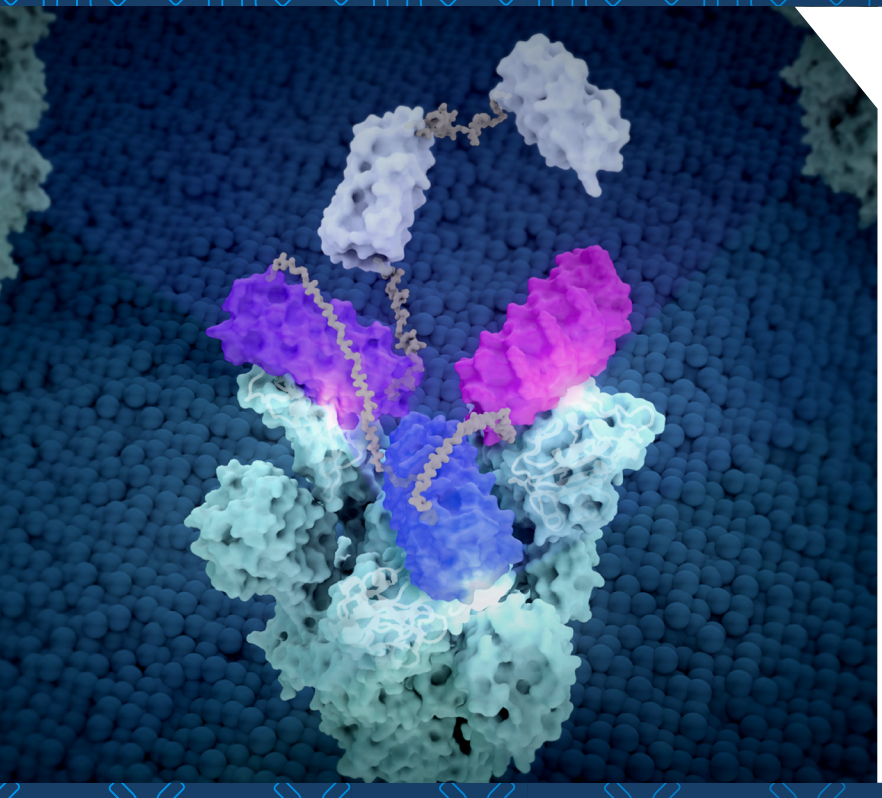


ANNUAL REPORT

2021

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 capabilities 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 company has formed partnerships with leading pharmaceutical companies to advance DARPin therapeutics in the areas of infectious disease, oncology and ophthalmology, 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 class of custom-built protein drugs 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 monoclonal antibodies or other currently available conventional protein therapeutics. DARPin therapeutics have been clinically validated through to the registrational stage. The DARPin platform is a rapid, effective and efficient drug discovery engine, producing candidates with optimized properties for development and very high production yields.

2021 Operational and Financial Highlights

- Strong financial position with CHF 132.8 million in cash (including short-term deposits) as of December 31, 2021
- Net cash used in operating activities of CHF 91.0 million
- Operating loss of CHF 63.4 million and net loss of CHF 63.8 million
- Taking into account the cash balance reported at year end 2021 and funds received in January 2022, we estimate the Company is funded into 2025, excluding any potential payments from R&D partnerships
- Talent base of 163 full-time employees at year-end 2021

2021 Research & Development Highlights

Research & Development Highlights:

- In January of 2022, announced positive topline results from Phase 2 EMPATHY clinical trial of ensovibep for the treatment of non-hospitalized COVID-19 patients, resulting in the option exercise of the program by Novartis triggering the receipt of CHF 150 million in January 2022
- Continued to confirm ensovibep's pan-variant activity in in vitro studies demonstrating maintained high potency against all known SARS-CoV-2 variants of concern, including Omicron, Delta and Lambda
- Received FDA Fast Track designation for ensovibep for the treatment of COVID-19
- Dosed more than 560 patients across clinical studies for ensovibep
- Announced collaboration with Novartis to develop DARPin-conjugated radioligand therapies for oncology
- Initiated enrollment in Phase 1 study of MP0317 targeting FAP and CD40
- Nominated MP0533 for development for acute myeloid leukemia (AML), targeting CD3, CD33, CD70 and CD123 Presented data supporting oncology portfolio programs at AACR, ESMO Immuno-Oncology, ASH and Company's Virtual Oncology Day

Leadership & Governance:

- Elected Agnete Fredriksen and Dominik Höchli to the Board of Directors at the Annual General Meeting of April 21, 2021
- Promoted Alexander Zürcher to Chief Operating Officer, and Renate Gloggner to EVP People and Community. Both will be appointed to the Management Board effective July 1, 2022

Contents

MOLECULAR partners

Custom-built biology for patients

To Our Shareholders

We are committed to leveraging our leadership in DARPin therapeutics to deliver a unique class of custom-built protein drugs that go beyond the limits of current treatments for cancer, infectious disease and other serious conditions for patients in need.

In 2020, our team began work on a new program in COVID-19 as a response to the ongoing humanitarian crisis happening around the world. We believed we had an obligation to explore the potential of DARPin antivirals to tackle an evolving virus in a unique way and address an unprecedented unmet medical need.

Less than two years after we started the program, ensovibep delivered positive topline data in the global EMPATHY study for ambulatory COVID-19 patients. With our partners at Novartis, we are rapidly seeking expedited regulatory authorizations globally, first through the U.S. Food and Drug Administration's (FDA) Emergency Use Authorization (EUA).

If approved or authorized, ensovibep would be the world's first approved multi-specific antiviral drug for COVID-19. Its *in vitro* potency against all variants of concern to-date, high-yield manufacturing process and simple one-time administration means it has the potential to become a much needed tool for health authorities to curb the severity of this pandemic across the globe and possibly to protect against future variants of concern. As effective antiviral treatments remain in short supply and as new variants continue to emerge, the need for new treatment options to combat this virus has never been greater.

This is the Molecular Partners advantage at work. Through two decades of pioneering discoveries, more than a decade of clinical experience, vast DARPin libraries and unparalleled design capabilities, we have developed a new breakthrough class of medicines that can go beyond the limitations of other kinds of drugs.

These results have broad implications for the potential therapeutic profile of DARPins in a range of other viruses. We plan to apply our lessons from this program to expand an antiviral portfolio. Our substantial capital infusion in 2021 derived from our initial public offering in the United States and our COVID-19 program collaboration with Novartis strongly position us to advance both our novel antiviral R&D efforts and our oncology portfolio.

In 2021 we also advanced novel oncology-focused DARPin technologies. Our most recently nominated candidate for acute myeloid leukemia (AML), MP0533 is a multi-specific candidate that combines our proprietary T-cell engager (TCE) technology with three target proteins clinically relevant to AML. MP0533 is designed to powerfully activate T cells once it binds a minimum of two target tumor-associated antigens. This design offers the potential for MP0533 to selectively destroy tumor cells and reduce damage to healthy cells that often express some of these antigens. This mechanism of "avidity-driven selectivity" has, we believe, substantial potential in a range of other tumor types where existing drugs have struggled to achieve a therapeutic window that delivers sufficient tumor specificity without systemic toxicity.

The structural advantages of individual DARPins can also help develop small, high-affinity candidates, a concept that forms the basis of our new DARPin-conjugated radioligand therapy partnership with Novartis.

Ensovibep's pan-variant design and MP0533's avidity-driven selectivity are but two examples of how we can combine multiple functions in every molecule to deliver solutions for complex disease unmatched by other modalities.

Pioneering a new drug class is a long and complex journey. But never in our history have we been better positioned to deliver on the transformational potential of DARPins. As we enter a new phase of development as the world's leading DARPin company, we have also welcomed Agnete Fredriksen and Dominik Höchli to our Board of Directors to provide additional guidance.

We thank our team, shareholders and other stakeholders for their continued contributions and support. We look forward to continue delivering on the unique abilities of this drug class for patients around the world.

2021 Milestones and Corporate Highlights

Infectious Diseases

In early January of 2022, we and our partners Novartis announced positive topline data from the randomized, double-blind placebo-controlled EMPATHY Part A study of ensovibep for acute COVID-19 ambulatory patients. Results from the study showed ensovibep met its primary endpoint with a statistically significant reduction in viral load over eight days, compared to placebo. The secondary endpoint of hospitalization, ER visits or death related to COVID-19 showed an overall 78% reduction in risk of events across ensovibep arms compared to placebo. Ensovibep also demonstrated a clinically meaningful time to sustained recovery benefit over placebo.

Following these results, Novartis exercised the commercial license for ensovibep, triggering a milestone payment of CHF 150 million to us. Under our agreement, we are entitled to 22% of the royalties in relevant territories and we have agreed to forgo royalties in lower income countries to ensure affordability based on countries' needs and capabilities. Novartis will lead further development and commercialization of the program. We are working in close partnership with Novartis to support an expedited regulatory process, first via a rolling submission to the U.S. FDA for Emergency Use Authorization (EUA).

If approved or authorized, ensovibep will be the first multi-specific antiviral candidate for the treatment of COVID-19 and our first DARPin therapy approved by a regulatory agency. Throughout 2021, ensovibep has continued to show retained potency against all variants of concern in *in vitro* studies.

As a DARPin candidate, ensovibep is uniquely designed to retain pan-variant activity across all strains of COVID-19, by engaging three domains of the SARS-CoV-2 virus simultaneously to inhibit viral entry into cells. This allows for a potentially broader efficacy and reduces the likelihood for the development of viral drug resistance which can result from selection pressure on any single molecular target. In addition, all of our DARPin candidates are produced through rapid, high-yield microbial fermentation for potential speed and logistical advantages over mammalian cell production employed for antibodies.

Preclinical studies conducted in December confirmed that ensovibep maintains full neutralization of Omicron pseudoviruses that contain the identical mutations of the viral variant. In a panel of biologic drugs tested against the original (wild type) and Omicron variants of SARS-CoV-2, ensovibep maintained a uniformly high neutralizing potency across variants, while substantial reduction in potency was observed for numerous antibody drugs, both approved and investigational.

In November 2021, we also announced that a planned futility analysis of ensovibep in the NIH-sponsored ACTIV-3 clinical study did not meet the thresholds required to continue enrollment of adults with COVID-19 in the hospitalized setting.

Oncology

Our oncology programs saw significant progress in 2021, particularly in the second half of the year.

In December 2021, we announced a collaboration with Novartis in the form of a license agreement to develop, manufacture and commercialize DARPin-conjugated radioligand therapies (DARPin-RLTs). The collaboration combines our industry-leading ability to rapidly generate high-affinity DARPins and the RLT capabilities and expertise of Novartis. RLTs have the potential to deliver molecularly targeted radiation to tumor cells anywhere in the body by harnessing the power of radioactive atoms for precise tumor-killing. Under the terms of the agreement, we will collaborate with Novartis to discover DARPin-RLTs that target specific tumor-associated antigens.

In November 2021, we announced the first patient had been dosed in the Phase 1 clinical trial evaluating the safety and tolerability of MP0317, which targets both fibroblast activation protein (FAP) and the immunostimulatory protein CD40 to enable tumor-localized immune activation. MP0317 is the second DARPin therapeutic candidate in our immuno-oncology pipeline to enter clinical trials. Through this mechanism of action, MP0317 is designed to activate immune cells specifically within the tumor microenvironment, potentially delivering greater efficacy with fewer side effects compared to other CD40-targeting agents.

The open-label dose escalation study is designed to assess the safety and tolerability as well as pharmacokinetics and pharmacodynamics of MP0317 as a monotherapy in patients with solid tumors known to express FAP and CD40. In addition to evaluating monotherapy dynamics, the study will gather a wide variety of biomarker data to support the establishment of combination therapies with MP0317 in specific indications. In December 2021, we presented data on MP0317 and the Phase 1 clinical trial design at the ESMO Immuno-Oncology Congress. Initial data from this clinical study is expected in the second half of 2022.

We also nominated MP0533 as a new candidate for development in 2021, for the treatment of acute myeloid leukemia (AML). MP0533 is a multi-specific DARPin T-cell engager candidate designed to deliver a highly potent and specific anti-tumor response to AML cells, with a reduced effect on healthy normal cells, and with the potential to counteract target escape mechanisms expected due to tumor heterogeneity. MP0533 is designed to engage CD3 on T cells and target AML cells via the tumor associated antigens CD33, CD123 and CD70.

At the 63rd American Society of Hematology (ASH) Annual Meeting we presented preclinical data from MP0533 demonstrating a significant decrease in cytokine release syndrome (CRS) when compared to other mono-targeted T-cell engager therapies, confirming MP0533's potential for an improved safety profile compared to other approaches. In an *ex vivo* assay using blood samples from healthy donors, the candidate induced profoundly less inflammatory cytokine production and reduction in platelet counts than T-cell engager candidates in development by other parties.

In December of 2021, we announced a research collaboration with the University of Bern to advance the development of MP0533 into clinical studies, leveraging the Bern group's expertise in leukemic stem cells, a hard-to-target cancer progenitor cell population relevant to AML. We plan to initiate a Phase 1 clinical study of MP0533 in 2022.

The ongoing Phase 1 clinical trial of AMG 506 (MP0310) progressed in 2021, which is evaluating the optimal dosing regimen of the therapeutic candidate. AMG 506 (MP0310) is the first DARPin therapeutic candidate in our immuno-oncology pipeline to enter clinical trials targeting FAP and 4-1BB. It is designed to activate immune cells specifically in the tumor expressing these targets and not in the rest of the body, potentially delivering greater efficacy with less toxicity. In partnership with Amgen, we expect to review these clinical data from the Phase 1 trial in the first half of 2022.

Ophthalmology

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

Molecular Partners has formed a special committee to evaluate the further development of abicipar, and correspondence with the FDA is underway. Feedback obtained from the agency in February of 2022 provided clinical guidance which is now being further evaluated.

Financial highlights in 2021

Following its Nasdaq Global Select Market initial public offering and Novartis licensing of ensovibep, Molecular Partners remains well funded to capture upcoming value inflection points in 2022. In the financial year 2021, Molecular Partners recognized total revenues and other income of CHF 9.8 million (2020: CHF 9.3 million) and incurred total expenses of CHF 73.2 million (2020: CHF 67.7 million). This led to an operating loss of CHF 63.4 million for 2021 (2020: Operating loss of CHF 58.3 million). The net financial loss of CHF 0.4 million recorded in 2021 compared to a net financial loss of CHF 4.4 million in 2020. This resulted in a 2021 net loss of CHF 63.8 million (2020: Net loss of CHF 62.8 million).

The net cash used for operating activities in 2021 was CHF 91.0 million (2020: net cash used of CHF 29.0 million). Including short-term time deposits, the cash and cash equivalents position decreased by CHF 40.9 million vs. year-end 2020 to CHF 132.8 million as of December 31, 2021 (December 31, 2020: CHF 173.7 million). Total shareholders' equity stood at CHF 107.3 million as of December 31, 2021, a rounded increase of CHF 0.1 million (December 31, 2020: CHF 107.2 million).

Board of Directors and Management Team

Elected Agnete Fredriksen to the Board of Directors at the 2021 Annual General Meeting

Agnete Fredriksen, Ph.D., is a Board Member at Molecular Partners. She is a co-founder, president and chief innovation and strategy officer of Nykode Therapeutics AS (formerly Vaccibody AS), a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases. With prior roles at Affitech AS and Medinnova AS, Agnete's focus is on developing vaccines from idea to clinical development. She is the author of numerous scientific papers in the field of immunology, immunotherapy and vaccines, and has been awarded several patents in the field of immunotherapy. She holds an MSc and a Ph.D. from the Institute of Immunology, Rikshospitalet Medical Center in Oslo, Norway.

Elected Dominik Höchli to the Board of Directors at the 2021 Annual General Meeting

Dominik Höchli, M.D., is a Board Member at Molecular Partners. He has 20 years of experience as a marketing and medical affairs executive. Since spring 2021 he is the CEO of Catapult Therapeutics, a clinical stage biotech company in the Netherlands. Previously he worked at AbbVie as Vice President, Head of Global Medical Affairs and member of the R&D and the Commercial leadership team. He led global product launches for major blockbuster products, including HUMIRA, Maviret, Venetoclax and Skyrizi, and his leadership experience ranges from smaller country organizations to large global functions. He began his corporate career at McKinsey & Co. Dominik is a Swiss national and obtained his M.D. from the University of Bern.

Promoted Renate Gloggner to EVP People and Community

Renate Gloggner, M.B.A., was most recently Senior Vice President, Human Resources of Molecular Partners. She joined the company in October 2021. Prior to joining Molecular Partners, Renate held European and International Human Resource leadership positions at two U.S. companies, Global Blood Therapeutics and Tesaro Bio. At both companies, she built strong teams with an engaging culture in the European headquarters as well as in several European countries, allowing these teams to successfully gain market access and launch products. Renate began her career in biotech at Biogen and Amgen working in a variety of HR roles in the international headquarters as well as in country roles. She holds an M.B.A. from the University of Bern, Switzerland and an executive coaching degree from the University of the West of England, Bristol.

Promoted Alexander Zürcher to Chief Operating Officer

Alexander Zürcher was most recently Senior Vice President Development of Molecular Partners and oversaw manufacturing, bioanalytics, pharmacology, clinical operations and quality assurance activities. In his previous roles with Molecular Partners, Alexander has been Vice President of Operations and Director of CMC. He has close to 20 years of industry experience, with prior work in drug development as Director of Drug Product Development at Cytos Biotechnology and Head of R&D Operations at Spirig Pharma. Alexander holds a M.Sc. degree in biology from the University of Basel, as well as certificates in business and project management from the University of Zurich.

Michael Stumpp transitioning to EVP Projects

Coinciding with Alexander's promotion, Michael Stumpp, the Company's current COO, will transition to the newly formed position of EVP Projects and will continue to be a member of the Management Board.

Business outlook and priorities for 2022 and beyond

In 2022, we look forward to working in close collaboration with Novartis to support an expedited regulatory review process for ensovibep, first via the U.S. FDA's EUA process. By entering into the licensing agreement, Novartis will now lead all further development and commercialization efforts for the program. The global Phase 3 trial is expected to be initiated in parallel with expedited submissions to global regulatory bodies. The trial is expected to enroll patients around the world, using the 75mg dose of ensovibep, the lowest dose identified in Part A of the EMPATHY trial.

We are actively assessing other viral disease areas where DARPins can offer advantages over existing antivirals or where no effective antivirals exist. We expect to share additional details of this work this year. We look forward to making continued progress across our oncology programs and anticipate reporting clinical data from AMG 506 (MP0310) and MP0317 in the first and second half

of this year. We also plan to initiate a Phase 1 clinical study of MP0533 in 2022. In addition to our collaborations with Novartis, Amgen, AbbVie and the University of Bern, in 2022 we also plan to seek out additional partnerships with leading biopharmaceutical organizations or academic institutions to bring the class's power to bear across diverse disease areas.

For the FY 2022, at constant exchange rates, Molecular Partners expects total expenses of CHF 75-85 million, of which around CHF 8 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 Group's pipeline as well as the budgeted growth of the Group's workforce.

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

Expansion of ESG initiatives, founded on our strong purpose

At Molecular Partners our values support three core activities: developing treatments for patients suffering from serious diseases; cultivating a culture of initiative, integrity and excellence; and creating a socially interactive, environmentally aware company culture.

As an innovative biotechnology company, our purpose is to find, develop and bring to market novel therapeutics to improve the lives of patients in need. Our company-wide efforts to develop a COVID-19 treatment for the world, ensovibep, exemplify this value well. When partnering with Novartis to fight COVID-19, we and Novartis agreed to waive all profits from ensovibep in developing regions as part of a commitment to corporate social responsibility in a time of urgent global medical need. In oncology, we are focusing the powers of our platform toward finding truly innovative therapeutics for diseases that currently have no sustainable solution, such as in our recent work in AML, a blood cancer with no reliably effective treatment where we are advancing a truly differentiated potential option for patients through DARPins.

We believe that our growth and constant improvement as a company are closely linked to the well-being and growth of our employees. As a part of that, we are focused on programs to support our internal culture, encouraging employees to show initiative, integrity and to strive to excellence in their work. Further, we are applying employee engagement and retention programs, including a reinforced focus on executive-led initiatives in these areas.

Finally, we find it important to foster a socially and environmentally aware company culture, which we believe helps our team to better appreciate their contribution to society and the importance of their work. To help accomplish all of this, we have engaged external support to help guide our ESG journey, and we are currently in the process of collecting a baseline status evaluation as the next step toward applying an ESG plan with measurable metrics.

Our purpose: Deliver a new class of drugs to transform care in cancer, infectious diseases and other serious conditions

At Molecular Partners, we have a core purpose of developing therapies for patients suffering from serious diseases through delivering on the promise of DARPin therapeutics. As a team, we are excited 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 urgent medical needs and push our DARPin expertise into new areas 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 during these challenging times of remote work. We continue to wish you all good health and success in the year to come and look forward to sharing updates on our progress through 2022.

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 2021**	**FY 2020**	**Change**
Total revenues and other income	**9.8**	**9.3**	**0.4**
R&D expenses	(55.7)	(56.1)	0.4
SG&A expenses	(17.5)	(11.6)	(5.9)
Total operating expenses (incl depr. & amort.)	**(73.2)**	**(67.7)**	**(5.5)**
Operating result	**(63.4)**	**(58.3)**	**(5.1)**
Net finance result	(0.4)	(4.4)	4.1
Income taxes	—	—	—
Net result	**(63.8)**	**(62.8)**	**(1.0)**
Basic and diluted net result per share (in CHF)	(2.06)	(2.51)	0.45
Net cash from (used in) operating activities	(91.0)	(29.0)	(62.0)
Net cash from (used in) investing activities	(22.2)	(21.7)	(0.5)
Net cash from (used in) financing activities	50.6	113.2	(62.6)
Exchange gain/(loss) on cash positions	0.7	(4.5)	5.2
Net increase (decrease) in cash & cash equivalents	(61.9)	58.0	(119.9)
Cash & cash equivalents	**71.8**	**133.7**	**(61.9)**
Cash & cash equivalents (incl. short-term time deposits)	**132.8**	**173.7**	**(40.9)**
Total non-current assets	8.5	9.7	(1.3)
Total current assets	164.2	177.8	(13.6)
Total shareholders' equity	107.3	107.2	0.1
Total non-current liabilities	18.5	22.7	(4.1)
Total current liabilities	46.9	57.7	(10.8)
Number of total FTE	**163.2**	**145.4**	**17.8**

Financial highlights

Over the course of 2021, 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.

On January 7, 2022, Novartis informed the Group of its intention to exercise the option under the option and equity rights agreement. This was followed by the signing of a license agreement between the two parties on January 17, 2022. This license agreement resulted in the Group becoming eligible to receive CHF 150 million for the option exercise payment and in addition the Group was allowed to charge Novartis CHF 13.1 million for items related to the commercial supply of ensovibep and drug substance secured by the Group.

The proceeds from the NASDAQ listing in June 2021 further increased the Group's solid cash position with no debt on the balance sheet. Our cash position as per December 31, 2021 together with the funds received from Novartis in early 2022,continues to provide the Group with financial flexibility and a forecasted cash runway into 2025.

Molecular Partners' broad pipeline across multiple indications, its collaborations with bluechip pharma companies such as Novartis and Amgen, 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 and other income

In 2021, the Group recognized total revenues and other income of CHF 9.8 million, an increase of 4% compared to the previous year (2020: CHF 9.3 million). The revenue in 2021 was primarily comprised of CHF 9.3 million related to the Group's collaboration with Amgen. In 2021 the Group also recorded other income related to agency fees that were invoiced to Novartis. The revenue in 2020 related exclusively to the Amgen collaboration.

As of December 31, 2021, the Group recorded a CHF 9.7 million contract liability position under the Amgen collaboration agreement (2020: CHF 19.0 million). This contract liability is expected to be recognized as revenue in 2022.

Molecular Partners has entered into collaborations 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 2021 total operating expenses increased by CHF 5.5 million (+8%) to CHF 73.2 million (compared to CHF 67.7 million in 2020). These costs included CHF 5.2 million in non-cash effective share-based compensation and pension costs as well as CHF 2.6 million in depreciation. The two major expense categories were personnel expenses of CHF 36.3 million (50% of total operating expenses) and research consumables and costs totaling CHF 26.3 million (36% of total operating expenses).

Total R&D expenses in 2021 remained stable at CHF 55.7 million (2020: CHF 56.1 million). 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 increased by CHF 5.9 million (+51%) to CHF 17.5 million (2020: CHF 11.6 million), mainly driven by D&O insurance cost and professional services costs associated with our June 2021 listing on the NASDAQ.

As of December 31, 2021, the Group had 163 full-time employees (FTE), with 82% in R&D functions. This represents an increase of 12% year-over-year (December 31, 2020: 145 FTE).

Operating result

In 2021, the Group generated an operating loss of CHF 63.4 million (compared to an operating loss of CHF 58.3 million in 2020).

Financial result

In 2021, Molecular Partners recorded a net financial loss of CHF 0.4 million,mainly driven by negative interest, whereas the net financial loss of CHF 4.4 million in 2020 was primarily resultant from foreign exchange losses 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 2021 and 2020. 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 19.7%.

Including the net operating loss of 2021, tax losses of CHF 212.2 million (with the expiry of CHF 4.3 million 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 at December 31, 2021 it was unlikely that such loss carryforwards could 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, New York, and California.

Net result

In 2021, the Group recorded a net loss of CHF 63.8 million, which is at a consistent level with prior year (2020: net loss of CHF 62.8 million).

Balance sheet and capital resources

As of December 31, 2021, the Group's total balance of cash and cash equivalents plus the short-term time deposits decreased by CHF 40.9 million compared to year-end 2020 to a level of CHF 132.8 million. This continued strong cash and cash equivalents position plus the short-term time deposits represented 77% of the total assets at December 31, 2021.

The total shareholders' equity position was stable at CHF 107.3 million as of December 31, 2021 (December 31, 2020: CHF 107.2 million). The Group's balance sheet continued to be debt-free in 2021.

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 65.4 million (2020: CHF 80.4 million), mainly comprised of contract liabilities with various partners. These non-cash effective contract liabilities are the most significant liability item with an amount of CHF 35.2 million at the end of 2021 (2020: CHF 45.9 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 consolidated financial statements.

Cash flow statement

In 2021, Molecular Partners recorded a net cash outflow from operations of CHF 91.0 million, compared to the net cash outflow from operations of CHF 29.0 million in 2020. 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.

During the year ended December 31, 2021, 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 19,904 (2020: 96) have been offset against contract liabilities.

Cash outflow from investing activities was CHF 22.2 million, compared to a CHF 21.7 million cash outflow in 2020. A CHF 1.3 million outflow was recorded for capital expenditures in equipment and intangible assets and a CHF 0.1 million inflow was recorded from interest received.

Net cash inflow from financing activities of CHF 50.6 million was driven primarily due to funds received from the shares issued in connection with the NASDAQ listing in June 2021. In addition, the Group recorded a foreign exchange gain on cash positions of CHF 0.7 million in 2021 (2020: CHF 4.5 million loss).

Overall, this resulted in a net decrease of the Group's total cash balance and short-term time deposits by CHF 40.9 million from CHF 173.7 million at the end of 2020 to CHF 132.8 million at year-end 2021.

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 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 pays negative interest on some, and earns interest income on other cash and cash equivalents balances 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 four major Swiss banks with ratings between A and AAA as per Standard & Poor's. The Group enters into partnerships with partners which have the appropriate credit history and a commitment to ethical business practices. Other receivables with credit risk mainly include interest receivables.
- Liquidity risk: Based on the Group's Business Plan 2022-2026, management estimates that the Group, with CHF 132.8 million cash at hand as per December 31, 2021, no debt as per the end of 2021, and the funds received from Novartis in January 2022, is funded into 2025.

Financial outlook 2022

For the FY 2022, at constant exchange rates, the Group expects total P&L expenses of CHF 75-85 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 operational cash outflow the Group expects a gross cash burn of CHF 70-80 million. This cash flow guidance does not include any potential payments from R&D partnerships.

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

COVID-19 update and impact

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, continued to present a challenge during the first months of 2022. We will closely monitor any potential continuation of the pandemic, respectively its forecasted easing over the months to come.

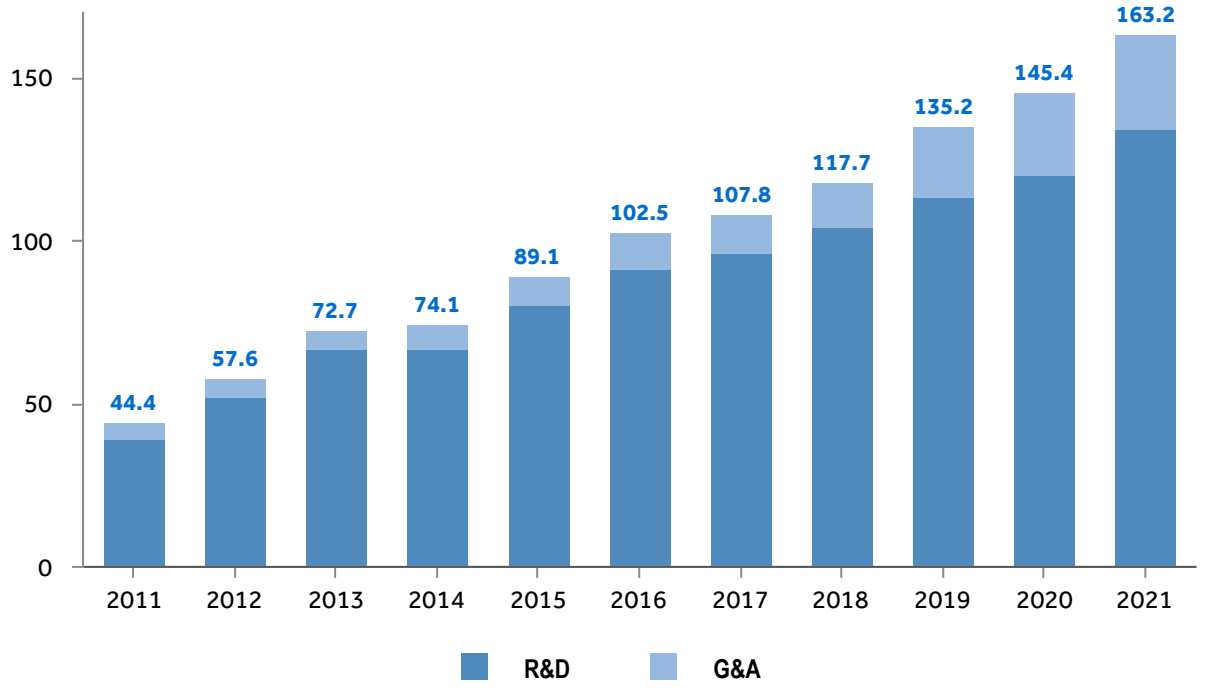
Financial calendar 2022

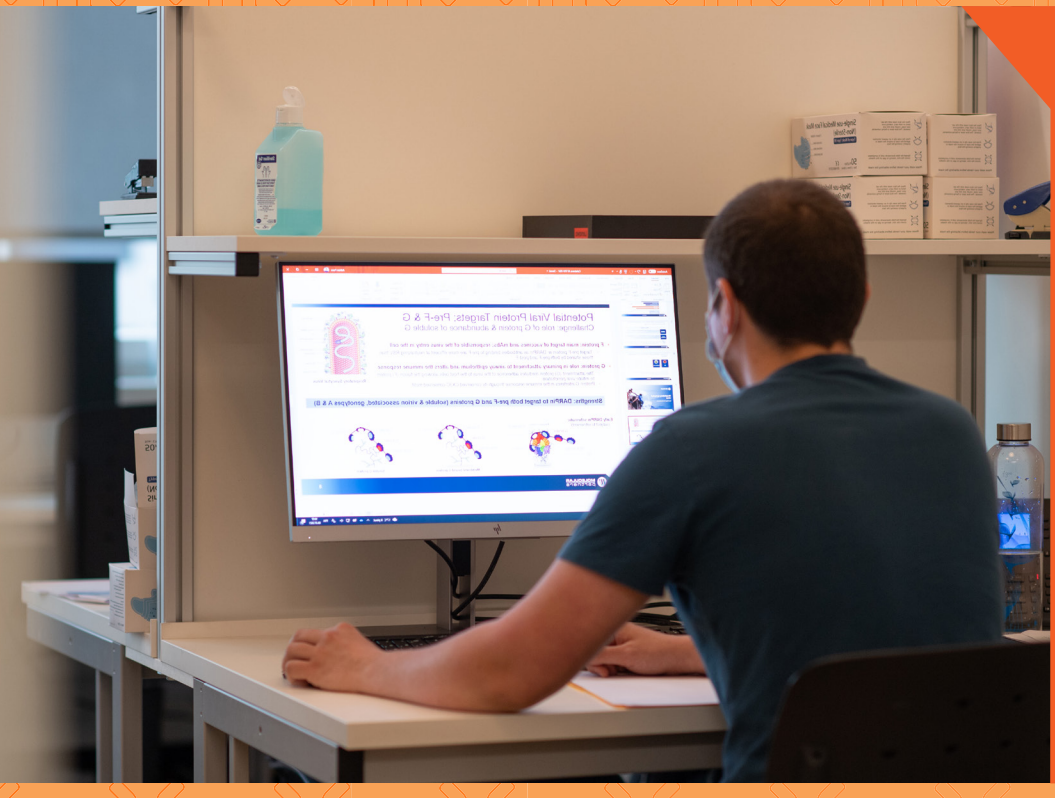
The following table summarizes the scheduled financial calendar for the financial year 2022.

Date:	Event:
March 15, 2022	Expected Publication Date of Annual General Meeting Invitation 2022
April 13, 2022	Annual General Meeting
May 12, 2022	Interim Management Statement Q1 2022
August 25, 2022	Publication of Half-year Results 2022 (unaudited)
October 27, 2022	Interim Management Statement Q3 2022

Development of employee base

The ongoing growth of the organization is reflected in the growth of the employee base, which continued in 2021. Total headcount (on a full-time equivalent/FTE basis) grew by 12% to 163.2 of which about 82% are employed in R&D-related areas.





Research & Development

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

Overview & Outlook

We are a clinical-stage biopharmaceutical group pioneering DARPin candidates to treat serious diseases, with a current focus on infectious disease and oncology. Our DARPin platform, which is built using designed ankyrin repeat proteins (DARPins), allows us to generate candidates with multiple mechanisms of action to address complex biological problems.

DARPins are a novel class of drugs with broad therapeutic applications that may overcome many of the limitations of conventional protein and antibody-based therapeutics. Our DARPin candidates have been extensively tested in preclinical studies and clinical trials, including in approximately 2,700 patients since our founding, and have been observed to be highly active and generally well-tolerated.

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

We have research collaboration agreements with Novartis, AbbVie and Amgen.

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

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

Key aspects of our strategy include the following:

- Support the continued development of ensovibep, our COVID-19 antiviral therapeutic product candidate, being led by Novartis. Following ensovibep's positive topline results from the Phase 2 EMPATHY Part A trial, Novartis has in-licensed global rights to ensovibep from Molecular Partners. Novartis is now responsible for further development, manufacturing, distribution and commercialization activities and our collaboration focuses on seeking expedited regulatory authorizations globally to assure the investigational treatment will reach as many eligible patients as quickly as possible.

- Unlock novel biological solutions and expand therapeutic applications of clinically validated DARPin approaches. As the inventors of the DARPin class of drugs, we believe we are the

world leaders in DARPin engineering and research. With this expertise, we have developed a strategy of unlocking various technical hurdles which may limit other discovery platforms, and then expanding our clinical product candidates based upon each technological solution. Examples of this include the conditional activation of our oncology programs and multi-specificity of our COVID-19 antiviral ensovibep, which has maintained full potency against all variants of concern to date in in vitro studies. Given 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 expect to announce a new potential target indications in our infectious disease program in 2022.

- Maintain a robust discovery program leveraging our proprietary DARPin libraries and novel DARPin-based biological solutions. DARPins are designed to be added to new product candidates in a modular fashion to address novel disease biology. This process enables us to construct and screen multi-specific DARPin molecules for new disease areas and to quickly identify and progress differentiated candidates for our infectious disease and oncology programs. In pursuit of a sustainable and diversified portfolio, we plan to develop potentially innovative and transformational constructs directed against the most promising targets in our areas of focus.

- Continue a strategic approach to in-house versus partnered development. To unlock and expand the full potential of our DARPin platform, we intend to independently develop and commercialize product candidates in our core focus areas, where we believe we have a clear clinical and regulatory approval pathway and the resources to commercialize successfully. To complement this approach, we also plan to collaborate with biopharmaceutical companies on product candidates that have promising utility in target areas or patient populations requiring greater global development capabilities or those outside of our strategic focus.

  - This strategy has allowed us to pursue major therapeutic innovations for the DARPin platform, often in parallel, across our infectious disease, oncology and ophthalmology focus areas. To this end, we continue to support our partners across our portfolio as we pursue the rapid development and approval of our COVID-19 antiviral therapeutic candidate, ensovibep, and advance our DARPin-conjugated radioligand therapies, both in collaboration with Novartis; the advancement of AMG 506 (MP0310) in solid tumors in collaboration with Amgen; our research collaboration with the University of Bern for MP0533; and pursuing our discovery alliance with AbbVie Inc. in ophthalmology.

  - We will also seek to collaborate with companies developing complementary technology to our platform when we see the strategic rationale to combine our industry-leading DARPin capabilities with other modalities.

Our DARPin Platform

Our DARPin platform was invented over twenty years ago by the co-founders of our Group, then researchers at the University of Zurich. DARPin molecules were discovered as a result of our co-founders' quest to find a versatile protein-based therapeutic class that was highly differentiated from antibodies. The ability to design multi-specific molecules, along with the ease of use and manufacturing, made DARPin technology an ideal platform from which to pursue treatments beyond traditional protein therapeutics. The foundational technology we use in our DARPin platform to generate our product candidates was initially licensed to us by the University of Zurich. Leveraging our DARPin platform, we have designed product candidates with multiple mechanisms of action (MOAs) that we believe have the potential to offer patients therapeutic options with

higher efficacy and fewer adverse events compared to the current standard of care. Among these multiple MOAs, DARPin product candidates have been designed to block growth factors, localize activity, conditionally activate, neutralize viruses, adjust half-life as needed and initiate cell death. We apply these features across our portfolio to elicit a specific therapeutic response.
We believe that our DARPin platform has the potential to yield novel product candidates with broad therapeutic application given their ability to overcome many of the limitations of antibody and other conventional protein-based therapeutics.

Benefits and Advantages of our DARPin Platform over Traditional Approaches

We believe the benefits of our DARPin platform include:

- **Ability of DARPin product candidates to target multiple escape pathways in parallel;** When cancer cells or a virus are targeted by conventional therapies, they often develop resistance by loss of target, mutational escape or activating multiple escape pathways at once. To create effective products, we believe that we must understand the dynamics of these escape pathways and then target their key components in parallel. We believe our DARPin product candidates are ideally suited for this approach because of their ability to bind to multiple targets and inhibit multiple escape pathways at once. Our approach allows us to efficiently test product candidates to determine the affinity and target binding of our DARPin proteins in the relevant setting. The most effective combination of DARPin proteins is assembled into one DARPin product candidate for further product development. These DARPin product candidates can demonstrate cooperative binding, leading to high potency and preventing escape as demonstrated by our antiviral product candidates.

- **Capacity to find and address new biology on known targets;** Using our DARPin approach, we are able to select DARPin proteins that bind to known targets in novel ways, thereby unlocking additional therapeutic solutions. For example, we can achieve conditional activation where the molecule will activate only in the presence of a particular tumor-associated antigen, or TAA. MP0533 utilizes the power of multi-specific targeting to potentially enhance efficacy and minimize tumor resistance through simultaneously targeting three known hallmarks of AML, which, to our knowledge, have never been administered as one molecule until now. Our positive topline data from the global EMPATHY Phase 2 clinical trial of ensovibep was a clinical validation of our platform's ability to deliver multi-specific candidates that enact simultaneous binding for unique clinical effect.

- **Flexible architecture to engage and locally activate immune cells;** Immuno-oncology relies on the activation of a patient's immune response to fight tumors. In some cases, blocking negative checkpoint signals can produce a deep and durable effect in stopping the growth of, and regressing, tumors. We believe that our DARPin platform is well suited for the combined approaches of blocking negative checkpoint signals and engaging and activating immune cells. We have unlocked approaches that utilize DARPins to direct tumor-localized activation of immune cells, resulting in the selective activation of immune system cells within a tumor, which may potentially avoid systemic adverse events. We have designed two of our DARPin product candidates, AMG 506 (MP0310) and MP0317, to cluster, thereby locally activating immune cells more effectively. AMG 506 (MP0310) is a tumor-restricted 4-1BB immune-cell activator for the potential treatment of

FAP-positive cancers, and MP0317 activates CD40, also in an FAP-dependent manner. As these DARPin product candidates are directed to tumor supportive structures rather than tumor cells, we believe they will be less subject to the development of treatment resistance and will thereby retain activity.

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

Background of our DARPin Platform

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

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

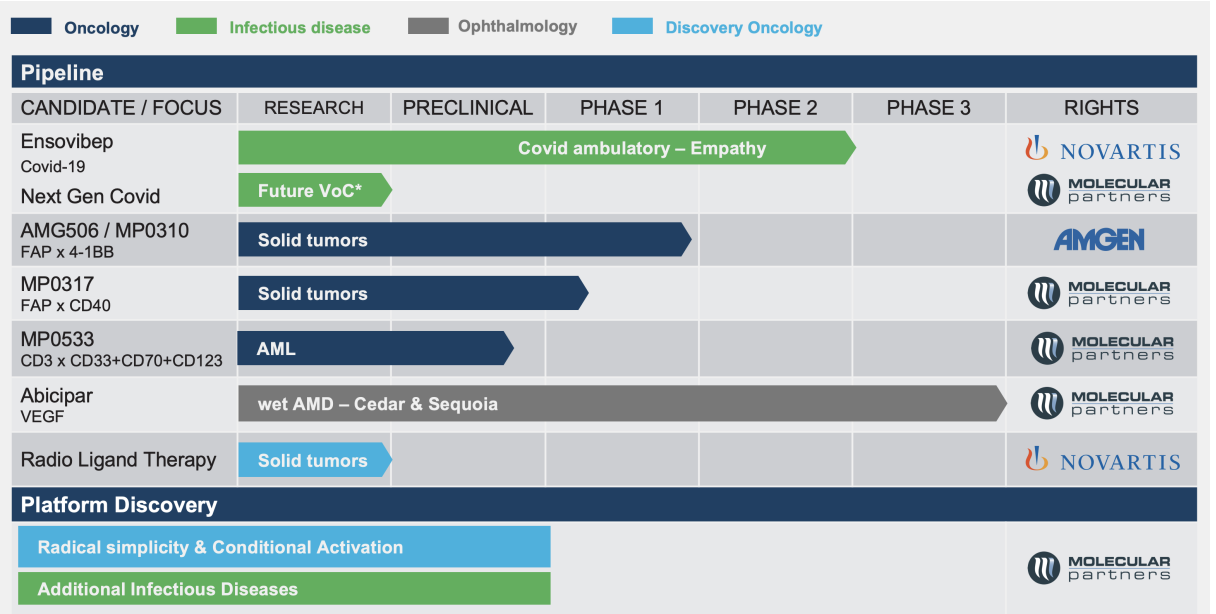
How We Use DARPins

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

Our accumulated preclinical and clinical experience of developing and testing DARPin candidates has allowed us to establish an intellectual property portfolio that, as of March 1, 2022, includes over 150 granted and over 100 additional pending U.S. and foreign patent applications across 25 patent families, covering both core and derivative aspects of our DARPin platform.

Pipeline

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



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

- The use of FAP as a localized activator for both AMG 506 (MP0310) and MP0317;
- Multi-specific targeting to prevent tumor escape for our legacy product candidate MP0250;
- Multi-specificity and avidity-driven selectivity to boost tumor specificity for our AML candidate MP0533;
- Cooperative binding for increased antiviral neutralization by ensovibep for COVID-19;

As we continue to unlock new therapeutic modalities, each insight from earlier discoveries will be leveraged and applied across new product candidates wherever appropriate.

Infectious Diseases

In 2020 we launched our first product candidate in our infectious disease program, ensovibep (MP0420), which targets the SARS-CoV-2 virus. Our rapid candidate design and assessment process allowed us to quickly substantiate the potential of an antiviral DARPin approach and its differentiation compared to other therapeutic modalities. Based on the strong potential of DARPin therapeutics as antivirals, we continue to explore additional global viral threats with high unmet by proactively developing new product candidates in our infectious disease program.

COVID-19 Product Candidate: Ensovibep (MP0420)

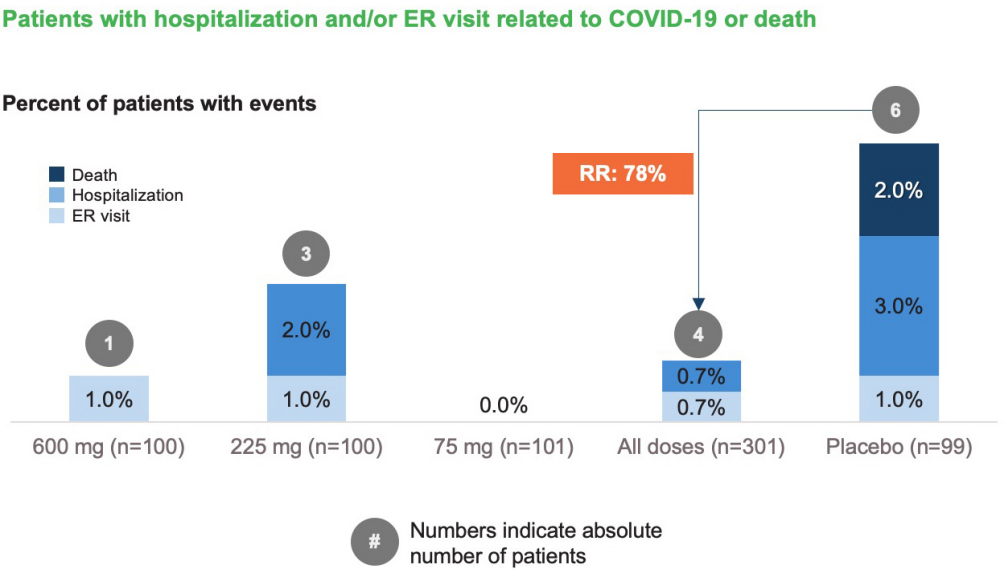
Ensovibep is a first-in-class, multi-specific DARPin therapeutic candidate, designed to bind three different epitopes on the receptor-binding domain, or RBD, of the SARS-CoV-2 spike protein simultaneously.

- Part A of the EMPATHY clinical trial – a randomized, placebo-controlled study – met its primary endpoint with a statistically significant reduction in viral load over eight days in the ensovibep arms, compared to placebo. The secondary endpoint of hospitalization and/or emergency room (ER) visits related to COVID-19, or death showed an overall 78% reduction in relative risk of events across all ensovibep arms, compared to placebo.

- If approved or authorized by relevant regulatory authorities, ensovibep will be the first multi-specific antiviral candidate for the treatment of COVID-19 and the first DARPin therapy approved or authorized by a regulatory agency. We are assessing further viral disease areas where DARPins can offer advantages over existing antivirals or where no effective treatments exist.

- Ensovibep has exhibited in vitro pan-variant neutralization activity against all known variants of concern throughout the pandemic. In December of 2021, preclinical studies confirmed that ensovibep maintains full neutralization of Omicron pseudoviruses that contain the identical mutations of the viral variant. These experiments were updated in February 2022 showing also activity against the omicron subvariant BA.2. In a panel of biologic drugs tested against the original (wild type) and Omicron variants of SARS-CoV-2, ensovibep maintained high pan-variant neutralizing potency , while substantial reduction in potency was observed for numerous antibody drugs, both approved and investigational. These results were published in the research preprint service, bioRxiv[1].

[1] https://www.biorxiv.org/content/10.1101/2021.02.03.429164v4

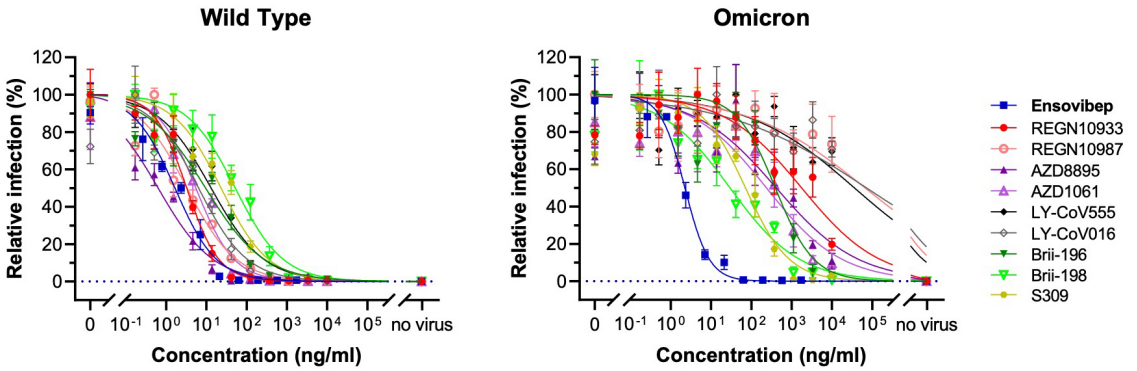


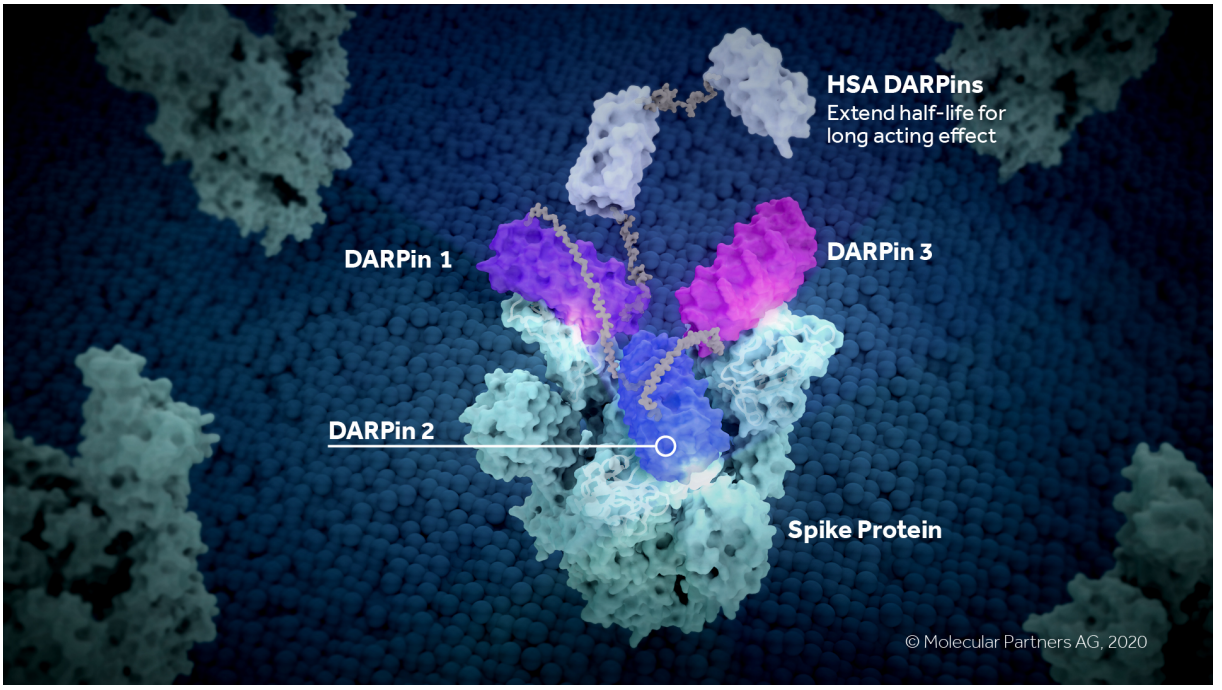
Pursuant to the Option and Equity Rights Agreement executed in October 2020 with Novartis and following our positive Phase 2 (Part A) results, Novartis exercised its option for ensovibep in January 2022, triggering a milestone payment of CHF 150 million to us. Novartis is now responsible for further development, manufacturing, distribution and commercialization activities.

We will assist Novartis as requested to support an expedited regulatory review process for ensovibep, first via the U.S. FDA's EUA process. In February 2022, Novartis requested EUA from the FDA for ensovibep. A phase 3 clinical trial is expected to be initiated in parallel with expedited submissions to global regulatory bodies, which will be led by Novartis.

Under our agreement with Novartis, we will be eligible to receive a 22% royalty on sales in commercial countries, having agreed to forgo royalties in lower income countries which is aligned with Novartis' plans to ensure affordability based on countries' needs and capabilities. We have also reached a reservation agreement with the Swiss Government regarding rights to purchase 200,000 doses with a potential to purchase up to an additional 1.3 million doses of ensovibep if it is approved in Switzerland. This reservation agreement was assigned to Novartis when Novartis in-licensed ensovibep in January 2022.

As the SARS-CoV-2 virus evolves, we believe that a multi-solution strategy is needed to combat the pandemic and there will be a need for antiviral treatments to complement the global vaccination efforts. Despite the availability of vaccinations, there continues to be disease transmission, either through pockets of unvaccinated populations, in patients with compromised immune systems and co-morbidities or through emerging variants, such as the Delta and Omicron, and therefore breakthrough infections are likely to continue.





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.

Future Infectious Disease Applications of our DARPin Platform

Given the momentum of the COVID-19 product candidates in our infectious disease program, as well as the clear fit between the DARPin therapeutic profile and compelling antiviral product profiles, we are actively assessing other global viral threats with high unmet needs as potential targets for new product candidates. Our rapid candidate design and assessment process has allowed us to quickly validate the potential of an antiviral DARPin candidate's differentiation from other therapeutic approaches. As part of our evaluation, we are exploring pandemic threats, including potential pancoronavirus treatments, tropical diseases, and respiratory viruses.

Oncology

Cancer Background and Treatment

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

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

Localized Immune Agonists: AMG 506 (MP0310) and MP0317 Product Candidates

A primary focus of our oncology program is product candidate development of localized immune agonists. We are currently developing:

- AMG 506 (MP0310), in partnership with Amgen, which allows for tumor-restricted immune-cell 4-1BB activation for the potential treatment of FAP positive cancers.

- MP0317, which allows for tumor-restricted immune-cell CD40 activation for the treatment of FAP positive cancers.

Development of our AMG 506 (MP0310) and MP0317 product candidates has leveraged the learnings from our two first-generation product candidates in our oncology program, MP0250 and MP0274. Those candidates have demonstrated DARPin efficacy and tolerability in preclinical and clinical studies in patient populations who were resistant and/or refractory to previous standard of care treatments. However, AMG 506 (MP0310) and MP0317 both utilize novel mechanisms of action, which may result in greater research and development expenses, regulatory issues that could delay or prevent approval, or the discovery of unknown or unanticipated adverse effects. See "Risk Factors—Risks Related to the Development and Clinical Testing of Our Product Candidates —Some of our product candidates utilize a novel mechanism of action which may result in greater research and development expenses, regulatory issues that could delay or prevent approval, or discovery of unknown or unanticipated adverse effects."

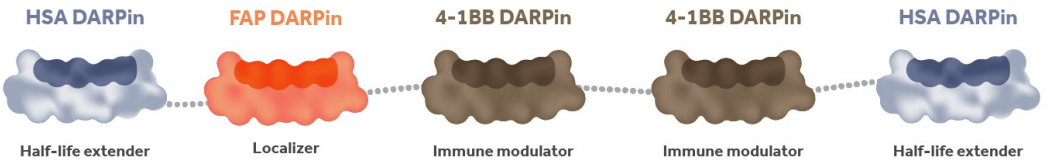
AMG 506 (MP0310): DARPin Molecule Targeting 4-1BB x FAP

- Potent costimulatory target 4-1BB on immune cells activated only in presence of FAP clustering on tumor-associated fibroblasts.

- Favorable tolerability profile demonstrated in ongoing Phase 1 clinical trial, with possible weekly dosing.

- Engineered to offer a broader therapeutic index than other non-localized 4-1BB engagers.

- Additional data from ongoing Phase 1 clinical trial expected in the first half of 2022.



Historically, development of 4-1BB monotherapies has been met with clinical hurdles, including systemic toxicities, and lack of tumor specificity. Aiming to address these limitations and expand the benefits of immunotherapies to more patients, we developed AMG 506 (MP0310). We hypothesize that a 4-1BB-activating DARPin can mitigate some key mechanisms of resistance to current treatments by recruiting and activating the immune system in a highly localized fashion in the tumor microenvironment via multi-specific binders that are designed to interact with immune targets only when they are in the tumor microenvironment.

4-1BB is a costimulatory receptor and member of the tumor necrosis factor, or TNF, superfamily that is expressed following activation of T cells and Natural Killer, or NK cells. Binding of 4-1BB by its natural ligand 4-1BBL, provided by antigen-presenting cells, or APCs, or by agonistic antibodies, has been reported to enhance proliferation, effector functions, memory formation and survival in CD8+ T cells both *in vitro* and *in vivo*. 4-1BB is considered to be an attractive drug target as its upregulation in T cells is associated with an encounter with antigen in the tumor, which provides a costimulatory signal to the T cells.

AMG 506 (MP0310) targets 4-1BB along with FAP. FAP is a membrane bound enzyme, highly expressed on the cell surface of activated but not quiescent fibroblasts. Expression in normal adult tissues is absent or low, but increases in remodeling processes such as wound healing, inflammation, or fibrosis when fibroblasts become activated. Importantly, FAP is highly expressed by cancer-associated fibroblasts, or CAFs, a major constituent of tumor stroma. AMG 506 (MP0310) is designed to be activated only in the local tumor microenvironment by binding to FAP on tumor stromal cells and to T cells via 4-1BB. We believe that this approach may be effective in re-opening the 4-1BB therapeutic window by excluding systemic 4-1BB effects.

Preliminary, non-adjudicated clinical data from the ongoing Phase 1 clinical trial were also presented in December 2020 at our R&D day, which support our preclinical observations. True to its design, the FAP binding localization was shown; AMG 506 (MP0310) colocalizes with the tumor. At fairly low dose levels, AMG 506 (MP0310) begins to colocalize with FAP. This FAP binding is observed to be dose dependent, with a saturation of the tumor expressed FAP in high AMG 506 (MP0310) concentrations.

By analyzing paired biopsies of some patients, significant tumor-localized increases in immune activation were seen across multiple immune cell types after a single injection, while systemic inflammatory markers were unchanged, and no AMG 506 (MP0310) activity was seen in peripheral tissues. As of November 30, 2020, the data cut-off date, AMG 506 (MP0310) was well tolerated with the protocol defined infusion-related reactions, or IRRs, observed in 12 of 23 patients. All of the IRRs were manageable and consistent with an immune-engaging drug. Notably, no other type of significant systemic toxicity was observed as of the data cut-off date.

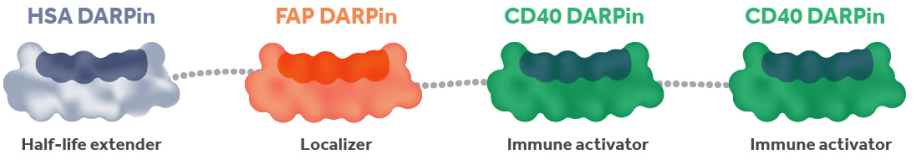
Additional dosing work is ongoing in the current Phase 1 clinical trial to identify the dosing regimen to obtain the durable activity after several injections of our tumor localized 4-1BB agonist. We are currently studying weekly dosing of AMG 506 (MP0310), compared with three weekly dosing, and the potential to reduce the proportion of patients developing IRRs and extend the period of exposure of AMG 506 (MP0310) in the body.

While it is possible a limited proportion of the patient population may benefit from this therapeutic candidate as a monotherapy, we designed AMG 506 (MP0310) expecting that the full therapeutic benefit for patients will be achieved by combining AMG 506 (MP0310) with a second oncology drug, and more specifically an additional therapeutic directing the activated T-cell to target tumor cells. Although 4-1BB activation can serve as a mechanism to attract immune cells to the tumor microenvironment, additional signals are likely required for full activation against specific tumors. The addition of a second immune-stimulating product should assist with activating and directing specific anti-cancer T cells to engage with their targets. In other words, we believe that AMG 506 (MP0310) can create a localized immune response in the tumor microenvironment, and a second drug could specifically direct T cells to kill tumor cells.

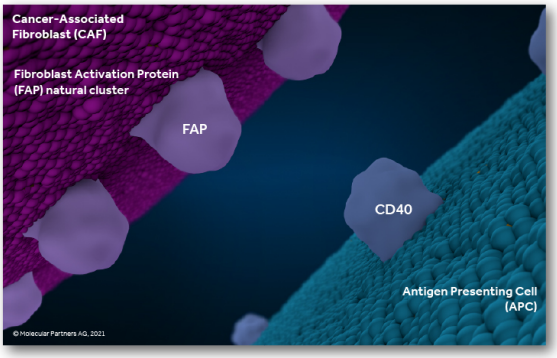
We announced a strategic collaboration with Amgen in December 2018 to evaluate AMG 506 (MP0310) in combination with Amgen`s oncology pipeline products, including its investigational bispecific TCE, or BiTE® molecules. Under the licensing agreement with Amgen, we retain certain rights to develop and commercialize our proprietary DARPin platform product candidates in combination with AMG 506 (MP0310). We believe our partnership with Amgen allows for a meaningful investigation of combination therapies, given Amgen's expertise in the field of oncology. We expect that the ongoing Phase 1 clinical trial of AMG 506 (MP0310), should it demonstrate sustained activity of 4-1BB, will produce data that would inform potential combination studies. Pursuant to the collaboration, we received an upfront payment of $50.0 million and are eligible to receive up to $497.0 million in development, regulatory and commercial milestone payments and royalty payments from low double digit up to the high teens.

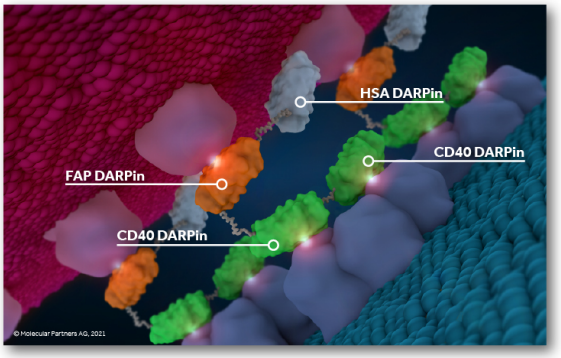
MP0317: DARPin candidate targeting FAP x CD40

- Designed to activate CD40 only in FAP-high tumor tissue, similar to AMG 506 (MP0310).
- Localized activation by FAP targeting underpins the therapeutic benefits while expanding the range of immune cell activation.
- Designed to reinforce the effect of other immune stimulating therapies.
- Shown *in vitro* to repolarize M2 macrophages and revert T-cell suppression
- Dosed first patient in Phase 1 first-in-human study in fourth quarter of 2021



Mechanism of Action



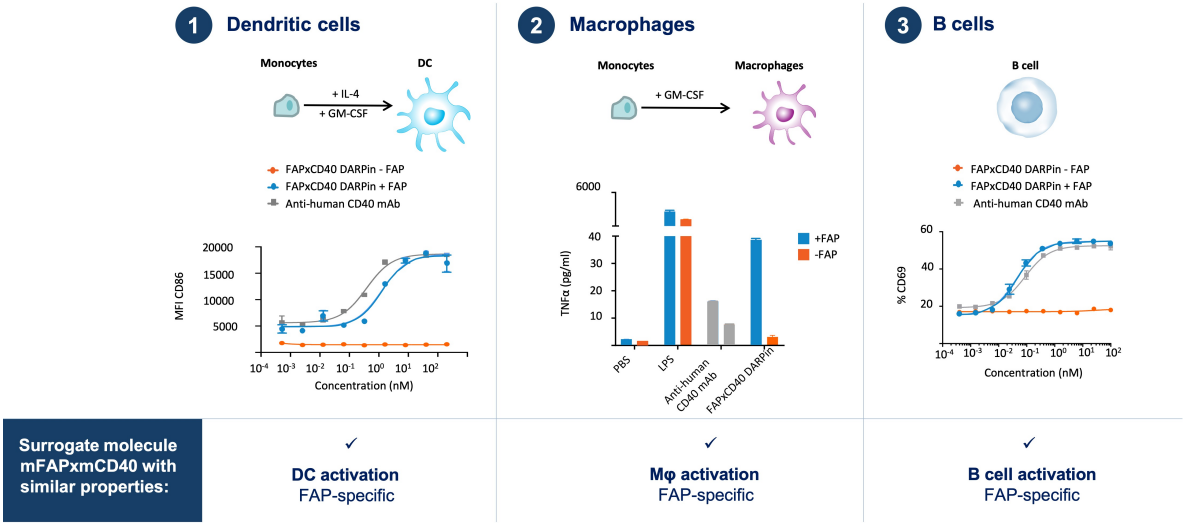


The tumor-localized immune agonist MP0317 is the second product candidate in our oncology pipeline. MP0317 comprises a localizer to FAP and immune stimulator binding to CD40. FAP is found in the tumor stroma in high density and its binding is intended to create a cluster of CD40 on immune cells enabling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

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

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

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



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

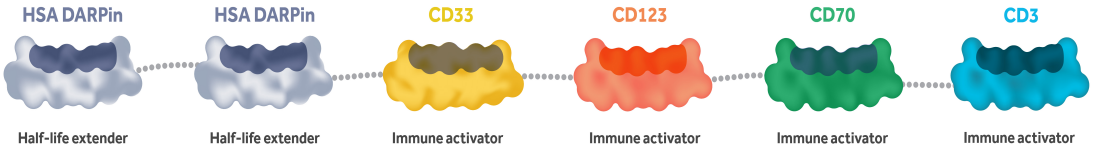
The open-label dose escalation study is designed to assess the safety and tolerability as well as pharmacokinetics and pharmacodynamics of MP0317 as a monotherapy in patients with solid tumors known to express fibroblast activation protein (FAP) and CD40. A total of up to 30 patients are expected to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

Initial data from this clinical study is expected in the second half of 2022. Our experience from the AMG 506 (MP0310) has informed the clinical design of our MP0317 product candidate. Based on this experience, we expect to achieve greater speed in treating patients at meaningful dose levels. In parallel and to complement the Phase 1 clinical trial of MP0317, we are currently conducting the following:

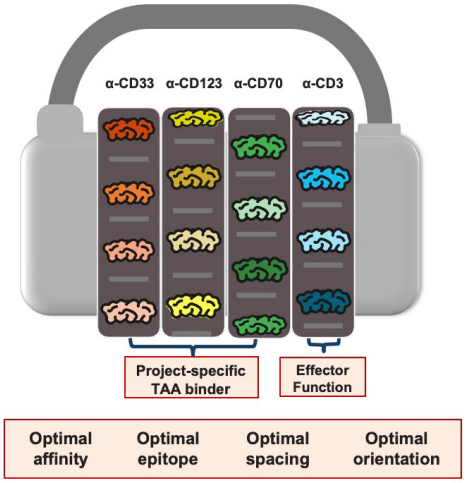
- A preclinical set of experiments to evaluate the relevance and optimal sequencing approach of combining MP0317 with radiation. Although external beam radiotherapy, or XRT, is effective in releasing antigens, priming T cells, and mediating systemic immune mediated outcomes, it often leads to fibrosis and accumulation of cancer-associated fibroblasts (CAFs) at the primary site of irradiation. These CAFs express the FAP that we can use to our advantage for targeted drug delivery into the TME. Therefore, we hypothesize that combining the FAP-CD40 drug conjugate with XRT will yield high primary as well as secondary tumor control.

The translational component of the dose escalation study re-enforced by preclinical and clinical modules will help inform the prioritization of the following dose expansions and efficacy combination studies once we have identified a biologically effective dose.

MP0533: DARPin molecule targeting CD3, CD70, CD123 and CD33 for the treatment of AML



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



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

Some cancer antigens are also present on many healthy cells, but at a lower concentration, and as such it is difficult to select any single target to sufficiently differentiate between cancer cells and

healthy tissue. To overcome this limitation and increase specificity, we leveraged our unique DARPin platform to generate a multi-specific T-cell engager (TCE) DARPin molecule, targeting CD33, CD70 and CD123, by a fine-tuned and tailored avidity driven affinity to these TAAs, in conjunction with our CD3-binding DARPin molecule.

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

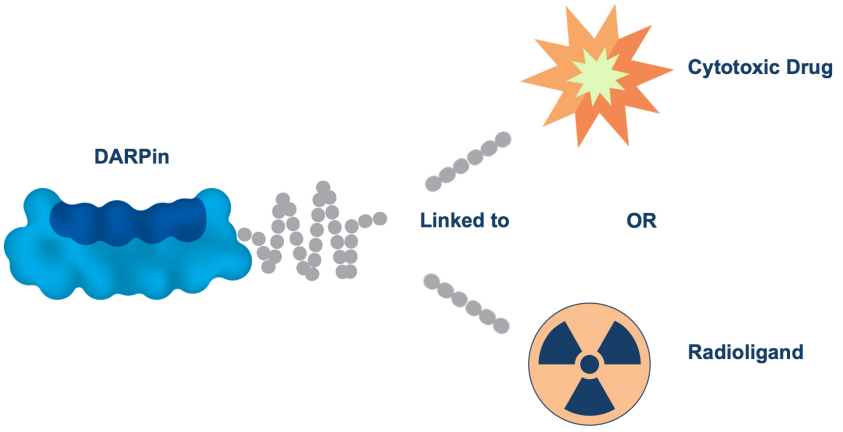
Our approach allowed the design of multi-specific TCEs which are simultaneously targeting CD33, CD70 and CD123, three well-known AML antigens that are co-expressed on approximately 50% of AML cells and of which at least two are expressed on approximately 70% of AML cells. To further optimize our molecules,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

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

Our multi-specific CD3-binding MP0533 targeting three different AML antigens with optimized affinity and geometry demonstrated substantial avidity gain and an increased selectivity window in preclinical studies. The avidity gain resulted in strongly enhanced *in vitro* potency as shown by activation of both CD8+ and CD4+ T cells and subsequent killing of AML tumor cells. Bioactivity was in the range of established TCE benchmark formats such as BiTE and DART and compared to reference constructs where TAA-specific DARPin binders were replaced by non-binding-DARPin modules. We generated selectivity data by comparing our multi-specific DARPin constructs on MOLM-13 AML cell lines where the respective TAAs have been knocked out individually or in combination. The tumor specificity, and resulting potential for a better safety profile, of our DARPin construct has been confirmed in an *ex vivo* blood assay testing potential CRS liabilities. In this assay, our multi-specific DARPin construct induced profoundly less cytokine release as compared to benchmark molecules indicating an improved therapeutic window.
Following confirmation of additional preclinical safety and IND enabling work, we intend to initiate the Phase 1 clinical trial of MP0533 in 2022. We intend to study safety and dose levels, as well as ascertain any benefit seen in AML patients, likely in the relapsed/refractory setting.

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

Our DARPin-Conjugated Radioligand Program



In December 2021, we announced a new collaboration with Novartis in the form of a license and collaboration agreement to develop, manufacture and commercialize DARPin-based radioligand therapies, or DARPin-RLTs. By harnessing the power of radioactive atoms, or radionuclides, and applying it to cancers through targeted radioligand therapy, DARPin-RLTs have the potential to selectively deliver molecularly targeted radiation to tumor cells anywhere in the body, while sparing healthy tissue. DARPins have great potential to enable robust, tumor-specific delivery of radionuclides owing to their small size in combination with high specificity and affinity.The collaboration will combine our industry-leading ability to rapidly generate high-affinity DARPins and the radioligand therapies, or RLT, capabilities and expertise of Novartis. Under the terms of the agreement, we will collaborate with Novartis to discover DARPin-RLTs that target specific tumor associated antigens.

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

Ophthalmology

In 2021, we regained global development and commercial rights to abicipar for the treatment of neovascular age-related macular degeneration (nAMD) and Diabetic Macular Edema (DME). We have reported two positive Phase 3 studies of abicipar, CEDAR and SEQUOIA, which supported the non-inferior efficacy of its quarterly dosing regimen with 50 percent fewer injections than ranibizumab (Lucentis).

This program was exclusively licensed to Allergan, an AbbVie company, in 2011. Following submission of a Biologics Licensing Application, or BLA, to the U.S. Food and Drug Administration, or FDA, it was determined that the ocular inflammation profile see in the two Phase 3 clinical trials did not provide an adequate risk reward benefit as submitted, and additional work would be required to show the ocular inflammation profile of abicipar would be similar to those products already approved for the treatment of nAMD. AbbVie and Molecular Partners have an ongoing discovery alliance, in which AbbVie will continue to evaluate additional candidates for ophthalmic indications.

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.

As a first-generation DARPin candidate, 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 partnered with the following:

License and Collaboration Agreement with Novartis for ensovibep

In October 2020, we entered into an Option and Equity Rights agreement with Novartis, or the Novartis Agreement. Under the Novartis Agreement, we granted Novartis an option to exclusively license global rights of ensovibep and MP0423, our COVID-19 antiviral DARPin product candidates. Following ensovibep's positive topline data from the Phase 2 EMPATHY clinical study. Novartis in-licensed global rights to ensovibep as a part the Agreement, triggering a milestone payment of CHF 150 million. Novartis will pay Molecular Partners a 22% royalty on future commercial sales in

certain agreed territories, as we have agreed to forgo royalties in lower-income countries. Going forward, Novartis remains responsible for all further development and commercialization activities.

License and Collaboration Agreement with Novartis in the area of DARPin-conjugated radioligand therapies

In December 2021, we announced a new collaboration with Novartis in the form of a license agreement to develop, manufacture and commercialize DARPin-conjugated radioligand therapies (DARPin-RLTs). The collaboration will combine our industry-leading ability to rapidly generate high-affinity DARPins and the RLT capabilities and expertise of Novartis. Under the agreement, both parties will collaborate on the discovery and optimization of the therapeutic candidates. Novartis would be responsible for all clinical development and commercialization activities. Novartis will pay $20 million upfront to Molecular Partners, with total potential development, regulatory and commercialization milestone payments of up to $560 million, and up to low double-digit percent of royalties.

License and Collaboration Agreement with Amgen

In December 2018, we entered into a License and Collaboration Agreement with Amgen, or the Amgen Agreement, for the clinical development and commercialization of AMG 506 (MP0310). Under the terms of the Amgen Agreement, we granted to Amgen an exclusive worldwide, royalty-bearing, sublicensable license under our patents and know-how to develop and commercialize AMG 506 (MP0310). We retain the right to use our technology to perform our obligations under the Amgen Agreement and for all purposes not granted to Amgen, including certain rights to develop and commercialize our DARPin products in combination with AMG 506 (MP0310). AMG 506 (MP0310) is currently in Phase 1a clinical trials. Under the Amgen Agreement, we and Amgen will jointly evaluate AMG 506 (MP0310) in combination with Amgen's oncology pipeline products, including its investigational BiTE molecules.

Discovery Collaboration with Allergan, an Abbvie Company

AbbVie and Molecular Partners have an ongoing discovery alliance, in which AbbVie continues to evaluate additional DARPin candidates for ophthalmic indications.

Corporate Sustainability

Founded on a strong basis of social responsibility

At Molecular Partners our values support three core activities: developing treatments for patients suffering from serious diseases; cultivating a culture of initiative, integrity and excellence; and creating a socially interactive, environmentally aware company culture.

As an innovative biotechnology company, our purpose is to find, develop and bring to market novel therapeutics to improve the lives of patients in need. Our company-wide efforts to develop a COVID-19 treatment for the world, ensovibep, exemplify this value well. When partnering with Novartis to fight COVID-19, we and Novartis agreed to waive all profits from ensovibep in developing regions as part of a commitment to corporate social responsibility in a time of urgent global medical need. In oncology, we are focusing the powers of our platform toward finding truly innovative therapeutics for diseases that currently have no sustainable solution, such as in our recent work in AML, a blood cancer with no reliably effective treatment where we are advancing a truly differentiated potential option for patients through DARPins.

We believe that our growth and constant improvement as a company are closely linked to the well-being and growth of our employees. As a part of that, we are focused on programs to support our internal culture, encouraging employees to show initiative, integrity and to strive to excellence in their work. Further, we are applying employee engagement and retention programs, including a reinforced focus on executive-led initiatives in these areas.

Finally, we find it important to foster a socially and environmentally aware company culture, which we believe helps our team to better appreciate their contribution to society and the importance of their work.

To help accomplish all of this, we have engaged external support to help guide our ESG journey, and we are currently in the process of collecting a baseline status evaluation as the next step toward applying an ESG plan with measurable metrics.

Molecular Partners' ESG Approach

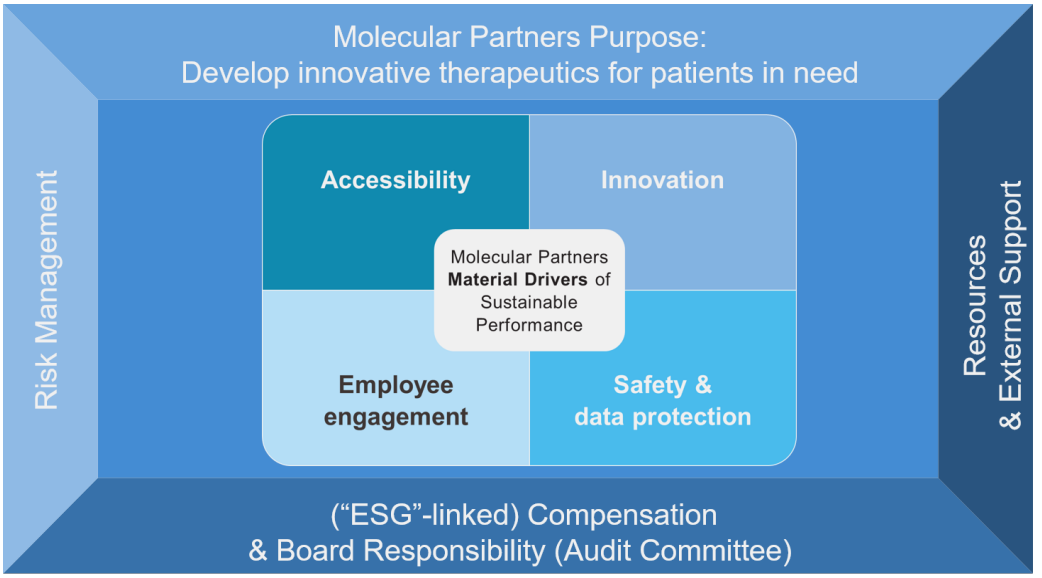
Molecular Partners is following a sustainability framework to assess the company's performance.

Ultimately, the social responsibility element is at the foundation of the company's stated purpose: To develop innovative therapeutics for patients in need and providing access to these therapeutics for patients.

A state of the art Corporate Governance framework remains key for Molecular Partners and includes several elements, including:

- Rigorous risk management
- Board level engagement, chairing the ESG efforts within the company
- Driving sustainability initiatives internally, answering external data requests and surveys, and engaging experts in the field.

A sustainable performance requires the alignment of ESG with the long-term value generation for all stakeholders. In order to achieve this alignment in both an effective and efficient way, Molecular Partners defined the most material drivers for both ESG and sustainable value generation.



ESG Framework at Molecular Partners: Approach for sustainable value creation

Material drivers of sustainable performance

The team has initially identified the following four material drivers of Sustainable Performance for the company, accompanied by more concrete ESG metrics in the short-term: Accessibility, Innovation, Employee engagement and Safety and data protection.

Driver 1: Accessibility

Together with our partner Novartis, as well as other partners, we remain firmly committed to leveraging our complementary strengths and expertise to urgently develop treatments for patients with significant unmet need where DARPins can serve as a differentiated therapeutic solution. In the event of a regulatory approval, we commit to supporting rapid access to these medicines. 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.

We are also actively collaborating with our partners to scale-up manufacturing capacity to provide worldwide supply.

Driver 2: Innovation

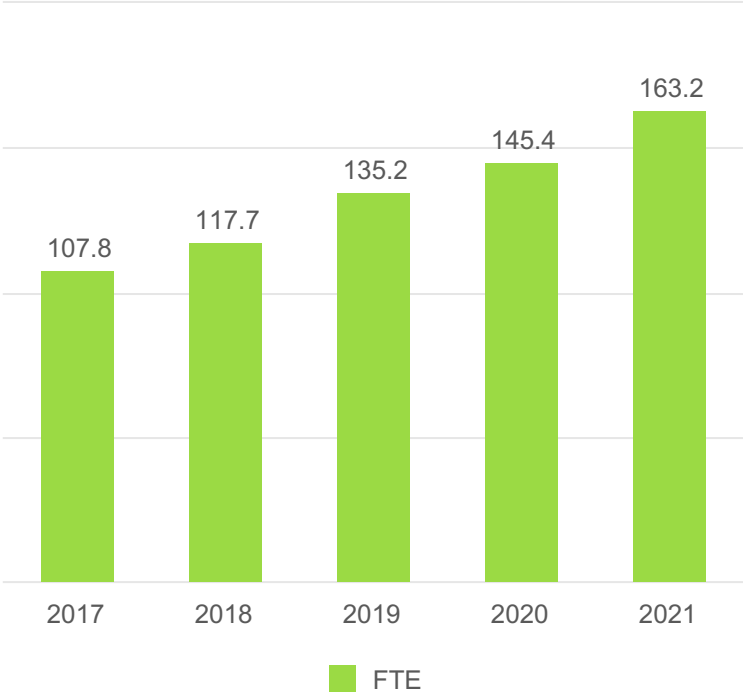
Innovation drives our product development. Our investment into our technology and our employees has afforded us the opportunity to create new and innovative solutions. Our COVID-19 therapeutic, ensovibep, was developed with the intention of providing strong viral neutralization while protecting against potential future variants of concern. To date, ensovibep has delivered on

this design. As a further example, in the field of oncology our researchers have developed MP0533 for the blood cancer AML, which currently has no reliably effective therapeutic solution. Our approach to treating this disease calls upon several well characterized treatment approaches for AML which are accompanied with highly toxic side effects. Our team has taken these approaches and developed a a multi-specific DARPin therapeutic candidate to preferentially target cancer cells, potentially sparing healthy cells and increasing the safety margin for patients.

Driver 3: Employee engagement, retention and commitment

We have continued to grow throughout the COVID-19 crisis and contributed to our local community, the biotech cluster Zurich-Schlieren, as a major employer. The compound annual growth rate (CAGR) of our employee base over the past five years to 2021 was a strong 11%. Total headcount (on a full-time equivalent/FTE basis) in 2021 grew by 12% to 163.2.

The consistent growth rate reflects the company's effort and initiatives to boost employee engagement, retention and commitment.



Double-digit growth of team continues

The vast majority of our employees (82%) continue to be researchers, and are based both locally and internationally. We are among the largest R&D-focused biotech companies in Switzerland. Our scientists are the key contributors to leveraging our DARPin platform and realizing our vision to support patients with cancer and other life-threatening diseases.

Molecular Partners is pursuing further initiatives to invest in our employees. In 2017, the company began a company-wide training and education initiative. This program has been extended gradually over the years and focuses both on advancement of technical skills, as well as self-development courses.

In order to support our employees during the pandemic and to maximize their safety, Molecular Partners has also offered additional educational tools, such as short webinars on online collaboration tools and effective management of remote teams.

Driver 4: Workplace & Patient Safety and Data protection

As we continue to increase the number of clinical trials underway evaluating DARPins, the scope of our responsibilities regarding the handling of patient data and their digital "safety" grow steadily. We demand the highest levels of professionalism in terms of data security from our key internal stakeholders, our employees in Switzerland and the U.S., to safeguard patient data.

We have invested in additional IT hardware, software and human resources, including a heightened level of scrutiny for traffic into our headquarters through biometric surveillance.

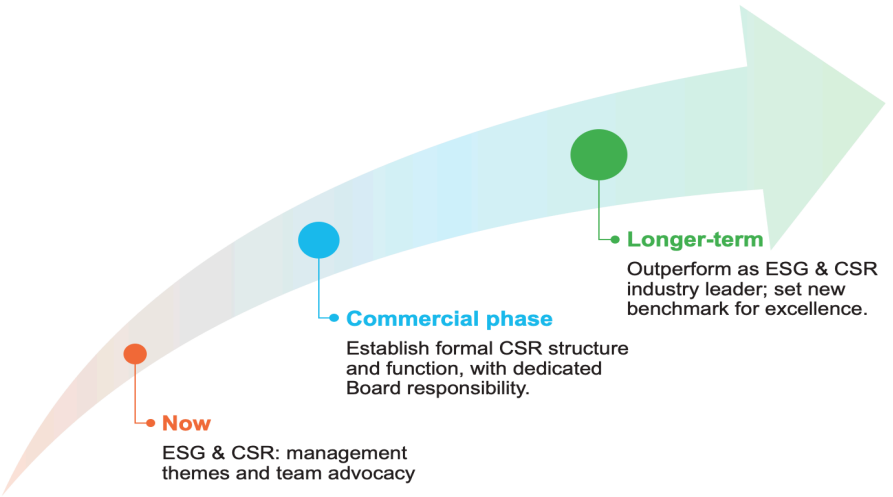
Accountability: ESG as a key compensation metric

Corporate Sustainability is a theme in both our executive and Board practices. A key step in that direction over the past twelve months was to formally establish Corporate Sustainability responsibility at a Board level. The Audit Committee chairs the responsibility to account for ESG within Molecular Partners.

Of equal importance is however, that we have anchored ESG not only on the Board level, but have also made ESG-linked objectives account for 20% of Executive and Board compensation.

Outlook & next steps

The path for our ESG journey which we introduced in 2021 remains unchanged. In support of this, we have engaged external support in order to increase our capabilities and resources in ESG, including increasing dialogue with key agencies in the field of ESG. This should help guide the company towards excellence in the area of corporate sustainability and social responsibility.



Molecular Partners' pathway to excellence in Sustainable Performance

Corporate Governance Report

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

1. Group Organization and Shareholders

1.1 Group Structure

Molecular Partners AG (the **Company**) is a listed company located at Wagistrasse 14, 8952 Schlieren, Switzerland. The Company's registered shares are traded at the SIX Swiss Exchange under the valor symbol MOLN, valor number 25'637'909 and the ISIN CH0256379097. In addition, in June 2021, the Company listed American Depositary Shares (ADSs) on the Nasdaq Global Selected Market under the ticker symbol "MOLN". Each ADS represents the right to receive one Company's registered share and the ADSs may be evidenced by American Depositary Receipts (ADRs). The market capitalization of the Company as of December 31, 2021 was CHF 575 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, 2021 the most significant shareholders disclosed to the Company based on the most recent published shareholding notifications to the SIX Disclosure Office are:

Shareholders	Shares Held[1]	% of Voting Rights[2]
Mark N. Lampert (Biotechnology Value Funds)[3]	3,101,282	9.65 %
Hansjoerg Wyss	2,041,347	6.35 %
Federated Hermes, Inc.[4]	1,911,194	5.95 %
Suvretta Capital Management, LLC	1,750,000	5.44 %
Novartis AG	1,739,130	5.41 %
EW Healthcare Partners Acquisition Fund UGP, LLC[5]	1,605,247	4.99 %
UBS Fund Management (Switzerland) AG	995,989	3.10 %
Swisscanto Fondsleitung AG[6]	970,365	3.02 %

[1] This table presents the number of shares (including shares underlying ADS, if applicable) held on December 31, 2021 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 this Annual Report.

[2] Based on the share capital registered in the Swiss Commercial Register on December 31, 2021 (i.e. CHF 3,214,699.20, divided into 32,146,992 registered shares).

[3] Based on a Schedule 13G/A filed with the SEC on January 12, 2022, Mark N. Lampert (Biotechnology Value Funds) held 3,101,282 shares. On January 13, 2022, Mark N. Lampert (Biotechnology Value Funds) notified the Company that they had increased their shareholdings to 3,926,282 shares (corresponding to 12.21% of voting rights) as of January 10, 2022. According to a SEC filing made on January 12, 2022, Mark N. Lampert (Biotechnology Value Funds) held 4,526,282 shares (corresponding to 14.08% of voting rights).

[4] On February 28, 2022, Federated Hermes, Inc. notified the Company that they had increased their shareholding to 3,247,084 shares (corresponding to 10.05% of the voting rights).

[5] On January 12, 2022, EW Healthcare Partners Acquisition Fund notified the Company that they had fallen below the 3% threshold after transacting its remaining shares to Mark N. Lampert (Biotechnology Value Funds).

[6] On January 25, 2022, Swisscanto Fondsleitung AG notified the Company that they had fallen below the 3% threshold.

On January 24, 2022, GAM Holding AG notified the Company that they held 970,093 shares (corresponding to 3.02% of the voting rights).

On December 31, 2021, 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, 2021, the issued share capital of the Company amounted to CHF 3,229,264.80 divided into 32,292,648 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, 2021 amounted to CHF 3,214,699.20 divided into 32,146,992 fully paid up registered shares with a par value of CHF 0.10 per share.[2]

2.2 Authorized Share Capital

On December 31, 2021, the Company had an authorized share capital in the amount of up to CHF 428,675.00 through the issuance of up to 4,286,750 fully paid up registered shares with a par value of CHF 0.10 per share, which is valid until April 21, 2023. This authorized capital of up to CHF 428,675.00 equates to approximately 13% of the existing share capital. During 2021, the share capital was increased out of authorized share capital for the Company's US IPO performed in June 2021 [3]. As a result the available share capital was reduced by CHF 300,000.00 from CHF 728,675.00 to CHF 428,675.00.

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

[2] As a result of the exercise of 145,656 stock options exercised throughout the year 2021 and the vesting of Performance Share Units (PSU) and Restricted Share Units (RSU) from the PSU and RSU plans for 2018, the Company's share capital increased (out of conditional capital) by CHF 14,565.60 from CHF 3'214'699.20 to CHF 3'229'264.80. This capital increase was registered with the Swiss Commercial Register on February 16, 2022.
[3] On June 16, 2021, the Company listed American Depositary Shares on the Nasdaq Global Selected Market. The underlying shares were created from the authorized share capital.

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.

2.3 Conditional Share Capital

On December 31, 2021, the conditional share capital available as per Article 3b of the Articles of Incorporation of the Company (the **Articles**)[4] amounted to CHF 161,502.10 divided into 1,615,021 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 14,565.60 compared to December 31, 2020 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 161,502.10 equates to approximately 5% of the existing share capital.

In addition pursuant to Article 3c of the Articles, the share capital may be increased in an amount not to exceed CHF 226,087.00 by the issuing up to 2,260,870 fully paid up registered shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations by or of the Company. This conditional share capital of CHF 226,087.00 equates to approximately 7% of the existing share capital.

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

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]
2021	CHF 3,229,264.80[1]	CHF 428,675.00	CHF 161,502.10[3]	CHF 226,087.00[3]
2020	CHF 2,914,699.20[4]	CHF 13,177.10	CHF 176,067.70	CHF 226,087.00
2019	CHF 2,160,119.20	CHF 565,986.00	CHF 203,925.80	CHF 400,000.00

1 For more details, please refer to section 2.1 above.
2 https://investors.molecularpartners.com/static-files/15291c32-b352-48a2-883d-0304984c98b7
3 For more details, please refer to section 2.3 above.
4 On December 31, 2020, the issued share capital of the Company amounted to CHF 2,914,699.20 whereas the registered share capital amounted to CHF 2,886,841.10. The capital increase was registered with the Swiss Commercial Register on January 29, 2021.

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.

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 section 3.2.3 of the Compensation Report included in this Annual Report.

The table below shows the outstanding options that had been granted to the Board of Directors, the Management Board as well as other employees and consultants of the Company as per December 31, 2021:

No. of options outstanding	Last expiry date	Exercise price	Subscription ratio	Amount of share capital concerned (in CHF)
1,160	30.09.2022	2.31	1:1	116
2,815	30.04.2023	6.05	1:1	282
15,450	10.07.2024	6.06	1:1	1,545
299,477	31.10.2024	6.94	1:1	29,948
318,902				**31,890**

The above number of all outstanding options equates to approximately 1.0% of the existing share capital. Should all these options been exercised, the issued share capital would amount to CHF 3,261,155.00.

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 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 2021, 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[5] provide that the Board of Directors shall consist of a minimum of three and a maximum of 11 members. On December 31, 2021, the Board of Directors consisted of eight members. Members (including the chairman of the Board of Directors (the **Chairman**)). Members of the Board of Directors are appointed to, and removed from, the Board of Directors by a shareholders' resolution.

The essential roles and responsibilities of the Board of Directors, the Chairman and the standing Committees of the Board are defined by the Articles and the Organizational Rules[6] (including Charters for the Nomination and Compensation Committee[7], the Audit and Finance Committee[8] as well as the Research and Development Committee[9]). 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 2021, the Board of Directors met one time in person, and in addition conducted nine meetings by telephone conference and one circular resolution. 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.

[5] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048
[6] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf
[7] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-compensation-committee-20141003.pdf
[8] http://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/charter-of-the-audit-committee-20141003.pdf
[9] 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.[10] 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[11], 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.

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

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

4.4 Members

The following table sets forth the name, nationality, function and committee membership of each member of the Board of Directors on December 31, 2021, followed by a short description of each member's birth year, business experience, education and activities.

Name	Nationality	Function	Committee Membership(s)	First elected	End current period
William M. Burns	British	Chairman	Nomination and Compensation Committee (Chair)	2017	2022
Agnete Fredriksen, Ph.D.	Norwegian	Member	Research and Development Committee	2021	2022
Dominik Höchli, M.D.	Swiss	Member	Audit and Finance Committee	2021	2022
Steven H. Holtzman	U.S.	Member	Audit and Finance Committee Nomination and Compensation Committee	2014	2022
Sandip Kapadia	U.S.	Member	Audit and Finance Committee (Chair)	2020	2022
Dr. Vito J. Palombella, Ph.D.	U.S.	Member	Research and Development Committee	2020	2022
Dr. Michael Vasconcelles, M.D.	U.S.	Member	Research and Development Committee (Chair) Nomination and Compensation Committee	2020	2022
Dr. Patrick Amstutz	Swiss	Member	-	2017	2022

On December 31, 2021, 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 2021: Dr. Gwen Fyfe did not stand for re-election at the 2021 Annual General Meeting and left the Board of Directors on April 21, 2021. Agnete Fredriksen and Dominik Höchli were elected at the 2021 Annual General Meeting.

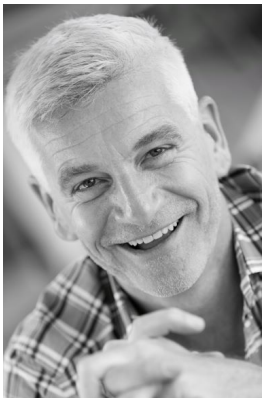
The business address of the Board of Directors is Wagistrasse 14, 8952 Schlieren, Switzerland.

William M. Burns, born in 1947

William "Bill" Burns is the chairman of Molecular Partners. Mr. Burns joined the team from Roche Pharmaceuticals, where he worked for 28 years culminating in his tenure as CEO from 2001 to 2009. His board contributions during that time included seats at Roche, Genentech and Chugai Pharmaceutical. Mr. Burns was also non-executive director and chairman of BioTie Therapies Corp. Since 2010, he has been non-executive director and senior independent director of Shire Pharmaceuticals. More recently, Mr. Burns has been chairman of Vestergaard S.A. and vice-chairman of Mesoblast. Mr. Burns is also a trustee and governor of the Wellcome Trust Ltd. and a trustee of the Institute of Cancer Research, London. He is 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.

Agnete Fredriksen, Ph.D., born in 1977

Agnete Fredriksen, Ph.D., is a co-founder, president and chief innovation and strategy officer of Nykode Therapeutics AS (formerly Vaccibody AS) a clinical-stage biopharmaceutical company dedicated to the discovery and development of novel immunotherapies for cancer and infectious diseases. With prior roles at Affitech AS and Medinnova AS, Agnete's focus is on developing vaccines from idea to clinical development. She is the author of numerous scientific papers in the field of immunology, immunotherapy and vaccines, and has been awarded several patents in the field of immunotherapy. She holds an MSc and a Ph.D. from the Institute of Immunology, Rikshospitalet Medical Center in Oslo, Norway.



Dominik Höchli, M.D., born in 1967

Dominik Höchli has 20 years of experience in as a marketing and medical affairs executive. Since spring 2021 he is the CEO of Catapult Therapeutics, a clinical stage biotech company in the Netherlands. Previously he worked at AbbVie as Vice President, Head of Global Medical Affairs and member of the R&D and the Commercial leadership team. He led global product launches for major blockbuster products, including HUMIRA, Maviret, Venetoclax and Skyrizi, and his leadership experience ranges from smaller country organizations to large global functions. He began his corporate career at McKinsey & Co. Dominik is a Swiss national and obtained his medical degree (M.D.) from the University of Bern.

Steven H. Holtzman, born in 1954

Steven Holtzman is a founder and has served as a strategic business advisor, and a member and the lead independent director of the board of directors of Shoreline Bio, a private biopharmaceutical company, since June 2020. From July 2016 to January 2020, Mr. Holtzman was the first President and Chief Executive Officer and a member of the board of directors of Decibel Therapeutics, Inc., a public biopharmaceutical company. He has served as Chair of the board of directors of, and strategic business advisor to, CAMP4 Therapeutics Corporation since October 2019 and Executive Chair of the board of directors of, and a strategic business advisor to, Qihan Biotech since April 2019, both private biopharmaceutical companies. From January 2011 to March 2016, he served as the Executive Vice President of Corporate Development at Biogen, Inc., a public biopharmaceutical company. From 2001 to 2010, he served as a Founder, Chair of the board of Directors, and Chief Executive Officer of Infinity Pharmaceuticals, Inc., a public biopharmaceutical company. Additionally, Mr. Holtzman was Chief Business Officer of Millennium Pharmaceuticals, Inc., a public biopharmaceutical company, from May 1994 to June 2001, and a Founder, member of the board of directors, and Executive Vice President of DNX Corporation, a public biopharmaceutical company, from August 1986 to March 1994. He is a trustee of The Berklee College of Music and a Senior Fellow at the Belfer Center for Science and International Affairs at the Harvard Kennedy School. He received his B.A. in Philosophy from Michigan State University and his B.Phil. in Philosophy from Corpus Christi College, Oxford University, which he attended as a Rhodes Scholar.

Sandip Kapadia, born in 1970

Sandip Kapadia brings over 25 years of science industry experience and has served as the Chief Financial Officer (CFO) for Harmony Biosciences since March 2021. Previously Mr. Kapadia was CFO for Intercept Pharmaceuticals. Before Intercept, Mr. Kapadia served in various leadership capacities within finance for more than 19 years at Novartis International AG and Novartis affiliates in the United Kingdom, Netherlands, Switzerland and the US. Mr. Kapadia received a BS in Accounting from Montclair State University and an MBA from Rutgers University, and is also a US Certified Public Accountant. Mr. Kapadia currently serves on the boards of directors of VectivBio Holding AG and Passage Bio.

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

Vito J. Palombella, Ph.D., has over 25 years of scientific leadership and experience advancing first-in-class therapeutic programs, as well as a successful track record of building drug discovery and development organizations. Currently, Dr. Palombella is the Chief Scientific Officer of Surface Oncology, where he leads the company's drug discovery 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 currently the chief medical officer and Head of the Medical and Scientific Organization at Flatiron Health, a healthcare technology and services company focused on creating digital solutions to accelerate cancer research and improving patient care. Prior to joining Flatiron Health in 2019, Dr. Vasconcelles served as the Chief Medical Officer of Unum Therapeutics Inc. (Unum) from 2015-2019. As a Cambridge, MA-based cell and gene therapy company, Unum developed autologous engineered T cell products for the treatment of cancer. Prior to Unum, Dr. Vasconcelles spent several years at Takeda/Millennium, where he was Senior Vice President, Head of the Oncology Therapy Area Unit and member of the R&D Executive Team, accountable for strategic and operational oversight of the oncology research and development portfolio globally. Prior to Takeda/Millennium, Dr. Vasconcelles was Group Vice President and the Global Therapeutic Area Head, Transplant and Oncology, at Genzyme Corporation, where he was responsible for clinical development of the transplant and oncology portfolio and a member of the Transplant and Oncology Business Unit Management Team. Following Sanofi's acquisition of Genzyme, Dr. Vasconcelles joined Sanofi Oncology as Head, Personalized Medicine and Companion Diagnostics. From 1996 -2021, Dr. Vasconcelles was a faculty member of the Harvard Medical School and an associate physician at Brigham and Women's Hospital and Dana-Farber Cancer Institute. He received both his B.A. and M.D. from Northwestern University.

Dr. Patrick Amstutz, born in 1975

Dr. Patrick Amstutz, Ph.D., has been CEO of Molecular Partners since November 2016. He co-founded Molecular Partners and has been a member of the company's management team since its inception in 2004, also holding the positions of CBO and COO. In those roles, Patrick was responsible for business development, alliance management and research and development operations. He has established a wide range of commercial collaborations and licensed several key technologies. Since 2017, Patrick has been vice president of the board of the Swiss Biotech Association. Patrick holds a Master of Science from the ETH Zurich and a Ph.D. in molecular biology from the University of Zurich.

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

4.5 Rules Regarding Mandates in the Articles

According to Article 33 of the Articles[12], 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.

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

4.6 Board Committees

The Board of Directors has established an Audit and Finance Committee, a Nomination and Compensation Committee and a Research and Development Committee. The duties and objectives of these board committees are set forth in the Articles, the Charter of the Audit and Finance Committee[13], the Charter of the Nomination and Compensation Committee[14] and the Charter of the Research and Development Committee[15].

4.6.1 Audit and Finance Committee

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

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

In particular, the Audit and Finance Committee[16] has the following responsibilities:

- assessing the quality and effectiveness of the external audit;
- assessing the quality of the internal control system, including risk management and the efficiency and state of compliance and monitoring with applicable norms within the Company;
- reviewing the stand-alone Swiss statutory and consolidated financial statements as well as all reporting prepared by the external auditor;
- deciding whether the year-end stand-alone Swiss statutory and consolidated financial statements be recommended to the Board of Directors for presentation to the general shareholders' meeting;
- assessing the performance and the fees charged by the external auditors and ascertain their independence;
- annually review written disclosures from the external auditors delineating all relationships between the external auditors and the Company and take appropriate action to oversee the independence of the external auditors;
- reviewing the scope of the prospective external audit, the estimated fees thereof and any other matters pertaining to such audit;
- approve the annual engagement letter of external auditor, including the scope of the audit and the fees and terms for the planned audit works;
- pre-approve all audit review or attest services and permitted non-audit services by the external auditors;

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

- taking notice of all comments from the external auditors on accounting procedures and systems of control;

- reviewing with the external auditors and/or the CFO/CEO any questions, comments or suggestions they may have regarding the internal control, risk management, accounting practices and procedures of the Company and its subsidiaries;

- discussing with the Management Board any legal matters that may have a material impact on the Company's financial statements and any material reports or inquiries from regulatory or governmental agencies which could materially impact the Company's contingent liabilities and risks;

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

- annually reviewing and discussing with Management Board the Management Board's report in relation to internal controls over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;

- reviewing and approving in advance any transaction that could be within the scope of a related party transaction;

- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

- supporting the Board of Directors with regard to the financial planning as well as the principles of accounting and financial control;

- evaluating management's principles and proposals for, and formulate recommendations to the board of directors in regards to financial planning (capital structure, management of resources, inter-company financing), dividend policy and capital market relations;

- reviewing proposed concepts of financial objectives such as costs of capital, enhancement of shareholders' value, Company and divisional objectives, project objectives (capital expenditures and M&A); and

- reviewing finance policy and operations in treasury, controlling, insurance, taxes and investment and acquisitions.

The Audit and Finance Committee holds meetings as often as required, but in any event at least twice a calendar year. In 2021, the Audit and Finance Committee held nine meetings of approximately one hour and a half each and concluded one circular resolution. The meetings are convened by the chairperson of the Audit and Finance Committee on her/his own initiative or on the initiative of a member of the Audit and Finance Committee. In 2021, the Audit and Finance Committee met with the external auditor four times.

On December 31, 2021, the Audit and Finance Committee consisted of Sandip Kapadia (chairperson), Dominik Höchli and Steven Holtzman.

4.6.2 Nomination and Compensation Committee

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

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

The Nomination and Compensation Committee holds meetings as often as required, but in any event at least twice a year. In 2021, five meetings of the Nomination and Compensation Committee took place and lasted on average for one hour and a half. The meetings are convened by the chairperson of the Nomination and Compensation Committee on her/his own initiative or on the initiative of a member of the Nomination and Compensation Committee. The chairperson of the Nomination and Compensation Committee reports to, and updates the Board of Directors at the next meeting of the Board of Directors on the recent Nomination and Compensation Committee's activities.

On December 31, 2021, 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 2021, six meetings of the Research and Development Committee took place and lasted in average for two hours. The meetings are convened by the chairperson of the Research and Development Committee on her/his own initiative or upon the initiative of a member of the Research and Development Committee. The chairperson of the Research and Development Committee reports to, and updates the Board of Directors at the next meeting of the Board of Directors on the recent Research and Development Committee's activities. The Research and Development Committee invited from time to time internal experts or external consultant who joined part of the committee meeting.

On December 31, 2021, the Research and Development Committee consisted of Dr. Michael Vasconcelles (chairperson), Agnete Fredriksen and Dr. Vito Palombella.

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

Information about the compensation of the Board of Directors as well as about loans, credit facilities and post-employment benefits can be found in section 4 of the Compensation Report included in this Annual Report. Information about shareholdings of the members of the Board of Directors can be found in note 20 to the Company Only Financial Statements of this Annual Report.

5. Management Board

5.1 Responsibilities and Organization

In accordance with Swiss law, the Articles[17] and the Organizational Rules[18], 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.

5.3 Members

The following table sets forth the name, nationality and function of each member of the Management Board on December 31, 2021, 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.

[17] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048
[18] https://investors.molecularpartners.com/~/media/Files/M/Molecular-Partners/articles/20200429-organizational-rules.pdf

Dr. Patrick Amstutz, born in 1975

Dr. Patrick Amstutz, Ph.D., has been CEO of Molecular Partners since November 2016. He co-founded Molecular Partners and has been a member of the company's management team since its inception in 2004, also holding the positions of CBO and COO. In those roles, Patrick was responsible for business development, alliance management and research and development operations. He has established a wide range of commercial collaborations and licensed several key technologies. Since 2017, Patrick has been vice president of the board of the Swiss Biotech Association. Patrick holds a Master of Science from the ETH Zurich and a Ph.D. in molecular biology from the University of Zurich.

Andreas Emmenegger, born in 1966

Andreas Emmenegger has been CFO of Molecular Partners since 2007. Prior to joining Molecular Partners, he was the Chief Financial Officer of Glycart Biotechnology AG where he had a leading role in the CHF 235 million trade sale to F. Hoffmann-La Roche AG in 2005. Mr. Emmenegger was Head of Strategic Alliance Finance (Genentech) for Roche Headquarters, Basel, Switzerland. He has more than 20 years of experience as a chief financial officer of several public and private multinational companies, 15 years of which have been in the biotechnology industry. He led Molecular Partners' SIX Swiss Exchange initial public offering in 2014 and Nasdaq initial public offering in 2021. In addition, Mr. Emmenegger has more than 10 years of international industry experience in banking, capital markets, mergers and acquisitions and human resources. Since 2016, he has been a member of the board of directors of the Luzerner Kantonalbank, Switzerland, a publicly listed bank. Mr. Emmenegger holds a degree in finance, economics and business administration as well as an Executive MBA degree from IESE Business School, Barcelona.

Dr. Nicolas Leupin, born in 1973

Nicolas Leupin, M.D., Ph.D., is Chief Medical Officer of Molecular Partners. Nicolas is a medical oncologist with a proven track record in drug development, most recently as Chief Medical Officer of argenx, a clinical-stage biotechnology company developing antibody-based therapies for treatment of severe autoimmune diseases and cancer. In that role he led the company's global clinical strategy and execution, successfully supporting the company's transformation into a late-stage clinical company, and was responsible for translating preclinical hypotheses into innovative proof-of concept clinical trials. Prior to argenx, Nicolas held roles of increasing responsibility at Celgene, where he supported the clinical development of several drug candidates in lymphoma and multiple myeloma, resulting in regulatory filings in Europe and the U.S.

Dr. Michael Tobias Stumpp, born in 1972

Dr. Michael Tobias Stumpp, Ph.D., is COO of Molecular Partners. Michael is a co-founder of Molecular Partners and was part of the team that invented the DARPin technology. Michael previously served as Chief Scientific Officer of Molecular Partners, in which capacity he oversaw development of the DARPin pipeline. He started his scientific career at the ETH Zurich and then progressed to the Imperial College London and the Tokyo Institute of Technology. Michael has published his research in many international, peer-reviewed scientific journals and presented his findings at numerous congresses.

5.4 Rules Regarding Mandates in the Articles

According to Article 33 of the Articles[19], the number of mandates of the members of the Management Board in a legal entity outside the Group which is to be registered in the Swiss Commercial Register or a similar foreign register is limited to five mandates for each member of the Management Board. Mandates in different legal entities being part of the same group or for the same group are deemed to be one mandate. Mandates in associations, charitable organizations, family trusts and/or foundations relating to post-retirement benefits are not subject to the above limitations. No member of the Management Board shall hold more than 10 of such mandates.

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

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

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

c. official functions or political positions.

5.5 Compensation of Management Board and Shareholdings

Information about the compensation of the Management Board can be found in section 4.2 of the Compensation Report included in this Annual Report. Information about shareholdings of the members of the Management Board can be found in note 20 to the Company Only Financial Statements of this Annual Report.

5.6 Management Contracts

The Company may enter into employment agreements with the members of the Management Board for a fixed term or for an indefinite term. The duration of fixed term agreements may not exceed one year. A renewal of a fixed term agreement is permissible. Agreements for an indefinite term may have a termination notice period of a maximum of one year. Finally, the Company may 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, 2021, 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 section 3.2 of the Compensation Report included in this Annual Report.

7. Duty to Make a Public Tender Offer

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

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

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

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

As of 2015, the Company had in place two new long-term incentive plans (each 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.

[20] 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 thousands	2021[21]	2020
Auditing fees	917	180
Other assurance related services	—	230
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 2021, 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 election of the external auditor by the shareholders at the general meeting of shareholders.

[21] The increase of the auditing fee in 2021 is due to the additional services performed by KPMG for the listing of American Depositary Shares on the NASDAQ in June 2021 and the audit of Molecular Partners' financial statements performed in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB).

10. Information Policy

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

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

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

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

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

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

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

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

11. Quiet Periods

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

Compensation Report

This Compensation Report contains details of the compensation paid to members of the Board of Directors and the Management Board for the year 2021 in accordance with Section 5 of the Annex to the Directive on Corporate Governance of the SIX Swiss Exchange (**DCG**), the Ordinance Against Excessive Compensation in Public Companies (**Compensation Ordinance**) and Article 663b^{bis} of the Swiss Code of Obligations.

1. Compensation Policy

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

2. Compensation Governance

2.1 Nomination and Compensation Committee

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

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

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

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

1 PSU = performance share units, RSU = restricted share units, more details under section 3.2.3
2 Final approval of the maximum compensation by shareholders

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

In 2021, five meetings of the Nomination and Compensation Committee and the Board of Directors took place in January, March, June, September and December dealing with compensation matters. Meetings of the Nomination and Compensation Committee related to the 2021 compensation and Compensation Report was held in February and March 2022. Meetings of the Board of Directors dealing with the Compensation Report were held in February and March 2022. The Nomination and Compensation Committee and the Board of Directors discussed and approved the following primary compensation matters:

Month	Compensation Topics
January 2021	Review of Compensation Report 2020 LTI scorecard 2021 PSUs and RSUs plans 2021 Vesting and sale-to-cover program for PSU/RSU 2018 Compensation of Board of Directors and Management Board for 2021 Compensation matters for senior management and employees
February 2021	Approval of Compensation Report 2020
March 2021	Long-term equity incentive plans 2021 and allocation of related PSUs/RSUs Motions to Annual General Meeting 2021 regarding compensation
June 2021	Interim review of achievement of corporate goals 2021
September 2021	Interim review of achievement of corporate goals 2021 Compensation matters for senior management
December 2021	Final review of achievement of corporate goals 2021 Expected compensation of Board of Directors, Management Board and employees for 2022
February 2022	Review of Compensation Report 2021 Review of Corporate Goals 2022 Compensation of Board of Directors and Management Board for 2021
March 2022	Approval of Compensation Report 2021

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

In 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 2021 of the Board of Directors and the Management Board. In this analysis, compensation data of 12 Swiss companies[22] (including biotechnology, medical technology and pharmaceutical companies) and 17 biotech companies listed on the NASDAQ[23] 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[24]. No additional benchmarking study was performed for the 2021 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.[25]

[22] Idorsia, Tecan, Ypsomed, Siegfried, Bachem, Aevis Victoria, Basilea, Coltene, Obseva, Evolva, Santhera and Newron Pharma.
[23] Tesaro, Blueprint Medicines, Ironwood, Spectrum, Repligen, Momenta, Epizyme, Immunogen, CytomX, Macrogenics, PTC, Five Prime, G1, Jounce, Pieris, Neon and Rubius.
[24] See footnote [23] above.
[25] https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048

A. Rules on Performance-Related Pay and Supplementary Amount

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

According to Article 29 of the Articles, the Company shall be authorized to pay a supplementary amount of compensation ratified by the shareholders at a general meeting of shareholders to members of the executive management who joined or were promoted during a compensation period for which the maximum aggregate amount of compensation has already been approved, but is insufficient to cover compensation of such members of the executive management. The supplementary amount per compensation period per member shall not exceed 50% of the maximum aggregate amount of compensation of the executive management last approved.

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

Please refer to section 4.3 below.

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

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

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

The Board of Directors may submit for approval by the Annual General Meeting deviating, additional or conditional proposals relating to the maximum aggregate amount or maximum partial amounts for the same or different periods and/or specific compensation components and/or in relation to additional amounts for specific compensation components.

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

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

3. Compensation Components

3.1 Principles

The compensation of the members of the Board of Directors consists of fixed compensation only. The total compensation takes into account the position and level of responsibility of the respective member of the Board of Directors (including Board and Committee chair and membership).

The compensation of the members of the Management Board consists of fixed and variable compensation. Fixed compensation comprises the base salary and the corresponding pension contributions. Variable compensation comprises short-term and long-term variable compensation elements:

- The short-term variable compensation (cash bonus) is determined exclusively by the achievement of predefined annual corporate goals (see section 3.2.2 below).

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

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

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

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

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

3.2 General Description of Compensation Components

Members of the Board of Directors are paid for their service over one year starting with their election at the ordinary shareholders' meeting and ending with the subsequent ordinary shareholders' meeting. Compensation of the members of the Board of Directors consists of a cash fee and RSUs. Actual out of pocket expenses are borne by the Company.

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

3.2.1 Base Cash Compensation

Board of Directors

The base cash compensation for the non-executive members of the Board of Directors consists of a fixed annual fee. Such fixed annual fee is composed of a fixed fee for Board of Directors membership, additional fixed fee(s) for committee membership and/or chair, as applicable, and a fixed travel fee. For the period from the Annual General Meeting 2021 to the Annual General Meeting 2022, such fees are as follows:

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

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

Management Board

The base cash compensation of the Management Board consists of a fixed annual salary, which reflects the individual's responsibility, ability and experience. Except pension contributions, no other fixed compensation elements are granted to the Management Board[26].

Employees

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

3.2.2 Cash Bonus

Board of Directors

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

Management Board

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

[26] Please refer to the respective footnotes 1 in the 2021 and 2020 compensation tables in section 4.2 of the Compensation Report.

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 2021 were as follows (unchanged compared to 2020):

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

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

The cash bonus can be between 0% and a maximum (cap) of 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 2021 were divided into five categories with different priorities which were reflected by a predetermined weighting in %:

Corporate Goals 2021

Priorities[1]	*Category*
+++	Advance Covid DARPin program with Novartis
+++	Balance portfolio with candidates based on DARPin differentiation and fitting the portfolio strategy
+	Advance localized agonist programs
++	Perform financing and partnering transactions to ensure sufficient cash-reach to execute strategy and access to technology/expertise
+	Develop organization capable of advancing programs in a fast and sustainable way

1 High priorities are indicated with +++

Each category includes precise goals and specific key results with a timing requirement for the achievement of such key results by the end of a particular quarter or at the end of the year. Please refer to Section 4.2 of the Compensation Report for an overview of the achievement ratios of the annual corporate goals for the years 2015 to 2021.

Employees

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

3.2.3 Long Term Incentive Plans (LTI Plans)

In 2014, the Board of Directors adopted a framework of Long Term Incentive Plans (LTI Plans). The LTI Plans 2021 were approved by the Board of Directors in March 2021.

Under the LTI Plans members of the Board of Directors are eligible to be granted restricted share units (RSUs) and members of the Management Board as well as all employees and selected consultants are eligible to be granted performance share units (PSUs).

Restricted Share Units (RSUs)

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

Members of the Board of Directors received their grants of RSUs under the RSU Plan 2021 after the ordinary shareholders' meeting of 2021, i.e. after shareholders' approval of the compensation amount for the Board of Directors.

Performance Share Units (PSUs)

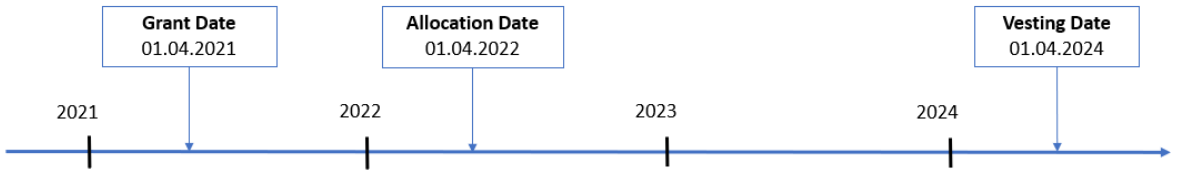
Management Board

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

The number of the PSUs granted to the members of the Management Board in 2021 are as follows (unchanged compared to 2020):

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

From a time perspective, the PSU plan 2021 for the Management Board can be summarized as follows:



While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be effectively earned in relation to a PSU depends on the

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

Factors	**Weighting**
Achievement of the corporate goals for the year 2021 (see section 3.2.2. above)	Between 0% and maximum 80%
Achievement of other long-term value driving milestones outside of the corporate goals 2021	Between 0% and maximum 20%
Share price performance[1] of Molecular Partners over 12 months since grant date: • 20% is reached if the share price performance is larger than/equal to 10% compared to the average performance of NBI/SPI indices; • 0% is reached if share price performance is less than /equal to 0% compared to the average performance of NBI/SPI indices; • pro rata if share price is between 0-10% compared to the average performance of the NBI/SPI indices.	Between 0% and maximum 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 2021 granted on 1 April 2021: 1 February to 31 March 2021 vs 1 February to 31 March 2022)

Please refer to Section 4.2 of the Compensation Report for an overview of the achievement ratio of the LTI scorecard for the years 2015 to 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.

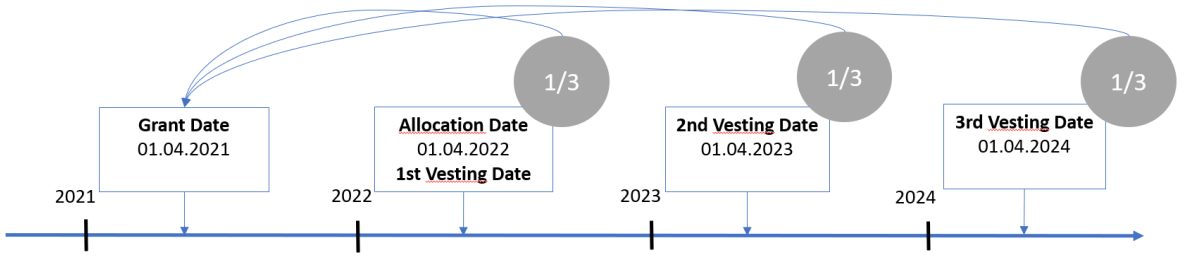
At the beginning of each year, the Nomination and Compensation Committee proposes and the Board of Directors approves the three factors above for the calendar year. At the end of the year, the Nomination and Compensation Committee reviews the achievement of the corporate goals and the achievement of 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.

Employees

Unlike the PSU plans for the Management Board, the PSU plan 2021 for employees newly includes a graded vesting of PSUs[27]. PSUs granted to employees in 2021 are contingent rights to receive a variable number of shares in three tranches of one third each during a period of three years on the first, second and third anniversary of the grant date (graded vesting period). The number of the PSUs granted depends on the level of responsibility of the relevant participant.

[27] PSUs granted to employees under PSU plans prior to the PSU plan 2021 maintained the cliff vesting period of 3 years after grant date.

From a time perspective, the PSU plan 2021 for the employees can be summarized as follows:



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

Existing employees and members of the Management Board[28] received PSU grants on April 1, 2021 and the employees who joined Molecular Partners after April 1, 2021 received PSU grants depending on their entry date on July 1, 2021, October 1, 2021 or January 1, 2022.

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[29] 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, 2021, a total of 318,902 options were outstanding under the Employee Stock Option Plan 2009 and 2014[30]. For additional information reference is made to note 18.2 of the IFRS Consolidated Financial Statements of this Annual Report.

3.3 Change of Control Clauses

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

[28] For members of the Management Board, the grant is made subject to approval by the ordinary shareholders' meeting 2021 of the variable compensation amount for the year 2021.
[29] At the reporting date, there were no outstanding options under the Employee Stock Option Plan 2007.
[30] 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 of this Annual Report.

4. Compensation for Financial Year under Review

4.1 Compensation to the Members of the Board of Directors in 2021 and 2020

The tables below summarize the compensation of the members of the Board of Directors in 2021 and 2020:

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

[1] The total compensation awarded to the members of the Board of Directors shown in this table does not include the payments of TCHF 12 made by the Company in 2021 to cover the mandatory employer social security contribution on the base fees. In addition, upon vesting of the RSUs 2021 in 2024, the Company will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the RSUs 2021 expected to vest in 2024 will amount to approximately TCHF 26.

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

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

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

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

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

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

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

Year 2020	Base compensation		RSUs Granted in 2020		Total Compensation[1]
in CHF 1,000, except for number of RSUs	Base fee (cash gross)	Pension contributions	Number of RSUs	Value of RSUs	
William Burns Member/Chairman	125	—	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 Member[8]	—	—	—	—	—
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 Company 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 Company will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the RSUs 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.

The total compensation paid to the Board of Directors in 2021 increased compared to 2020. This increase is essentially due to the increase of the number of Board members from 7 in 2020 to 8 in 2021[31]. The individual compensation of the Board members remained largely unchanged in 2021 compared to 2020.

In 2021, the portion of compensation delivered in the form of RSUs amounted to 65% (2020: 64%) of the total compensation paid to the members of the Board of Directors.

[31] At the Annual General Meeting 2021, two new Board members were elected to the Board of Directors.

The compensation paid out to the Board of Directors in 2021 and 2020 did not exceed the respective budgets approved by the Annual General Meetings 2021 and 2020.

Compensation Paid to Former Members of the Board of Directors

In 2021 and 2020, no compensation was paid to former members of the Board of Directors.

4.2 Compensation to the Management Board in 2021 and 2020

The tables below summarize the compensation of the members of the Management Board in 2021 and 2020:

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

[1] The total compensation awarded to the members of the Management Board shown in this table does not include the payments of TCHF 118 made by the Company in 2021 to cover the mandatory employer social security contribution on the base salary and on the bonus. In addition, upon vesting of the PSUs 2021 in 2024, the Company will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the PSUs 2021 expected to vest in 2024 will amount to approximately TCHF 67 (assuming 100% target achievement and full vesting of the PSUs).
2 Number of PSUs granted in the year 2021 at target (100%). The number of shares to be issued based on the PSUs at the end of the vesting period can be between zero and a maximum (cap) of 120% depending on the achievement of the predefined factors set out in the applicable LTI scorecard (see Section 3.2.3 above).

Year 2020	**Fixed compensation**		**Variable compensation**			**Total Compensation**
in CHF 1,000, except for number of PSUs	Base salary (cash gross)[1]	Pension contributions	Bonus (cash gross)	Number of PSUs[2]	Value of PSUs	Total Compensation[1]
Total Management	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 Company 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 Company will be obliged to make employer contributions to social security pursuant to applicable mandatory law. As an estimate based on currently applicable contribution rates, the employer contributions on the PSUs 2020 expected to vest in 2023 will amount to approximately TCHF 67 (assuming 100% target achievement and full vesting of the PSUs).
2 Number of PSUs granted in the year 2020 at target (100%). The number of shares to be issued based on the PSUs at the end of the vesting period can be between zero and a maximum (cap) of 120% depending on the achievement of the predefined factors set out in the applicable LTI scorecard (see Section 3.2.3 above)..

The compensation paid to the Management Board in 2021 includes the compensation paid to four members of the Management Board. While the base salaries paid to these executives remained unchanged compared to 2020, the bonus amount slightly increased. This increase is exclusively function of a higher achievement ratio of the corporate goals in 2021 compared to the achievement ratio of the corporate goals in 2020[32]. The target bonus percentage of the four members of the Management Board (CEO, CFO, COO, CMO) remained unchanged in 2021 compared to 2020. The value of the PSUs granted to the Management Board remained also largely unchanged in 2021.

For the entire Management Board, the variable compensation (cash bonus and PSUs, excluding social security and pension contributions) represented 54% of the total compensation in 2021 (2020: 54%).

[32] The achievement ratio of the corporate goals 2020 reached 115% while the achievement ratio of the corporate goals 2021 reached 120%. Please refer to section 3.2.2 above for more information on the determination of the cash bonus.

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

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

Use of Supplementary Amount

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

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.

Compensation Paid to Former Members of the Management Board

In 2021, 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.

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[33] 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[34] 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, 2021 and 2020, 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 of this Annual Report.

[33] See Article 31 of the Articles (https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048)
[34] See Article 32 of the Articles (https://investors.molecularpartners.com/static-files/c0c0b71e-ae55-4bcc-970d-2042f5245048)

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, 2021. 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 77 to 80) 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, 2021 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

Greg Puccetti

Zurich, March 14, 2022

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IFRS consolidated financial statements

Consolidated statement of financial position as of December 31,		2021	2020
in CHF thousands	Note		
Assets			
Property, plant and equipment	6	8,146	9,387
Intangible assets	7	331	347
Total non-current assets		**8,477**	**9,734**
Short-term time deposits	11	61,000	40,000
Prepaid expenses and accrued income	9	5,728	1,254
Trade and other receivables	10	25,650	2,837
Cash and cash equivalents	11	71,813	133,721
Total current assets		**164,191**	**177,812**
Total assets		**172,668**	**187,546**
Shareholders' equity and liabilities			
Share capital	12	3,229	2,915
Additional paid-in capital		355,010	299,479
Cumulative losses		(250,950)	(195,174)
Total shareholders' equity		**107,289**	**107,220**
Contract liability	15	6,925	2,939
Lease liability	22	4,850	6,039
Employee benefits	18.1	6,739	13,678
Total non-current liabilities		**18,514**	**22,656**
Trade and other payables	13	7,389	5,825
Accrued expenses	14	9,975	7,718
Contract liability	15	28,312	42,948
Lease liability	22	1,189	1,179
Total current liabilities		**46,865**	**57,670**
Total liabilities		**65,379**	**80,326**
Total shareholders' equity and liabilities		**172,668**	**187,546**

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

Consolidated statement of comprehensive loss for the year ended December 31,		2021	2020	2019
in CHF thousands	Note			
Revenues and other income				
Revenues from research and development collaborations		9,330	9,344	20,383
Other income		424	—	—
Total revenues and other income	5	**9,754**	**9,344**	**20,383**
Operating expenses				
Research and development expenses	16	(55,718)	(56,075)	(43,498)
Selling, general and administrative expenses	16	(17,454)	(11,595)	(13,545)
Total operating expenses		**(73,172)**	**(67,670)**	**(57,043)**
Operating result		**(63,418)**	**(58,326)**	**(36,660)**
Financial income	19	191	367	1,599
Financial expenses	19	(556)	(4,816)	(1,210)
Net finance result		**(365)**	**(4,449)**	**389**
Result before income taxes		**(63,783)**	**(62,775)**	**(36,271)**
Income taxes	20	(2)	11	(17)
Net result, attributable to shareholders		**(63,785)**	**(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	8,012	(1,514)	(4,711)
Items that are or may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(3)	(26)	(14)
Other comprehensive result, net of tax		**8,009**	**(1,540)**	**(4,725)**
Total comprehensive result, attributable to shareholders		**(55,776)**	**(64,304)**	**(41,013)**
Basic and diluted net result per share (in CHF)	21	(2.06)	(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,		**2021**	**2020**	**2019**
in CHF thousands				
	Note			
Net result attributable to shareholders		(63,785)	(62,764)	(36,288)
Adjustments for:				
Depreciation and amortization	6/7	2,565	2,887	2,469
Share-based compensation costs	18	4,085	2,932	2,438
Change in employee benefits		1,073	1,268	473
Income tax	20	2	(11)	17
Financial income	19	(191)	(367)	(1,599)
Financial expenses	19	556	4,816	1,210
Changes in working capital:				
Change in prepaid expenses and accrued income		(4,445)	1,040	453
Change in trade and other receivables		(23,374)	(552)	49,570
Change in trade and other payables		1,656	3,395	(270)
Change in contract liability	15	(10,651)	17,560	(20,383)
Change in accrued expenses		2,290	1,037	217
Exchange gain/(loss) on working capital positions		(144)	6	604
Interest paid		(583)	(219)	(91)
Income taxes paid		—	(2)	—
Other financial expense		(8)	(9)	(9)
Net cash used in operating activities		**(90,953)**	**(28,983)**	**(1,189)**
Proceeds from investments in short-term time deposits		67,876	52,765	56,630
Investments in short-term time deposits		(88,876)	(73,397)	(75,998)
Acquisition of property, plant and equipment	6	(933)	(1,451)	(1,031)
Acquisition of intangible assets	7	(374)	(232)	(833)
Interest received		70	569	1,396
Net cash used in investing activities		**(22,237)**	**(21,746)**	**(19,836)**
Proceeds from issuance of new shares, net of transaction costs	12	51,493	113,613	—
Proceeds from exercise of stock options, net of transaction costs	12	267	840	1,010
Payment of lease liabilities		(1,179)	(1,251)	(1,237)
Net cash from (used in) financing activities		**50,581**	**113,202**	**(227)**
Exchange gain/(loss) on cash positions		701	(4,464)	(1,994)
Net (decrease) increase in cash and cash equivalents		**(61,907)**	**58,009**	**(23,246)**
Cash and cash equivalents at January 1		133,721	75,712	98,958
Cash and cash equivalents at December 31	11	**71,813**	**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 shareholders' 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 [2]	727	112,886	—	113,613
Exercise of stock options, net of transaction costs [2]	28	812	—	840
At December 31, 2020	**2,915**	**299,479**	**(195,174)**	**107,220**
At January 1, 2021	**2,915**	**299,479**	**(195,174)**	**107,220**
Net result	—	—	(63,785)	(63,785)
Remeasurement of net pension liabilities [1]	—	—	8,012	8,012
Exchange differences on translating foreign operations	—	—	(3)	(3)
Total comprehensive income	**—**	**—**	**(55,776)**	**(55,776)**
Share-based compensation costs [1]	—	4,085	—	4,085
Issuance of new shares, net of transaction costs [3]	300	51,193	—	51,493
Exercise of stock options, net of transaction costs [2]	14	253	—	267
At December 31, 2021	**3,229**	**355,010**	**(250,950)**	**107,289**

(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" or, "Group") is a clinical stage biopharmaceutical company focusing on the discovery, development and commercialization of DARPins, a novel class of therapeutic proteins. DARPins 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, 2021 comprise Molecular Partners AG and Molecular Partners Inc.

The Company's shares are listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014 and on the Nasdaq Global Select Market (Ticker: MOLN) since June 16, 2021.

Significant events during the reporting period

On June 15, 2021 the Company completed its initial public offering in the United States of 3,000,000 American Depositary Shares ("ADSs") at a public offering price of USD 21.25 per ADS, for total gross proceeds of approximately USD 63.8 million. Each ADS represents one Molecular Partners ordinary share. Trading in the Company's ADSs on the Nasdaq Global Select Market takes place under the ticker symbol "MOLN' and started on June 16, 2021.

2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies set forth below have been consistently applied to all years presented. Unless stated otherwise, all financial statements are presented in thousands of Swiss Francs ("TCHF").

The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 "Critical accounting estimates and judgments".

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, 2021, 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, 2021 and supported by funds received from Novartis since then (see note 26), 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 twelve month period ended December 31, 2021 were approved for issuance by the Company's Board of Directors on March 14, 2022.

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 2021 did not have a material effect on these consolidated financial statements:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond June 30, 2021 (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 twelve months or less that do not contain a purchase option. For all other leases the Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently the right-of-use asset is depreciated using the straight-line method over the shorter of the asset's useful life and the lease term.

The lease liability is initially measured at the present value of the lease payments required over the lease term that are not paid at the commencement date, discounted using the Group's incremental borrowing rate, as the interest rate implicit in the lease generally cannot be readily determined. Lease payments that are included in the measurement of the lease liability include fixed payments or in-substance fixed payments and variable payments that depend on an index.

Subsequently, the lease liability is measured at amortized cost using the effective interest method. The Group remeasures the lease liability when there is a change in future lease payments arising from a change in index, or if the group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The Group does not provide residual value guarantees and does not have any leases not yet commenced to which it is committed. The Group is presenting right-of-use assets in Property, Plant and Equipment, whereas lease liabilities are presented separately within current and non-current liabilities in the consolidated statement of financial position.

Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds their recoverable amount. An impairment loss is recognized for this difference. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of

assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Financial assets at amortized costs

Classification
Cash and cash equivalents / short-term deposits / trade and other receivables (except for VAT and withholding taxes) (and when applicable accrued interest income) are all considered held-to-collect items and are labeled under financial assets measured at amortized costs, with the following definition / accounting policy:

Financial assets measured at amortized cost are assets that meet both of the following conditions: (1) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities longer than 12 months after the balance sheet date which are classified as non-current assets. Interest income on the short-term deposit is accounted for on the statement of comprehensive 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 accounts for the specific circumstances of the customer (e.g. credit rating etc.), and other relevant factors such as the economic environment.

Other financial assets at amortized costs
Other receivables generally arise from transactions outside the usual operating activities of the Group.

Financial liabilities at amortized costs

Trade payables and non-employee related accrued expense are measured at amortized costs and classified as financial liabilities.

Cash and cash equivalents

Cash includes cash at banks. The Group considers all short-term, highly liquid investments convertible into known amounts of cash with maturities of three months or less from the date of acquisition to be cash equivalents, provided that they are subject to an insignificant risk of changes in value. The cash flow statement is based on cash and cash equivalents.

Share capital / Additional paid-in capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. The Group has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future.

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 2021, 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 subject to US federal and Massachusetts, New York 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 a certain management level and / or above a salary level of CHF 180,000 at 100% working quota, are eligible to participate. The Company adjusted for 2021 to the above eligibility criteria for new joiners. 32 of the 32 eligible employees participated in this plan as of December 31, 2021 (2020: 29 out of 31; at salary level CHF 150,000).

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.

The Group has set up a pension plan for its UK based employees. Under the plan the Company and the employee both contribute into the plan. The UK pension 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 Group's goals.

Revenue recognition

As a guiding principle of IFRS 15, revenues from research and development collaboration agreements are recognized when earned based upon the performance requirements of the respective agreements. For revenue arrangements with separately identifiable components (separate performance obligations), the revenue recognition criteria are applied to each component. The transaction price is determined as the consideration expected to be received from the arrangement and is allocated amongst the separate components based on their relative stand-alone selling prices. The corresponding amount of transaction price allocated to each component is recognized as revenue when (or as) the Group satisfies the performance obligation by transferring the good or service to the customer, which generally is over time for upfront payments or at a point in time for milestone payments and development option payments. Payments received in excess of revenue recognized are recorded as contract 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 for reservation fees	Reservation fees received are typically non-refundable fees. The timing of revenue recognition depends on whether development of the final drug is successful. If development is successful, revenue will be recognized when the related reservation right is exercised or lapses (as the exercise of any reservation right is outside the control of the Group). Alternatively, revenue will be recognized at the point in time when the results from the research will not justify further development of the drug. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.

Research and development expenses

Research and development expenses as disclosed in note 16 consist primarily of compensation and other expenses related to:

- research and development personnel;
- preclinical studies and clinical trials of the Group's product candidates, including the costs of manufacturing the product candidates;
- research and services performed under collaboration agreements;

- research and development services outsourced to research institutions; and
- attributable facility expenses, including depreciation of equipment and amortization.

Internal development costs are capitalized as intangible assets only when there is an identifiable asset that can be completed that will generate probable future economic benefits, and when the cost of such an asset can be measured reliably. The Group does not currently have any such internal development costs that qualify for capitalization as intangible assets.

In addition to its internal research and development activities, the Group is also party to in-licensing and similar arrangements with its collaboration partners. The Group may also acquire in-process research and development assets, either through business combinations or through purchases of specific assets. Intangible assets are initially recorded at cost. Intangible assets are amortized over their useful lives on a straight-line basis beginning from the point when they are available for use. The estimated useful life of intangible assets is regularly reviewed. The Group does not currently have any such externally acquired in-process research and development assets.

The Group charges all research and development expenses, including internal patent filing and patent maintenance costs, to profit or loss when incurred, as the criteria for recognition as an asset are not currently met.

3. Financial risk management

Financial risk factors

The Group is subject to risks common to companies in the 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. 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, 2021 and 2020.

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. Revenue, other income 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 2021 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. The increase in total estimated future costs is primarily related to continued development of various dosing schedules under phase 1a of the collaboration. The remaining unrecognized transaction price, which is recorded as a contact liability at December 31, 2021 of TCHF 9,653, 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 (Ensovibep) and MP0423. Under the terms of the agreement, the Group in 2020 received an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Group committed to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply for MP0420. All such amounts paid for manufacturing performed by the Novartis Group is considered to be a consideration payable to a customer. Given the significant inter-dependencies between the upfront fee and the manufacturing activities, the manufacturing costs paid to the Novartis Group are to be offset against the upfront non-refundable fee from the contract (see below, as well as note 15). As per December 31, 2021, the entire CHF 20 million has been utilized for the manufacturing of commercial supply for MP0420.

In January 2022, the Group was informed by Novartis that they would exercise the option as described above (please see note 26 for the events after the balance sheet date).

During the year ended December 31, 2021, 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 19,904 (2020: TCHF 96) have been offset against the upfront non-refundable fee (see note 15).

During the years ended December 31, 2021, 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	**2021**	**2020**	**2019**
Revenues USA	9,330	9,344	20,383
Total revenues	**9,330**	**9,344**	**20,383**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	**2021**	**2020**	**2019**
Amgen Inc., USA	9,330	9,344	20,383
Total revenues	**9,330**	**9,344**	**20,383**

Other income

In the first quarter of 2021 the Group entered into an agreement with Novartis to facilitate manufacturing of MP0420 drug supply at a third party supplier. The related agency services earned during 2021 amounted to TCHF 424 and are presented as other income in the consolidated statement of comprehensive loss.

License and collaboration agreement with Novartis in the area of DARPIN conjugated radioligand therapies

On December 14, 2021, the Group announced entering into a License and collaboration agreement with Novartis to develop DARPin-conjugated radioligand therapeutic candidates for oncology. Under the agreement, both parties will collaborate on the discovery and optimization of the therapeutic candidates. The Group will be primarily responsible for the generation of DARPins for tumor-specific delivery of radioligands. The Group will be able to recharge Novartis its employee related expenses associated with the research activities. Novartis will be responsible for all clinical development and commercialization activities. As of December 31, 2021 the Group recognized a receivable for the upfront fee of USD 20 million (CHF 18.6 million) payable from Novartis in Trade and other receivables and a corresponding contract liability in the consolidated statement of financial position. In January 2022, Novartis paid Molecular Partners the upfront fee. The Group will be eligible to receive milestone payments (development, regulatory and commercialization) of up to USD 560 million, plus an up to low double-digit percent of royalties on net sales of products commercialized by Novartis.

The Group identified one combined performance obligation consisting of the license and the research activities to be provided. Revenue related to the upfront payment of USD 20 million (CHF 18.6 million) will be recognized over time in line with the progress made over the duration of the contractually agreed three year research plan. Progress towards completion of the research plan will be based on the input method and be measured by employee hours worked on the related research activities as specified in the agreement relative to the total estimated hours to be incurred.

Future milestone payments and royalties under the agreement will be recognized into revenue at a point in time, when a milestone is achieved or the subsequent sales by Novartis occur.

Option and equity rights agreement with Novartis for ensovibep

On October 28, 2020, the Group announced entering into an Option and equity rights agreement with Novartis. Novartis has been granted an exclusive 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 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 initially acting 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.

Under the terms of the agreement, the Group has received in 2020 an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Group is also eligible to receive a 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.

In January 2022, the Group was informed by Novartis that they would exercise the described option (please see note 26 for further detail).

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. With the exercise of the option by Novartis in 2022 such supply will be purchased by Novartis by reference to the costs incurred by the Group (please see note 26).

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 / Bundesamt für Gesundheit ("FOPH")

On August 11, 2020, the Group announced the reservation by the FOPH of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Group received a reservation fee of CHF 7.0 million which resulted in a current contract liability of CHF 7.0 million, as presented in the consolidated statement of financial position for all years presented.

The agreement consists of two reservation rights: the first being FOPH's reservation of the first 200,000 doses produced; and the second being FOPH's reservation of 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. During 2020, the Group has met the contractually agreed milestone specified in the contract, meaning that the reservation fee received from the FOPH is no longer refundable.

In December 2021, the Group and the FOPH extended by amendment the reservation agreement by 6 months and agreed to reduce the reservation of 5% of the additional planned total production previously capped at 3,000,000 doses to a maximum of 1,300,000 doses. The amendment also allowed the agreement to be assigned to Novartis upon their exercise of the option under the Option and equity rights agreement. With the exercise of the option by Novartis in January 2022

and the subsequent assignment of the agreement to Novartis, the Group expects to recognize the CHF 7.0 million of contract liability into revenue in 2022 (please see note 26).

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 / 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 Group received a non-refundable upfront payment of USD 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 USD 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 USD 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 was responsible, at its expense, for developing and commercializing abicipar, and had to 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, 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. In August 2021, AbbVie terminated the license and collaboration agreement for abicipar. As a result, the Group regained the development and commercial rights of

abicipar on a worldwide basis. The Group is in the process of evaluating the program and will determine its next steps.

Discovery alliance agreement with Allergan, an AbbVie company

In August 2012, the Group entered 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 is eligible to receive success-based payments 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 Abbvie.

6. Property, plant and equipment

in CHF thousands	Lab equipment	Office equipment	IT hardware	Right-of-use assets	Leasehold improvements	Total
2021						
Cost						
At January 1, 2021	8,337	660	1,119	9,616	317	20,049
Additions	438	51	154	—	290	933
Disposals	(22)		(74)			(96)
At December 31, 2021	**8,754**	**711**	**1,199**	**9,616**	**607**	**20,887**
Accumulated depreciation						
At January 1, 2021	(6,602)	(617)	(757)	(2,414)	(273)	(10,662)
Depreciation charge for the year	(583)	(36)	(329)	(1,200)	(25)	(2,174)
Disposals	22	—	74	—	—	96
At December 31, 2021	**(7,164)**	**(653)**	**(1,012)**	**(3,614)**	**(298)**	**(12,741)**
Carrying amount at December 31, 2021	**1,590**	**59**	**186**	**6,002**	**309**	**8,146**

The right-of-use assets relate to the facilities the Group is leasing in Schlieren, Switzerland. The additions to 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
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)**	**(2,414)**	**(273)**	**(10,662)**
Carrying amount at December 31, 2020	**1,735**	**43**	**362**	**7,203**	**44**	**9,387**

7. Intangible assets

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

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**

8. Financial instruments

in CHF thousands	Financial assets at amortized costs
2021	
Cash and cash equivalents	71,813
Trade receivables	23,710
Accrued income	76
Short-term time deposits	61,000
Balance at December 31	**156,599**
2020	
Cash and cash equivalents	133,721
Trade receivables	159
Accrued income	2
Short-term time deposits	40,000
Balance at December 31	**173,882**

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
2021	
Trade payables	4,862
Accrued project costs and royalties	3,410
Lease liabilities	6,039
Other non-employee related accrued expenses	537
Balance at December 31	**14,848**
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**

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	2021	2020
Prepayments	5,652	1,252
Accrued income	76	2
Balance at December 31	**5,728**	**1,254**

The increase in prepayments relates mainly to payments for director and officer insurance following our June 2021 US equity listing.

10. Trade and other receivables

in CHF thousands	2021	2020
Trade receivables	23,710	159
Value added tax	1,770	1,376
Withholding tax	24	199
Other receivables	146	1,103
Balance at December 31	**25,650**	**2,837**

Trade receivables are denominated in the following currencies:

in CHF thousands	2021	2020
CHF	958	159
EUR	3,127	—
USD	19,625	—
Balance at December 31	**23,710**	**159**

The increase in trade receivables for 2021 mainly relates to the License and collaboration agreement with Novartis entered into in December 2021. In accordance with the contractual provisions under this agreement, an amount of TCHF 18,584 (or in thousands of US Dollar "TUSD", TUSD 20,000) has been invoiced to Novartis and presented as trade receivables with a corresponding increase in contract liabilities (see notes 15 and 5).

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

in CHF thousands	2021	2020
Cash at bank in CHF	44,621	96,576
Cash at bank in EUR	20,313	6,365
Cash at bank in USD	5,821	29,776
Cash at bank in GBP	1,058	1,004
Total cash at bank at December 31	**71,813**	**133,721**
Short-term time deposits in CHF	20,000	40,000
Short-term time deposits in USD	41,000	—
Total short-term deposits at December 31	**61,000**	**40,000**

The short-term time deposits in CHF at December 31, 2021 contain one position with one major Swiss bank and the short-term time deposits denominated in USD contain three positions with two major Swiss banks. The short-term time deposits in CHF at December 31, 2020 contain three positions with two major Swiss banks. Please also refer to note 25.

12. Shareholders' equity

On June 15, 2021 the Company announced the pricing of its initial public offering in the United States of 3,000,000 ADSs at a public offering price of USD 21.25 per ADS, for total gross proceeds of approximately USD 63.8 million. Each ADS represents one Molecular Partners ordinary share. Trading in the Company's ADSs on the Nasdaq Global Select Market takes place under the ticker symbol "MOLN' and started on June 16, 2021. The Company's shares are listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014.

Presented under the caption of additional paid-in capital on the statement of financial position, the Group accounted for a deduction of TCHF 7,303 for transaction costs. This deduction represents the costs that were incremental and directly attributable to the issuance of the new shares in 2021. 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.

Classes of share capital

Ordinary share capital
On December 31, 2021, the Company's issued share capital amounted to CHF 3,229,265 divided into 32,292,648 fully paid registered shares with a par value of CHF 0.10 each. As of December 31, 2020, the Company's issued share capital consisted of 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, 2021 amounted to CHF 3,214,699 divided into 32,146,992 fully paid up registered shares with a par value of CHF 0.10 per share.

A total of 3,145,656 new registered shares were issued in 2021 as a result of the placement of new shares following the initial public offering in the United States in June 2021 plus the option exercises and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), from the RSU plan 2018 and the PSU plans 2018 and 2017. The corresponding capital increases were registered with the commercial register in two steps on June 18, 2021 for the transactions in June and on February 16, 2022 for the option exercises and the vesting of the RSU plan 2018 and the PSU plans 2018 and 2017.

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. As part of the October 2020 agreement (see note 5) Novartis acquired CHF 40 million worth of ordinary shares, at a price of CHF 23 per share. Novartis holds approximately 5.4% of the outstanding shares of the Company as of December 31, 2021.

Authorized share capital
The Board of Directors is authorized to increase the share capital at any time until April 21, 2023 by a maximum amount of CHF 428,675 by issuing a maximum of 4,286,750 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 2021, the share capital was increased out of authorized share capital for the initial public offering in the United States completed in June 2021. As a result, the available authorized share capital was reduced by CHF 300,000 from CHF 728,675 to CHF 428,675.

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, 2021 the Company's share capital was allowed to be increased by an amount not to exceed CHF 161,502 through the issuance of up to 1,615,021 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 2021, 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 14,566 from CHF 176,068 to CHF 161,502.

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 2021, this conditional capital for financing transactions and other purposes (Article 3c of the Articles of Association) remained unchanged.

In 2021, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") and Restricted Share Units ("RSU"), amounted to CHF 269,552 and all was completed from the issuance of new shares (conditional share capital).

In 2020, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") and Restricted Share Units ("RSU"), amounted to CHF 848,340 and all was completed from the issuance of new shares (conditional share capital).

In 2019, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") and Restricted Share Units ("RSU"), amounted to CHF 1,019,840 and all was completed from the issuance of new shares (conditional share capital).

13. Trade and other payables

in CHF thousands	2021	2020
Trade payables	4,862	2,800
Social security	1,672	1,715
Value added tax	855	1,310
Balance at December 31	**7,389**	**5,825**

Trade payables are denominated in the following currencies:

in CHF thousands	2021	2020
CHF	1,464	556
EUR	3,250	2,043
USD	118	17
GBP	29	184
Balance at December 31	**4,862**	**2,800**

14. Accrued expenses

in CHF thousands	2021	2020
Accrued project costs and royalties	3,410	1,972
Accrued payroll and bonuses	6,002	4,967
Other	563	779
Balance at December 31	**9,975**	**7,718**

15. Contract liability

The Group expects the contract liability to be recognized as revenue or, in case of consideration payable to a customer, reduction of costs, as follows:

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	28,312
Expected revenue recognition in year two after balance sheet date	5,798
Expected revenue recognition in year three after balance sheet date	1,127
Expected revenue recognition in year four after balance sheet date	—
Expected revenue recognition in year five and later after balance sheet date	—
Balance at December 31, 2021	**35,237**

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**

The table below presents the movement on the contract liability:

in CHF thousands	Contract liability at January 1, 2021	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2021
Amgen	**18,983**	—	(9,330)	—	**9,653**
Novartis	**19,904**	18,584	—	(19,904)	**18,584**
FOPH	**7,000**	—	—	—	**7,000**
Balance at December 31, 2021	**45,887**	**18,584**	**(9,330)**	**(19,904)**	**35,237**

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	**—**	7,000	—	—	**7,000**
Balance at December 31, 2020	**28,327**	**27,000**	**(9,344)**	**(96)**	**45,887**

Under the Option and equity rights agreement entered into in October 2020, during the year ended December 31, 2021, an amount of TCHF 19,904 has been released to offset a corresponding amount of costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 (2020: TCHF 96) (see note 5).

The License and collaboration agreement with Novartis entered into in December 2021 resulted in a contract liability of TCHF 18,584 (TUSD 20,000) with a corresponding increase in trade receivables (see notes 5 and 10).

in CHF thousands	Current	Non-current	Contract liability
Amgen	9,653	—	9,653
Novartis	11,659	6,925	18,584
FOPH	7,000	—	7,000
Balance at December 31, 2021	**28,312**	**6,925**	**35,237**

in CHF thousands	Current	Non-current	Contract liability
Amgen	16,044	2,939	18,983
Novartis	19,904	—	19,904
FOPH	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	2021	2020	2019
Research consumables and external research and development expenses	(26,342)	(26,599)	(20,314)
Personnel expenses [1], see also note 18	(25,647)	(25,251)	(19,722)
Depreciation and amortization	(2,016)	(2,319)	(2,088)
Intellectual property	(636)	(492)	(568)
Facility expenses	(758)	(683)	(565)
Other research and development expenses	(259)	(169)	(191)
Royalties and license fees, see also note 17	(60)	(562)	(50)
Total year ended December 31	**(55,718)**	**(56,075)**	**(43,498)**

Selling, general and administrative expenses

in CHF thousands	2021	2020	2019
Personnel expenses [2], see also note 18	(10,604)	(8,383)	(7,870)
Other administrative expenses	(6,242)	(2,587)	(5,231)
Depreciation and amortization	(549)	(568)	(381)
Facility expenses	(60)	(57)	(63)
Total year ended December 31	**(17,454)**	**(11,595)**	**(13,545)**
Total operating expenses	**(73,172)**	**(67,670)**	**(57,043)**

(1) Research and development non-cash effective pension and share-based compensation costs were TCHF 3,045 in 2021, 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 2,113 in 2021, TCHF 1,573 in 2020 and TCHF 1,351 in 2019.

17. Royalties and license fees

Until October 2021, the Group held an exclusive perpetual license from the University of Zurich on patent applications and patents relating to the DARPin base technology. The Group terminated the applicable license agreement with effect as of October 2021 as the main patent under this agreement expired in September 2021.

Under this license agreement, the Group was 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 was 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 was 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 minimum amount the Group was required to pay is CHF 60,000 per annum (including CHF 10,000 for another separate license). For the years 2021, 2020 and 2019 the minimum amounts of CHF 50,000 were payable. Royalties to the University of Zurich were 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 in December 2020. An additional fee of CHF 250,000 is accrued as per December 31, 2021 and payable under this agreement. Upon Novartis exercising their option under the Option and equity rights agreement, the University of Utrecht will be due a further CHF 1.0 million (please also see note 26).

18. Personnel expenses

in CHF thousands	2021	2020	2019
Salaries	(25,909)	(23,525)	(18,868)
Share-based compensation (non-cash effective)	(4,085)	(2,932)	(2,438)
Pension costs	(3,059)	(3,080)	(2,018)
Social security costs	(2,535)	(2,393)	(1,894)
Other personnel expenses	(663)	(1,704)	(2,374)
Total year ended December 31	**(36,251)**	**(33,634)**	**(27,592)**

Full-time equivalents and head count	**2021**	**2020**	**2019**
Average number of full-time equivalents	158.3	142.5	127.1
Full-time equivalents at year end	163.2	145.4	135.2
Headcount at year end	177	159	147

18.1 Pension costs and liabilities

in CHF thousands	2021	2020
Defined benefit pension plans		
Actuarial assumptions		
Discount rate at January 1	0.20 %	0.20 %
Discount rate at December 31 [1]	0.40 %	0.20 %
Future salary increases at December 31	2.00 %	2.00 %
Mortality tables	BVG2020 GT	BVG2015 GT
Date of last actuarial valuation	31.12.2021	31.12.2020
Reconciliation of the amount recognized in the statement of financial position		
Defined benefit obligation at December 31	54,461	54,512
Fair value of plan assets at December 31	47,979	41,089
Net defined benefit liability at December 31 [2]	**6,483**	**13,423**
Components of defined benefit cost in profit or loss		
Current service cost (employer)	3,097	3,033
Past service cost	(94)	—
Interest expense on defined benefit obligation	114	103
Interest income on plan assets	(86)	(80)
Administrative cost excl. cost for managing plan assets	27	24
Defined benefit cost recognized in profit or loss	**3,059**	**3,080**
thereof service cost and administrative cost	3,031	3,057
thereof net interest expense on the net defined benefit liability	28	23

in CHF thousands	2021	2020
Reconciliation of net defined benefit liability		
Net defined benefit liability at January 1	13,423	10,656
Defined benefit cost recognized in profit or loss [3]	3,059	3,080
Remeasurement of net pension liabilities	(8,012)	1,514
Contributions by the employer [3]	(1,987)	(1,827)
Net defined benefit liability at December 31 [2]	**6,483**	**13,423**
Reconciliation of defined benefit obligation		
Defined benefit obligation at January 1	54,512	48,455
Interest expenses on defined benefit obligation	114	103
Current service cost (employer)	3,097	3,033
Contributions by plan participants	1,246	1,138
Benefits (paid)/deposited	1,067	1,424
Past service cost	(94)	—
Administrative cost (excl. cost for managing plan assets)	27	24
Actuarial (gain)/loss on defined benefit obligation	(5,508)	335
Defined benefit obligation at December 31	**54,461**	**54,512**
Reconciliation of amount recognized in OCI		
Actuarial (gain) / loss on changes in financial assumptions	(2,303)	—
Actuarial (gain) / loss on changes in demographic assumptions	(2,432)	—
Actuarial (gain) / loss arising from experience adjustments	(773)	335
Actuarial (gain)/loss on defined benefit obligation	**(5,508)**	**335**
Return on plan assets excluding interest income	(2,504)	1,179
Remeasurement of net pension liabilities	**(8,012)**	**1,514**
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	41,089	37,799
Interest income on plan assets	86	80
Contributions by the employer	1,987	1,827
Contributions by plan participants	1,246	1,138
Benefits (paid)/deposited	1,067	1,424
Return on plan assets excl. interest income	2,504	(1,179)
Fair value of plan assets at December 31	**47,979**	**41,089**
Best estimate of contributions of next year		
Contributions by the employer	2,060	1,834
Plan asset classes		
Cash and cash equivalents	9,581	8,118
Equity instruments	20,246	16,791
Debt instruments (e.g. bonds)	6,130	5,671
Real estate funds	1,612	1,075
Others	1,547	1,483
Total plan assets at fair value (quoted market price)	**39,116**	**33,138**
Others	8,862	7,951
Total plan assets at fair value (non-quoted market price)	**8,862**	**7,951**
Total plan assets at fair value at December 31	**47,979**	**41,089**

in CHF thousands	2021	2020
Total plan assets at fair value at December 31	**47,979**	**41,089**
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%	57,066	57,383
Defined benefit obligation at December 31 with discount rate +0.25%	52,054	51,871
Defined benefit obligation at December 31 with interest rate on retirement savings capital -0.25%	53,576	53,598
Defined benefit obligation at December 31 with interest rate on retirement savings capital +0.25%	55,373	55,454
Defined benefit obligation at December 31 with salary increases -0.25%	53,993	54,033
Defined benefit obligation at December 31 with salary increases +0.25%	54,947	54,999
Defined benefit obligation at December 31 with life expectancy +1 year	55,283	55,417
Defined benefit obligation at December 31 with life expectancy -1 year	53,569	53,611
Maturity profile of defined benefit obligation		
Weighted average duration of defined obligation in years at December 31	18.5	20.2
Weighted average duration of defined obligation in years at December 31 for active members	18.3	20.2
Weighted average duration of defined obligation in years at December 31 for pensioners	19.6	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 consolidated statement of financial position included are also TCHF 257 (2020: 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 profit and loss section of the consolidated statement of comprehensive loss of which TCHF 837 are research and development costs (2020: TCHF 1,039; 2019: TCHF 358) and TCHF 235 are selling, general and administrative costs (2020: TCHF 214; 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.

The table below presents the amounts that are reflected in the statement of comprehensive loss for the periods indicated:

in CHF thousands	2021	2020	2019
Components of defined benefit cost in profit or loss			
Current service cost (employer)	3,097	3,033	2,053
Past service cost	(94)	—	(105)
Interest expense on defined benefit obligation	114	103	356
Interest income on plan assets	(86)	(80)	(304)
Administrative cost excl. cost for managing plan assets	27	24	18
Defined benefit cost recognized in profit or loss	**3,059**	**3,080**	**2,018**
thereof service cost and administrative cost	3,031	3,057	1,966
thereof net interest expense on the net defined benefit liability	28	23	52
Reconciliation of amount recognized in OCI			
Actuarial (gain) / loss on changes in financial assumptions	(2,303)	—	4,774
Actuarial (gain) / loss on changes in demographic assumptions	(2,432)	—	—
Actuarial (gain) / loss arising from experience adjustments	(773)	335	963
Actuarial (gain)/loss on defined benefit obligation	**(5,508)**	**335**	**5,737**
Return on plan assets excluding interest income	(2,504)	1,179	(1,026)
Remeasurement of net pension liabilities	**(8,012)**	**1,514**	**4,711**
Best estimate of contributions of next year			
Contributions by the employer	2,060	1,834	1,724

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 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, 2021, an aggregate of 318,902 options were outstanding under the ESOP 2009 and ESOP 2014. All these options are fully vested at the reporting date.

As of December 31, 2020, an aggregate of 382,059 options were outstanding under the ESOP 2009 and ESOP 2014.

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 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
- LTI plans 2021 established in March 2021

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. PSUs granted under the PSU Plan 2021 for employees (except for members of the Management Board) will vest in three tranches of one third each. The first tranche of the PSUs shall vest on the first anniversary of the grant date, the second tranche on the second anniversary of the grant date and the third tranche on the third anniversary of the grant date. Under the PSU Plan 2021 for the members of the Management Board, the vesting schedule is at the end of a three year cliff-vesting period. PSUs granted to all employees under PSU plans of prior years will continue to vest at the end of a three-year cliff-vesting period.

The number of PSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each PSU as of the grant date. While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be earned in relation to a PSU also depends on the achievement of pre-defined corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 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 issued annually, which allows the Board of Directors to review the terms and determine the targets on an annual basis. Employees generally receive the grants on April 1 of each calendar year, or for new employees on the first day of the calendar quarter after the start of their employment. Members of the Management Board and the Board of Directors receive the annual grants after the approval of the ordinary shareholders' meeting.

As of December 31, 2021,547,485 PSUs and 95,635 RSUs were outstanding. As of December 31, 2020, 445,198 PSUs and 87,906 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	2021	2020
Nature of arrangement	Grant of PSU/RSU	Grant of PSU/RSU
Grant date RSU	April 21, 2021	April 29, 2020
Grant dates PSU	Jan 1 - Oct 1	Jan 1 - Oct 1
Number of RSU granted	29,519	33,467
Number of PSU granted	230,536	267,657
Weighted average exercise price (CHF)	0.10	0.10
Share price (CHF)	17.90 - 23.25	14.50 - 21.50
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), Management Board	2.25 - 3.00	n.a.
Vesting period for PSU (years), employees excluding Management Board	2.25 - 3.00 (pro-rata annual vesting)	n.a.
Vesting period for PSU (years), all awards	n.a.	2.25 - 3.00
Settlement	Common Shares	Common Shares
Expected volatility on Common shares	58.57 - 61.69	42.73 - 56.26
Risk-free interest rate p. a. (%) / CHF LIBOR / Common shares	(0.58) - (0.61)	(0.42) - (0.60)
Expected volatility on NBI	26.21 - 27.01	21.20 - 25.70
Risk-free interest rate p. a. (%) / USD LIBOR / NBI	0.24 - 0.34	0.36 - 2.00
Expected volatility on SPI	15.96 - 16.15	11.19 - 15.79
Risk-free interest rate p. a. (%) / CHF LIBOR / SPI	(0.58) - (0.61)	(0.42) - (0.60)
Expected dividend (CHF)	—	—
Weighted average fair value of rights granted (CHF)	24.56	20.18
Latest expiry date	Sep 30, 2024	Sep 30, 2023
Valuation model	Monte Carlo	Monte Carlo

Additional comments:

- Expected volatility: Historical share prices of the Company have been used.
- The indices, Nasdaq Biotechnology Index ('NBI") and Swiss performance Index ("SPI") are used as inputs in determining the fair values for the 2020 and 2021 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, 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**
Granted	260,055	0.10	—	—	260,055	0.10
(Performance adjustment) [1]	(1,022)	0.10	—	—	(1,022)	0.10
(Forfeited) [2]	(66,518)	0.10	—	—	(66,518)	0.10
(Expired)	—	—	—	—	—	—
(Exercised) [3]	(145,656)	1.85	(63,157)	4.14	(82,499)	0.10
Balance outstanding at December 31, 2021	**962,022**	**2.35**	**318,902**	**6.87**	**643,120**	**0.10**

(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 2021 amounted to CHF 19.87 (2020: CHF 19.73)

The following table applies to all share options, PSUs and RSUs outstanding at December 31, 2021:

Exercise price CHF	Options / PSU/RSU (number)	Remaining life (years)	Thereof exercisable options
Options			
2.31	1,160	0.7	1,160
6.05	2,815	1.0	2,815
6.06	15,450	2.4	15,450
6.94	299,477	2.7	299,477
PSU/RSU			
0.10	643,120	1.2	
Total	**962,022**		**318,902**

The 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)	Thereof 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 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	2021	2020	2019
Research and development	2,208	1,573	1,192
Selling, general and administrative	1,877	1,359	1,246
Total year ended December 31	**4,085**	**2,932**	**2,438**

19. Financial income and financial expense

Financial income

in CHF thousands	2021	2020	2019
Interest income on financial assets held at amortized costs	99	367	1,599
Net foreign exchange gain	92	—	—
Total year ended December 31	**191**	**367**	**1,599**

Financial expense

in CHF thousands	2021	2020	2019
Net foreign exchange loss	—	(4,512)	(1,110)
Negative interest on financial assets held at amortized costs	(495)	(271)	(64)
Interest expense on leases	(53)	(24)	(27)
Other financial expenses	(8)	(9)	(9)
Total year ended December 31	**(556)**	**(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 2021, 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 2021 is 19.7% (2020 and 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 New York, Massachusetts and California.

For the year ended December 31, 2021, a current income tax expense of TCHF 2 (TUSD 2) was recognized by the Group's U.S. based subsidiary for estimated U.S. tax obligations of the subsidiary based on intra-Group activity (for the year ended December 31, 2020: tax credit of TCHF 11 (TUSD 13) and for the year ended December 31, 2019: tax expense of TCHF 17 (TUSD 17)). The tax expense amount comprises of the sum of the minimal taxes payable for federal taxes and for the various states in which Molecular Partners Inc. is liable for taxes. The applicable income tax rates are 21% federal tax plus 8.00% state tax (Massachusetts), 8.70% (New York) and 8.84% (California).

Deferred taxes

The Company's net operating losses for tax purposes amounted to TCHF 58,632 in 2021 and TCHF 58,631 in 2020 (TCHF 33,446 in 2019). The total tax losses of TCHF 212,218 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 that expired in 2021. No deferred tax assets have been recognized for these tax loss carry forwards, because as of December 31, 2021, it was not considered probable that such loss carry forwards can be utilized in the foreseeable future (please refer to note 26 for subsequent

events). 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 6,483, 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 primary reconciling item is the effect of unrecognized deferred tax assets for tax losses and deductible temporary differences.

The following table shows the expiry of tax loss carry forwards for the Company, for which no deferred tax asset was recognized:

in CHF thousands	2021	2020
2021	—	(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)	(58,631)
2028	(58,632)	—
Thereafter	—	—
Total tax loss carry forwards as at December 31	**(212,218)**	**(157,900)**

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, 2021, 2020 and 2019, there are no dilutive effects.

	2021	2020	2019
Weighted average number of shares used in computing basic loss per share	31,005,171	25,000,652	21,413,375

At December 31, 2021, the number of shares that could potentially be dilutive in the future are 835,422. These shares are currently anti-dilutive (2020: 794,377, 2019: 814,855).

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	2021	2020
as at January 1,	7,218	2,545
Additions / new leases	—	—
Remeasurements [1]	—	5,924
Recognition of interest on lease liabilities	53	24
Payments	(1,232)	(1,275)
Balance as at December 31,	**6,039**	**7,218**
Current	1,189	1,179
Non-current	4,850	6,039
Balance as at December 31,	**6,039**	**7,218**

(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	2021	2020	2019
Depreciation on right-of-use assets	1,200	1,256	1,247
Interest expense on lease liabilities	53	24	27
Short term leases	—	—	2
Total amount recognized in profit or loss	**1,253**	**1,280**	**1,276**

The total cash outflow for leases for the twelve months ending December 31, 2021 amounted to TCHF 1,232 (twelve months ending December 31, 2020 TCHF 1,275; twelve months ending December 31, 2019 TCHF 1,266).

Contractual maturities of financial liabilities at December 31, 2021

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	—	6,160	6,039

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

23. Related party disclosures

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

in CHF thousands	2021	2020	2019
Short-term employee benefits	2,423	2,408	2,392
Post-employment benefits	203	205	173
Share-based compensation	1,784	1,601	1,220
Total year ended December 31	**4,410**	**4,214**	**3,785**

Pamela Trail departed from her role as Chief Scientific Officer in July 2019. She has continued to support the Group as a consultant after this date. For the year ended December 31, 2021, Pamela Trail's consulting fees amounted to TCHF 13. For the year ended December 31, 2020, Pamela Trail's consulting fees amounted to TCHF 45.

24. Capital commitments

As of December 31, 2021 and December 31, 2020, 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 2021 and 2020, the Group did not enter into any forward currency transactions. No forward currency transactions were outstanding as of December 31, 2021 and 2020.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates for the Groups's main foreign currencies, USD and EUR, with all other variables held constant, of the Group's result before taxes. There is no direct impact on the Group's equity.

in % and CHF thousands	Incr./Decr. exchange rate	Effect on result before tax (in TCHF)
USD Positions		
2021	+10%	6,633
	-10%	(6,633)
2020	+10%	2,976
	-10%	(2,976)
2019	+10%	6,642
	-10%	(6,642)
EUR Positions		
2021	+10%	2,019
	-10%	(2,019)
2020	+10%	432
	-10%	(432)
2019	+10%	1,171
	-10%	(1,171)

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

The following table demonstrates the sensitivity of the main currencies used in the Group, to reasonably possible changes in interest rates, with all other variables held constant, of the Group's results before tax. There is no direct impact on the Group's equity.

in % and CHF thousands	**Incr./Decr. interest rate**	**Effect on result before tax (in TCHF)**
CHF Positions		
2021	+0.5%	323
	-0.5%	(323)
2020	+0.5%	683
	-0.5%	(683)
2019	+0.5%	57
	-0.5%	(57)
USD Positions		
2021	+0.5%	234
	-0.5%	(234)
2020	+0.5%	149
	-0.5%	(149)
2019	+0.5%	333
	-0.5%	(333)
EUR Positions		
2021	+0.5%	102
	-0.5%	(102)
2020	+0.5%	32
	-0.5%	(32)
2019	+0.5%	64
	-0.5%	(64)

Credit risk

The maximum credit risk on financial assets corresponds to the carrying amounts of the Group's cash and cash equivalents, short-term time deposits and receivables. The Group has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts.

The cash and cash equivalents and short-term deposits are considered low risk and were held at Swiss banks with Standard & Poor long-term credit ratings as of December 31,2021 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	2021	2020
Cash and cash equivalents	71,813	133,721
Trade receivables	23,710	159
Accrued income	76	2
Short-term time deposits	61,000	40,000
Total credit risk as at December 31	**156,599**	**173,882**

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

On January 7, 2022, Novartis informed the Group of its intention to exercise the option under the Option and equity rights agreement (as presented in note 5). This was followed by the signing of a License agreement between the two parties on January 17, 2022. This License agreement resulted in the Group becoming eligible to receive CHF 150 million for the option exercise payment and in addition the Group was allowed to charge Novartis CHF 13.1 million for items related to the commercial supply of ensovibep and drug substance secured by the Group.

At the signing of the License agreement, the Group also assigned the Reservation agreement with the FOPH to Novartis. This assignment will allow the Group to, in 2022, recognize into revenue, the reservation fee of CHF 7 million received from the FOPH in August 2020 (see also note 5). Further following the signing of the License agreement with Novartis the Group recorded in 2022, an additional CHF 1 million payable to the University of Utrecht in accordance with the research collaboration agreement described in note 17.

In January 2022, the Group received from Novartis the CHF 150 million option exercise payment from the January 17, 2022 License agreement, which will be recognized into revenue in the Group's 2022 consolidated financial statements.

In January 2022, the Group also received from Novartis the CHF 18.6 million (USD 20 million) upfront payment from the December 2021 License and collaboration agreement as described in note 5.

The above events may result in positive net results for the year ended December 31, 2022 and will require review of our income tax status and related assumptions. Specifically, the Group is evaluating the impact of positive net results to the recoverability of certain unused net operating loss carry forward deductions, which may be utilized to reduce taxable income during 2022. We are currently unable to estimate the impact.

Mark N. Lampert (Biotechnology Value Funds) notified the Company that, as of January 10, 2022, they had increased their shareholdings to 3,926,282 shares (corresponding to 12.21% of voting rights) after purchasing the remaining shares held by EW Healthcare Partners Acquisition Fund. According to a SEC filing made on January 12, 2022, Mark N. Lampert (Biotechnology Value Funds) held 4,526,282 shares (corresponding to 14.08% of voting rights).

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

Statutory Auditor's Report

To the General Meeting of Molecular Partners AG, Schlieren

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Molecular Partners AG and subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2021 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 83 to 130) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN INC.

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.

KPMG

REVENUE RECOGNITION FOR LICENSE AND COLLABORATION AGREEMENT WITH AMGEN INC.

Key Audit Matter

The Group recognized revenue for the year-ended December 31, 2021 of CHF 9,330 thousand related to the license and collaboration agreement with Amgen Inc. The Group recognizes revenue for the license and collaboration agreement with Amgen Inc. in relation to progress made towards completion of 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, and was identified as a key audit matter. 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, required a high degree of complex auditor judgement.

Our response

Below 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 project costs to complete by selecting certain vendor contracts and obtaining underlying evidence including but not limited to actual invoices, email correspondence and clinical development progress to evaluate the estimated project 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 in the year ended December 31, 2021, 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 Inc. refer to the following:

- Note 2 Summary of significant accounting policies: Revenue recognition
- Note 4 Critical accounting estimates and judgments
- Note 5 Revenue, other income and entity-wide disclosures

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

Greg Puccetti

Zurich, March 14, 2022

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Company only financial statements

Balance sheet as of December 31,		**2021**	**2020**
in CHF thousands	note		
Assets			
Cash and cash equivalents	3	71,643	133,583
Trade accounts receivables	4	23,710	159
Other short-term receivables	4	1,940	2,677
Prepaid expenses and accrued income	5	5,703	1,240
Short-term time deposits	3	61,000	40,000
Total current assets		**163,996**	**177,659**
Investments	1	—	—
Property, plant and equipment:			
- Right-of-use asset for leased office buildings	6	6,002	7,203
- Other property, plant and equipment	6	2,144	2,183
Total property, plant and equipment		8,146	9,386
Intangible assets	7	331	347
Total non-current assets		**8,477**	**9,733**
Total assets		**172,472**	**187,392**
Shareholders' equity and liabilities			
Trade accounts payable		4,851	2,799
Other short-term payables	8	2,681	3,181
Accrued expenses	9	9,711	7,482
Contract liability	10	28,312	42,948
Lease liability	21	1,189	1,179
Total current liabilities		**46,744**	**57,589**
Contract liability	10	6,925	2,939
Lease liability	21	4,850	6,039
Long-term provisions		253	253
Total non-current liabilities		**12,028**	**9,231**
Total liabilities		**58,772**	**66,820**
Share capital	11	3,229	2,915
Legal capital reserves			
- Reserves from capital contributions		179,003	127,557
Free reserves			
- Reserves from capital contributions		148,000	148,000
Cumulative losses:			
- Loss carried forward		(157,900)	(99,269)
- Net result for the year		(58,632)	(58,631)
Total cumulative losses		(216,532)	(157,900)
Total shareholders' equity	**11**	**113,700**	**120,572**
Total liabilities and shareholders' equity		**172,472**	**187,392**

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

Income statement for the year ended December 31,		**2021**	**2020**
in CHF thousands	note		
Revenues and other income			
Revenues from research and development collaborations	12	9,330	9,344
Other income		424	—
Total revenues and other income		**9,754**	**9,344**
Operating expenses			
Research and development expenses	13	(52,644)	(53,425)
Selling, general and administrative expenses	14	(15,377)	(10,101)
Total operating expenses		**(68,021)**	**(63,526)**
Operating result		**(58,267)**	**(54,182)**
Financial income	15	708	391
Financial expenses	15	(1,073)	(4,840)
Result before income taxes		**(58,632)**	**(58,631)**
Income taxes		—	—
Net result		**(58,632)**	**(58,631)**

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

Cash flow statement for the year ended December 31,		**2021**	**2020**
in CHF thousands	Note		
Net result attributable to shareholders		(58,632)	(58,631)
Adjustments for:			
Depreciation and amortization		2,564	2,886
Non-cash personnel expenses		—	13
Financial income	15	(708)	(391)
Financial expenses	15	1,073	4,840
Changes in working capital:			
Change in prepaid expenses and accrued income		(4,434)	1,038
Change in trade and other receivables		(23,374)	(573)
Change in trade and other payables		1,644	3,451
Change in contract liability	10	(10,651)	17,560
Change in accrued expenses		2,222	896
Exchange gain/(loss) on working capital positions		(142)	32
Interest paid		(583)	(219)
Other financial expense		(8)	(9)
Net cash used in operating activities		**(90,985)**	**(29,107)**
Proceeds from investments in short-term time deposits		67,876	52,765
Investments in short-term time deposits		(88,876)	(73,397)
Acquisition of property, plant and equipment		(933)	(1,451)
Acquisition of intangible assets		(374)	(232)
Interest received		70	569
Net cash used in investing activities		**(22,237)**	**(21,746)**
Proceeds from issuance of new shares, net of transaction costs	11	51,493	113,613
Proceeds from exercise of stock options, net of transaction costs	11	267	840
Payment of principal portion of lease liabilities		(1,179)	(1,251)
Net cash from financing activities		**50,581**	**113,202**
Exchange gain/(loss) on cash positions		701	(4,464)
Net (decrease) increase in cash and cash equivalents		**(61,940)**	**57,885**
Cash and cash equivalents at January 1		133,583	75,698
Cash and cash equivalents at December 31	3	**71,643**	**133,583**

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

Notes to the Company only Financial Statements

1. General information

Molecular Partners AG ("Company") is a clinical stage biopharmaceutical company focusing on the discovery, development and commercialization of DARPins, a novel class of therapeutic proteins. DARPins 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").

Investments
The Company has one wholly owned subsidiary, Molecular Partners Inc. This entity was incorporated on October 8, 2018 under the laws of the state of Delaware, USA and has its offices at 245 Main Street, Cambridge MA 02142, USA. The Company made a capital contribution of USD 1 for 10,000 shares with a par value of USD 0.001. All shares are held by Molecular Partners AG. The investment value of the Company in Molecular Partners Inc. therefore is USD 1 (equals 1 CHF).The Company's shares are listed on the SIX Swiss Exchange (Ticker: MOLN) since November 5, 2014

Significant events during the reporting period

On June 15, 2021 the Company completed its initial public offering in the United States of 3,000,000 American Depositary Shares ("ADSs") at a public offering price of USD 21.25 per ADS, for total gross proceeds of approximately USD 63.8 million. Each ADS represents one Molecular Partners ordinary share. Trading in the Company's ADSs on the Nasdaq Global Select Market takes place under the ticker symbol "MOLN' and started on June 16, 2021. .

2. Summary of significant accounting policies

Basis of preparation

The financial statements of Molecular Partners for the year ended December 31, 2021 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 reservation fees	Reservation fees received are typically non-refundable fees. The timing of revenue recognition depends on whether development of the final drug is successful. If development is successful, revenue will be recognized when the related reservation right is exercised or lapses (as the exercise of any reservation right is outside the control of the Company). Alternatively, revenue will be recognized at the point in time when the results from the research will not justify further development of the drug. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.

Share-based compensation plans

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

Employee stock option plans ("ESOP")

- ESOP 2009 established in December 2009
- ESOP 2014 established in July 2014

An ESOP is an incentive tool that fosters the entrepreneurial spirit and performance by way of financial participation in the Company's long term success. It gives employees, members of the Board of Directors and selected advisors a beneficial opportunity to purchase shares of the Company. Each option entitles its holder to purchase one share of the Company at a pre-defined exercise price. The number of options granted to each participant was determined by the Board of Directors based on a participant's position and level of responsibility. The options generally vest quarterly over four years, with vesting of 25% after one year. At the end of the option term, un-exercised options expire without value.

As of December 31, 2021, an aggregate of 318,902 options were outstanding under the ESOP 2009 and ESOP 2014. All these options are fully vested at the reporting date.

As of December 31, 2020, an aggregate of 382,059 options were outstanding under the ESOP 2009 and ESOP 2014.

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 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
- LTI plans 2021 established in March 2021

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. PSUs granted under the PSU Plan 2021 for employees (except for members of the Management Board) will vest in three tranches of one third each. The first tranche of the PSUs shall vest on the first anniversary of the grant date, the second tranche on the second anniversary of the grant date and the third tranche on the third anniversary of the grant date. Under the PSU Plan 2021 for the members of the

Management Board, the vesting schedule is at the end of a three year cliff-vesting period. PSUs granted to all employees under PSU plans of prior years will continue to vest at the end of a three-year cliff-vesting period.

The number of PSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each PSU as of the grant date. While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be earned in relation to a PSU also depends on the achievement of pre-defined corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 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 issued annually, which allows the Board of Directors to review the terms and determine the targets on an annual basis. Employees generally receive the grants on April 1 of each calendar year, or for new employees on the first day of the calendar quarter after the start of their employment. Members of the Management Board and the Board of Directors receive the annual grants after the approval of the ordinary shareholders' meeting.

As of December 31, 2021,547,485 PSUs and 95,635 RSUs were outstanding. As of December 31, 2020, 445,198 PSUs and 87,906 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 balance sheet.

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

Balance at December 31

in CHF thousands	2021	2020
Cash and cash equivalents denominated in CHF	44,621	96,576
Cash and cash equivalents denominated in EUR	20,313	6,365
Cash and cash equivalents denominated in USD	5,651	29,638
Cash and cash equivalents denominated in GBP	1,058	1,004
Total cash at bank and at hand	**71,643**	**133,583**
Short-term time deposits in CHF	20,000	40,000
Short-term time deposits in USD	41,000	—
Total short-term time deposits	**61,000**	**40,000**

The short-term time deposits in CHF at December 31, 2021 contain one position with one major Swiss bank and the short-term time deposits denominated in USD contain three positions with two major Swiss banks. The short-term time deposits in CHF at December 31, 2020 contain three positions with two major Swiss banks.

4. Trade accounts receivables and other short-term receivables

Trade accounts receivables

in CHF thousands	2021	2020
Trade accounts receivables	23,710	159
Balance at December 31	**23,710**	**159**

The increase in trade accounts receivables for 2021 mainly relates to the License and collaboration agreement with Novartis entered into in December 2021. In accordance with the contractual provisions under this agreement, an amount of TCHF 18,584 (or in thousands of US Dollar "TUSD", TUSD 20,000) has been invoiced to Novartis and presented as trade accounts receivables with a corresponding increase in contract liabilities (see notes 10 and 12).

Other short-term receivables

in CHF thousands	2021	2020
Value added tax	1,770	1,376
Withholding tax	24	199
Other receivables	146	1,102
Balance at December 31	**1,940**	**2,677**

5. Prepaid expenses and accrued income

in CHF thousands	2021	2020
Prepayments	5,628	1,221
Accrued income	76	19
Balance at December 31	**5,703**	**1,240**

The increase in prepayments relates mainly to payments for director and officer insurance following our June 2021 US equity listing.

6. Property, plant and equipment

in CHF thousands	2021	2020
Lab equipment	1,590	1,735
Office equipment	59	43
IT hardware	186	361
Leasehold improvements	309	44
Other property, plant and equipment	**2,144**	**2,183**
Right-of-use assets	6,002	7,203
Property, plant and equipment at December 31	**8,146**	**9,386**

The right-of-use assets relate to the facilities the Company is leasing in Schlieren, Switzerland. (Please also see note 21)

7. Intangible assets

in CHF thousands	2021	2020
IT software	331	347
Intangible assets at December 31	**331**	**347**

8. Other short-term payables

in CHF thousands	2021	2020
Social security	1,433	1,507
Pension liability	239	208
Value Added Tax	855	1,310
Payables to subsidiary	155	156
Balance at December 31	**2,681**	**3,181**

9. Accrued expenses

in CHF thousands	2021	2020
Accrued project costs	3,410	1,972
Accrued payroll and bonuses	5,782	4,824
Other	519	686
Balance at December 31	**9,711**	**7,482**

10. Contract liability

The Company expects the contract liability to be recognized as revenue or (in case of consideration payable to a customer) reduction of costs, as follows:

in CHF thousands	Contract liability
Expected revenue recognition in year one after balance sheet date	28,312
Expected revenue recognition in year two after balance sheet date	5,798
Expected revenue recognition in year three after balance sheet date	1,127
Expected revenue recognition in year four after balance sheet date	—
Expected revenue recognition in year five and later after balance sheet date	—
Balance at December 31, 2021	**35,237**

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**

The table presents the movement on the contract liability:

in CHF thousands	Contract liability at January 1, 2021	Additions	Recognized as revenue	Offset of costs	Contract liability at December 31, 2021
Amgen	18,983	—	(9,330)	—	9,653
Novartis	19,904	18,584	—	(19,904)	18,584
FOPH	7,000	—	—	—	7,000
Balance at December 31, 2021	**45,887**	**18,584**	**(9,330)**	**(19,904)**	**35,237**

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	—	7,000	—	—	7,000
Balance at December 31, 2020	**28,327**	**27,000**	**(9,344)**	**(96)**	**45,887**

Under the Option and equity rights agreement entered into in October 2020, during the year ended December 31, 2021, an amount of TCHF 19,904 has been released to offset a corresponding amount of costs paid to the Novartis Group for the manufacturing of the drug product to establish the commercial supply of MP0420 (2020: TCHF 96) (see note 12).

The License and collaboration agreement with Novartis entered into in December 2021 resulted in a contract liability of TCHF 18,584 (TUSD 20,000) with a corresponding increase in trade accounts receivables (see notes 4 and 12).

in CHF thousands	Current	Non-current	Contract liability
Amgen	9,653	—	9,653
Novartis	11,659	6,925	18,584
FOPH	7,000	—	7,000
Balance at December 31, 2021	**28,312**	**6,925**	**35,237**

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

11. Shareholder's equity

On June 15, 2021 the Company announced the pricing of its initial public offering in the United States of 3,000,000 ADSs at a public offering price of USD 21.25 per ADS, for total gross proceeds of approximately USD 63.8 million. Each ADS represents one Molecular Partners ordinary share. Trading in the Company's ADSs on the Nasdaq Global Select Market takes place under the ticker symbol "MOLN' and started on June 16, 2021.

Presented under the caption of legal capital reserves on the statement of financial position, the Company accounted for a deduction of TCHF 7,303 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.

Classes of share capital

Ordinary share capital
On December 31, 2021, the Company's issued share capital amounted to CHF 3,229,264.80 divided into 32,292,648 fully paid registered shares with a par value of CHF 0.10 each. As of December 31, 2020, the Company's issued share capital consisted of 29,146,992 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, 2021 amounted to CHF 3,214,699.20 divided into 32,146,992 fully paid up registered shares with a par value of CHF 0.10 per share.

A total of 3,145,656 new registered shares were issued in 2021 as a result of the placement of new shares following the initial public offering in the United States in June 2021 plus the option exercises and the vesting of Performance Share Units ("PSU") and Restricted Share Units ("RSU"), from the RSU plan 2018 and the PSU plans 2018 and 2017. The corresponding capital increases were registered with the commercial register in two steps on June 18, 2021 for the transactions in June and on February 16, 2022 for the option exercises and the vesting of the RSU plan 2018 and the PSU plans 2018 and 2017.

Authorized share capital
The Board of Directors is authorized to increase the share capital at any time until April 21, 2023 by a maximum amount of CHF 428,675 by issuing a maximum of 4,286,750 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 2021, the share capital was increased out of authorized share capital for the initial public offering in the United States completed in June 2021. As a result, the available authorized share capital was reduced by CHF 300,000 from CHF 728,675 to CHF 428,675.

Conditional capital
As of December 31, 2021 the Company's share capital was allowed to be increased by an amount not to exceed CHF 161,502.10 through the issuance of up to 1,615,021 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 2021, 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 14,565.60 from CHF 176,067.70 to CHF 161,502.10.

In addition, the share capital may be increased by an amount not to exceed CHF 226,087.00 through the issuance of up to 2,260,870 fully paid up shares with a par value of CHF 0.10 per share through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations by or of the Company. During 2021, this conditional capital for financing transactions and other purposes (Article 3c of the Articles of Association) remained unchanged.

In 2021, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") and Restricted Share Units ("RSU"), amounted to CHF 269,552 and all was completed from the issuance of new shares (conditional share capital).

In 2020, the cash proceeds from the exercise of share options and the vesting of performance share units ("PSUs") and Restricted Share Units ("RSU"), amounted to CHF 848,340 and all was completed from the issuance of new shares (conditional share capital).

Reserves from capital contributions
From the amount of TCHF 327,003 as presented in the balance sheet as of December 31, 2021, in June 2021 reserves from capital contributions as of December 31, 2020 in the amount of TCHF 264,666 were confirmed by the Federal Tax Administration. For December 31, 2021 the amount of the reserves from capital contributions has not yet been confirmed by the Swiss Federal Tax Administration.

12. Revenue, other income and entity-wide disclosures

The Company assesses and estimates the progress of its projects with alliance partners at each reporting date. 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 2021 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. The increase in total estimated future costs is primarily related to continued development of various dosing schedules under phase 1a of the collaboration. The remaining unrecognized transaction price, which is recorded as a contract liability at December 31, 2021 of TCHF 9,653 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 (Ensovibep) and MP0423. Under the terms of the agreement, the Company in 2020, received an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Company committed to utilize up to the maximum amount of this upfront fee for the manufacturing of the commercial supply of MP0420. All such amounts paid for manufacturing performed by the Novartis Group is considered to be a consideration payable to a customer. Given the significant inter-dependencies between the upfront fee and the manufacturing activities, the manufacturing costs paid to the Novartis Group are to be offset against the upfront non-refundable fee from the contract (see below, as well as note 10). As per December 31, 2021 the entire CHF 20 million has been utilized for the manufacturing of commercial supply for MP0420.

In January 2022 the Company was informed by Novartis that they would exercise the option as described above (please see note 23 for the events after the balance sheet date).

During the year ended December 31, 2021, 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 19,904 (2020: TCHF 96) have been offset against the upfront non-refundable fee (see note 10).

During the years ended December 31, 2021 and 2020, 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	**2021**	**2020**
Revenues USA	9,330	9,344
Total revenues	**9,330**	**9,344**

Analysis of revenue by major alliance partner

in CHF thousands, for the years ended December 31	**2021**	**2020**
Amgen Inc., USA	9,330	9,344
Total revenues	**9,330**	**9,344**

Other income

In the first quarter of 2021 the Company entered into an agreement with Novartis to facilitate manufacturing of MP0420 drug supply at a third party supplier. The related agency services earned during 2021 amounted to TCHF 424 and are presented as other income in the income statement.

License and collaboration agreement with Novartis in the area of DARPIN conjugated radioligand therapies

On December 14, 2021, the Company announced entering into a License and collaboration agreement with Novartis to develop DARPin-conjugated radioligand therapeutic candidates for oncology. Under the agreement, both parties will collaborate on the discovery and optimization of the therapeutic candidates. The Company will be primarily responsible for the generation of DARPins for tumor-specific delivery of radioligands. The Company will be able to recharge Novartis our employee related expenses associated with the research activities. Novartis will be responsible for all clinical development and commercialization activities. As of December 31, 2021 the

Company recognized a receivable for the upfront fee of USD 20 million (CHF 18.6 million) payable from Novartis in Trade accounts receivables and a corresponding contract liability in the income statement. In January 2022, Novartis paid Molecular Partners the upfront fee. The Company will be eligible to receive milestone payments (development, regulatory and commercialization) of up to USD 560 million, plus an up to low double-digit percent of royalties on net sales of products commercialized by Novartis.

The Company identified one combined performance obligation consisting of the license and the research activities to be provided. Revenue related to the upfront payment of USD 20 million (CHF 18.6 million) will be recognized over time in line with the progress made over the duration of the contractually agreed three year research plan. Progress towards completion of the research plan will be based on the input method and be measured by employee hours worked on the related research activities as specified in the agreement relative to the total estimated hours to be incurred.

Future milestone payments and royalties under the agreement will be recognized into revenue at a point in time, when a milestone is achieved or the subsequent sales by Novartis occur.USD 20 million (CHF 18.6 million) will be recognized over time in line with the progress made over the duration of the agreed three year research plan. Progress towards completion of the research plan will be based on the input method and be measured by by employee hours worked on the related research activities as specified in the agreement relative to the total estimated hours to be incurred.

Future milestone payments and royalties will be recognized into revenue at a point in time, when a milestone is achieved or the subsequent sales by Novartis occur.

Option and equity rights agreement with Novartis for ensovibep

On October 28, 2020, the Company announced entering into an Option and equity rights agreement with Novartis. Novartis has been granted an exclusive 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 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 initially acting 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.

Under the terms of the agreement, the Company has received in 2020 an upfront, non-refundable fee of CHF 20 million for the tech transfer and manufacturing of MP0420. The Company is also eligible to receive a 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.

In January 2022 the Company was informed by Novartis that they would exercise the described option (please see note 23 for further detail).

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. With the exercise of the option by Novartis in 2022, such supply will be purchased by Novartis by reference to the costs incurred by the Company (please see note 23).

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 / Bundesamt für Gesundheit ("FOPH")

On August 11, 2020 the Company announced the reservation by the FOPH of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. Under the terms of the agreement, the Company received a reservation fee of CHF 7,0 million which resulted in a current contract liability of CHF 7.0 million, as presented in the balance sheet for all years presented.

The agreement consists of two reservation rights: the first being FOPH's reservation of the first 200,000 doses produced; and the second being FOPH's reservation of 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 200,000 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. During 2020, the Company has met the contractually agreed milestone specified in the contract, meaning that the reservation fee received from the FOPH is no longer refundable.

In December 2021, the Company and the FOPH extended by amendment the reservation agreement by 6 months and agreed to reduce the reservation of 5% of the additional planned total production previously capped at 3,000,000 doses to a maximum of 1,300,000 doses. The amendment also allowed the agreement to be assigned to Novartis upon their exercise of the option under the Option and equity rights agreement. With the exercise of the option by Novartis and the subsequent assignment of the agreement to Novartis in January 2022, the Company plans to recognize the CHF 7.0 million of contract liability into revenue in 2022 (please see note 23).

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 USD 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 USD 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 to measure it progress by reference to actual costs incurred in relation to the Company's best estimate of total expected costs to satisfy the performance obligation. This cost-based method is subject to the assessment of the management of the Company. 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. 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 USD 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 was responsible, at its expense, for developing and commercializing abicipar, and had to 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, 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. In August 2021, AbbVie terminated the license and collaboration agreement for abicipar. As a result, the Company regained the development and commercial rights of abicipar on a worldwide basis. The Company is in the process of evaluating the program and will determine its next steps.

Discovery alliance agreement with Allergan, an Abbvie company

In August 2012, the Company entered 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 is eligible to receive success-based payments 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 Abbvie.

Research collaboration agreement with the University of Utrecht

In May 2020, the Company entered into a Research collaboration agreement with the University of Utrecht regarding the development of the Group's COVID-19 program. Under this agreement, the Compamy paid a fee of CHF 250,000 to the University of Utrecht in December 2020. An additional fee of CHF 250,000 is accrued as per December 31, 2021 and payable under this agreement. Upon Novartis exercising their option under the Option and equity rights agreement, the University of Utrecht will be due a further CHF 1.0 million (please also see note 23).

13. Research and development expenses

in CHF thousands	2021	2020
Research consumables and costs	(26,342)	(26,599)
Personnel expenses	(22,589)	(22,385)
Depreciation and amortization	(2,016)	(2,319)
Research and development expenses charged by subsidiary	(14)	(279)
Intellectual property	(636)	(492)
Facility expenses	(728)	(620)
Other expenses	(259)	(169)
Royalties and license fees	(60)	(562)
Total year ended December 31	**(52,644)**	**(53,425)**

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

in CHF thousands	2021	2020
Personnel expenses	(7,646)	(6,218)
Other expenses	(6,141)	(2,376)
Depreciation and amortization	(548)	(567)
SG&A expenses charged from subsidiary	(989)	(894)
Facility expenses	(55)	(46)
Total year ended December 31	**(15,377)**	**(10,101)**

15. Financial income and financial expenses

Financial income

in CHF thousands	2021	2020
Interest income on loans and receivables	99	367
Foreign exchange gain	609	24
Total year ended December 31	**708**	**391**

Financial expenses

in CHF thousands	2021	2020
Foreign exchange loss	(517)	(4,537)
Negative interest on cash and short-term time deposits	(495)	(271)
Other financial expenses	(61)	(32)
Total year ended December 31	**(1,073)**	**(4,840)**

16. Full-time equivalents and headcount

	2021	2020
Average number of full-time equivalents	155.6	140.4
Full-time equivalents at year end	160.2	143.4
Headcount at year end	174	157

17. Capital commitments and contingent liabilities

As of December 31, 2021 and December 31, 2020, 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 5% of share capital registered with the Commercial Register	2021	2020
Mark N. Lampert (Biotechnology Value Funds)	9.65 %	7.56 %
Hansjoerg Wyss	6.35 %	7.07 %
Federated Hermes, Inc.	5.95 %	5.81 %
Suvretta Capital Management, LLC	5.44 %	6.06 %
Novartis AG	5.41 %	6.02 %
EW Healthcare Partners Acquisition Fund UGP, LLC	4.99 %	5.61 %

The percentages above are based on (i) the number of shares held by such shareholders, and (ii) for the year ended December 31, 2021, 32,146,992 common shares, which is the share capital

registered with the commercial registry on December 31, 2021 (December 31, 2020, 28,868,411 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	29,519	680
Total grants to the members of the management	43,833	1,161
Total grants to other employees	186,703	4,737
Total grants in 2021	**260,055**	**6,578**

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**

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

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

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**

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	2021	2020
as at January 1,	7,218	2,545
Additions / new leases	—	—
Remeasurements [1]	—	5,924
Recognition of interest on lease liabilities	53	24
Payments	(1,232)	(1,275)
Balance as at December 31,	**6,039**	**7,218**
Current	1,189	1,179
Non-current	4,850	6,039
Balance as at December 31,	**6,039**	**7,218**

[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	2021	2020
Depreciation on right-of-use assets	1,200	1,256
Interest expense on lease liabilities	53	24
Short term leases	—	—
Total amount recognized in profit or loss	**1,253**	**1,280**

The total cash outflow for leases for the twelve months ended December 31, 2021 amounted to TCHF 1,232 (twelve months ended December 31, 2020 TCHF 1,275).

Contractual maturities of financial liabilities at December 31, 2021

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	—	6,160	6,039

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

22. Auditing and additional fees as incurred from the statutory auditor[35]

in CHF thousands	2021	2020
Auditing services	917	180
Other assurance related services	—	230
Balance at December 31	**917**	**410**

23. Events after balance sheet date

These financial statements were approved for issuance by the Board of Directors on March 14, 2022.

On January 7, 2022, Novartis informed the Company of its intention to exercise the option under the Option and equity rights agreement (as presented in note 12). This was followed by the signing of a License agreement between the two parties on January 17, 2022. This License agreement resulted in the Company becoming eligible to receive CHF 150 million for the option exercise

[35] The increase in fees for auditing services in 2021, primarily relates to procedures required in connection with the Company's US listing which require audits to be performed in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB).

payment and in addition the Company was allowed to charge Novartis CHF 13.1 million for items related to the commercial supply of ensovibep and drug substance secured by the Company.

At the signing of the License agreement, the Company also assigned the Reservation agreement with the FOPH to Novartis. This assignment will allow the Company to, in 2022, recognize into revenue, the reservation fee of CHF 7 million received from the FOPH in August 2020 (see also note 12). Further following the signing of the License agreement with Novartis the Company recorded in 2022, an additional CHF 1 million payable to the University of Utrecht in accordance with the research collaboration agreement described in note 12.

In January 2022, the Company received from Novartis the CHF 150 million option exercise payment from the January 17, 2022 License agreement, which will be recognized into revenue in the Company's 2022 financial statements.

In January 2022, the Company also received from Novartis the CHF 18.6 million (USD 20 million) upfront payment from the December 2021 License and collaboration agreement as described in note 12.

The above events may result in positive net results for the year ended December 31, 2022 and will require review of our income tax status and related assumptions. Specifically, the Company is evaluating the impact of positive net results to the recoverability of certain unused net operating loss carry forward deductions, which may be utilized to reduce taxable income during 2022. We are currently unable to estimate the impact.

Mark N. Lampert (Biotechnology Value Funds) notified the Company that, as of January 10, 2022, they had increased their shareholdings to 3,926,282 shares (corresponding to 12.21% of voting rights) after purchasing the remaining shares held by EW Healthcare Partners Acquisition Fund. According to a SEC filing made on January 12, 2022, Mark N. Lampert (Biotechnology Value Funds) held 4,526,282 shares (corresponding to 14.08% of voting rights).

No other 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, 2021, 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 135 to 161) for the year ended December 31, 2021 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 Inc.

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 Inc.

Key Audit Matter

The Company recognized revenue for the year-ended December 31, 2021 of CHF 9,330 thousand related to the license and collaboration agreement with Amgen Inc. The Company recognizes revenue for the license and collaboration agreement with Amgen Inc. in relation to progress made towards completion of 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, and was identified as a key audit matter. 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, required a high degree of complex auditor judgement.

Our response

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

We assessed the Company's 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 project costs to complete by selecting certain vendor contracts and obtaining underlying evidence including but not limited to actual invoices, email correspondence and clinical development progress to evaluate the estimated project 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 in the year ended December 31, 2021, 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 Inc. refer to the following:

– Note 2 Summary of significant accounting policies: Revenue Recognition

– Note 12 Revenue, other income and entity-wide disclosures

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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and 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

Greg Puccetti

Zurich, March 14, 2022

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Glossary of Terms

Acute Myeloid Leukemia (AML): A fast-growing cancer in which too many myeloblasts (a type of immature white blood cell) are found in the bone marrow and blood. Acute myeloid leukemia usually gets worse quickly if it is not treated. Acute myeloid leukemia is most common in older adults.

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.

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.

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.

FORWARD LOOKING STATEMENT:

This report contains forward looking statements. Any statements contained in this presentation that do not describe historical facts may constitute forward-looking statements, including, without limitation, implied and express statements regarding the clinical development of Molecular Partners' current or future product candidates, including expectations regarding timing for reporting data from ongoing clinical trials or the initiation of future clinical trials, expectations regarding interactions with regulatory authorities, the potential therapeutic and clinical benefits of Molecular Partners' product candidates, the selection and development of future antiviral or other programs, and Molecular Partners' expected expenses and cash utilization for 2022 and that its current cash resources will be sufficient to fund its operations and capital expenditure requirements into 2025. These statements may be identified by words such as "anticipate", "believe", "could", "expect", "intend", "may", "plan", "potential", "will", "would" and similar expressions, although not all forward-looking statements may contain these identifying words, and are based on Molecular Partners' current beliefs and expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Some of the key factors that could cause actual results to differ from Molecular Partners' expectations include Molecular Partners' or its collaborators' plans to develop and potentially commercialize its product candidates; Molecular Partners' reliance on third party partners and collaborators over which it may not always have full control; Molecular Partners' ongoing and planned clinical trials and preclinical studies for its product candidates, including the timing of such trials and studies; the risk that the results of preclinical studies and clinical trials may not be predictive of future results in connection with future clinical trials; the timing of and Molecular Partners' ability to obtain and maintain regulatory approvals for its product candidates; the extent of clinical trials potentially required for Molecular Partners' product candidates; the clinical utility and ability to achieve market acceptance of Molecular Partners' product candidates; the potential impact of the COVID-19 pandemic on Molecular Partners' operations or clinical trials; Molecular Partners' plans and development of any new indications for its product candidates; Molecular Partners' commercialization, marketing and manufacturing capabilities and strategy; Molecular Partners' intellectual property position; Molecular Partners' ability to identify and in-license additional product candidates; and the adequacy of Molecular Partners' cash resources and our anticipated cash utilization. Readers are cautioned not to place undue reliance on these statements, which speak only as of the date of this report.

Any forward-looking statements speak only as of the date of this report and are based on information available to Molecular Partners as of the date of this report, and except to the extent required by law, Molecular Partners assumes no obligation to, and does not intend to, update any forward-looking statements, whether as a result of new information, future events or otherwise.

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MOLECULAR partners

Custom-built biology for patients