Molecular Partners reports preliminary unaudited key financials for 2016: Advancements across all therapeutic areas – Ongoing strong cash position

February 9, 2017

Research & Development:

- **MP0250: Phase 2 in multiple myeloma: study approved by BfArM in Germany and ongoing regulatory submissions in other countries; first safety data expected in 2017 and efficacy data in 2018**
- **MP0250: Additional Phase 2 trial for solid tumor indication to be submitted in 2017; planned indication to be disclosed in H1 2017**
- **MP0274: Regulatory submission initiated for Phase 1 with MP0274, a multi-DARPin® candidate for treatment of HER2-positive solid tumors**
- **Immuno-oncology: Ongoing internal focus on advancement of proprietary programs to showcase the differentiation potential of DARPin® candidates as tumor-localized agonists and other concepts**
- **Abicipar: Phase 3 trials in wet AMD (wet age-related macular degeneration) progress well**
- **Abicipar: Allergan announced to start Phase 3 trials in DME (diabetic macular edema) in H2 2017**

Team:

- **Board of Directors: Gwen Fyfe, MD, to be proposed for election to Board of Directors at Annual General Meeting on May 11, 2017 (see separate press release)**
- **Talent base with 103 full-time employees, up 15%, reflecting the strengthening of the clinical team**

Financial Highlights:

- **Ongoing strong financial position with CHF 180.2 million in cash and short-term time deposits as of December 31, 2016 (-16% year-on-year)**
- **Net cash used in operating activities of CHF 35.4 million in 2016, reflecting scale-up of R&D, pipeline growth and progress of proprietary clinical programs**
- **Operating loss of CHF 19.5 million and net loss of CHF 18.6 million**

Zurich-Schlieren, February 09, 2017. Molecular Partners AG (SIX: MOLN), a clinical-stage biopharmaceutical company that is developing a new class of drugs, known as DARPin® therapies, today announced its unaudited financial results for 2016, a year marked by continued progress in all therapeutic areas.

“We are very pleased with the progress of our DARPin® drug candidates in all therapeutic areas last year. We are equally happy with our strong financial position, providing us with a forecasted cash runway for at least three years and far beyond the key value inflection points in our portfolio,” said Dr. Patrick Amstutz, acting Chief Executive Officer of Molecular Partners. “2017 will be an exciting year for our company. We are looking forward to initiating two Phase 2 trials for our lead oncology asset, MP0250, and the start of a Phase 1 trial of MP0274. Moreover, we plan to disclose research data for our DARPin® candidates in immuno-oncology. And finally, in ophthalmology, the abicipar Phase 3 trials are progressing well, and our partner Allergan has announced plans to start a Phase 3 trial in diabetic macular edema in H2 2017.”

Regulatory package for MP0250 Phase 2 trial submitted based on convincing Phase 1 data

In 4Q 2016, the company presented the results from the completed dose-escalation part of the ongoing Phase 1 trial of MP0250 at the annual conference of the European Society of Medical Oncology (ESMO) in Copenhagen. These data are an important milestone in the development of DARPin® drugs as systemic treatment in humans. In the Phase 1 trial, MP0250 was well tolerated to high dose levels, with a side effect profile consistent with profound inhibition of the VEGF pathway. The results prove that DARPin® proteins are not easily recognized and eliminated by the human immune system and can be engineered to have a systemic half-life of around two weeks with the DARPin-HSA technology. The Phase 1 findings also underscore the potential value of MP0250 as a new therapeutic for various tumor types.

The first Phase 2 study of MP0250 will examine this agent in combination with bortezomib (Velcade®) and dexamethasone in patients with multiple myeloma who have failed standard therapies. This Phase 2 study has been approved by the Federal Institute for Drugs and Medical Devices (BfArM) in Germany and the regulatory submissions for this study were made in Italy and Poland. Subject to regulatory feedback, initial safety data are expected in 2017 and efficacy data in 2018.

Based on the encouraging Phase 1 data in patients with solid tumors, Molecular Partners will conduct an additional Phase 2 trial for a solid tumor indication. The company plans to disclose details of this study in H1 2017.

Regulatory submission for Phase 1 with MP0274 initiated in December 2016

The company initiated the regulatory submission for the planned Phase 1 trial of MP0274, a proprietary, multi-DARPin® drug candidate for the treatment of HER2-positive solid tumors, in December 2016.

Pre-clinical data suggest that MP0274 is highly efficacious against HER2-driven tumors and has a favorable safety profile. MP0274 acts via a completely new mode of action compared to the current standard of care antibodies not requiring immune effector cells, but by directly inducing apoptosis in susceptible cancer cells.

Abicipar Phase 3 trials in wet AMD and patient recruitment progress well

The company’s strategic partner Allergan is currently enrolling patients in a Phase 3 trial of abicipar in patients with wet age-related macular degeneration (wet AMD), using an updated formulation of the compound. Enrollment is progressing well and should be completed in H2 2017. One-year efficacy data from the two Phase 3 abicipar trials are expected in 2018.

In H2 2016, two anti-PDGF compounds from competitors failed to show any benefit over anti-VEGF treatments in clinical trials. Both, Molecular Partners and Allergan expect abicipar, a differentiated long-acting anti-VEGF compound, to benefit from the failures of those potentially competing drugs. The latest developments strengthen the rationale for the use of anti-VEGF therapies, where abicipar is expected to reduce patient burden by allowing for less frequent ocular injections and physician office visits.

Phase 3 trials for DME to start in H2 2017

In Q4 2016, Allergan presented data from a Phase 2 clinical trial evaluating abicipar for the treatment of diabetic macular edema (DME) at 2016 annual meeting of the American Academy of Ophthalmology (AAO) in Chicago. The objective of this study was to assess the safety, efficacy, systemic pharmacokinetics, and immunogenicity profile of abicipar in patients with decreased vision due to centrally involved DME, compared to Lucentis® (ranibizumab), which is the standard of care. In the Phase 2 trial abicipar met its study end points, demonstrating efficacy in all DME treatment groups and underscoring the compound’s long duration of action. In the meantime, Allergan has announced plans to start a Phase 3 trial of abicipar for DME in H2 2017. This Phase 3 trial will use an improved formulation compared to the phase 2 trial for DME.

Financial highlights: Ongoing strong cash position, increased development expenses

Molecular Partners’ financial position during 2016 continued to be in line with management’s expectations. The company’s financial performance reflected an increase in development

expenses and ongoing investments to further expand Molecular Partners' proprietary pipeline. In 2016, Molecular Partners recognized total revenues of CHF 23.0 million (2015: CHF 29.1 million) and incurred total expenses of CHF 42.5 million (2015: CHF 31.3 million). This led to an operating loss of CHF 19.5 million for 2016 (2015: Operating loss of CHF 2.2 million). The company recognized a net financing income of CHF 0.9 million in 2016, mainly driven by positive foreign exchange effects on its USD and EUR cash positions (2015: Net financing income of CHF 2.1 million). This resulted in a 2016 net loss of CHF 18.6 million (2015: Net loss of CHF 0.1 million).

Key figures as of December 31, 2016

Key Financials (unaudited) *(CHF million, except per share, FTE data)*	**FY 2016**	**FY 2015**	**change**
Total revenues	**23.0**	**29.1**	**-6.1**
R&D expenses	-35.2	-25.0	-10.2
G&A expenses	-7.3	-6.3	-1.0
Operating result	**-19.5**	**-2.2**	**-17.3**
Net financial result	0.9	2.1	-1.2
Net result	**-18.6**	**-0.1**	**18.5**
Basic net result per share (in CHF)	-0.91	-0.01	-0.90
Net cash from (used in) operating activities	-35.4	26.5	-61.9
Cash balance (incl. time deposits) as of Dec 31	**180.2**	**215.4**	**-35.2**
Total shareholders' equity as of Dec 31	135.8	151.8	-16.0
Number of total FTE as of Dec 31	102.5	89.1	13.4
– thereof in R&D	91.7	80.7	11.0
– thereof in G&A	10.8	8.4	2.4

As of December 2016, the company's cash balance (including short-term time deposits) was reduced by CHF 35.2 million compared to year-end 2015 to a level of CHF 180.2 million (September 30, 2016: CHF 185.7 million; December 31, 2015: CHF 215.4 million). The cash balance remains on a very solid level and the company's balance sheet continued to be debt-free in 2016. The total shareholders' equity position decreased to CHF 135.8 million as of December 31, 2016 (September 30, 2016: CHF 136.7 million; December 31, 2015: CHF 151.8 million).

As of December 31, 2016, the company employed 103 full-time employees (FTEs), with approximately 90% of employees in R&D (December 31, 2015: 89 FTEs). The 14% increase in R&D employees year-on-year reflects the company's robust investments in research and development to advance its proprietary pipeline.

"During 2016, Molecular Partners' financial position developed in line with our expectations. We continue to increase our investments in research and development in order to rapidly progress our proprietary oncology DARPin candidates towards value creating milestones such as clinical proof of concept with MP0250 in multiple myeloma," said Andreas Emmenegger, Chief Financial Officer of Molecular Partners. "We closed 2016 with an ongoing strong cash position that continues to provide us with financial flexibility and a forecasted cash runway until at least end of 2019 – well beyond our key value inflection points."

Business outlook and priorities

For the company's proprietary **oncology** pipeline, initial safety data from the Phase 2 trial of MP0250 in patients with multiple myeloma (MM) and other serious cancers are expected in 2017 and efficacy data in 2018. During H1 2017, the company will disclose further details as well as the targeted solid tumor indication for an additional Phase 2 trial of MP0250. With respect to MP0274, a proprietary, single-pathway DARPin® drug candidate for the treatment of HER2-positive breast cancer, the company will initiate the corresponding Phase 1 trial in 2017.

The company will continue to advance its **immuno-oncology pipeline** and will present research data in 2017. In this attractive field, Molecular Partners has demonstrated the potential utility of targeting immune checkpoint modulators (ICMs) via combination therapy (e.g., simultaneous inhibition of PD-1 and VEGF) or activating agonists in a tumor-restricted way.

In **ophthalmology**, Molecular Partners will continue to support its strategic partner Allergan in advancing abicipar through Phase 3 trials in patients with wet AMD and in initiating in H2 2017 the Phase 3 trials of abicipar in patients with DME, the next logical retinal indication.

Financial outlook 2017

For the full year 2017, at constant exchange rates, the company expects total expenses of around CHF 50-60 million, of which around CHF 6 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciations. However, this guidance is subject to the progress of the pipeline, mainly driven by manufacturing costs, the speed of enrollment of patients in clinical trials and data from research and development projects. Additionally, the company expects around CHF 2 million of capital expenditures, mainly for laboratory equipment.

No guidance can be provided with regard to net cash flow projections. Timelines and potential milestone payments for existing and potentially new partnerships are not disclosed.

Investor documentation of FY 2016 results

This FY 2016 press release as well as the FY 2016 results presentation are available on the investors section of the company' website.

FY 2016 results presenation, conference call and audio webcast

Molecular Partners will hold the FY 2016 results presentation in its headquarters in Zurich-Schlieren on February 09, 2017, 2:00pm CET (1:00pm GMT, 8:00am EST). For those who are unable to participate in the live event, the company offers conference call and audio webcast facilities to follow the results presentation.
In order to register for the **FY 2016 conference call**, please dial the following numbers approximately 10 minutes before the start of the presentation:

Switzerland / Europe	+41 (0) 58 310 5000
UK	+44 (0) 203 059 5862
USA	+1 (1) 631 570 5613

Participants will have the opportunity to ask questions after the presentation.

The **FY 2016 audio webcast** will be accessible, both live and as a replay, on the Investors section of the company's website www.molecularpartners.com, along with the accompanying presentation slides.

Financial Calendar

March 31, 2017	Expected Publication of 2016 Annual Report
May 4, 2017	Q1 2017 Management Statement
May 11, 2017	Annual General Meeting
August 30, 2017	Publication of 2017 Half-year Results
October 26, 2017	Q3 2017 Management Statement

http://investors.molecularpartners.com/financial-calendar-and-events/

About the DARPin® Difference

DARPin® therapeutics are a new class of protein therapeutics opening an extra dimension of multi-specificity and multi-functionality. DARPin candidates are potent, specific, safe and very versatile. They can engaging in more than 5 targets at once, offering potential benefits over those offered by conventional monoclonal antibodies or other currently available protein therapeutics. The DARPin® technology is a fast and cost-effective drug discovery engine, producing drug candidates with ideal properties for development and very high production yields.

With their good safety profile, low immunogenicity and long half-life in the bloodstream and the eye, DARPin® therapies have the potential to advance modern medicine and significantly improve the treatment of serious diseases, including cancer and sight-threatening disorders. Molecular Partners is partnering with Allergan to advance clinical programs in ophthalmology, and is advancing a proprietary pipeline of DARPin® drug candidates in oncology. The most advanced global product candidate is abicipar, a molecule currently in Phase 3, in partnership with Allergan. Several DARPin® molecules for various ophthalmic indications are also in development. The most advanced systemic DARPin® molecule, MP0250, is in clinical development for the treatment of solid tumors and is moving to Phase 2 for hematological and solid tumors. MP0274, the second-most advanced DARPin® drug candidate in oncology, has broad anti-HER activity; it inhibits HER1, HER2 and HER3-mediated downstream signaling via Her2, leading to induction of apoptosis. MP0274 is currently moving in Phase 1. Molecular Partners is also advancing a growing preclinical pipeline that features several immuno-oncological development programs. DARPin® is a registered trademark owned by Molecular Partners AG.

About Molecular Partners AG

Molecular Partners AG is a clinical-stage biopharmaceutical company that is developing a new class of therapies known as DARPin® therapies. With a management team that includes many of the founding scientists, the company continues to attract talented individuals who share the passion to develop breakthrough medicines for serious diseases. Molecular Partners has compounds in various stages of clinical and preclinical development and several more in the research stage, with a current focus on ophthalmology and oncology. The company establishes research and development partnerships with leading pharmaceutical companies and is backed by established biotech investors.

For more information regarding Molecular Partners AG, go to: www.molecularpartners.com.

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