**(96)**	**45,887**

An amount of TCHF 96 has been released to revenue, offset by a corresponding amount of costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 (see note 12).

in CHF thousands	Current	Non-current	Contract liability
Amgen	16,044	2,939	18,983
Novartis	19,904	—	19,904
FOPH-BAG	7,000	—	7,000
Balance at December 31, 2020	**42,948**	**2,939**	**45,887**

11. Shareholder's equity

The Company announced on July 7, 2020 a placement of 5,528,089 new registered shares, corresponding to approximately 25% of the Company's registered share capital, by way of an accelerated bookbuilding process, at an offering price of CHF 14.50 per share. The new shares were issued from existing authorized share capital of the company under exclusion of the existing shareholders' pre-emptive rights. The new shares were listed and admitted to trading on SIX Swiss Exchange as of July 9, 2020. Payment and settlement took place on the same date.

Presented under the caption of legal capital reserves on the statement of financial position, the Company accounted for a deduction of 6,043 TCHF for transaction costs. This deduction represents the costs that were incremental and directly attributable to the issuance of the new shares. The Company invested part of the net proceeds from the capital increase into short-term time deposits and the remaining part into cash and cash equivalents.

On October 28, 2020 the Company announced an Option and Equity Rights Agreement with Novartis. As part of the transaction, Novartis agreed to acquire 1,739,130 new ordinary shares for CHF 40 million, out of the conditional capital, at a price of CHF 23 per share. As a result, Novartis holds approximately 6% of the outstanding shares of the Company.

Presented under the caption of legal capital reserves on the statement of financial position, the Company accounted for a deduction of TCHF 501 for transaction costs. This deduction represents the costs that were incremental and directly attributable to the issuance of the new shares.

The Company invested part of the net proceeds from the capital increase into short-term time deposits and the remaining part into cash and cash equivalents.

Ordinary share capital
On December 31, 2020, the Company's issued share capital amounted to CHF 2,914,699.20 divided into 29,146,992 fully paid registered shares with a par value of CHF 0.10 each. As of December 31, 2019, the Company's issued share capital consisted of 21,601,192 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 regards to the Company's residual assets and dividends (if any should be declared in the future).

The Company's share capital registered with the Swiss Commercial Register on December 31, 2020, amounted to CHF 2,886,841.10 divided into 28,868,411 fully paid up registered shares with a par value of CHF 0.10 per share.

A total of 7,545,800 new registered shares were issued in 2020 as a result of the placement of new shares following the capital raise in July 2020 and the Novartis agreement in October 2020 plus the option exercises and the vesting of Performance Share Units ("PSU") and Restricted Share Units (RSU), from the PSU and RSU plans 2017. The corresponding capital increases were registered with

the commercial register in three steps on July 20, 2020, and November 9, 2020 for the transactions in July and October and on January 29, 2021 for the option exercises and the vesting of the PSU and RSU Plans 2017 .

Authorized share capital
The Board of Directors is authorized to increase the share capital at any time until April 19, 2022 by a maximum amount of CHF 13,177 by issuing a maximum of 131,771 fully paid up shares with a par value of CHF 0.10 each. An increase of the share capital in partial amounts is permissible.

During 2020, the share capital was increased out of authorized share capital for the private placement performed in July 2020. As a result, the available authorized share capital was reduced by CHF 552,809 from CHF 565,986 to CHF 13,177.

Conditional capital
As of December 31, 2020 the Company's share capital was allowed to be increased by an amount not to exceed CHF 176,068 through the issuance of up to 1,760,677 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 2020, 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 27,858 from CHF 203,926 to CHF 176,068.

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 2020, the share capital was increased out of this conditional capital for financing transactions and other purposes (Article 3c of the Articles of Association). As a result, the available conditional capital for financing transactions and other purposes was reduced by CHF 173,913 from CHF 400,000 to CHF 226,087.

In 2020, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") amounted to TCHF 848 and was all serviced from the issuance of new shares (conditional share capital).

Free reserves
The Company only financial statements for the year ended December 31, 2019 presented that one-half of the share capital and the legal capital reserves (taking into consideration the totality of the reserves from capital contributions) were no longer covered pursuant to Article 725 para. 1 CO. In order to address this capital loss situation, at the 2020 Annual General Meeting, the shareholders took the resolution to reclassify TCHF 148,000 from the subposition "Reserves from capital contributions" within the legal capital reserves to a new subposition "Reserves from capital contributions" within the free reserves.

Reserves from capital contributions
From the amount of TCHF 275,557 as presented in the balance sheet as of December 31, 2020, in August 2020 reserves from capital contributions as of December 31, 2019 in the amount of TCHF 150,968 were confirmed by the Federal Tax Administration. For December 31, 2020 the amount of

the reserves from capital contributions has not yet been confirmed by the Federal Tax Administration.

12. Revenues and entity-wide disclosures

The Company assesses and estimates the progress of its projects with alliance partners at each reporting date. When the cost based / input method is applied, the Company recognizes revenue based on the ratio of the associated costs incurred to date and the total forecasted cost to satisfy the performance obligation.

During the second half of 2020, the Company increased its estimate of the total future costs required to satisfy the performance obligation under the Amgen collaboration. This change in estimate affects the allocation of revenue over time and has no impact on the total amount recognized or to be recognized into revenue under the agreement with Amgen. This increase in the total estimated future costs resulted in a lower amount of revenue recognized for the twelve month period ended December 31, 2020, as compared to the comparable prior year period. The increase in total future costs is primarily related to continued development of various dosing schedules under phase 1a of the collaboration. The remaining unrecognized transaction price at December 31, 2020 of TCHF 18,983 for Amgen will be recognized in line with the recognition of estimated expenses to satisfy the performance obligation.

In October 2020, the Company entered into a contract with Novartis, granting Novartis the exclusive option to in-license global rights in relation to drug candidates MP0420 and MP0423. Under the terms of the agreement, the Company has received an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Company has equally committed to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply of MP0420. Any such amount which is 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 to be offset against the non refundable upfront fee from the contract (see below, as well as note 10).

The related manufacturing costs paid to the Novartis Group are therefore offset against the non-refundable upfront fee

During the reporting period, costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 in the amount of TCHF 96 have been offset against the upfront non refundable fee (see note 10).

During the twelve month periods ended December 31, 2020 and 2019, 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	**2020**	**2019**
Revenues USA	9,344	20,383
Total revenues	**9,344**	**20,383**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	2020	2019
Amgen Inc., USA	9,344	20,383
Total revenues	**9,344**	**20,383**

Option and Equity Rights Agreement with Novartis

On October 28, 2020 the Company announced entering into an Option and Equity Rights agreement with Novartis. Novartis has been granted an option to in-license global rights of MP0420 and MP0423 – multi-targeted direct-acting antiviral therapeutic candidates demonstrating potential efficacy against COVID-19. Please see note 11 for the related acquisition of shares by Novartis.

Under the agreement, during the option period, Molecular Partners will conduct Phase 1 clinical trials for MP0420 and, if agreed between the parties, perform all remaining preclinical work for MP0423 and conduct the MP0423 phase 1 trial for which two milestone payments of CHF 2.5 million each will be due in case of initiation and completion. Novartis will conduct Phase 2/3 clinical trials, with Molecular Partners as legal sponsor of these trials. The contract foresees the sharing of knowledge of the results of phase 1 and phase 2 activities with Novartis, though these do not result in a transfer of a license until the exercise of the option for an exclusive license. Upon exercise of such option, Novartis would be responsible for all further development and commercialization activities. During the clinical development stage, Molecular Partners will provide clinical supply.

The Company is eligible to receive a future payment of CHF 150 million, upon Novartis exercising the option for exclusive license to the therapeutic candidates, in addition to 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.

Molecular Partners is required to spend up to the full amount of the non-refundable fee of CHF 20 million for the commercial supply of MP0420, which is to be manufactured by Sandoz, a division of the Novartis Group. The full amount of the upfront fee is therefore allocated to the performance obligation for the tech transfer and manufacturing in relation to the required commercial supply of MP0420.

Given the urgency of finding a therapeutic solution for COVID-19, such production is already on-going, and anticipated to occur in parallel to Phase 1 and Phase 2/3 activities. The commercial supply manufacturing with Sandoz will provide Molecular Partners a supply of the drug candidate MP0420, which will be able to be commercialized only upon receiving regulatory approval. Should Novartis exercise the option for the exclusive license for drug candidates MP0420 and MP0423, such supply will be purchased by Novartis by reference to the costs incurred by the Company.

As Molecular Partners' performance obligation in relation to the tech transfer and manufacturing is highly inter-dependent with the actual manufacturing of the drug candidate MP0420 by the Novartis Group, the amount paid by Molecular Partners to the Novartis Group for the manufacturing and purchase of materials for the drug product is considered to be consideration payable to a customer. The related manufacturing costs paid to the Novartis Group are therefore offset against the non-refundable upfront fee (see note 10). The Company determined using an over time cost-based method to measure its progress in relation to the related tech transfer and manufacturing activity performed by third parties, most faithfully depicts the progress of the Company to satisfy the performance obligation.

Reservation Agreement with the Swiss Federal office of Public Health

On August 11, 2020 the Company announced the reservation by the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) of a defined number of initial doses of the Company's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Company has received a reservation fee of CHF 7,0 million. This will secure priority access for the FOPH-BAG to purchase reserved doses of MP0420, if clinical trials are successful and MP0420 is approved in Switzerland. Clinical studies were initiated in Q4 2020. The receipt of the reservation fee resulted in a current contract liability of CHF 7.0 million (see note 10).

The agreement consists of two reservation rights: the first being FOPH-BAG's option to have priority access to the first 200,000 doses produced; and the second being FOPH-BAG's option to obtain access to 5% of the additional planned total production, up to 3,000,000 doses, if such production is undertaken by the Company. In case a final product will become available, the initial 200,00 doses, and any additional doses are to be subject to a separate sales contract to be agreed amongst the parties. Certain pricing provisions have been pre-negotiated, but remain subject to final therapeutic dose and whilst there is preferential pricing for the initial doses, which results in a performance obligation, the pricing for any further doses is expected to be at market prices and therefore not considered to result in a separate performance obligation.

In the period, the Company has met the contractually agreed milestone specified in the contract, meaning that the initial reservation fee received from the FOPH-BAG is no longer refundable. However, as the fee refers to a reservation right, it will only be recognized as 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.

License and Collaboration Agreement with Amgen

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 terms of the agreement, the Company granted to Amgen an exclusive worldwide, royalty-bearing, sublicensable license under the Company's patents and know-how relating to MP0310 / AMG 506 to develop and commercialize MP0310 / AMG 506. The parties will jointly evaluate MP0310 / AMG 506 in combination with Amgen`s oncology pipeline products, including its investigational BiTE® (bispecific T-cell engager) molecules. Under the collaboration, Molecular Partners retains certain rights to develop and commercialize its proprietary DARPin® pipeline products in combination with MP0310 / AMG 506.

Under the agreement the Company received a non-refundable upfront payment of $50 million.The Company has the lead on performing certain clinical development, manufacturing and regulatory activities in the first clinical phase and the Company assigned the full $50 million upfront as the transaction price to this performance obligation, based on the Company's development plan and the contractual agreement. The Company has considered if the contract contains a significant financing component and has concluded this was not the case. The Company is recognizing the related revenue using the cost-based method which is measured by 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. The Company determined using an over-time cost-based method to measure its progress most faithfully depicts the inputs it will take the Company to satisfy the performance obligation. Please see also note 10 for the amount that has not yet been recognized as revenue.

In addition the Company is eligible to receive up to $497 million in development, regulatory and commercial milestone payments, as well as double-digit, tiered royalties up to the high teens. The Company considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason the Company considers the achievement of the various milestones as binary events that will be recognized into revenue upon occurrence. Furthermore, the parties will share the clinical development costs in defined percentages for the first three indications subject to certain conditions. For all additional clinical trials, Amgen is responsible for all development costs.

Abicipar Agreement with Allergan, an AbbVie Company

In May 2011, the Company entered into a license and collaboration agreement with Allergan. Under the agreement, the Company granted Allergan an exclusive, worldwide, royalty-bearing, sublicensable license under our patents and know-how relating to abicipar and other backup compounds to make, use, sell, offer for sale, and import products containing abicipar and its corresponding backups for ophthalmic indications. Allergan is responsible, at its expense, for developing and commercializing abicipar, and must use commercially reasonable efforts to develop, seek regulatory approval for, and commercialize abicipar in certain key countries, including the United States, several major European markets and Japan. Allergan paid the Company an upfront license fee of $45 million in May 2011 and a regulatory milestone fee of $15 million upon the initiation of its Phase 3 clinical trials for wet AMD in July 2015. These non-refundable upfront fees have all been recognized into revenue in prior years. The Company is also eligible to receive up to an additional $210 million upon the achievement of certain development and regulatory milestone events and $150 million upon the achievement of certain sales milestone events. In addition, the Company will receive a tiered royalty percentage ranging from the low to mid-teens on worldwide annual net sales of abicipar.

Allergan, an AbbVie Company following the acquisition by AbbVie, announced in June 2020 that the U.S. Food and Drug Administration had issued a Complete Response Letter to the Biologics License Application for abicipar. AbbVie is to determine appropriate next steps with relevant regulatory agencies.

Discovery Alliance Agreement with Allergan, an Abbvie Company

In August 2012, the Company strategically expanded its existing relationship with Allergan by entering into an exclusive discovery alliance agreement under which the parties will collaborate to design and develop DARPin® products against selected targets that are implicated in causing diseases of the eye. The Company received an upfront payment of $40 million and a further $1.5 million upfront payment in connection with a 2014 amendment to the agreement, and Allergan agreed to pay us an option exercise fee of $10 million upon its exercise of further options. In July 2015, Allergan agreed to make an accelerated payment of $30 million for the exercise of these options. In February 2018 Allergan exercised its last of these options resulting in a recognized revenue of CHF 9.4 million. All revenue from these non refundable fees has been recognized in prior years. The Company is also eligible to receive additional success-based payments, including up to $960 million in development, regulatory and sales milestones, and tiered royalties ranging from a mid-single digit to low double digit percentage for future product sales by Allergan.

13. Research and development expenses

in CHF thousands	2020	2019
Research consumables and costs	(26,599)	(20,315)
Personnel expenses	(22,385)	(17,661)
Depreciation and amortization	(2,319)	(2,088)
Research and development expenses charged by subsidiary	(279)	(867)
Intellectual property	(492)	(568)
Facility expenses	(620)	(471)
Other expenses	(169)	(189)
Royalties and license fees	(562)	(50)
Total year ended December 31	**(53,425)**	**(42,209)**

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

in CHF thousands	2020	2019
Personnel expenses	(6,218)	(6,391)
Other expenses	(2,376)	(5,192)
Depreciation and amortization	(567)	(381)
SG&A expenses charged from subsidiary	(894)	—
Facility expenses	(46)	(46)
Total year ended December 31	**(10,101)**	**(12,010)**

15. Financial income and financial expenses

Financial income

in CHF thousands	2020	2019
Interest income on loans and receivables	367	1,599
Foreign exchange gain	24	—
Total year ended December 31	**391**	**1,599**

Financial expenses

in CHF thousands	2020	2019
Foreign exchange loss	(4,537)	(1,110)
Negative interest on cash and short-term time deposits	(271)	(64)
Other financial expenses	(32)	(35)
Total year ended December 31	**(4,840)**	**(1,209)**

16. Full-time equivalents and headcount

	2020	2019
Average number of full-time equivalents	140.4	126.0
Full-time equivalents at year end	143.4	133.2
Headcount at year end	157	145

17. Capital commitments and contingent liabilities

As of December 31, 2020 and December 31, 2019, the Company did not have any capital commitments or contingent liabilities.

18. Major shareholders

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

Shareholders with over 3% of share capital registered with the Commercial Register	2020	2019
Mark N. Lampert (Biotechnology Value Funds)	7.56 %	— %
Hansjoerg Wyss	7.07 %	9.62 %
Suvretta Capital Management, LLC	6.06 %	— %
Novartis AG	6.02 %	— %
Federated Hermes, Inc.	5.81 %	5.14 %
Essex Woodlands Health Ventures VIII, LLC	5.61 %	7.63 %
UBS Fund Management (Switzerland) AG	3.72 %	5.16 %
Michael Tobias Stumpp	2.63 %	3.32 %
Patrick Amstutz	2.43 %	3.12 %
Andreas Plückthun	<3.00%	4.80 %
Pictet Asset Management (Direction de Fonds)	<3.00%	4.06 %
Johnson &Johnson	<3.00%	4.15 %
Patrik Forrer	<3.00%	3.03 %
GAM Holding AG	<3.00%	3.03 %

The percentages above are based on (i) the number of shares held by such shareholders, excluding any options, PSUs and RSUs held by such shareholders and (ii) for the year ended December 31, 2020, 28,868,411 common shares, which is the share capital registered with the commercial registry on December 31, 2020 (December 31, 2019, 21,228,593 common shares).

19. 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	33,467	595
Total grants to the members of the management	55,059	1,156
Total grants to other employees	212,598	4,411
Total grants in 2020	**301,124**	**6,162**

in CHF	Number	Value TCHF
Total grants to the members of the Board of Directors	32,649	570
Total grants to the members of the management	94,514	1,747
Total grants to other employees	163,931	3,054
Total grants in 2019	**291,094**	**5,371**

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.

20. Ownership of Shares, PSU/RSU and Options by Key Management Personnel

Board of Directors	Shares	RSUs	Options
William M. Burns	1,315	28,186	—
Gwen Fyfe	2,144	11,944	—
Steven H. Holtzman	6,027	11,944	20,000
Sandip Kapadia	—	4,781	—
Vito J. Palombella	—	4,781	—
Michael Vasconcelles	—	4,781	—
Total Board of Directors as of December 31, 2020	**9,486**	**66,417**	**20,000**

Management Board	Shares	PSUs	Options
Patrick Amstutz	701,023	45,325	70,080
Andreas Emmenegger	241,878	29,787	36,070
Nicolas Leupin	—	32,389	—
Michael Tobias Stumpp	760,437	29,787	36,070
Total Management Board as of December 31, 2020	**1,703,338**	**137,288**	**142,220**

Board of Directors	Shares	RSUs	Options
Goran Ando	3,883	10,047	70,000
William Burns	—	20,069	—
Gwen Fyfe	—	10,047	—
Steven H. Holtzman	3,883	10,047	20,000
William A. Lee	18,326	10,047	20,000
Petri Vainio	3,883	10,047	—
Total Board of Directors as of December 31, 2019	**29,975**	**70,304**	**110,000**

Management Board	Shares	PSUs	Options
Patrick Amstutz	695,947	39,891	70,080
Andreas Emmenegger	239,295	26,887	36,070
Andreas Harstrick	8,184	—	—
Nicolas Leupin	—	20,120	—
Michael Tobias Stumpp	754,446	26,887	36,070
Total Management Board as of December 31, 2019	**1,697,872**	**113,785**	**142,220**

21. 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	2020	2019
as at January 1,	2,545	3,639
Additions / new leases	—	143
Remeasurements[1]	5,924	—
Recognition of interest on lease liabilities	24	27
Payments	(1,275)	(1,264)
Balances as at December 31,	**7,218**	**2,545**
current	1,179	1,267
non-current	6,039	1,278
Balances as at December 31,	**7,218**	**2,545**

[1] The remeasurement consists of a net reduction of TCHF 60 (related to the return of number of parking spaces) and an increase of TCHF 5,984 related to the extension of the lease for another 5 years until December 31, 2026)

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

in CHF thousands	2020	2019
Depreciation on right-of-use assets	1,256	1,247
Interest expense on lease liabilities	24	27
Short term leases	—	2
Total amount recognized in profit or loss	**1,280**	**1,276**

The total cash outflow for leases for the twelve months ending December 31, 2020 amounted to TCHF 1,275 (twelve months ending December 31, 2019 TCHF 1,266).

Contractual maturities of financial liabilities at December 31, 2020

in TCHF	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	1,232	7,392	7,218

Contractual maturities of financial liabilities at December 31, 2019

in TCHF	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cashflows	Carrying Amount lease liabilities
Lease liabilities	1,284	1,284	—	2,568	2,545

22. Auditing and additional fees as incurred from the Statutory Auditor

in CHF thousands	**2020**	**2019**
Auditing services	180	183
Other assurance related services	230	192
Tax related services	—	—
Balance at December 31	**410**	**375**

23. Events After Balance Sheet Date

These financial statements were approved for issuance by the Board of Directors on February 24, 2021.

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, 2020, 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 127-150) for the year ended December 31, 2020 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 Auditing Standards. 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 entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN

Key Audit Matter

The Company recognized revenue for the year ended December 31, 2020 of CHF 9.3 million related to the license and collaboration agreement with Amgen.

In December 2018, the Company entered into a license and collaboration agreement with Amgen Inc. and received an upfront payment of $50 million.

The Company recognizes revenue for the license and collaboration agreement with Amgen in relation to progress made towards completion of the performance obligation by using the cost based method which is measured by actual costs incurred in relation to the Company's best estimate of total expected costs to satisfy the performance obligation.

The Company's assessment of the progress made towards completion of the performance obligation, including the assessment of the estimated future costs to be incurred requires significant judgment.
Specifically, the assessment of changes in operational and/or technical collaboration and project requirements that could lead to a change in the amount of estimated project costs, requires a high degree of judgement.

Our response

The following are the primary procedures we performed to address the key audit matter:

- We assessed the Company's total estimated project costs by:
  - Performing inquiry of collaboration project leaders to assess the Company's assertions made in the accounting analysis, collaboration project plan, and the estimated project costs.
  - Performing a retrospective assessment of historical forecasts of project costs by comparing prior period forecasts to actual results.
  - Assessing management's process for estimating total project costs to complete by selecting certain vendor contracts and obtaining underlying evidence including but not limited to actual invoices, email correspondence, clinical development progress, and collaboration project committee meeting minutes to evaluate the estimated project costs.
  - Obtaining the minutes of collaboration project committees to compare with other evidence obtained regarding the project progress to date and forecasted project completion to confirm any changes are properly reflected in the estimated project completion costs.
  - Evaluating the Company's assessment of project costs incurred to date relative to the Company's estimated project costs. For a sample of costs incurred to date, we compared such costs to underlying invoices, certain vendor contracts and other records obtained.

For further information on revenue recognition for the license and collaboration agreement with Amgen refer to the following:

- Note 2 Summary of Significant Accounting Policies: Revenue Recognition
- Note 12 Revenues and entity-wide disclosures
- Note 10 Contract liability

Responsibility of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 Swiss Auditing Standards, 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 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 entity'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 entity 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, related safeguards.

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 the Swiss Auditing Standard 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 recommend that the financial statements submitted to you be approved.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Judith Herold
Licensed Audit Expert

Zurich, February 24, 2021


KIMTECH

Glossary of Terms

Co-stimulatory agonists: A receptor ligand that activates a signaling pathway on a lymphocyte (such as a T-cell), potentially leading to the activation of such lymphocyte.

Designed ankyrin repeat protein (DARPin®): An acronym for designed natural anykyrin protein, a new class of small-protein therapeutic agents. One of the most common binding proteins in nature, ankyrin repeat proteins are responsible for diverse functions, such as cell signaling and receptor binding. Due to their small size, high potency, high stability, high affinity (strong binding) and flexible architecture, DARPin® therapeutic products have the potential to overcome many of the limitations of conventional approaches to addressing complex diseases, such as cancer.

HER: A family of receptors, called human epidermal growth factor receptors including its members HER1 (also known as EGFR), HER2/neu, HER3 and HER4.

Hepatocyte Growth Factor (HGF): A process which involves embryonic organ development, adult organ regeneration and wound healing.

Immune checkpoint modulators (ICMs): Therapeutic molecules that modulate the activity of T-cells by blocking or activating certain regulators on the T-cell surface.

Immuno-oncology: A sub-field in oncology investigating the influence of the body's immune system to fight cancer.

Immunogenicity: Immunogenicity is the ability of a particular substance, such as a therapeutic protein, to provoke an immune response in the body of a human or animal. Unwanted immunogenicity can reduce the activity of a therapy or lead to its full inactivation.

Monoclonal antibody (mAb): Monoclonal antibodies are large macromolecules that are specifically binding to a given substance. The fact that monoclonal antibodies can be produced binding to almost any substance led to their wide use as medicines. Monoclonal antibodies are the natural effector molecule produced by the body's immune system to recognize and neutralize an intruder, such as a virus, or a cancer cell.

Multiple myeloma (MM): A hematological cancer that forms in a type of white blood cell called a plasma cell. MM causes cancer cells to accumulate in the bone marrow, where they crowd out healthy blood cells. MM is one of the largest markets in hematology, estimated to exceed USD 8 billion in 2015.

Programmed Cell Death Protein 1 (PD-1): Checkpoint protein, key in regulating the immune system.

Pharmacokinetics (PK): Important parameter when characterizing a drug, describing the residence time in the serum and in certain other organs upon administration.

Vascular endothelial growth factor (VEGF): A signal protein produced by cells that stimulates vasculogenesis and angiogenesis.

Wet age-related macular degeneration (AMD): Wet AMD is a degenerative eye disease that causes damage to the macula, the central part of the retina. Wet AMD is one of the leading causes of blindness in the western world. It is caused by the abnormal growth of blood vessels in the retina.

Disclaimer:

This report does not constitute an offer or invitation to subscribe for or purchase any securities of Molecular Partners AG. This report may contain certain forward-looking statements and assessments or intentions concerning the company and its business. Such statements involve certain risks, uncertainties and other factors which could cause the actual results, financial condition, performance or achievements of the company to be materially different from those expressed or implied by such statements. Readers should therefore not place reliance on these statements, particularly not in connection with any contract or investment decision. The company disclaims any obligation to update these forward-looking statements, assessments or intentions.

Molecular Partners AG
Wagistrasse 14
8952 Zürich-Schlieren
Switzerland
Phone: +41 44 755 77 00
Fax: +41 44 755 77 07
molecularpartners.com

MOLECULAR partners

Custom-built biology for patients