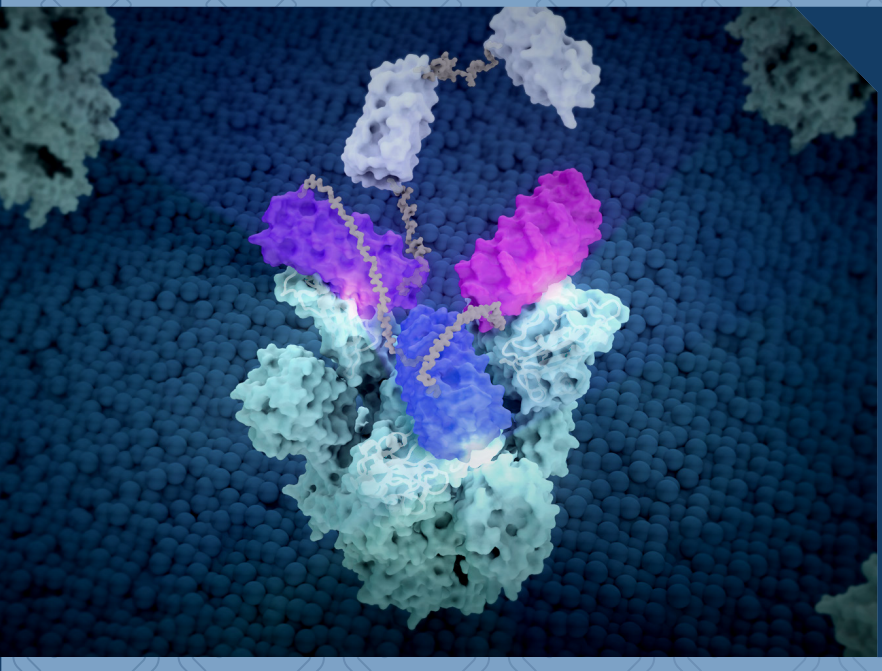

MID-YEAR REPORT 2020

MOLECULAR partners

Making the DARPin® Difference Reality for Patients

At a Glance: Key Milestones, Group Profile & Contents

- *Advancement of balanced portfolio of differentiated DARPin® product candidates offering patients a new dimension of protein therapeutics for the treatment of serious diseases*

- *Key advancements made in the areas of oncology and virology*

H1 2020 R&D, Partnership & Team Milestones

- **Abicipar (VEGF):**

  - Complete Response Letter received from U.S. FDA for abicipar pegol by partner Allergan, an AbbVie Company. AbbVie to determine appropriate next steps with the respective regulatory agencies.

- **Anti-COVID-19 program with candidate MP0420:**

  - Developed novel anti-COVID-19 multi-specific DARPin® candidates, of which MP0420 is being prepared for clinical readiness in Q4 2020. Initial in vitro and in vivo data highly supportive of unique mechanisms of action with highest potency anti-viral preclinical data seen to-date in industry.

  - Secured partnership with AGC Biologics to meet initial projected clinical and commercial-scale manufacturing capacity for an anti-COVID-19 candidate.

- **Immuno-Oncology candidates MP0310 (FAP x 4-1BB) and MP0317 (FAP x CD40):**

  - Continued recruitment of phase 1 study of AMG 506 / MP0310 (including FAP & 4-1BB-targeting DARPin® molecules) in patients with advanced solid tumors

  - Concluded recruitment of phase 1 study of MP0274 (including two Her2-targeting DARPin® molecules) in patients with progressive Her2-positive cancer

  - Progressed IND-enabling studies of MP0317 (including FAP & CD40-targeting DARPin® molecules) Presented supportive data from our AMG 506 (MP0310), MP0317 and peptide-MHC immuno-oncology programs at the American Academy of Cancer Research Virtual Annual Meeting

- **Team:**

  - Appointment of biotech executives Sandip Kapadia, Michael Vasconcelles, M.D., and Vito J. Palombella, Ph.D., to the Board of Directors at the Annual General Meeting of April 29, 2020 to bring new experience and expertise to our growth strategy.

H1 2020 Financial Milestones

- Ongoing strong financial position with CHF 64.4 million in cash and short-term deposits per June 30, 2020
- Including the CHF 80.2 million gross proceeds raised with the capital increase executed in July 2020, the Group is financed into 2022.
- Net cash outflow from operating activities of CHF 27.9 million in H1 2020
- FY 2020 expense guidance slightly increased to CHF 65-75 million

Group Profile

Molecular Partners is a clinical-stage biotech Group developing a new class of custom-built protein therapeutics known as DARPin® therapeutics, designed to address challenges current modalities cannot. The Group has compounds in various stages of clinical and preclinical development with a focus on oncology. Molecular Partners has formed partnerships with leading pharmaceutical companies to advance DARPin® therapeutics across multiple therapeutic areas.

Share Information

- Listed on SIX Swiss Exchange (ticker symbol: MOLN; ISIN CH0256379097) since Nov. 2014
- Included in key indices: Swiss Performance Index, SPI Extra, SXI Life Sciences, SXI Bio+Medtech
- 21'809,589 shares outstanding as of June 30, 2020
- CHF 326 million market capitalization as of June 30, 2020;
  free float of 92% as per SIX Swiss Exchange definition

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MID-YEAR REPORT 2020

MOLECULAR partners

Making the DARPin® Difference Reality for Patients

To Our Shareholders

We are committed to leveraging our leadership in DARPin® therapeutics to deliver a unique class of custom-built protein therapeutics that go beyond the limits of current treatments for cancer and other serious diseases.

The COVID-19 pandemic has dominated the first half of 2020. Following a transition period to ensure the safety of our team, we were able to maintain operational momentum to achieve a number of milestones and create new opportunities as a therapeutics innovator through a swift response to this global health issue.

In less than two months, we developed the only anti-COVID-19 therapeutic candidates that can fight the virus in up to three ways at once. Our initial data showed some of the highest antiviral potency in the industry. We are preparing two candidates to be ready for clinical studies by the end of 2020 and have secured a partnership with AGC Biologics to meet initial projected clinical and commercial-scale manufacturing capacity.

Turning from our newest to our first-generation program: In June our partner Allergan, an AbbVie Company, received a Complete Response Letter (CRL) from the U.S. Food and Drug Administration (FDA) for the Biologics License Application (BLA) for abicipar pegol. Although a disappointing response, we remain confident in the totality of data supporting abicipar's clinical profile as a potential treatment for patients with neovascular (wet) age-related macular degeneration (nAMD) and will support AbbVie on intended next steps for the program.

Our core portfolio of novel immuno-oncology therapeutics has continued to advance. We continue to dose patients in the phase 1 trial of AMG 506 (MP0310) in partnership with Amgen and recruit patients with HER2-positive solid tumors for the dose-escalating phase 1 trial of MP0274. We are pursuing productive discussions to drive our strategy for MP0250 in multiple myeloma, which is to identify collaborators who can best accelerate the program. We plan to file an IND for MP0317 around the end of 2020. Meanwhile, we have delivered and presented exciting preclinical proof-of-concept for our peptide-MHC DARPin® binders.

In H1 2020, we recorded the following additional important milestones:

- We presented supportive data from our AMG 506 (MP0310), MP0317 and peptide-MHC oncology programs at the American Academy of Cancer Research Virtual Annual Meeting.
- Veteran biotech executives Sandip Kapadia, Michael Vasconcelles and Vito J. Palombella joined our Board of Directors to bring new experience and expertise to our growth strategy.
- Entering into the second semester 2020, on July 7, 2020. we successfully completed a private placement, raising gross proceeds of CHF 80.2 million with the support of new and existing institutional investors from Switzerland and the U.S.

H1 2020 Milestones and Corporate Highlights

The COVID-19 pandemic has spread rapidly and led to an urgent and unprecedented global need for scientific innovation. In April 2020, we leveraged our rapid discovery and candidate design capabilities to deliver multi-target binding DARPin® proteins that neutralized the SARS-CoV-2 virus in vitro. We then selected two unique tri-specific DARPin® candidates with the ability to inactivate the virus through multiple mechanisms simultaneously – cooperative target binding – and generate stronger antiviral effects through these synergies. These candidates exhibit among the highest potency in inhibiting SARS-CoV-2 live virus reported to-date, further supported by strong preliminary in vivo findings.

The DARPin® technology offers a differentiated approach to treating COVID-19 through a single molecule that can engage with the spike protein of the SAR-CoV-2 virus with three DARPin® modules simultaneously to neutralize the virus. This offers potentially broader efficacy – across both therapeutic and prophylactic settings – and reduced potential for the development of viral drug resistance which can result from selection pressure on any single molecular target. DARPin® candidates are also produced through rapid, high-yield microbial fermentation for potential speed and cost advantages over mammalian cell production employed for antibodies.
In July, we announced a partnership with AGC Biologics, a global biopharmaceutical contact development and manufacturing organization (CDMO) to secure initial clinical and commercial-scale manufacturing capacity for our COVID-19 programs. Further,on August 11, 2020, we announced the reservation by the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420. The agreement secures the FOPH-BAG the right to purchase 200,000 doses, with the potential to purchase up to an additional 3 million doses. Under the terms of the agreement, we received a reservation fee in the mid to high single digit millions Swiss Francs. This will secure priority access for the FOPH-BAG to purchase reserved doses of MP0420, if clinical trials are successful and MP0420 is approved in Switzerland. We plan to initiate clinical studies in Q4 2020.

With regards to our ophthalmology portfolio being developed with our partner Allergan, an AbbVie Company, in June, AbbVie received a CRL for the BLA of abicipar. The agency's notice indicated that the rate of intraocular inflammation observed following administration of abicipar pegol results in an unfavorable benefit-risk ratio in the treatment of nAMD.

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

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

In partnership with Amgen, we continued strong recruitment of patients with solid tumors in the phase 1 dose escalation study of AMG 506 (MP0310), the first product in our immuno-oncology pipeline. This phase 1 trial (MP0310-CP101) is evaluating AMG 506 (MP0310) as a single agent in patients with advanced solid tumors. We expect to report initial data from this study in H2 2020.

Data from the dose escalation cohorts will be used to inform potential Ph1b combination studies with Amgen assets and will be conducted by Amgen. Additionally, we presented preclinical data at the American Academy for Cancer Research (AACR) which describes the pharmacokinetic and pharmacodynamic research supporting the optimal dose for this novel tumor-localized immune agonist in the ongoing clinical study.

For MP0317, our second tumor-localized immune agonist, we continue to advance IND-enabling work. MP0317 includes localizer (FAP) and stimulator (CD40) DARPin® domains, which respectively provide tumor-specificity and immune activation. Fibroblast activation protein (FAP) is highly elevated in some tumor types and CD40 is a immunostimulatory target. We presented preclinical data at AACR strongly supporting the intended profile of MP0317. In human B cells and dendritic cells, MP0317 was found to activate the CD40 pathway solely in the presence of fibroblast activation protein (FAP)-positive cells, confirming its strict dependence on FAP-mediated crosslinking. In a mouse model, a mouse-specific version of MP0317 was found to substantially inhibit the progression of FAP-positive tumors without showing any of the toxicities seen with administration of a mouse CD40 antibody. We anticipate filing an IND by the end of 2020.

For MP0274, recruitment for its phase 1 trial has concluded. MP0274 is a multi-specific DARPin® product candidate being developed for the treatment of solid tumors with strong expression of the highly validated target protein HER2. In preclinical trials, MP0274 inhibited downstream signaling pathways, and directly killed HER2-addicted tumor cells through the induction of apoptosis. We anticipate providing a clinical update from this study in H2 2020.

As of April 30, 2020, thirty patients with multiple myeloma who have failed standard therapies have been enrolled in the ongoing phase 2 study of MP0250 in combination with the proteasome inhibitors (PIs) bortezomib (Velcade®) and dexamethasone. Patients still receiving treatment will be monitored per protocol and no additional patients will be enrolled into the study.

To round out progress of our immune-oncology portfolio, at AACR we also presented proof-of-concept data for our peptide-MHC DARPin® program, which reviewed our bispecific DARPin® T cell engagers that bind with high specificity to a representative peptide-MHC complex (HLA-A2:SLL). The constructed DARPin® proteins were observed to effectively activate T cells at a range of concentrations and to carry out highly targeted cell killing exclusively on those cells that were positive for the peptide target. This demonstrated proof-of-concept for the ability of DARPin® therapeutics to effectively drug specific peptide-MHC complexes.

Finally, we nominated three veteran U.S. biotech executives and experts in their respective fields to of Board of Directors, Sandip Kapadia, Michael Vasconcelles, M.D. and Vito J. Palombella, Ph.D. These new leaders will provide unique insights into the growth strategy of Molecular Partners and complement our existing board members' backgrounds and skills. Their collective experience in finance, business development, clinical strategy and drug discovery will be critical to our ongoing growth into a fully integrated biopharma with a primary focus on immuno-oncology and a maturing clinical portfolio.

Financial highlights in H1 2020

Molecular Partners remains solidly funded to capture upcoming value inflection points. In the first six months of 2020, Molecular Partners recognized total revenues of CHF 7.5 million (2019: CHF 13.6 million) and incurred total operating expenses of CHF 30.6 million (2019: CHF 26.0 million). This led to an operating loss of CHF 23.1 million for the first six months in 2020 (2019: operating loss of CHF 12.4 million). In the first six months in 2020, the Group accounted for a net financial loss of CHF 1.6 million (2019: net financial loss of CHF 0.3 million). This resulted in a net loss of CHF 24.7 million for H1 2020 (H1 2019: net loss of CHF 12.7 million).

The net cash outflow from operating activities during the first six months in 2020 was CHF 27.9 million (2019: net cash inflow of CHF 27.0 million). Including time deposits, the cash and cash equivalents position decreased by CHF 30.7 million vs. year-end 2019 to CHF 64.4 million as of June 30, 2020 (December 31, 2019: CHF 95.1 million).

Total shareholders' equity stood at CHF 31.0 million as of June 30, 2020, a decrease of CHF 23.1 million (December 31, 2019: CHF 54.1 million).

Entering into the second semester 2020, we were able to reinforce our solid cash position with a private placement financing, raising gross proceeds of CHF 80.2 million on July 7, 2020. This further increases our financial flexibility to capture multiple value-creating inflection points into 2022. To continue building our capacity to deliver innovative new therapeutic candidates and manage a growing clinical portfolio, we plan to invest in both our clinical programs as well as an expanded workforce.

Board of Directors and Management Team

Sandip Kapadia appointed to the Board of Directors

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

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

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

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

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

Business outlook and priorities for 2020 and beyond

In the second half of 2020, we will focus on advancing our immuno-oncology and antiviral programs. For the COVID-19 program, we plan to initiate clinical trials of MP0420 in Q4 2020 and advance additional candidates towards the clinic.

We expect to present additional data from our ongoing phase 2 trial of MP0250 in patients with multiple myeloma in combination with Velcade® (PI) in H2 2020. For AMG 506 (MP0310), following the planned reporting of initial data from the phase 1 study in H2 2020, these data will be used to inform potential Ph1b combination studies with Amgen assets to be conducted by Amgen. For MP0317, IND submission is anticipated around the end of 2020. We also plan to publish or present multiple updates across our portfolio at select scientific venues.
For the full year 2020, at constant exchange rates, we expect total expenses in the range of CHF 65-75 million, of which around CHF 6 million will be non-cash effective costs. This slightly increased guidance reflects our additional investments into our Covid-19 programs. Capital expenditures in FY 2020 are expected to be approximately CHF 3 million.

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

At Molecular Partners, we have a strong connection to our core purpose of transforming treatment for patients with cancer and other serious diseases through delivering on the promise of DARPin® therapeutics. As a team, we are energized about the opportunities ahead and our progress in creating and growing the capabilities of DARPin® candidates.

Our discovery and development capabilities continue to grow, as do the depth and breadth of our partnerships. We continue to demonstrate our capacity to respond to medical need and push our DARPin® expertise into new platforms to expand the potential of this unique class of drugs.

Thank you for your continued support of our work

Our continued progress and value creation wouldn't be possible without the full support and tireless work of our employees, strategic partners, investors, researchers and patients. We thank all these groups for their support and look forward to sharing additional news throughout the second half of 2020.

Sincerely,

Bill Burns
Chairman of the Board

Patrick Amstutz
Chief Executive Officer


MOLECULAR
partners

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.

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 2020**	**H1 2019**	**Change**
Total revenues	**7.5**	**13.6**	**(6.1)**
R&D expenses	(25.1)	(19.0)	(6.1)
SG&A expenses	(5.5)	(7.0)	1.5
Total operating expenses (incl depr. & amort.)	**(30.6)**	**(26.0)**	**(4.6)**
Operating result	**(23.1)**	**(12.4)**	**(10.7)**
Net finance result	(1.6)	(0.3)	(1.3)
Income taxes	—	—	—
Net result	**(24.7)**	**(12.7)**	**(12.0)**
Basic and diluted net result per share (in CHF)	(1.14)	(0.60)	(0.54)
Net cash from (used in) operating activities	(27.9)	27.0	(54.9)
Net cash from (used in) investing activities	1.5	(56.1)	57.6
Net cash from (used in) financing activities	(0.2)	(0.3)	0.1
Exchange gain/(loss) on cash positions	(1.8)	(1.9)	0.1
Net increase (decrease) in cash & cash equivalents	(28.4)	(31.3)	2.9
Cash & cash equivalents at June 30	**47.3**	**67.6**	**(20.3)**
Cash & cash equivalents at June 30 (incl. short-term time deposits)	**64.4**	**123.3**	**(58.9)**
Total non-current assets	4.8	5.4	(0.6)
Total current assets	68.5	129.5	(61.0)
Total shareholders' equity at December 31	31.0	78.1	(47.1)
Total non-current liabilities	12.8	22.3	(9.5)
Total current liabilities	29.5	34.5	(5.0)
Number of total FTE at June 30	**143.6**	**127.7**	**15.9**

Financial highlights

Over the course of 2020, the Group continued and is continuing to increase its investments in its clinical and preclinical programs as well as in research and development in order to progress its proprietary oncology DARPin® candidates towards value-creating milestones.

The strong balance sheet, which was further reinforced with the CHF 80.2 million gross proceeds from the capital increase in July 2020, continues to provide the Group with financial flexibility and a forecasted cash runway into 2022 beyond the envisaged key value inflection points expected to be captured until then,

Molecular Partners' broad pipeline across multiple indications, its collaborations with blue-chip pharma companies Allergan and Amgen, and its strong financial position combine to provide the Group a uniquely robust position within the biotech sector. The Group continues to invest its financial and human resources into the evolution of its proprietary DARPin® technology, the progression of innovative programs as well as the advancement of its pipeline of proprietary drug candidates in clinical development targeting high-value indications.

Revenues

In H1 2020, the Group recognized total revenues of CHF 7.5 million, a decrease of 45% compared to the previous year (2019: CHF 13.6 million). The revenue in the first six months of 2020 was entirely attributable to the Group's partnership with Amgen (CHF 7.5 million).

As of June 30, 2020 the Group recorded CHF 20.8 million of contract liabilities under the Amgen collaboration agreement. This contract liability is expected to be recognized as revenues in the 2020 and 2021 periods 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 increased by CHF 4.6 million (+18%) to CHF 30.6 million in H1 2020 (compared to CHF 26.0 million in H1 2019). These costs included CHF 1.9 million in non-cash effective share-based compensation and pension costs. The two major expense categories were personnel expenses of CHF 16.1 million (53% of total operating expenses) and research consumables and costs totaling CHF 11.3 million (37% of total operating expenses).

Total R&D expenses in H1 2020 increased by CHF 6.1 million (+32%) to CHF 25.1 million (H1 2019: CHF 19.0 million), mainly due to the growing proprietary pipeline of the Group. The Group charges all R&D expenses, including internal patent filing and patent maintenance costs, to the income statement when incurred.

Total SG&A expenses in H1 2020 went down by CHF 1.5 million (-21%) to CHF 5.5 million (H1 2019: CHF 7.0 million), mainly due to the lower professional fees.

In 2020, operating expenses are expected to increase further, particularly related to the ongoing clinical and preclinical studies and the development of the Group's proprietary product candidates. The Group continues to expand its proprietary product pipeline and further invests in the DARPin® technology. Further, hiring additional personnel (mainly in R&D) and, potentially, expanding existing facilities will generate additional costs.

As of June 30, 2020, the Group had 144 full-time employees (FTEs) on its payroll, including 123 FTEs (ca. 85%) in R&D and 21 FTEs (ca. 15%) in SG&A.

Operating profit (loss)

In the first six months of 2020, the Group generated an operating loss of CHF 23.1 million (compared to an operating loss of CHF 12.4 million in the same period in 2019). The higher operating loss versus the previous year mainly reflects both the lower recognized revenues as well as further intensified R&D activities for the benefit of long-term value creation.

Financial income and expenses

In the first six months of 2020, Molecular Partners recorded a net financial loss of CHF 1.6 million, compared to a net financial loss of CHF 0.3 million in the same period in 2019.

In the first six months of 2020 the financial income amounted to CHF 0.3 million, largely driven by interest income on cash positions and short-term time deposits. The financial expense in the first six months of 2020 of CHF 1.9 million arose mainly from a foreign exchange loss on the Group's cash balances. The Group is not hedging 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

The Swiss Company did not have to pay or accrue any income taxes in the reporting periods. Future net income in Switzerland will be subject to federal, cantonal and communal income taxes. The company's applicable income tax rate in Switzerland is 21%.

Molecular Partners Inc., which is incorporated in the United States in the state of Delaware, is subject to statutory U.S. federal corporate income taxes and state income taxes.

Net loss

In H1 2020, the Group recorded a net loss of CHF 24.7 million (H1 2019: CHF 12.7 million net loss).

Balance sheet and capital resources

As of June 30, 2020, the Group's cash balance was reduced by CHF 28.4 million compared to year-end 2019 to CHF 47.3 million. The Group's total cash balance including short-term time deposits of CH 17.1 million continued to be very strong and the total of CHF 64.4 million represented over 85% of the total assets.

Compared to year-end 2019, the total shareholders' equity position decreased to CHF 31.0 million as of June 30, 2020 (December 31, 2019: CHF 54.1 million). The Group's balance sheet continued to be debt-free in 2020.

Liabilities in the balance sheet are made up of contract liabilities, trade payables and accrued expenses from our operations as well as pension liabilities as per IAS19. Total liabilities as per June 30, 2020 amount to CHF 42.3 million (December 31, 2019 : CHF 50.8 million). The contract liabilities are the most significant liability item with a total of CHF 20.8 million at June 30, 2020 (December 31, 2019: CHF 28.3 million). The contract liabilities are expected to be recognized as revenue as the Group satisfies the related performance obligations.

Cash flow statement

In the first six months of 2020, Molecular Partners presented a net cash outflow from operations of CHF 27.9 million, compared to the net cash inflow from operations of CHF 27.0 million in the same period in 2019.

Cash inflow from investing activities during the first six months of 2020 was CHF 1.5 million, compared to a CHF 56.1 million cash outflow in the same period of 2019. The cash flows from investing activities are largely driven by the shift of cash into time deposits and vice versa. A CHF 1.2 million outflow was recorded for capital expenditure in equipment and intangible assets and a CHF 0.5 million inflow from interest received.

Net cash outflow from financing activities in the first six months of 2020 was CHF 0.2 million, largely driven by a cash outflow related to the payment of lease liabilities. Overall, the cash flow activities resulted in a net decrease of the Group's total cash balance CHF 28.4 million from CHF 75.7 million at the end of 2019 to CHF 47.3 million as per June 30, 2020.

Financial risk management

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

Molecular Partners conducts its activities primarily in Switzerland, EU and U.S. As a result, the Group is exposed to a variety of financial risks, such as foreign exchange rate risk, credit risk, liquidity risk, cash flow and interest rate risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group is not exposed to market price development as it has no saleable products.

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

- Foreign exchange risk: In order to reduce its foreign exchange exposure, Molecular Partners may enter into currency contracts (forwards and options) with selected high-quality financial institutions to hedge against foreign currency exchange rate risks. The Group's primary exposure to financial risk is due to fluctuation of exchange rates between CHF, EUR, GBP and USD. The Group's hedging policy is (1) to maximize natural hedging by matching expected future cash flows in the different currencies and (2) if markets conditions allow, to consider hedging certain of the remaining expected net currency exposure as the need arises. However, due to market volatilities, the impact of negative interest rates in Switzerland and uncertainties in the cash flows, a 100% hedging of the currency exposure is impossible or not appropriate. Molecular Partners does not engage in speculative transactions.
- Interest rate risk: Molecular Partners earns interest income on cash and cash equivalents and its profit and loss may be influenced by changes in market interest rates. The Group is investing part of its cash through risk-free money market investments in line with its treasury guidelines.
- Credit risk: The maximum credit risk on financial instruments corresponds to the carrying amounts of the Group's cash and cash equivalents and receivables. The Group has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts. All cash and cash equivalents are held with three major Swiss banks with ratings between A and AAA as per Standard & Poor's. The Group enters into partnerships with partners which have the appropriate credit history and a commitment to ethical business practices. Other receivables with credit risk mainly include interest receivables.
- Liquidity risk: Based on the Group's Business Plan 2020-2024, management estimates that the Group is financed into 2022 (taking into account the CHF 80.2 million gross proceeds raised with the capital increase executed in July 2020).

Outlook 2020

For the full year 2020, at constant exchange rates, the Group expects total expenses in the range of CHF 65-75 million, of which around CHF 6 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciation. This slightly increased guidance reflects our additional investments into our Covid-19 programs.
Capital expenditures for the full year 2020 are expected to be approximately CHF 3 million.

This guidance is subject to the progress of the pipeline, mainly driven by manufacturing costs, the speed of enrollment of patients in clinical studies and data from research and development projects. 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.

Financial calendar 2020

The following table summarizes the scheduled financial calendar for the financial year 2020.

Date:	**Event:**
October 29, 2020	Interim Management Statement Q3 2020
December 2020	R&D Day, Virtual event

"We are in urgent need of new medicines for all those with cancer – including many we know personally. This thought keeps me motivated to give my best."

Denis

Condensed consolidated interim financial statements (unaudited)

Condensed consolidated interim statement of financial position as of		June 30, 2020	December 31, 2019
in CHF thousands	Note		
Assets			
Property, plant and equipment		4,200	4,242
Intangible assets		611	772
Total non-current assets		**4,811**	**5,014**
Short-term time deposits		17,093	19,368
Prepaid expenses and accrued income		1,544	2,497
Trade and other receivables		2,564	2,344
Cash and cash equivalents		47,318	75,712
Total current assets		**68,519**	**99,921**
Total assets		**73,330**	**104,935**
Shareholders' equity and liabilities			
Share capital	5.3	2,181	2,160
Additional paid-in capital		184,517	182,849
Cumulative losses		(155,693)	(130,870)
Total shareholders' equity		**31,005**	**54,139**
Contract liability		631	10,017
Lease liability		640	1,278
Employee benefits		11,580	10,896
Total non-current liabilities		**12,851**	**22,191**
Trade and other payables		2,303	2,410
Accrued expenses		5,718	6,618
Contract liability		20,180	18,310
Lease liability		1,273	1,267
Total current liabilities		**29,474**	**28,605**
Total liabilities		**42,325**	**50,796**
Total shareholders' equity and liabilities		**73,330**	**104,935**

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 6 months ended June 30,		2020	2019
in CHF thousands	Note		
Revenues			
Revenues from research and development collaborations		7,516	13,551
Total revenues	5.1	**7,516**	**13,551**
Operating expenses			
Research and development expenses	5.2	(25,141)	(18,992)
Selling, general and administrative expenses		(5,467)	(6,960)
Total operating expenses		**(30,608)**	**(25,952)**
Operating result		**(23,092)**	**(12,401)**
Financial income	5.6	333	754
Financial expenses	5.6	(1,976)	(1,091)
Net financial result		**(1,643)**	**(337)**
Result before income taxes		**(24,735)**	**(12,738)**
Income taxes	5.7	(13)	(6)
Net result, attributable to shareholders		**(24,748)**	**(12,744)**
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax		(60)	(2,605)
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(15)	(10)
Other comprehensive result, net of tax		**(75)**	**(2,615)**
Total comprehensive result, attributable to shareholders		**(24,823)**	**(15,359)**
Basic and diluted net result per share	5.8	(1.14)	(0.60)

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,	**2020**	**2019**
in CHF thousands		
Net result attributable to shareholders	(24,748)	(12,744)
Adjustments for:		
Depreciation and amortization	1,437	1,157
Share-based compensation costs	1,262	1,427
Change in employee benefits	624	334
Income tax	13	6
Financial income	(333)	(754)
Financial expenses	1,976	1,091
Changes in working capital:		
Change in prepaid expenses and accrued income	778	(966)
Change in trade and other receivables	(318)	49,690
Change in trade and other payables	(126)	310
Change in contract liability	(7,516)	(13,551)
Change in accrued expenses	(953)	475
Exchange gain/(loss) on working capital positions	4	589
Interest paid	(12)	(22)
Other financial expense	(4)	(4)
Net cash from (used in) operating activities	**(27,916)**	**27,038**
Proceeds from investments in short term time deposits	19,598	—
Investments in short term time deposits	(17,323)	(55,626)
Acquisition of property, plant and equipment	(1,068)	(544)
Acquisition of intangible assets	(167)	(405)
Interest received	508	419
Net cash from (used in) investing activities	**1,548**	**(56,156)**
Proceeds from exercise of stock options, net of transaction costs	427	293
Payment of lease liabilities	(632)	(608)
Net cash used in financing activities	**(205)**	**(315)**
Exchange gain/(loss) on cash positions	(1,821)	(1,900)
Net decrease in cash and cash equivalents	**(28,394)**	**(31,333)**
Cash and cash equivalents at January 1	75,712	98,958
Cash and cash equivalents at June 30	**47,318**	**67,625**

To provide more relevant information, the Group now presents all changes in contract liabilities in the line item change in contract liability as part of changes in working capital. The comparative period contract liability recognized in profit or loss (TCHF 13,551) previously disclosed separately as an adjustment to net result, has been reclassified to conform with the current period presentation. The reclassification has no impact to total operating activities cash flows.

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	Cumulative losses	Total shareholders' equity
At January 1, 2019	**2,123**	**179,438**	**(89,857)**	**91,704**
Net result	—	—	(12,744)	(12,744)
Remeasurement of net pension liabilities	—	—	(2,605)	(2,605)
Exchange differences on translating foreign operations	—	—	(10)	(10)
Total comprehensive income	**—**	**—**	**(15,359)**	**(15,359)**
Share-based compensation costs	—	1,427	—	1,427
Exercise of stock options, net of transaction costs	15	278	—	293
At June 30, 2019	**2,138**	**181,143**	**(105,216)**	**78,065**
At January 1, 2020	**2,160**	**182,849**	**(130,870)**	**54,139**
Net result	—	—	(24,748)	(24,748)
Remeasurement of net pension liabilities	—	—	(60)	(60)
Exchange differences on translating foreign operations	—	—	(15)	(15)
Total comprehensive income	**—**	**—**	**(24,823)**	**(24,823)**
Share-based compensation costs	—	1,262	—	1,262
Exercise of stock options, net of transaction costs	21	406	—	427
At June 30, 2020	**2,181**	**184,517**	**(155,693)**	**31,005**

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 Molecular Partners Inc. (collectively "Molecular Partners", "Group") is a clinical stage biopharmaceutical company applying its pioneering DARPin® product engine to treat serious diseases, with an initial focus on oncology, immuno-oncology and ophthalmology. 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 six months ended June 30, 2020 were approved for issuance by the Board of Directors on August 25, 2020.

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

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, 2019. 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, 2019.

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.

In order to provide more relevant and reliable information to the users of the financial statements, during the second half of 2019, the Group modified the classification of foreign exchange gains and losses to present amounts on a net basis whereas the amounts previously had been presented on a gross basis. The foreign exchange gains and losses as disclosed under financial income and financial expense are netted in the consolidated statement of comprehensive loss for all periods presented. The Group has reclassified comparative period information to conform with the current period presentation, which did not impact the net finance result nor the operating result. Please also refer to note 5.6.

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

In the course of the six months ended June 30, 2020 there were no significant events, transactions or changes in estimates that had a material impact on the condensed consolidated interim financial statements.

The Group is monitoring the situation surrounding the COVID-19 pandemic and its potential impact on patients, the team, the partners and the business. During the six months period ended June 30, 2020 as well as of the reporting date there are no nor were there any major disruptions to the operations. The Group continues to comply with all local and federal instructions as it relates to the safety of our employees, patients, and citizens.

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 the current reporting period, 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.

The area involving a higher degree of judgment or complexity, or an area where assumptions and estimates are significant to the consolidated financial statements is revenue recognition. The significant judgments made by management in applying the Group's accounting policies and the key source of estimation uncertainty, revenue with a judgment for instance related to the time over which upfront payments are to be recognized into revenue, was the same as described in the last annual consolidated financial statements.

5. Other explanatory notes

5.1 Revenue

The Group assesses and estimates the progress of its projects with alliance partners at each reporting date. In the current reporting period, the Group applies the cost based method which recognizes revenue based on the ratio of the associated costs incurred to date and the total forecasted cost to satisfy the performance obligation. In the comparative period, revenue was recognized evenly over the performance period. Refer to the notes to the 2019 IFRS consolidated financial statements for discussion regarding the change in estimate for the year ended December 31, 2019.

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

Revenues by country

in TCHF, for the six months ended June 30	**2020**	**2019**
Revenues USA	7,516	13,551
Total revenues	**7,516**	**13,551**

Analysis of revenue by major alliance partner

in TCHF, for the six months ended June 30	**2020**	**2019**
Amgen Inc., USA	7,516	13,551
Total revenues	**7,516**	**13,551**

5.2 Operating expenses

The increase in recognized research and development expenses for both the six months period are primarily driven by an increase in research related headcount and external expenses in connection with the continued progression of our clinical trials.

5.3 Issuances of equity securities

As of June 30, 2020 mainly as a result of the exercise of employee stock options and the vesting of Performance Share Units ("PSUs") and Restricted Share Units ("RSUs") under the 2017 Plan (please see also note 5.5), the outstanding issued share capital of the Company amounted to CHF 2,180,959 divided into 21,809,589 fully paid registered shares.

5.4 Dividends paid

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, 2020, 450,132 options were outstanding (December 31, 2019: 560,250 options) under all active option plans. As of June 30, 2020 and December 31, 2019 all options had vested .

As of June 30, 2020 a total of 459,303 PSUs and 89,351 RSUs were outstanding, of which none were vested (as of December 31, 2019 a total of 363,165 PSUs and 81,840 RSUs were outstanding, of which also none were vested).

The movements in the number of share-based awards (options, RSUs and PSUs) outstanding during the six month period ended June 30, 2020 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, 2020	**1,005,255**	**3.32**	**560,250**	**5.87**	**445,005**	**0.10**
Granted	**283,713**	**0.10**	—	—	283,713	0.10
(Performance adjustment)	**(25,483)**	**—**	—	—	(25,483)	—
(Forfeited)	**(56,302)**	**0.10**	—	—	(56,302)	0.10
(Expired)	**—**	**—**	—	—	—	—
(Exercised options), vested PSU / RSU	**(208,397)**	**2.07**	(110,118)	3.83	(98,279)	0.10
Balance outstanding at June 30, 2020	**998,786**	**2.93**	**450,132**	**6.38**	**548,654**	**0.10**

The share-based compensation costs recognized during the six months ended June 30, 2020 amounted to TCHF 1,262 (TCHF 1,427 for the six months ended June 30, 2019).

5.6 Financial income and expense

Financial income

in CHF thousands, for the six months ended June 30	2020	2019
Interest income on financial assets held at amortized cost	333	754
Net foreign exchange gain[1]	—	—
Total	**333**	**754**

Financial expense

in CHF thousands, for the six months ended June 30	2020	2019
Net foreign exchange loss[1]	(1,922)	(1,032)
Interest expense on leases	(10)	(15)
Other financial expenses	(44)	(44)
Total	**(1,976)**	**(1,091)**

[1] The foreign exchange gain of TCHF 931 and the foreign exchange loss of TCHF 1,963 for the six months in 2019 were reclassified to a foreign exchange loss of TCHF 1.032.

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

5.7 Income taxes

The Company had tax loss carry-forwards in Switzerland of TCHF 99,269 as of December 31, 2019 . 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 assets were recognized on the temporary difference on pension liabilities for the same reason. A current tax expense of TCHF 13 (TUSD 14) was recognized by the Group's U.S. based subsidiary during the six months ended June 30, 2020, for estimated U.S. tax obligations of the subsidiary based on intra-Group activity (six months ended June 30, 2019 TCHF 6 (TUSD 6).

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 own shares. Diluted net result per share additionally takes into account the potential conversion of all dilutive potential ordinary shares. For the interim periods ended June 30, 2020 and 2019 there are no dilutive effects.

for the six months ended June 30	2020	2019
Weighted average number of shares used in computing basic and diluted loss per share	21,708,541	21,323,245

5.9 Related parties

The Group did not enter into any other new related party transactions in the interim period presented.

5.10 Events after the balance sheet date

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

The new shares were issued from existing authorized share capital of the company under exclusion of the existing shareholders' pre-emptive rights. The new shares were listed and admitted to trading on SIX Swiss Exchange as of July 9,2020. Payment and settlement took place on the same date.

On August 11, 2020 the Group announced the reservation by the Swiss Federal Office of Public Health: Bundesamt für Gesundheit (FOPH-BAG) of a defined number of initial doses of the Group's anti-COVID-19 candidate, MP0420.

The agreement secures the FOPH-BAG the right to purchase 200,000 doses, with the potential to purchase up to an additional 3 million doses. Certain pricing provisions have been pre-negotiated, but remain subject to final therapeutic dose. Under the terms of the agreement, the Group has received a reservation fee in the mid to high single digit millions Swiss Francs. This will secure priority access for the FOPH-BAG to purchase reserved doses of MP0420, if clinical trials are successful and MP0420 is approved in Switzerland. We plan to initiate clinical studies in Q4 2020.

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

"I am inspired on a daily basis by Molecular Partners' high-quality science, my driven colleagues, and our potential impact on the lives of cancer patients."

Laura

Independent Auditor's Report on the Review of Condensed 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 of June 30, 2020, and the related condensed consolidated interim statement of comprehensive loss, 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) on pages 18-26. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated 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 condensed interim consolidated 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 consolidated interim financial information as of June 30, 2020 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG AG

Michael Blume
Licensed Audit Expert
Auditor in Charge

Judith Herold
Licensed Audit Expert

Zurich, August 25, 2020

Enclosure:
- Condensed consolidated interim financial information (condensed consolidated interim statement of financial position as of June 30, 2020 and related condensed consolidated interim statement of comprehensive loss, cash flow statement and statement of changes in equity for the six-month period then ended, and selected explanatory notes)

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.

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