Molecular Partners AG

Half-Year Report 2017

MOLECULAR partners

Delivering DARPin® Product Candidates
Powering Future Medicines

At a Glance:
Key Milestones & Contents

R&D, Partnership & Team Milestones

- Abicipar: Allergan completed patient recruitment in both wet AMD phase 3 studies four months ahead of schedule
- MP0250: First patients dosed in phase 2 Multiple Myeloma study; trial in progress poster to be presented at ESMO Madrid in September 2017
- MP0250: IND submitted to FDA for MP0250 in EGFR-mutated Non-Small Cell Lung Cancer (EGFR mut NSCLC) in August 2017
- MP0250: Phase 1 recruitment completed with 45 patients recruited
- MP0274: Full country approvals received in Switzerland and UK for phase 1 trial of multi-specific DARPin® candidate for treatment of HER2-positive solid tumors; first patient expected for September 2017
- Immuno-oncology: Further data on proprietary immuno-oncology programs presented at European Association for Cancer Research in Florence indicating tumor-restricted mode of action
- Patrick Amstutz appointed Chief Executive Officer in May 2017
- Gwen Fyfe, MD, elected to the Board of Directors
- 104 full-time employees, up 2% year-over-year as well as compared to year-end 2016, with a build-out of the clinical team

Financial Milestones

- Financial position in H1 2017 continued to develop in line with expectations and guidance
- Ongoing strong financial position with CHF 156.9 million in cash and short-term time deposits on hand as of June 30, 2017
- Net cash used in operating activities of CHF 20.5 million in H1 2017, reflecting scale-up of R&D, pipeline growth and progress of proprietary clinical programs
- Operating loss of CHF 16.7 million and net loss of CHF 19.4 million in the first half-year 2017
- Venture capital holdings reduced to 28% from 42%; shareholder base diversified as private investors acquired shares from venture capitalists in secondary block trades

Contents

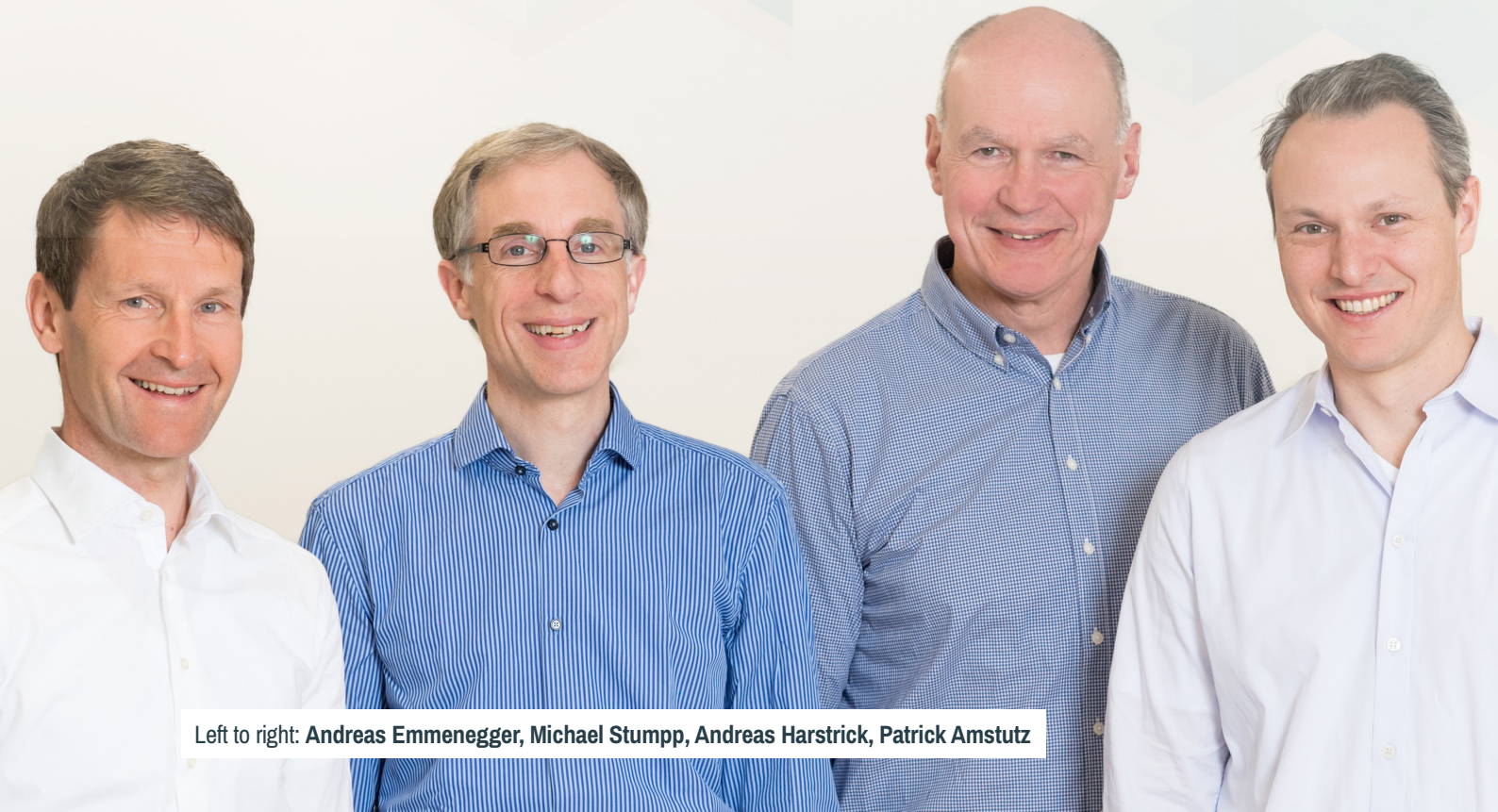
To Our Shareholders:

First half of 2017: Pipeline development on track with several key milestones ahead

The first half of 2017 was marked by notable progress we made advancing our DARPin® drug candidates in all therapeutic areas, progress that further validates the strengths of the Molecular Partners' proprietary pipeline, our strategic partnership, and our novel DARPin® platform. Highlights from this semester include two key clinical milestones, including the full enrollment in the abicipar phase 3 trials in patients with wet age-related macular degeneration (wet AMD) four months ahead of schedule, as well as the dosing of the first patients in the phase 2 trial of MP0250 in multiple myeloma. In addition, we have diversified the company's shareholder base through the acquisition of a substantial portion of the venture capital investors' shareholdings by new private shareholders. Our achievements during this time period support our mission of advancing modern medicine and significantly improving health.

Our progress over the past six months signals that the continued development of our pipeline, including all of our clinical trials, remains on track, and bodes well for the key milestones we anticipate in the months ahead. We are confident in the potential of our investigational DARPin® product candidates, which represent a new class of protein therapeutics that offer an extra dimension of multi-specificity and multi-functionality. DARPin® candidates are potent, safe, and very versatile, with the ability to engage more than five targets at once. The DARPin® technology platform is a fast and cost-effective drug discovery engine, producing drug candidates with ideal properties for development and very high production yields.

The recent progress of our ophthalmology and oncology clinical programs, including our growing immuno-oncology pipeline, underscores our commitment to providing meaningful therapeutic solutions to patients living with a variety of disorders. We invite you to read about our most recent developments on the following pages.



Left to right: **Andreas Emmenegger, Michael Stumpp, Andreas Harstrick, Patrick Amstutz**

H1 2017 Milestones

Patient recruitment in phase clinical 3 trials of abicipar in wet AMD completed ahead of schedule

In ophthalmology, patient enrollment in the two phase 3 clinical trials of abicipar in patients with wet AMD was completed four months ahead of schedule. The full and timely enrollment of the phase 3 trials of abicipar, which we are developing in collaboration with our strategic partner Allergan, was a key milestone for the most advanced DARPin® molecule in our pipeline. We anticipate one-year efficacy data from these trials in H2 2018. A further milestone for the company will be the start of a phase 3 trial of abicipar in diabetic macular edema (DME).

First patients dosed in phase 2 study of MP0250

In May 2017 we announced the dosing of the first patient in the first phase 2 study of MP0250, Molecular Partners' lead oncology asset, in patients with multiple myeloma (MM). The study is evaluating MP0250 in combination with bortezomib (Velcade®) and dexamethasone in patients with MM who have progressed on standard therapies, and is being conducted at sites in Germany, Poland, and Italy. Molecular Partners expects initial safety data from the phase 2 trial late in 2017 and will present a poster on the trial design at the annual meeting of the European Society of Molecular Oncology (ESMO) in Madrid in September 2017. We expect to receive efficacy data in 2018.

Non-small cell lung cancer (NSCLC) announced as second indication for MP0250; IND planned in H2 2017

The phase 2 trial of MP0250 in NSCLC is the first step in testing our hypothesis that this compound can address resistance pathways not only in various hematological malignancies, but also in solid tumors. To that end, we submitted an Investigational New Drug (IND) application to the U.S. Food and Drug Administration (FDA) in August 2017 for a phase 1b/2 trial of MP0250 in combination with osimertinib (Tagrisso®) in patients with NSCLC whose tumors harbor the T790M mutation on the epidermal growth factor receptor (EGFR). Osimertinib, a third-generation tyrosine kinase inhibitor (TKI) that targets EGFR, has recently become the standard of care for NSCLC patients who carry the T790M mutation. However, even after receiving osimertinib, patients eventually relapse and treatments become ineffective, creating a significant unmet medical need. MP0250 administered in combination with osimertinib is targeting two of the described escape pathways – hepatocyte growth factor (HGF) and vascular endothelial growth factor (VEGF).

MP0274: First full country approval received for phase 1 trial in HER2-positive cancer; study initiation expected in September 2017; compelling preclinical data presented at AACR meeting

Molecular Partners received full regulatory approvals in Switzerland and UK for the phase 1 trial of MP0274, our multi-specific DARPin® candidate for the treatment of HER2-positive solid tumors. The study initiation is expected in September 2017. MP0274 is a proprietary DARPin® drug candidate for the treatment of HER2-positive cancer with a completely new mode of action compared to current standard-of-care antibodies. Additionally, in an oral presentation at the annual meeting of the American Association for Cancer Research (AACR) in April 2017, Molecular Partners highlighted the unique and distinct inhibition of the HER2 signaling cascade with MP0274, in a way that differs from trastuzumab and pertuzumab whether those agents are used singly or in combination. Our data show that MP0274 induces a profound inhibition of specific downstream signaling pathways, providing mechanistic support to the finding that the compound directly kills HER2-addicted tumor cells through the induction of apoptosis.

Progress on the immuno-oncology DARPin® pipeline

The first half of 2017 was also marked by further progress with our proprietary immuno-oncology pipeline, including DARPin® product candidates acting as tumor-restricted immune cell agonists and a DARPin® candidate simultaneously inhibiting the programmed cell death protein 1 (PD-1) and VEGF. We presented initial data on our tumor-restricted agonist programs in June 2017 at a special conference hosted by the European Association for Cancer Research (EACR), the AACR, and the Italian Cancer Society (SIC) in Florence. In a poster session at the AACR annual meeting in April 2017, Molecular Partners demonstrated the potential effect of our multi-specific DARPin® molecule targeting both PD-1 and VEGF. This DARPin® therapeutic goes beyond targeting PD-1 or VEGF alone, as joint blockade of PD-1- and VEGF-mediated tumor growth and immunity has a strong potential for delivering a therapeutic benefit in the clinic.

The latest developments mark a turning point for Molecular Partners in our transition from a DARPin® technology platform to a DARPin® product company

Patrick Amstutz appointed CEO

On May 12, 2017, the Molecular Partners' Board of Directors unanimously appointed Patrick Amstutz, Ph.D., as Chief Executive Officer and nominated him to become a member of the Board of Directors.

Gwen Fyfe appointed to the Board of Directors

At the annual general meeting on May 12, 2017, Gwen Fyfe, M.D., was elected as a new member of the Board of Directors. With her extensive experience in developing drugs for Genentech, including Rituxan®, Herceptin®, Avastin® and Tarceva®, Gwen strengthens the footprint of Molecular Partners in oncology.

Private investors buy stake from venture capitalists

On April 6, 2017, Molecular Partners disclosed a substantial reduction in the number of the company's shares held by venture capital firms. Index Ventures Funds fell below 10% to 8.18%, Essex Woodlands Health Ventures Funds below 10% to 7.82%, and Johnson & Johnson Innovation below 5% to 4.25%. As a result, venture capital investors now own 28% of the company's share capital, versus 42% at the end of 2016. Several private investors acquired these shares from the venture capitalist investors in secondary block trades.

Corporate/financial

In the first half of 2017, Molecular Partners' financial position continued to develop in line with the company's expectations. During this period, Molecular Partners recognized total revenues of CHF 6.0 million (compared to CHF 13.5 million over the first half of 2016) and incurred operating expenses of CHF 22.7 million (versus CHF 22.0 million in H1 2016). This led to an operating loss of CHF 16.7 million for the first half-year of 2017, compared to an operating loss of CHF 8.5 million for the corresponding period in 2016. The company recognized net financing expenses of CHF 2.7 million (H1 2016: CHF 1.2 million), mainly driven by negative foreign currency effects on the company's U.S. dollar and euro cash positions. Consequently, the company incurred a net loss of CHF 19.4 million for the first half-year of 2017, compared to a net loss of CHF 9.7 million for the first half of 2016.

The net cash used from operating activities during the first semester of 2017 was CHF 20.5 million, compared to CHF 17.5 million for the first semester of 2016.

The cash outlays reflected the scale-up of our R&D initiatives, pipeline growth, and the progress of our proprietary clinical programs. Including the time deposits, cash and cash equivalents decreased by CHF 23.3 million to CHF 156.9 million as of June 30, 2017 (December 31, 2016: CHF 180.2 million). Total shareholders' equity decreased to CHF 118.3 million as of June 30, 2017 (December 31, 2016: CHF 135.8 million).

As of June 30, 2017, the company employed 104 full-time employees (FTEs), compared to 103 FTEs as of December 31, 2016. About 90% of the 104 FTEs are employed in R&D related functions.

Our ongoing strong cash position provides Molecular Partners with financial flexibility and a forecasted cash runway through the end of 2019 - well beyond key value inflection points.

2017 financial outlook

As the first half 2017 developed fully in line with management expectations, Molecular Partners reiterates all elements of the company's financial outlook for 2017, as provided with the company's 2016 full-year results on February 9, 2017, as well as in the interim management statement on May 4, 2017.

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

Priorities for H2 2017 and beyond

For the company's proprietary oncology pipeline, initial safety data from the phase 2 trial of MP0250 in patients with MM are expected in the H2 2017, and efficacy data is expected for 2018. With regard to the phase 1b/2 trial of MP0250 for NSCLC, the first solid tumor indication to be treated with this DARPin® drug candidate, initial safety data are expected in 2018. For MP0274, the company expects to initiate the corresponding phase 1 trial in H2 2017.

Another priority for the company is to continue to advance our immuno-oncology pipeline, which includes multiple discovery programs.

The company will continue to advance its immuno-oncology pipeline and will present further research data in the second half of 2017. In this attractive field, Molecular Partners plans to further elucidate the potential utility of DARPin® molecules by 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 the phase 3 trials of abicipar in patients with DME, the next retinal indication.

We will host an R&D Update in New York City on November 9, 2017. The luncheon meeting will feature presentations by key opinion leaders (KOLs) who will discuss current oncology treatments in fields where we have clinical programs and unmet medical needs for these patients. Our management team will also provide an overview of the company's DARPin® platform technology and our pipeline of oncology and ophthalmology programs.

Strategic collaborations will remain a priority for 2017 and beyond, as our partners' strong scientific, development, regulatory, and commercial capabilities are a good match for our biologics expertise and know-how in DARPin® discovery, optimization, and development. We will also continue to evaluate potential new partnerships based on long-term mutual benefit, particularly in terms of maximizing the value of our product candidates or contributing complementary technologies or capabilities to Molecular Partners.

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. We will therefore continue to invest in DARPin® discovery and development as we seek to expand our proprietary product pipeline. Our capabilities and expertise allow us to quickly identify and progress DARPin® product candidates into clinical development, and this will continue to be a strategic imperative for Molecular Partners for the foreseeable future.

We will continue to develop DARPin® product candidates that target validated biological pathways, whether through new combinations or new modes of action with a focus on oncology. We are convinced this focus will allow us to demonstrate meaningful differentiation from available treatments and increase the probability of success of our development programs.

We are very pleased with the continued progress of our broad and novel pipeline, the dedication of our strategic partner to our innovative DARPin® technology platform, the confidence of our shareholders, and the ongoing strength of our financial position. We would therefore like to thank our partners, our investors, our employees, and the patients

who have contributed to our success as we pursue our vision of sustaining an independent company grounded in science. We look forward to continued success in the second half of 2017 and beyond.

Sincerely,

Patrick Amstutz, Ph.D.
Chief Executive Officer

Jörn Aldag
Chairman of the Board of Directors

J. Aldag (left), P. Amstutz (right)

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 interim financial statements which have been prepared in accordance with IAS 34 Interim Financial Reporting.

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 and FTE data)*	**H1 2017**	**H1 2016**	**Change**
Total revenues	**6.0**	**13.5**	**-7.5**
R&D expenses	-18.9	-18.1	-0.8
G&A expenses	-3.8	-3.9	0.1
Total operating expenses (incl depr. & amort.)	**-22.7**	**-22.0**	**-0.7**
Operating result	**-16.7**	**-8.5**	**-8.2**
Net finance expenses	-2.7	-1.2	-1.5
Income taxes	-	-	-
Net result	**-19.4**	**-9.7**	**-9.7**
Basic and diluted net result per share (in CHF)	-0.93	-0.48	-0.45
Net cash from (used in) in operating activities	-20.5	-17.5	-3.0
Net cash from (used in) investing activities	-8.1	-0.6	-7.5
Net cash from (used in) financing activities	0.3	0.3	-
Exchange gain/(loss) on cash positions	-2.8	-0.8	-2.0
Net increase (decrease) in cash & cash equivelants	-31.1	-18.6	-12.5
Cash & cash equivalents at June 30	**118.6**	**176.8**	**-58.2**
Cash & cash equivalents at June 30 (incl. short-term time deposits)	**156.9**	**196.3**	**-39.4**
Total non-current assets	2.2	2.6	-0.4
Total current assets	158.8	198.0	-39.2
Total shareholders' equity at June 30	118.3	141.4	-23.1
Total non-current liabilities	27.7	36.9	-9.2
Total current liabilities	15.0	22.3	-7.3
Number of total FTE at June 30	**104.4**	**102.4**	**2.0**
- thereof in R&D	92.8	93.4	-0.6
- thereof in G&A	11.6	9.0	2.6

Financial Highlights

Molecular Partners' financial performance continued to develop in line with management's expectations for the first six months of 2017and the guidance provided to the capital market.

Financial highlights of the first half-year 2017 look as follows:

- Recognized revenues were CHF 6.0 million, against R&D expenses of CHF 18.9 million and G&A expenses of CHF 3.8 million
- This constituted a net operating loss of CHF 16.7 million
- Net finance expenses amounted to CHF 2.7 million
- The company incurred a net loss of CHF 19.4 million
- Molecular Partners maintained a debt free balance sheet
- As at June 30, 2017, the company held a cash balance (incl. short-term time deposits) of CHF 156.9 million
- As at June 30, 2017 there were 20,794,606 shares outstanding

Molecular Partners continues to enjoy a strong financial position, providing the company with the strategic flexibility to execute its planned projects and initiatives.

The company fully maintains its focus on investing into the further development of its proprietary DARPin® candidates, continuing its commitments in R&D to grow and develop its rich pipeline targeting high value indications, as well as financing the in-licensing or the acquisition of complementary businesses and technologies in order to fuel the company's growth and development paths towards a leading European biopharmaceutical company.

During the first half-year 2017, Molecular Partners successfully continued to collaborate closely with Allergan for its lead asset abicipar in wet AMD and DME indications in order to realize the full potential of abicipar and bring the product to market. Allergan continues to envisage 2020 as the market entry date for abicipar in wet AMD. Molecular Partners further solidified its promising proprietary pipeline. The company announced the dosing of the first patient in the phase 2 Multiple Myeloma study and the second target indication for MP0250 to be EGFR-mutated Non-Small Cell Lung Cancer (EGFR mut NSCLC). Moreover, the phase 1 recruitment has been completed for this most advanced proprietary DARPin® therapeutic with a total of 45 patients included into the trial. For MP0274, the multi-specific DARPin® candidate for treatment of HER2-positive solid tumors, the company received its first full country approval in Switzerland for the phase 1 trial. In immuno-oncology, the company was able to present further data on its proprietary immune-oncology programs at the EACR conference in Florence.

This broad proprietary pipeline across multiple indications, the powerful partnership with Allergan, and the strong financial position combine to provide the company with a very robust position within the biotech sector.

Another key milestone for the company and its management team was the substantial change in the company's shareholder base in April: Private investors bought one third of the stake held by the venture capitalists which reduced the total holdings position of the venture capital investors to 28% of shares outstanding.

As the company looks into the second half of 2017, Molecular Partners expects to present initial safety data from the phase 2 trial of the company's proprietary oncology therapeutic MP0250 in patients with multiple myeloma (MM). The company will present a corresponding trial in progress poster at the ESMO conference Madrid in September. The company also submitted to FDA an IND for MP0250 in EGFR-mutated NSCLC, the second indication announced for this promising DARPin® therapeutic, in August 2017. Also in the second half-year, Molecular Partners will initiate a

phase 1 trial for its proprietary DARPin® drug candidate MP0274. The company will continue to advance its immuno-oncology pipeline and will present further research data in 2017. 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 the phase 3 trials of abicipar in patients with DME, the next retinal indication.

Revenues

In H1 2017, the company recognized total revenues of CHF 6.0 million, a 56% reduction compared to H1 2016. These revenues were fully attributable to the partnership and cooperation with Allergan. This reduction is in line with our expectations, reflecting the fact that deferred revenues from the discovery alliance signed in 2012 with Allergan have been recognized until August 2016.

CHF 2.9 million of the revenues stemmed from technology access and transfer (recognized income from the discovery alliance entered with Allergan), CHF 3.0 million were revenues from R&D collaborations (deferred revenue recognitions from up-front payments collected with the product out-licensing transactions with Allergan in 2011 and 2012 as well as FTE payments) and CHF 0.1 million related to other revenues (cost recharges).

As at June 30, 2017, the company recorded CHF 32.0 million deferred revenues on its balance sheet, which are expected to be recognized as revenues as follows:
CHF 5.2 million in H2 2017, CHF 10.5 million in 2018, CHF 9.1 million in 2019, CHF 2.9 million in 2020 and CHF 4.3 million in 2021 to 2023.

Operating expenses (incl. depreciation and amortization)

As expected, total R&D expenses went up CHF 0.8 million (+4%) to CHF 18.9 million, mainly due to further expanded activities in pre-clinical and clinical development of the company's proprietary oncology assets. Total G&A expenses came back 3% to CHF 3.8 million mainly due to ongoing cost discipline.

Overall, total operating expenses increased by CHF 0.7 million (+3%) to CHF 22.7 million. These costs included CHF 2.0 million non-cash effective share-based compensation and pension costs (H1 2016: CHF 1.9 million). The two major expense categories remained personnel expenses of CHF 11.0 million (ca. 49% of total operating expenses) and third-party R&D expenses of CHF 8.9 million (ca. 39% of total operating expenses).

The company expects operating expenses to increase further, reflecting the expanded development of proprietary product candidates resulting in the expansion of Molecular Partners' proprietary product pipeline as well as continued investments into the proprietary DARPin® technology. Finally, the company continues to grow, triggering the hiring of additional personnel as well as the expansion of the company's infrastructure. Operating expenses may however continue to vary substantially from period to period, mainly driven by the effective timing of executed research and development activities.

As per June 30, 2017, Molecular Partners had 104.4 FTE's on its payroll (+2% compared to June 30, 2016), thereof 92.8 or 89% in R&D and 11.6 FTE's or 11% in G&A (June 30, 2016: 102.4 total FTE's; December 31, 2016: 102.5 total FTE's).

Operating profit/(loss)

In H1 2017, the company generated an operating loss of CHF 16.7 million, against an operating loss of CHF 8.5 million incurred in the same period in 2016. The higher operating loss compared to the first half 2016 was fully in line with the company's expectations and a result of further increased proprietary R&D activities for the benefit of the long-term value creation as well as the recognition of less revenue in the first semester 2017.

Financial income and expenses

In H1 2017, Molecular Partners incurred a net financial expense of CHF 2.7 million (H1 2016: net financial expense of CHF 1.2 million). The higher expenses are due to higher unrealized foreign exchange losses on the cash balances held in USD and in EUR, respectively. The company continues not to hedge for any translation risks as it pursues a stringent natural hedging policy by maximizing the matching of cash in/out flows in the respective currencies.

Net loss

In H1 2017, the company incurred a net loss of CHF 19.4 million (H1 2016: net loss of CHF 9.7 million). The doubling of the net loss compared to the previous year is in line with management's expectation and is mainly a result of the higher operating loss recorded as well as an increase of the unrealized foreign exchange losses.

Balance sheet and capital resources

Total current assets came back to CHF 158.8 million as per June 30, 2017, down by CHF 39.2 million compared to CHF 198.0 million recorded on June 30, 2016. This decrease mirrors the reduction in the company's total cash balance (including short-term time deposits) of CHF 39.4 million. The company's cash balance (including short-term time deposit) per June 30, 2017 stood at CHF 156.9 million (H1 2016: CHF 196.3 million). Compared to the level at year-end 2016, the reduction was CHF 23.3 million. Compared to year-end 2016, total shareholders' equity came down CHF 17.5 million to CHF 118.3 million which implies a CHF 23.1 million reduction versus the level of mid-2016 (June 30, 2016: CHF 141.4 million).

The company continued to be debt-free. The liabilities on the balance sheet are made up of deferred revenues, trade payables and accrued expenses from our operations as well as pension liabilities as per IAS 19. Total liabilities were CHF 5.6 million lower compared to the year-end level 2016 and stood at CHF 42.7 million at the end of the first half-year 2017 (June 30, 2016: CHF 59.2 million). Deferred revenues remain the biggest item on the liability side with a total of CHF 32.0 million remaining as of June 30, 2017, and were already highlighted in the revenue section above.

Successful completion of shareholder rotation

On April 6, 2017, Molecular Partners disclosed a substantial change in its shareholders base: Index Ventures Funds' holding level fell below 10% to 8.18%, Essex Woodlands Health Ventures Funds below 10% to 7.82%, and Johnson & Johnson Innovation below 5% to 4.25%. As a result, the total shareholding of Molecular Partners' venture capital investors was reduced by roughly one third to 28% of the company's share capital. Several private investors acquired these shares from the venture capitalist investors in secondary block trades.

Cash flow statement

In H1 2017, Molecular Partners incurred a net cash outflow from operations of CHF 20.5 million, an increase of CHF 3.0 million compared to the same period in 2016 and mainly reflecting the higher cash-relevant expenses for R&D activities and the launched clinical trials as well as the lower inflow from revenues collected. Cash outflow from investing activities went up substantially to CHF 8.1 million (H1 2016: CHF 0.6 million) mainly due to an additional transfer of CHF 7.8 million into short-term time deposits. Net cash from financing activities, which is mainly related to the exercise of employee stock options, remained unchanged at CHF 0.3 million. The company's unrealized net foreign exchange losses on its USD and EUR cash positions increased from CHF 0.8 million in H1 2016 to CHF 2.7 million in H1 2017. Overall, this produced a net cash reduction of CHF 31.1 million in H1 2017 (H1 2016: net cash reduction of CHF 18.6 million), resulting in a cash and equivalents position of CHF 118.6 million as per June 30, 2017 and in a total cash balance (including short-term time deposits) of CHF 156.9 million, respectively.

Outlook 2017

As the first half 2017 developed fully in line with management expectations, Molecular Partners reiterates all elements of the financial outlook 2017 as provided in the company's 2016 full-year results on February 9, 2017 as well as in the company's interim management statement on May 4, 2017: At constant exchange rates, the company still expects total expenses of 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. This guidance remains subject to the progress of the pipeline, mainly driven by manufacturing costs, the speed of enrolment of patients in clinical trials and data from research and development projects. Additionally, the company expects around CHF 3 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 cannot be disclosed.

Under the current development plans, the company expects to recognize in H2 2017 non-cash effective revenues in the amount of CHF 5.2 million as a reduction of our deferred revenue balance sheet position.

Financial Calendar 2017/2018

Date:	Event:
October 26, 2017	Publication of Interim Management Statement
November 09, 2017	R&D Day in New York
February 08, 2018	Full-year Results 2017 (unaudited)
March 16, 2018	Publication of Annual Report and audited Full-year Results 2017
April 18, 2018	Annual General Meeting

Share Price & Volume Development

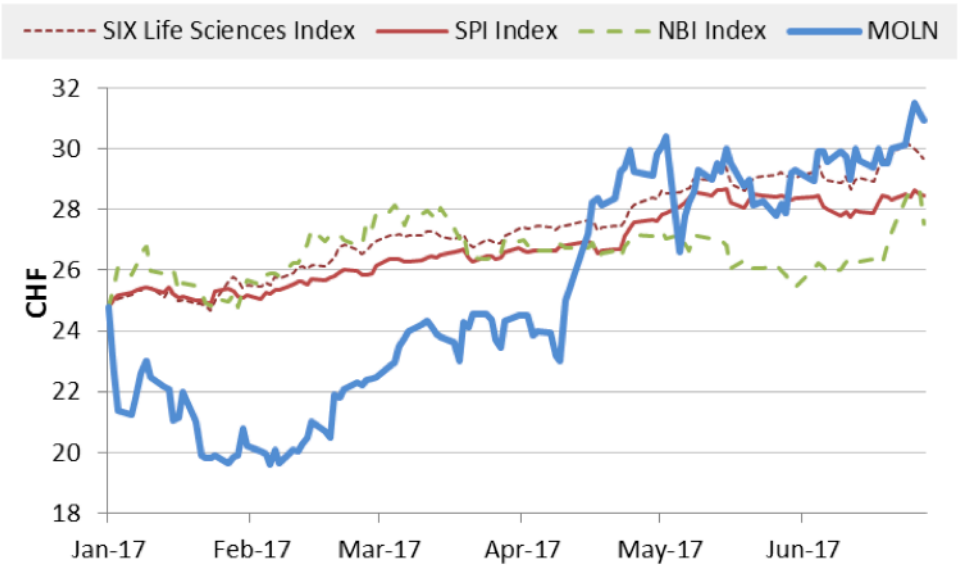
Share price development

After having closed the year 2016 on a share price of CHF 24.80, the first semester 2017 started with ongoing pressure for the Molecular Partners share in a rather flat to positive equity market environment. During the first two months of the year, the share substantially underperformed its domestic and international Biotech peers as well as the Swiss Performance Index (SPI). The share hit its minimum value of CHF 19.60 during the first half-year 2017 on February 06, just a few days ahead of the publication of the company's FY 2016 results on February 09.

Following the announcement of the reduction of the VC holdings at the beginning of April 2017 with the entrance of several private investors, the Molecular Partners share started a strong recovery and positive performance for the remainder of the semester. The highest price of CHF 31.50 during the first six months 2017 was recorded just in the last trading week of the first semester on June 26.

As a result of the positive performance in the second quarter of 2017, the Molecular Partners share closed the half-year on a level of CHF 29.35, up 18% versus year-end 2016. That closing price implied a market capitalization of CHF 610 million per June 30, 2017.

The 18% increase of the Molecular Partners share compared to year-end 2016 represents a ca. 5% outperformance versus the domestic SPI index (+13% during the first semester 2017) and a ca. 7% outperformance vs. the international Nasdaq Biotech Index NBI (+11% in H1 17). The performance was however broadly in line with the domestic Life Sciences peers (+19%).

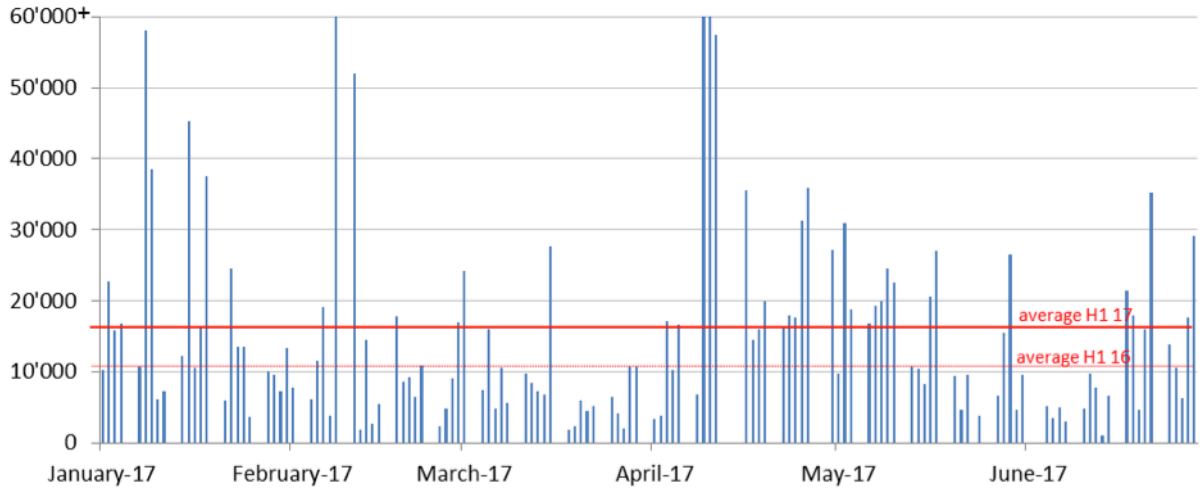


Volume development

The total volume of Molecular Partners' shares which were traded on the SIX Swiss Exchange during the first six months 2017 was 1.96 million shares, an increase of almost 50% versus the comparable period in 2016 (1.31 million) and representing a share of ca. 9% of all shares outstanding and ca. 13% of the free float.
On average, ca. 15'800 shares were traded on a daily basis on the SIX during the first half-year 2017, excluding any block trades. This represents an increase of 50% compared to H1 2016.

The increase is partly attributable to higher equity trading activities in general, but also mirrors the peak volumes at the beginning of April reflecting the positive impact of the shareholder rotation from the VC investors to the private shareholders.

Trading volumes consequently reached its highest daily amount of 117'700 shares on April 11, 2017. During the first semester, six trading days with a volume of more than 50'000 shares traded were registered and the lowest daily trading activity of only 945 shares was recorded on June 15, 2017.



The total trading turnover in the first half-year 2017 was CHF 49.6 million, representing an increase of 32% versus the same period in 2016 (H1 2016: CHF 37.5 million). The average daily trading turnover was CHF 400,000, representing an increase of 33%.

Condensed Interim Financial Statements 2017 (unaudited)

Interim statement of financial position as of in CHF thousands	Note	30.06.2017	31.12.2016
Assets			
Property, plant and equipment		2,215	2,496
Intangible assets		34	47
Total non-current assets		**2,249**	**2,543**
Short-term time deposits		38,299	30,491
Prepaid expenses and accrued income		841	531
Trade and other receivables		1,101	798
Cash and cash equivalents		118,558	149,735
Total current assets		**158,799**	**181,555**
Total assets		**161,048**	**184,098**
Shareholders' equity and liabilities			
Share capital	3.4	2,079	2,072
Additional paid-in capital		172,869	171,140
Own shares		-	-152
Cumulative losses		-56,662	-37,265
Total shareholders' equity		**118,286**	**135,795**
Deferred revenues (long-term)		21,576	26,815
Employee benefits		6,189	5,723
Total non-current liabilities		**27,765**	**32,538**
Trade and other payables		1,527	1,410
Accrued expenses		2,991	3,876
Deferred revenues (short-term)		10,479	10,479
Total current liabilities		**14,997**	**15,765**
Total liabilities		**42,762**	**48,303**
Total shareholders' equity and liabilities		**161,048**	**184,098**

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

Interim statement of comprehensive income for the six months ended		30.06.2017	30.06.2016
in CHF thousands	Note		Represented*
Revenues			
Research and collaboration revenues	3.1	5,875	13,486
Other revenues	3.1	137	56
Total revenues		**6,012**	**13,542**
Operating expenses			
Research and development expenses		-18,936	-18,139
General and administrative expenses		-3,806	-3,920
Total operating expenses		**-22,742**	**-22,059**
Operating result		**-16,730**	**-8,517**
Financial income		283	169
Financial expenses	3.7	-2,930	-1,384
Net finance result		**-2,647**	**-1,215**
Result before income taxes		**-19,377**	**-9,732**
Income taxes	3.8	-	-
Net result, attributable to shareholders		**-19,377**	**-9,732**
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax		-20	-2,517
Other comprehensive result, net of tax		**-20**	**-2,517**
Total comprehensive result, attributable to shareholders		**-19,397**	**-12,249**
Basic and diluted net result per share (in CHF)	3.9	-0.93	-0.48

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

* For further information see note 2 in the IFRS Financial Statements 2016, p. 64.

Interim cash flow statement for the six months ended in CHF thousands	**30.06.2017**	**30.06.2016**
Net result	-19,377	9,732
Adjustments to reconcile net loss to net cash from (used in) operating activities:		
Depreciation and amortization	572	528
Share-based compensation costs	1,610	1,551
Change in employee benefits	446	395
Deferred revenues recognized in income	-5,239	-13,010
Financial income	-283	-169
Financial expenses	2,930	1,384
Changes in working capital:		
Change in prepayments and other assets	-28	-223
Change in trade and other receivables	-315	126
Change in trade and other payables	118	982
Change in accrued expenses	-885	718
Exchange gain/(loss) on working capital positions	-30	15
Other financial income/(expense)	-43	-45
Net cash from (used in) operating activities	**-20,524**	**-17,480**
Investment in short term time deposits	-7,808	-
Acquisition of property, plant and equipment	-272	-559
Acquisition of intangible assets	-6	-45
Interest and option premium received	1	35
Net cash from (used in) investing activities	**-8,085**	**-569**
Capital increase	-	230
Exercise of stock options, net of transaction costs	278	105
Net cash from (used in) financing activities	**278**	**335**
Exchange gain/(loss) on cash positions	-2,846	-875
Net increase (decrease) in cash and cash equivalents	**-31,177**	**-18,589**
Cash and cash equivalents at January 1	149,735	195,370
Cash and cash equivalents at June 30	**118,558**	**176,781**

Interim statement of changes in equity in CHF thousands	Share capital	Additional paid-in capital	Own shares	Cumulative losses	Total equity
At January 1, 2016	**1,964**	**169,141**	**-1,295**	**-18,016**	**151,795**
Net result	-	-	-	-9,732	-9,732
Remeasurement of net pension liabilities				-2,517	-2,517
Total comprehensive income	**-**	**-**	**-**	**-12,249**	**-12,249**
Share-based compensation costs		1,551			1,551
Exercise of stock options, net of transaction costs	108	-573	800		334
At June 30, 2016	**2,072**	**170,119**	**-495**	**-30,265**	**141,431**
At January 1, 2017	**2,072**	**171,140**	**-152**	**-37,265**	**135,795**
Net result				-19,377	-19,377
Remeasurement of net pension liabilities				-20	-20
Total comprehensive income	**-**	**-**	**-**	**-19,397**	**-19,397**
Share-based compensation costs		1,610			1,610
Exercise of stock options, net of transaction costs	7	119	152		278
At June 30, 2017	**2,079**	**172,869**	**-**	**-56,662**	**118,286**

Explanatory notes to the Condensed Interim Financial Statements

1. General information

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

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

2. Basis of preparation

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of 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 an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended December 31, 2016. The accounting policies set forth in the notes to those annual financial statements have been consistently applied to all periods presented. The condensed interim financial statements are presented in thousands of Swiss Francs (TCHF), unless stated otherwise.

New and revised standards and interpretations issued by the IASB with effect from January 1, 2017 did not have any material impact on these condensed interim financial statements.

The Company is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from January 1, 2018 and beyond after 2018, notably IFRS 9 'Financial Instruments', IFRS 15 'Revenues from Contracts with Customers' and IFRS 16 'Leases'.

The condensed interim financial statements have been prepared under the historical cost convention. In preparing these condensed interim financial statements management made judgements, 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. 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" to the annual financial statements as at and for the year ended December 31, 2016.

The condensed interim financial statements for the six months ended June 30, 2017 were approved for issuance by the Board of Directors on August 29, 2017.

3. Other explanatory notes

3.1 Entity-wide disclosures

Research and collaboration revenues are attributable to individual countries and are based on the location of the alliance partner, while the non-current assets are based on the location of the Company. All internal operating costs including research and development, general and administrative, other operating income and expense are generated in Switzerland. The Company's non-current assets are all located in Switzerland.

Revenues by country / region

in CHF thousands, for the six months ended	30.06.2017	30.06.2016
Revenues CH	53	54
Revenues USA	5,959	13,488
Total revenues	**6,012**	**13,542**

Revenues by services

in CHF thousands, for the six months ended	30.06.2017	30.06.2016
Revenues from technology access and transfer	2,868	8,969
Revenues from research and development	3,008	4,517
Other revenues	136	56
Total	**6,012**	**13,542**

Analysis of revenue by major alliance partner

in CHF thousands, for the six months ended	30.06.2017	30.06.2016
Allergan Inc., USA	5,959	13,003
Janssen Biotech Inc., USA	-	485
Other	53	54
Total	**6,012**	**13,542**

Revenue decreased due to the fact that deferred revenues from the discovery alliance signed in 2012 with Allergan have been completely recognized until August 2016.

3.2 Seasonality

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.

3.3 Significant events, transactions and changes in estimates

In the course of the two reporting periods there were no significant events, transactions and changes in estimates that had a material impact on the condensed interim financial statements.

3.4 Issues, repurchases and repayments of debt and equity securities

In April 2016, as a result of the exercise of 1,083,895 employee stock options, the Company's nominal share capital increased by CHF 108,389.50 from CHF 1,964,045.00 to CHF 2,072,434.50. This capital increase was registered with the Commercial Register on March 15, 2017.

As of June 30, 2017, as a result of the exercise of employee stock options, the outstanding issued share capital of the Company amounted to CHF 2,079,460.60 divided into 20,794,606 fully paid registered shares[1].

There were no other issues, repurchases and repayments of debt and equity securities in the 1st half of 2016 or in the 1st half of 2017.

3.5 Dividends paid

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

3.6 Share-based compensation

Overall, a significant portion of the employees' and Board of Directors' compensation is linked to performance and awarded through variable compensation including share-based compensation which reflects the Company's strong focus on entrepreneurial drive and ensures a high level of accountability. The equity incentive awards are forward-looking long-term incentives whose ultimate payout is also linked to the Company's share price performance and intended to create long-term shareholder alignment. All plans qualify as equity-settled plans.

Stock option plans:

- ESOP 2007 established in July 2007
- ESOP 2009 established in December 2009
- ESOP 2014 established in July 2014

They give 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 4 years with cliff vesting of 25% after one year. At the end of the option term, i.e. after a period of 10 years as from the grant date, 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 (degressive recognition of expenses over the vesting period).

[1] The share capital of the Company registered with the Commercial Register still amounts to CHF 2,072,434.50 divided into 20,724,345 fully paid registered shares.

As of June 30, 2017, 1,192,554 options were outstanding under all three stock option plans ESOP 2007, ESOP 2009 and ESOP 2014 together. While all options under ESOP 2007 and ESOP 2009 were fully vested at the reporting date, 178,853 options out of 481,275 options under ESOP 2014 were unvested as of June 30, 2017. ESOP 2014 contains a 100% accelerated vesting upon change of control of the Company.

Since the IPO of the Company on November 5, 2014 no more grants have been made under any of these three stock option plans.

Long Term Incentive Plans (LTI Plans)

- LTI plans 2015 established in March 2015
- LTI plans 2016 established in March 2016
- LTI plans 2017 established in March 2017

Under the LTI plans members of the Board of Directors are eligible to be granted restricted share units (RSUs) whereas members of the management board as well as other employees are eligible to be granted performance share units (PSUs).

RSUs are contingent rights to receive a certain number of shares of the Company at the end of a three-year vesting 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.

PSUs are contingent rights to receive a variable number of shares of the Company at the end of a three-year cliff-vesting period. The number of PSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each PSU as of the grant date. While the PSUs are designed to let the beneficiaries participate in the long-term share price development, the number of shares to be earned in relation to a PSU also depends on the achievement of certain corporate goals for the respective year. Accordingly, the number of shares to be issued based on the PSUs can be between zero and 120% of the number of PSUs granted. Even after the determination of goal achievement, participants may lose their entitlements in full or in part depending on certain conditions relating to their employment. In certain circumstances, including a change of control, a full or partial accelerated vesting of the PSUs may occur.

The LTI Plans are rolled out annually, which allows the Board of Directors to review and adjust the terms and targets on an annual basis. Employees generally receive the grants on April 1 of each calendar year. As regards members of the management board and the Board of Directors the annual grants are made after the ordinary shareholders' meeting, i.e. after the approval of the necessary amounts for variable compensation by the shareholders.

As of June 30, 2017 257,913 PSUs and 65,808 RSUs were outstanding, of which none were vested.

The movements in the number of share-based compensation (options, RSUs and PSUs) outstanding during the six months ended June 30, 2017 and 2016 are as follows:

Share Option / PSU/RSU movements	Total numbers	Weighted average exercise price (CHF)	Options (numbers)	Weighted average exercise price (CHF)	PSU/RUS (numbers)	Weighted average exercise price (CHF)
Balance outstanding at December 31, 2015	**2,528,209**	**2.36**	**2,413,105**	**2.47**	**115,104**	**0.10**
Granted	105,566	0.10	-	-	105,566	0.10
(Performance adjustment)	-5,673	0.10	-	-	-5,673	0.10
(Forfeited)	-90	5.57	-72	6.94	-18	0.10
(Expired)	-	-	-	-	-	-
(Exercised) [1]	-1,123,537	0.27	-1,123,537	0.27	-	-
Balance outstanding at June 30, 2016	**1,504,475**	**4.13**	**1,289,496**	**4.82**	**214,979**	**0.10**
Balance outstanding at December 31, 2016	**1,487,352**	**3.74**	**1,270,502**	**4.36**	**216,850**	**0.10**
Granted	138,286	0.10	-	-	138,286	0.10
(Performance adjustment)	-31,283	0.10	-	-	-31,283	0.10
(Forfeited)	-287	3.79	-155	6.94	-132	0.10
(Expired)	-	-	-		-	-
(Exercised) [2]	-77,793	3.57	-77,793	3.57	-	-
Balance outstanding at June 30, 2017	**1,516,275**	**3.50**	**1,192,554**	**4.42**	**323,721**	**0.10**

[1] The weighted average share price at the dates of the exercise amounted to CHF 26.87. The source for the exercised options are the capital increase of 1,083,895 shares and the sale of 39,642 own shares.

[2] The weighted average share price at the dates of the exercise amounted to CHF 24.04. The source for the exercised options are the capital increase of 77,793 shares.

The share-based compensation costs recognized within personnel expenses during the six months ended June 30, 2017 amounted to TCHF 1,610 (TCHF 1,551 for the six months ended June 30, 2016).

3.7 Financial expenses

in CHF thousands, for the six months ended	30.06.2017	30.06.2016
Foreign exchange loss	-2,887	-1,339
Other financial expenses	-43	-45
Total	**-2,930**	**-1,384**

Exchange losses were mainly driven by unrealized foreign exchange losses on the cash balances held in USD and in EUR, respectively. Cash balances held in EUR and USD will predominantly be used to settle goods and services that the Company purchases in these currencies.

3.8 Income taxes

The Company had tax loss carry-forwards of TCHF 20,290 as of December 31, 2016 (2015: TCHF 4,314). Based on the current R&D plans the Company expects a loss for the year ending December 31, 2017. No current or deferred income taxes have been recognized in these condensed interim financial statements.

3.9 Earnings per share

Basic net loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of shares issued and outstanding during the reporting period, excluding any shares held as own shares. Diluted net profit per share additionally takes into account the potential conversion of all dilutive potential ordinary shares.

	30.06.2017	30.06.2016
Weighted average number of shares used in computing basic and diluted profit/ (loss) per share	20,765,139	20,143,003

3.10 Related parties

The Company did not enter into any related party transactions in the periods under review.

3.11 Events after the balance sheet date

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

Independent Auditor's Report on the Review of Condensed Interim Financial Statements

To the Board of Directors of Molecular Partners AG, Schlieren

Introduction

We have been engaged to review the accompanying condensed statement of financial position of Molecular Partners AG as at June 30, 2017 and the related condensed statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, and selected explanatory notes (the condensed interim financial statements) on pages 17 to 26. The Board of Directors is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

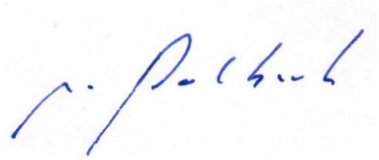
Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at June 30, 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG



Martin Rohrbach
Licensed Audit Expert

Kathrin Schünke
Licensed Audit Expert

Zurich, August 29, 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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

Molecular Partners AG

Wagistrasse 14
8952 Zürich-Schlieren
Switzerland

Phone: +41 44 755 77 00
Fax: +41 44 755 77 07

molecularpartners.com

MOLECULAR partners

Delivering DARPin® Product Candidates
Powering Future Medicines