



H1 2023
**BUSINESS
UPDATE AND
FINANCIAL
STATEMENTS**



MOLECULAR
partners

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Business Update

[Molecular Partners AG](#) (SIX: MOLN; NASDAQ: MOLN), a clinical-stage biopharmaceutical company developing a new class of custom-built protein drugs known as DARPin therapeutics ("Molecular Partners" or the "Company"), today announced corporate highlights and unaudited financial results for the first half-year of 2023.

"Throughout the first half of the year, our team has worked tirelessly to advance both our clinical programs and our platform, and I am extremely proud of what they have accomplished. We delivered compelling Phase 1 clinical data of MP0317 in patients with a range of different advanced solid tumors, initiated the first-in-human clinical trial of MP0533, a tetraspecific T cell engager DARPin candidate for the treatment of AML, and deepened the evidence base for the Radio DARPin Therapy platform," said Patrick Amstutz, Ph.D., Molecular Partners' Chief Executive Officer. "We are well-capitalized to advance these programs and continue leveraging our fundamental DARPin expertise to enter new areas with unique DARPin-based therapeutic approaches. I look forward to the second half of the year and beyond as we turn our attention toward MP0533, poised to generate clinical data which may represent a profound opportunity for patients suffering from AML, both initially in this relapsed setting, but also in combination and potentially as front line therapy in the future."

Research & Development Highlights

Oncology

MP0533

In January 2023, the first patient was dosed in the Phase 1/2a clinical trial of MP0533, a novel tetraspecific T cell engager for the treatment of relapsed/refractory acute myeloid leukemia ("AML") and myelodysplastic syndrome (MDS)/AML. Recruiting and dose-escalation are ongoing with seven sites open across Europe, presently dosing patients in the fourth cohort. Preliminary results from this clinical trial are expected in Q4 2023 and additional data in H1 2024.

The clonal heterogeneity and lack of single AML-specific target antigens represent major challenges for the development of targeted immune therapies for AML. Molecular Partners designed MP0533, a tetraspecific CD3-engaging DARPin, which simultaneously targets CD33, CD123 and CD70. This unique mode-of-action is designed to enable avidity-driven T cell mediated killing of leukemic stem cells and malignant blast cells, which co-express at least two of the three target antigens, while preserving a therapeutic window that minimizes damage to healthy cells.

MP0533's clinical development is supported by a comprehensive preclinical data that was presented at the Annual Meeting of the American Society of Hematology (ASH) in December 2022.

MP0317

In early June 2023, Molecular Partners presented additional positive results from the ongoing Phase 1 clinical trial of MP0317, a CD40 agonist designed to activate immune cells specifically within the tumor microenvironment by anchoring to fibroblast activation protein (FAP), which is

highly expressed within tumors. These data were presented at the American Society of Clinical Oncology (ASCO) Annual Meeting 2023.

MP0317 is designed to resolve the historical limitations of systemic CD40 agonists through the activation of the immune stimulator CD40 only when simultaneously bound to FAP. This design is intended to reduce systemic toxicities seen with prior CD40 agonists and focus CD40's proven immuno-stimulatory properties on tumor tissue.

Biomarker data of paired tumor biopsies confirmed that MP0317 achieved tumor-localized CD40 activation. The detection of MP0317 in tumors positively correlated with immune activation when comparing high vs. low doses of MP0317, including a statistically significant CD40-mediated increase of antigen-presenting cells and interferon γ signature. MP0317 also demonstrated a favorable safety profile when administered in 3-weekly (Q3W) and weekly (Q1W) regimens, including the highest tested dose of 10mg/kg (Q3W). Dosing at the highest planned regime (Q1W) is ongoing. Additional data are expected to become available in H2 2023, with final data from this Phase 1 clinical trial anticipated in H1 2024. Data presented at ASCO 2023 build on the initial clinical data from the program presented at the Society for Immunotherapy of Cancer (SITC) annual meeting in November 2022 and support Molecular Partners' strategy to pursue future combination studies of MP0317 with potential partners.

Radio-DARPin Therapy ("RDT") platform

The Company's RDT platform is being developed to provide a unique and innovative delivery system for radioactive payloads. Thanks to their small size as well as their high specificity and affinity, DARPins represent ideal vectors for efficient delivery of therapeutic radionuclides to solid tumors while overcoming some historic limitations of radioligand therapy approaches.

Notable recent achievements include a variety of preclinical data supporting the ability to reduce kidney uptake of Radio-DARPin conjugates to overcome nephrotoxicity, one of the key limitations of small protein-based radiotherapies. Molecular Partners presented positive preclinical data from its RDT platform in H1 2023 at the 12th International Symposium on Targeted Alpha Therapy (TAT 12), at the Annual Meeting of the American Association for Cancer Research (AACR), and at the Society of Nuclear Medicine & Molecular Imaging (SNMMI). Additional work is ongoing to demonstrate the ability of RDT to efficiently deliver high amounts of radioactivity to the tumor, leading to effective tumor eradication. More details on these efforts will be presented in the coming months and into 2024.

Molecular Partners continued to progress its RDT platform and portfolio of projects, both in-house and in partnership with Novartis. The tumor-associated protein Delta-like ligand 3 (DLL3) has been selected as one of the first targets of Molecular Partners' proprietary RDT program.

Virology

As a furtherance of the clinical achievements with ensovibep for COVID-19 in collaboration with Novartis, Molecular Partners and Novartis signed a non-binding letter of intent in January 2023 to negotiate a Research Framework Agreement with a primary focus on emerging infectious global health threats.

Ophthalmology

Abicipar

In November 2021, 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). Abicipar completed two positive Phase 3 clinical trials, CEDAR and SEQUOIA, which supported the non-inferior efficacy of its quarterly dosing regimen compared to monthly ranibizumab. The Company continues to evaluate potential business opportunities for abicipar outside of internal development at Molecular Partners.

Corporate and Management Highlights

On April 4, 2023, Molecular Partners shareholders approved [all motions proposed](#) by the Board of Directors at the Annual General meeting.

On August, 24, 2023, Nicolas Leupin, M.D. PhD notified Molecular Partners AG of his intent to resign from Molecular Partners in his capacity as Chief Medical Officer, for personal reasons. Dr. Leupin joined Molecular Partners in 2019. Nicolas will remain with Molecular Partners in an advisory capacity to assist with the continued development of MP0533 and its clinical operations. Upon this transition, Philippe Legenne, M.D., MBA, MHS, VP Medical Strategy and Development, will take over activities from Nicolas and serve as acting CMO.

Dr. Legenne joined Molecular Partners in early 2020. Over this time, he has led the clinical development strategy and execution across the Molecular Partners portfolio. Prior to joining Molecular Partners, Philippe held positions of increasing responsibility at JNJ, GSK, and Novartis, both in the United States and Europe. In his most recent role prior to Molecular Partners, Philippe led the EU medical organization for the oncology portfolio at Amgen. He received his medical degree from the Université de Lille (France), an MBA from ESSEC Business School (Paris) and a Master's degree in health economics from Université Paris Dauphine-PSL.

"I would like to thank Nicolas for his time and dedication to Molecular Partners over the last four years. He has been instrumental in building the clinical team we have today. I wish him the best for his time off with his family and his future endeavours," said Patrick Amstutz, CEO of Molecular Partners. "I am grateful that Phillippe is stepping into the role of acting CMO. He has worked closely with Nicolas over the past years to establish our key opinion leader network and initiate our clinical sites. Phillippe and the team will continue our activities seamlessly with MP0533, as well as the other DARPin programs moving towards clinical development."

ESG

In 2022, Molecular Partners published its environmental, social and governance ("ESG") priorities and progress. Currently, the Company is creating a baseline status evaluation as the next step toward implementing an ESG plan with clear metrics that detail its progress across priority areas: board oversight of ESG and corporate sustainability; human capital management and Diversity, Equity and Inclusion (DEI); product service and safety; access to medicine; and business ethics.

In its continued commitment to corporate sustainability, MP is continuously refining its ESG strategy to align with the expansion of the pipeline, the future growth of the company and the values and principles of its employees and shareholders. Elsewhere, Molecular Partners offers

generous benefits spanning from health to retirement planning to its employees, and fosters diversity and inclusion as a key element of its recruitment process.

H1 2023 Operational and Financial Highlights

- Strong financial position with CHF 218.2 million in cash (including short term deposits) as of June 30, 2023
- Net cash used in operating activities of CHF 29.8 million in H1 2023
- Operating loss of CHF 31.0 million and net loss of CHF 30.8 million in H1 2023
- Company expected to be funded well into 2026, excluding any potential payments from R&D partnerships

The H1 2023 Financial Statements are available on the company's [website](#).

Key figures as of June 30, 2023 (unaudited)	H1 2023	H1 2022	Change
(CHF million, except per share, FTE data)			
Total revenues and other income	3.5	184.5	(181.0)
R&D expenses	(24.3)	(27.0)	2.7
SG&A expenses	(10.2)	(11.2)	1.0
Operating result	(31.0)	146.3	(177.3)
Net result	(30.8)	148.6	(179.4)
Basic net result per share (in CHF)	(0.94)	4.59	(5.53)
Net cash from (used in) operating activities	(29.8)	151.0	(180.8)
Cash balance (incl. time deposits) as of June 30	218.2	285.1	(66.9)
Total shareholders' equity as of June 30	206.0	265.9	(59.9)
Number of total FTE as of June 30	168.5	164.0	4.5

Business Outlook and Priorities

Molecular Partners' strategic focus on areas of maximum differentiation by virtue of DARPin's unique capabilities remains steady, with funding to support portfolio development forecasted well into 2026. With two existing clinical programs and new areas of growth in the Radio DARPin Therapy and antiviral portfolios, Molecular Partners is well positioned to generate value through developmental milestones, new candidates and potential partnerships.

Financial Outlook 2023

For 2023, at constant exchange rates, the Company expects total expenses of CHF 65 - 75 million (previously estimated at CHF 70 - 80 million), of which approximately CHF 9.0 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation. This guidance does not include any potential receipts from R&D partnerships.

With CHF 218.2 million in cash and short-term time deposits and no debt as of June 30, 2023, the Company expects to be funded well into 2026, excluding any potential receipts from R&D partners.

The Company's balance sheet continued to be debt-free in 2023. As of June 30, 2023, the Company employed 168.5 FTE (full time equivalents), up 3% year-on-year. About 84% of the employees are employed in R&D-related functions.

About DARPin Therapeutics

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

About Molecular Partners AG

Molecular Partners AG is a clinical-stage biotech company developing DARPin (designed ankyrin repeat protein) 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 oncology and virology and has compounds in various stages of clinical and preclinical development across multiple therapeutic areas. www.molecularpartners.com; Find us on Twitter - [@MolecularPrtnrs](https://twitter.com/MolecularPrtnrs)

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 condensed consolidated interim financial statements which have been prepared in accordance with IAS 34 Interim Financial Reporting. Due to rounding, the numbers presented in this overview may not not precisely equal the detailed consolidated financial statements.

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)	H1 2023	H1 2022	Change
Total revenues and other income	3.5	184.5	(181.0)
R&D expenses	(24.3)	(27.0)	2.7
SG&A expenses	(10.2)	(11.2)	1.0
Total operating expenses (incl depr. & amort.)	(34.5)	(38.2)	3.7
Operating result	(31.0)	146.3	(177.3)
Net finance result	0.2	2.3	(2.1)
Income taxes	—	—	—
Net result	(30.8)	148.6	(179.4)
Basic net result per share (in CHF)	(0.94)	4.59	(5.53)
Diluted net result per share (in CHF)	(0.94)	4.48	(5.42)
Net cash from (used in) operating activities	(29.8)	151.0	(180.8)
Net cash from (used in) investing activities	7.4	(109.6)	117.0
Net cash from (used in) financing activities	(0.6)	(0.4)	(0.2)
Exchange gain/(loss) on cash positions	(1.7)	2.1	(3.8)
Net increase (decrease) in cash & cash equivalents	(24.7)	43.1	(67.8)
Cash & cash equivalents	63.2	114.9	(51.7)
Cash & cash equivalents (incl. short-term time deposits)	218.2	285.1	(66.9)
Total non-current assets	6.6	7.8	(1.2)
Total current assets	223.9	291.5	(67.6)
Total shareholders' equity	206.0	265.9	(59.9)
Total non-current liabilities	8.8	10.1	(1.3)
Total current liabilities	15.7	23.3	(7.6)
Number of total FTE	168.5	164.0	4.5

Financial highlights

Over the course of 2023, the Group continued to invest in its clinical and preclinical programs as well as in research and development in order to progress its oncology and virology DARPin candidates towards value-creating milestones.

The strong balance sheet continues to provide our Group with financial flexibility and a forecasted cash runway well into 2026 beyond the envisaged key value inflection points expected to be captured until then.

Molecular Partners' broad pipeline across multiple indications, its collaborations with pharma companies, and its financial position, all combine to provide our Group a robust position within the biotech sector. The Group continues to employ 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 and outlicensed drug candidates in clinical development, targeting high-value indications.

Revenues

In H1 2023, the Group recognized total revenues and other income of CHF 3.5 million, a significant decrease compared to the previous year (2022: CHF 184.5 million). The revenue in the first six months of 2023 was attributable to the Group's collaboration with Novartis (CHF 3.5 million).

As of June 30, 2023 the Group has CHF 7.3 million of contract liabilities under the Novartis collaboration agreement. This contract liability is expected to be recognized as revenue in the coming two years as the Group performs its collaboration activities.

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, total operating expenses decreased by CHF 3.7 million (10%) to CHF 34.5 million in H1 2023 (compared to CHF 38.2 million in H1 2022). The two major expense categories were personnel expenses of CHF 20.6 million (60% of total operating expenses) and research and development projects related costs totaling CHF 7.4 million (22% of total operating expenses).

Total R&D expenses in H1 2023 decreased by CHF 2.7 million (10%) to CHF 24.3 million (H1 2022: CHF 27.0 million), mainly due to lower costs associated with manufacturing activities for MP0533, during 2023 as compared to 2022.

Total SG&A expenses in H1 2023 went down by CHF 1.0 million (9%) to CHF 10.2 million (H1 2022: CHF 11.2 million), mainly due to an decrease in director and officers insurance and professional fees.

As of June 30, 2023, the Group had 168.5 full-time employees (FTEs) on its payroll, including 140.9 FTEs (84%) in R&D and 27.6 FTEs (16%) in SG&A.

Operating result

In the first six months of 2023, the Group generated an operating loss of CHF 31.0 million (compared to an operating profit of CHF 146.3 million in the same period in 2022). The operating profit in H1 2022 was primarily driven by the revenue generated from our collaboration partner Novartis.

Financial income and expenses

In the first six months of 2023, Molecular Partners recorded a net financial gain of CHF 0.2 million, compared to a net financial gain of CHF 2.3 million in the same period in 2022.

The financial income amounted to CHF 1.9 million, driven by income generated from interest on the Group's cash balances. The financial expense of CHF 1.7 million arose mainly from a foreign exchange loss on cash positions and short-term time deposits. The Group does not hedge for translation risks as it pursues a stringent natural hedging policy by optimizing the matching of cash in/out flows in the respective currencies.

Income and deferred taxes

Molecular Partners AG did not have to pay or accrue any income taxes in the reporting periods. Future taxable income in Switzerland will be subject to federal, cantonal and communal income taxes. The Company's applicable income tax rate in Switzerland is 19.3%.

Net result

In H1 2023, the Group recorded a net loss of CHF 30.8 million (H1 2022: CHF 148.6 million net profit).

Balance sheet and capital resources

As of June 30, 2023, the Group's position on cash and cash equivalents plus short-term time deposits decreased by CHF 30.9 million compared to year-end 2022 to CHF 218.2 million (or 95% of the total assets).

Compared to year-end 2022, the total shareholders' equity position decreased by CHF 29.2 million to CHF 206.0 million as of June 30, 2023 (December 31, 2022: CHF 235.2 million). The Group's balance sheet continued to be debt-free throughout H1 2023.

Liabilities in the balance sheet are primarily comprised of contract liabilities, trade payables and accrued expenses from our operations as well as pension liabilities as per IAS19. Total liabilities as of June 30, 2023 amount to CHF 24.5 million (December 31, 2022: CHF 27.1 million). The contract liabilities are the most significant liability item with a total of CHF 7.3 million at June 30, 2023 (December 31, 2022: CHF 10.0 million).

Cash flow statement

In the first six months of 2023, Molecular Partners recorded a net cash outflow from operations of CHF 29.8 million, compared to the net cash inflow from operations of CHF 151.0 million in the same period in 2022.

Cash inflow from investing activities during the first six months of 2023 was CHF 7.4 million, compared to a CHF 109.6 million cash outflow in the same period of 2022. The cash flows from investing activities are largely driven by the shift of cash into short-term time deposits and vice versa. During the first six months of 2023 a CHF 0.3 million outflow was recorded for capital expenditures in equipment and intangible assets.

Net cash outflow from financing activities in the first six months of 2023 was CHF 0.6 million. Overall, the cash flow activities resulted in a net decrease of the Group's total cash and cash equivalents balance of CHF 24.7 million from CHF 87.9 million at the end of 2022 to CHF 63.2 million as per June 30, 2023.

Financial risk management

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

Molecular Partners conducts its activities primarily in Switzerland, EU and U.S. As a result, the Group is exposed to a variety of financial risks, such as foreign exchange rate risk, credit risk, liquidity risk, cash flow and interest rate risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 and uncertainties in the cash flows, a 100% hedging of the currency exposure is impossible or not appropriate. Molecular Partners does not engage in speculative transactions.
- Interest rate risk: Molecular Partners earns interest income or may pay negative interest on cash and cash equivalents and its profit and loss may be influenced by changes in market interest rates. The Group is investing a portion of its cash balances in short-term time deposits in line with its treasury guidelines.
- Credit risk: The maximum credit risk on financial instruments corresponds to the carrying amounts of the Group's cash and cash equivalents and receivables. The Group has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. All cash and cash equivalents are held with three major Swiss banks with ratings between A and AAA as per Standard & Poor's. The Group enters into partnerships with partners which have the appropriate credit history and a commitment to ethical business practices. Other receivables with credit risk mainly include interest receivables.

- Liquidity risk: Based on the Group's Business Plan 2023-2027, management estimates that the Group is financed well into 2026 .

Financial Outlook 2023

For the full year 2023, at constant exchange rates, the Group expects total expenses of CHF 65-75 million (previously estimated at CHF 70 - 80 million), of which approximately CHF 9 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation.

With CHF 218 million in cash and cash equivalents plus short-term time deposits and no debt as of June 30, 2023, Molecular Partners expects to be funded well into 2026, excluding any potential receipts from R&D partners.

Financial Calendar 2023

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

Date:	Event:
August 24, 2023	Half-year results 2023 (unaudited)
October 26, 2023	Interim Management Statement Q3 2023

Condensed consolidated interim financial statements (unaudited)

Condensed consolidated interim statement of financial position as of

June 30, 2023 December 31, 2022

in CHF thousands

Note

Assets

Property, plant and equipment		6,357	7,235
Intangible assets		277	271
Total non-current assets		6,634	7,506

Short-term time deposits		154,952	161,198
Other current assets		4,154	4,589
Trade and other receivables		1,510	1,019
Cash and cash equivalents		63,243	87,946
Total current assets		223,859	254,752

Total assets		230,493	262,258
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Shareholders' equity and liabilities

Share capital	5.3	3,633	3,604
Additional paid-in capital		363,381	360,323
Treasury share reserve	5.3	(981)	(981)
Cumulative losses		(160,056)	(127,780)
Total shareholders' equity		205,977	235,166

Contract liability	5.2	1,421	3,637
Lease liability		3,049	3,652
Employee benefits	5.9	4,376	2,552
Total non-current liabilities		8,846	9,841

Trade and other payables		2,739	2,143
Accrued expenses		5,890	7,501
Contract liability	5.2	5,838	6,409
Lease liability		1,203	1,198
Total current liabilities		15,670	17,251
Total liabilities		24,516	27,092

Total shareholders' equity and liabilities		230,493	262,258
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See accompanying notes, which form an integral part of these unaudited condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income/loss for the 6 months ended June 30,

		2023	2022
in CHF thousands	Note		
Revenues and other income			
Revenues from research and development collaborations	5.1	3,465	184,526
Other income		—	14
Total revenues and other income		3,465	184,540
Operating expenses			
Research and development expenses		(24,327)	(27,043)
Selling, general and administrative expenses		(10,109)	(11,237)
Total operating expenses		(34,436)	(38,280)
Operating result		(30,971)	146,260
Financial income	5.6	1,955	2,835
Financial expenses	5.6	(1,749)	(490)
Net finance result		206	2,345
Result before income taxes		(30,765)	148,605
Income taxes	5.7	—	—
Net result, attributable to shareholders		(30,765)	148,605
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax	5.9	(1,507)	6,875
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(4)	(10)
Other comprehensive result, net of tax		(1,511)	6,865
Total comprehensive result, attributable to shareholders		(32,276)	155,470
Basic net result per share (in CHF)	5.8	(0.94)	4.59
Diluted net result per share (in CHF)	5.8	(0.94)	4.48

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

Condensed consolidated interim statement of comprehensive loss for the 3 months ended June 30,

		2023	2022
in CHF thousands	Note		
Revenues and other income			
Revenues from research and development collaborations	5.1	415	11,749
Other income		—	9
Total revenues and other income		415	11,758
Operating expenses			
Research and development expenses		(11,632)	(12,571)
Selling, general and administrative expenses		(4,666)	(5,480)
Total operating expenses		(16,298)	(18,051)
Operating result		(15,883)	(6,293)
Financial income	5.6	1,088	2,012
Financial expenses	5.6	(1,192)	(241)
Net finance result		(104)	1,771
Result before income taxes		(15,987)	(4,522)
Income taxes	5.7	—	—
Net result, attributable to shareholders		(15,987)	(4,522)
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax	5.9	(1,536)	4,367
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(1)	(8)
Other comprehensive result, net of tax		(1,537)	4,359
Total comprehensive result, attributable to shareholders		(17,524)	(163)
Basic net result per share (in CHF)	5.8	(0.49)	(0.14)
Diluted net result per share (in CHF)	5.8	(0.49)	(0.14)

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

**Condensed consolidated interim cash flow statement for the
6 months ended June 30,**

2023

2022

in CHF thousands

Net result attributable to shareholders	(30,765)	148,605
Adjustments for:		
Depreciation and amortization	1,214	1,205
Share-based compensation costs	3,060	2,870
Change in employee benefits	317	590
Financial income	(1,955)	(2,835)
Financial expenses	1,749	490
Changes in working capital:		
Change in other current assets	888	2,075
Change in trade and other receivables	(469)	23,590
Change in trade and other payables	591	(1,858)
Change in contract liability	(2,788)	(20,822)
Change in accrued expenses	(1,610)	(2,568)
Exchange gain/(loss) on working capital positions	(30)	(17)
Interest paid	(18)	(335)
Other financial expense	(9)	(5)
Net cash (used in) from operating activities	(29,825)	150,986
Proceeds from investments in short term time deposits	161,723	42,006
Investments in short term time deposits	(155,478)	(151,131)
Acquisition of property, plant and equipment	(185)	(426)
Acquisition of intangible assets	(157)	(110)
Interest received	1,502	57
Net cash from (used in) investing activities	7,405	(109,604)
Proceeds from exercise of stock options, net of transaction costs	27	244
Payment of lease liabilities	(598)	(593)
Net cash used in financing activities	(571)	(349)
Exchange (loss) gain on cash positions	(1,712)	2,096
Net (decrease) increase in cash and cash equivalents	(24,703)	43,130
Cash and cash equivalents at January 1	87,946	71,813
Cash and cash equivalents at June 30,	63,243	114,943

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

**Condensed consolidated interim
statement of changes in equity**

in CHF thousands	Share capital	Additional paid-in capital	Treasury share reserve	Cumulative losses	Total shareholders' equity
At January 1, 2022	3,229	355,010	—	(250,950)	107,289
Net result	—	—	—	148,605	148,605
Remeasurement of net pension liabilities	—	—	—	6,875	6,875
Exchange differences on translating foreign operations	—	—	—	(10)	(10)
Total comprehensive income	—	—	—	155,470	155,470
Share-based compensation costs ⁽¹⁾	—	2,870	—	—	2,870
Exercise of stock options, net of transaction costs	21	223	—	—	244
At June 30, 2022	3,250	358,103	—	(95,480)	265,873
At January 1, 2023	3,604	360,323	(981)	(127,780)	235,166
Net result	—	—	—	(30,765)	(30,765)
Remeasurement of net pension liabilities	—	—	—	(1,507)	(1,507)
Exchange differences on translating foreign operations	—	—	—	(4)	(4)
Total comprehensive income	—	—	—	(32,276)	(32,276)
Share-based compensation costs ⁽¹⁾	—	3,060	—	—	3,060
Exercise of stock options, net of transaction costs	29	(2)	—	—	27
At June 30, 2023	3,633	363,381	(981)	(160,056)	205,977

⁽¹⁾ See note 5.5

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

Explanatory notes to the condensed consolidated interim financial statements

1. General Information

Molecular Partners AG ("Company") and its subsidiary (collectively "Molecular Partners" or "Group") is a clinical-stage biopharmaceutical company pioneering designed ankyrin repeat proteins (DARPin) candidates to treat serious diseases, with a current focus on oncology and virology. 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.

The unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 were approved for issuance by the Board of Directors on August 24, 2023.

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

2. Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2022. They do not include all the information required for a complete set of consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2022.

The accounting policies set forth in the notes to those annual consolidated financial statements have been consistently applied to all periods presented, except as per below.

The condensed consolidated interim financial statements are presented in thousands of Swiss Francs (TCHF), unless stated otherwise.

The business is not subject to any seasonality. Revenues largely depend on the underlying alliance contracts and the achievement of agreed milestones, while expenses are largely affected by the phase of the respective projects, particularly with regard to external research and development expenditures.

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

3. New or Revised IFRS Standards and Interpretations

A number of new or amended standards became applicable for annual periods beginning on or after January 1, 2023. These standards did not have any significant impact on the Group's accounting policies and did not require any retrospective adjustments.

4. Critical accounting estimates and judgment

The condensed consolidated interim financial statements have been prepared under the historical cost convention. In preparing these condensed consolidated interim financial statements management made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

5. Other explanatory notes

5.1 Revenue

In January 2022, Novartis informed the Group of its intention to exercise the option under the October 2020 Option and Equity Rights Agreement. This was followed by the signing of a License agreement between the two parties on January 17, 2022. The License Agreement resulted in the Group becoming eligible to invoice CHF 150 million for the option exercise payment and in addition the Group was allowed to invoice Novartis CHF 13.1 million for other items related to ensovibep. Both amounts were recognized as revenue during the first six months of 2022. At the signing of the License Agreement in January 2022, the Group also assigned the Reservation Agreement with the Federal Office of Public Health ("FOPH") to Novartis. This assignment allowed the Group in the first six months of 2022, to also recognize as revenue, the reservation fee of CHF 7 million received from the FOPH.

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. The Group is able to recharge Novartis its employee related expenses associated with the research activities. During the six months ended June 30, 2023, the Group recognized as revenue an amount of TCHF 678 in relation to this recharge (six months ended June 30, 2022: TCHF 626). During the three months ended June 30, 2023, the Group recognized as revenue an amount of TCHF 292 in relation to this recharge (three months ended June 30, 2022: TCHF 387).

As part of the same agreement, the Group received in January 2022 the upfront fee of USD 20 million (CHF 18.6 million). Revenue related to the upfront payment is recognized over time in line with the progress made over the duration of the contractually agreed research plan.

In June 2023, the Group increased its estimate of the total future costs required to satisfy the performance obligation under this Novartis 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 Novartis. This increase in the total estimated future costs resulted in a lower amount of recognized revenue for the six months period ended June 30, 2023, as compared to the comparable prior year period. The increase in total estimated future costs is primarily related to the continued development of various DARPin-conjugated radioligand therapeutic candidates.

During the six months ended June 30, 2023, the Group recognized as revenue an amount of TCHF 2,787 (six months ended June 30, 2022: TCHF 4,170) related to the upfront payment received in January 2022. During the three months ended June 30, 2023, the Group recognized as revenue an amount of TCHF 123 (three months ended June 30, 2022: TCHF 2,513) in relation to the same upfront payment.

Revenues in the table below are attributable to individual countries and are based on the location of the Group's collaboration partners.

Revenues by country

in TCHF, for the six months ended June 30	2023	2022
Revenues Switzerland	3,465	174,873
Revenues USA	—	9,653
Total revenues	3,465	184,526

Analysis of revenue by major alliance partner

in TCHF, for the six months ended June 30	2023	2022
Novartis AG, Switzerland	3,465	167,873
FOPH, Switzerland	—	7,000
Amgen Inc., USA	—	9,653
Total revenues	3,465	184,526

Revenues by country

in TCHF, for the three months ended June 30	2023	2022
Revenues Switzerland	415	2,900
Revenues USA	—	8,849
Total revenues	415	11,749

Analysis of revenue by major alliance partner

in TCHF, for the three months ended June 30	2023	2022
Novartis AG, Switzerland	415	2,900
Amgen Inc., USA	—	8,849
Total revenues	415	11,749

5.2 Contract liability

The table below presents the movement in the Group's contract liabilities during the six months ended June 30, 2023:

in CHF thousands	Contract liability at December 31, 2022	Recognized as revenue	Contract liability at June 30, 2023
Novartis	10,046	(2,787)	7,259
Total	10,046	(2,787)	7,259

in CHF thousands	Current	Non-current	Contract liability
Novartis	5,838	1,421	7,259
Balance at June 30, 2023	5,838	1,421	7,259

5.3 Issuances of equity securities

As of June 30, 2023, as a result of the vesting of Performance Share Units ("PSUs") the outstanding issued share capital of the Company increased to CHF 3,633,080 divided into 36,330,804 fully paid registered shares (inclusive of 3,500,000 treasury shares).

5.4 Dividends

The Group has paid no dividends since its inception and does not anticipate paying dividends in the foreseeable future.

5.5 Share-based compensation

As of June 30, 2023, 282,105 options were outstanding (December 31, 2022: 282,105 options) under all active option plans. As of June 30, 2023, and December 31, 2022 all outstanding options were fully vested.

As of June 30, 2023, a total of 1,322,337 PSUs and 182,678 Restricted Stock Units ("RSUs") were outstanding, of which none were vested (as of December 31, 2022 a total of 604,800 PSUs and 96,001 RSUs were outstanding, of which also none were vested). The changes in the number of share-based awards (options, RSUs and PSUs) outstanding during the six month period ended June 30, 2023, is as follows:

Share options / 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 January 1, 2023	982,906	2.05	282,105	6.89	700,801	0.10
Granted	1,194,856	0.10	—	—	1,194,856	0.10
(Performance adjustment) ¹	(74,169)	0.10	—	—	(74,169)	0.10
(Forfeited) ²	(30,375)	0.10	—	—	(30,375)	0.10
(Expired)	—	—	—	—	—	—
(Exercised options), vested PSU / RSU	(286,098)	0.10	—	—	(286,098)	0.10
Balance outstanding at June 30, 2023	1,787,120	1.17	282,105	6.89	1,505,015	0.10

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

²Forfeited due to service conditions not fulfilled

The share-based compensation costs recognized during the six months ended June 30, 2023, amounted to TCHF 3,060 (TCHF 2,870 for the six months ended June 30, 2022). For the three months ended June 30, 2023 the share-based compensation costs amounted to TCHF 1,312 (TCHF 1,522 for the three months ended June 30, 2022).

5.6 Financial income and expense

Financial income

in CHF thousands, for the six months ended June 30	2023	2022
Interest income on financial assets held at amortized cost	1,955	244
Net foreign exchange gain	—	2,591
Total	1,955	2,835

in CHF thousands, for the three months ended June 30	2023	2022
Interest income on financial assets held at amortized cost	1,088	156
Net foreign exchange gain	—	1,856
Total	1,088	2,012

Financial expense

in CHF thousands, for the six months ended June 30	2023	2022
Net foreign exchange loss	(1,722)	—
Negative interest on financial assets held at amortized costs	—	(462)
Interest expense on leases	(18)	(23)
Other financial expenses	(9)	(5)
Total	(1,749)	(490)

in CHF thousands, for the three months ended June 30	2023	2022
Net foreign exchange loss	(1,177)	—
Negative interest on financial assets held at amortized costs	—	(227)
Interest expense on leases	(9)	(11)
Other financial expenses	(6)	(3)
Total	(1,192)	(241)

Exchange results primarily represent unrealized foreign exchange results on the cash and short-term time deposit balances held in USD, EUR and in GBP, respectively.

5.7 Income taxes

The Group has in recent years reported operating losses, with the exception of the year ended December 31, 2022, that resulted in a tax loss carry-forward in Switzerland of TCHF 88,198 as of December 31, 2022. No deferred tax assets have been recognized for these tax losses carry forwards, because it is not probable that such loss carry forwards can be utilized in the foreseeable future. In addition, no deferred tax positions were recognized on other deductible temporary differences (e.g. pension liabilities under IAS 19) due to the significant tax losses carry forwards.

5.8 Earnings per share

Basic net result per share is calculated by dividing the net result attributable to shareholders by the weighted average number of shares issued and outstanding during the interim periods presented, excluding any shares held as treasury shares. Diluted net result per share additionally takes into account the potential conversion of all dilutive potential ordinary shares.

for the six months ended June 30	2023	2022
Weighted average number of shares used in computing basic earnings per share	32,694,617	32,409,491
Weighted average number of shares used in computing diluted earnings per share	32,694,617	33,176,481

At June 30, 2023, there were no dilutive shares for the six month period (June 30, 2022: 766,990).

for the three months ended June 30	2023	2022
Weighted average number of shares used in computing basic earnings per share	32,830,804	32,502,323
Weighted average number of shares used in computing diluted earnings per share	32,830,804	32,502,323

There were no dilutive shares for the three month periods ended June 30, 2023 and June 30, 2022.

5.9 Other Comprehensive result

In order to recognize remeasurements of the net defined benefit obligation in the period in which they arise, the Group utilizes its independent actuaries to update the calculation of the defined benefit obligation and plan assets at each reporting date. The primary component of the remeasurement as of and for the six month period ended June 30, 2023, relates to a decrease in the discount rate by 40 basis points relative to December 31, 2022.

5.10 Related parties

The Group did not enter into any related party transactions in the interim periods presented.

5.11 Putative Class Action

On July 12, 2022, a putative class action complaint was filed in the U.S. District Court for the Southern District of New York against the Company, its directors, and certain of its executive officers. On May 23, 2023, an amended complaint was filed. The amended complaint alleges that the defendants violated federal securities laws by, among other things, making misrepresentations and omissions regarding its product candidate MP0310 and an associated licensing agreement. The amended complaint seeks unspecified compensatory damages, as well as an award of reasonable attorneys' fees and other costs, on behalf of persons and/or entities which purchased the Company's American Depositary Shares (ADSs) pursuant to certain offering documents issued in connection with the Company's initial public offering of ADSs. The matter remains in its early stages. The Company moved to dismiss the amended complaint on July 24; Plaintiffs' opposition is due September 7; and the Company's reply brief is due October 5, 2023. The Company disputes these claims and intends to defend itself accordingly. The Company expresses no assurances as to the ultimate outcome of this matter.

5.12 Events after the balance sheet date

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



Independent Auditor's Report on the Review of Consolidated Interim Financial Information to the Board of Directors of Molecular Partners AG, Schlieren

Introduction

We have been engaged to review the accompanying condensed consolidated interim statement of financial position of Molecular Partners AG as at June 30, 2023, the related condensed consolidated interim statements of comprehensive income/loss for the six and three-months periods then ended June 30, 2023, the related condensed consolidated interim cash flow statement and statement of changes in equity for the six-month period then ended, and selected explanatory notes (the condensed consolidated interim financial information). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We have been engaged to review the accompanying condensed consolidated interim statement of financial position of Molecular Partners AG as at June 30, 2023, the related condensed consolidated interim statements of comprehensive income/loss for the six and three-months periods then ended June 30, 2023, the related condensed consolidated interim cash flow statement and statement of changes in equity for the six-month period then ended, and selected explanatory notes (the condensed consolidated interim financial information). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Greg Puccetti

Zurich, August 23, 2023