Molecular Partners AG

Half-Year Report 2018

MOLECULAR partners

Delivering DARPin® Product Candidates
Powering Future Medicines

At a Glance:
Key Milestones & Contents

Key Milestones

- Promising initial data from MP0250 combination with bortezomib (Velcade®) in phase 2 study in multiple myeloma: Five of eight evaluable patients achieved objective response with median time of treatment for responding patients of 22.5 weeks.
- MP0250 combination with osimertinib (Tagrisso®) in EFGR-mutated non-small cell lung cancer supported by AstraZeneca with free drug supply.
- Immuno-oncology: DARPin® I/O toolbox established and preclinical data presented at AACR 2018, including MP0310, a FAPx4-1BB multi-DARPin® product candidate.
- Abicipar: In July 2018, Allergan presented positive phase 3 topline data on abicipar, demonstrating its non-inferiority in a 12-week fixed dosing regimen with less than half the injections vs. Lucentis®; Allergan plans FDA filing in H1 2019 and launch in 2020, while in parallel testing an optimized formulation to reduce inflammation.
- Oncology expertise of our team further strengthened with Bill Burns elected as Chairman and Pamela A. Trail joining as Chief Scientific Officer.
- Michael T. Stumpp assumes role of Chief Operating Officer of the company.
- Company well capitalized to capture key value inflection points into 2020 with CHF 122.4 million in cash and short-term deposits as of June 30, 2018.
- Net cash used in operating activities of CHF 19.4 million in H1 2018, reflecting ongoing build-out of R&D and clinical pipeline.

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To Our Shareholders:

First half of 2018: Promising MP0250 clinical data in oncology and positive abicipar phase 3 efficacy data presented

The first half of 2018 has been a very eventful and positive one for Molecular Partners.

Most notable was the further clinical progress of our lead oncology asset, MP0250. Earlier this year we presented promising updated data from our phase 2 trial of MP0250 in multiple myeloma, showing that when delivered in combination with bortezomib, MP0250 produced an objective response in 5 of 8 patients whose disease had been classified as relapsed or refractory.

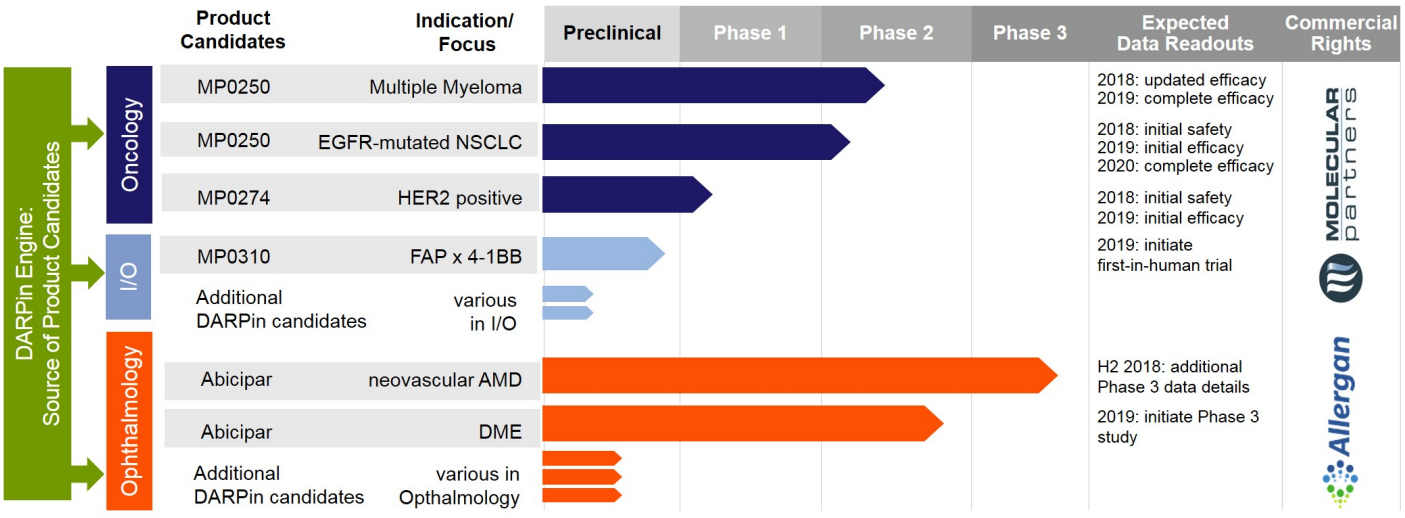
In addition, on July 19, 2018 our strategic partner Allergan announced positive phase 3 topline data for abicipar, the first-ever pivotal clinical results for a DARPin® product candidate. The data marked an important milestone for the team at Molecular Partners and our collaborators who have pioneered DARPin® therapeutics for more than a decade.

The data also highlighted the potential of DARPin® therapeutics as a novel treatment modality with reach across multiple disease states, including oncology.

Further strengthening our oncology commitment, this year we have welcomed Bill Burns as Chairman and Pamela A. Trail as Chief Scientific Officer. Their decades of expertise in oncology drug development will be invaluable as we continue to unlock the vast potential of the DARPin® platform in cancer treatment.

The developments of the first half of 2018 have been exciting for Molecular Partners, as they continue to substantiate the clinical potential of our DARPin® therapeutics for a range of indications.

We are grateful to our dedicated team as we move forward in advancing our growing pipeline of clinical and preclinical DARPin® product candidates.



AMD: age-related macular degeneration; DME: diabetic macular edema; NSCLC: non-small cell lung cancer

Pipeline chart of Molecular Partners: A balanced and robust product portfolio

1H 2018 Milestones

Updated data confirm promising progress of phase 2 study of MP0250 in multiple myeloma

In conference presentations in April, at the European Myeloma Network (EMN) Conference in Turin, and in June, at the 23rd Annual Congress of the European Hematology Association (EHA) in Stockholm, we presented updated preliminary results from the ongoing phase 2 study of our lead proprietary oncology candidate, MP0250. The open-label phase 2 clinical study is examining the safety and efficacy of MP0250 in combination with bortezomib (Velcade®) and dexamethasone in patients with relapsed/refractory multiple myeloma (RRMM). All patients had been pretreated with at least two lines of therapy, including an IMiD and bortezomib, and 50% were considered proteasome refractory. The study is being performed at nine centers in Germany, Poland and Italy.

At the data cutoff on May 21, 2018, five of eight evaluable patients achieved an objective response (four patients with PR/partial response; one patient with VGPR/very good partial response). Responses were durable, with median time on treatment for responding patients of 22.5 weeks and the longest response then still ongoing at 41 weeks. Main adverse events were consistent with the known side effect profile of VEGF-targeting agents and of Velcade®, respectively.

Overall, a total of at least 40 patients are planned to be treated in this phase 2 study. We anticipate sharing additional safety data and initial efficacy data before year-end 2018.

First patients dosed in second phase 2 study of MP0250, evaluating MP0250 and osimertinib (Tagrisso®) in non-small cell lung cancer (NSCLC)

In April, we announced an agreement with AstraZeneca (LON: AZN) to conduct a phase 1b/2 clinical study of MP0250 in combination with osimertinib (Tagrisso®) in patients with EGFR-mutated non-small cell lung cancer (NSCLC) who were pre-treated with osimertinib. Under the study agreement, AstraZeneca will supply osimertinib for the clinical study. We plan to enroll approximately 40 patients in this U.S.-based study. Recruitment is ongoing since Q2 2018 and the first patients have been dosed. Initial safety data are expected by the end of 2018 with initial efficacy data to be disclosed in 2019.

MP0274 in HER2-positive solid tumors: Enrollment for phase 1 study ongoing

We have amended the protocol of our phase 1 study of MP0274, a multi-DARPin® product candidate being developed for the treatment of HER2-positive solid tumors, to allow the enrollment of more patients at lower doses. In preclinical studies MP0274 induces a profound inhibition of specific downstream signaling pathways, and directly kills HER2-addicted tumor cells through the induction of apoptosis. This represents a new and differentiated mode of action as compared to current standard of care antibodies.

Enrollment and patient dosing of this phase 1 study is ongoing and we continue to expect initial safety data in Q4 2018, with the first efficacy data expected in 2019.

Immuno-oncology: Preclinical data on the company's DARPin® 'toolbox' and on MP0310

At April's annual meeting of the American Association of Cancer Research (AACR) in Chicago, we presented new preclinical data on MP0310 as well as data on the tumor-restricted activity of other DARPin® product candidates we have validated. MP0310 binds to 4-1BB and FAP and is the first immuno-oncology DARPin® candidate in development.

Preclinical data indicate that MP0310 can activate immune cells only in the tumor micro-environment and not in the general circulation. This may translate into a better efficacy/safety profile than that seen with anti-4-1BB monoclonal antibodies.

Abicipar: Positive topline data announced for two pivotal phase 3 trials for patients with neovascular AMD, demonstrating the efficacy of an abicipar 12-week fixed dosing regimen with 50% fewer injections than Lucentis®

On July 19, Allergan and Molecular Partners announced the release of positive phase 3 topline data from two clinical trials of abicipar. Those trials, called SEQUOIA and CEDAR, demonstrated that both the 8-week and 12-week treatment regimens of abicipar met the pre-specified primary endpoint of non-inferiority to ranibizumab (Lucentis®). SEQUOIA and CEDAR are identical global phase 3 studies designed to assess the efficacy and safety of abicipar compared with ranibizumab in treatment-naive patients with neovascular age-related macular degeneration (nAMD).

The primary endpoint measured the proportion of treated patients with stable vision at week 52. In the first year of both studies abicipar demonstrated similar efficacy, after 6 or 8 injections, to a regimen of 13 ranibizumab injections. The overall adverse events were similar among the three treatment arms. The incidence of intraocular inflammation was approximately 15% in the abicipar arms, higher than the rate seen in ranibizumab-treated patients, which was below 1% in both trials. To minimize inflammation, Allergan has further optimized the formulation of abicipar and is testing this formulation (MAPLE trial). The trial is recruiting patients, with a goal of 100 patients enrolled.

We are very excited to see that our most advanced DARPin® molecule, abicipar, has reached its primary endpoint in a phase 3 trial. This is an important milestone for Molecular Partners and the DARPin® technology in general, which clearly validates the strong clinical potential of our platform for our core focus area of oncology. These data indicate that abicipar can indeed help patients in need while requiring less frequent dosing, which was our central goal in developing this therapy.

The SEQUOIA and CEDAR phase 3 clinical trials continue on a masked basis, now in their second year. Full data details of the primary endpoints and the secondary endpoints will be presented at an upcoming scientific conference. Allergan plans to file abicipar in the first half of 2019. Allergan will be requesting a meeting with the Food and Drug Administration (FDA) to discuss the corresponding BLA submission. The market launch of abicipar is foreseen for 2020.

Bill Burns elected Chairman at the 2018 AGM

William (Bill) Burns, former CEO of Roche Pharmaceuticals, was elected as Chairman of our company at the Annual General Meeting held on April 18, 2018. Bill Burns held various executive positions at Roche for 28 years, culminating in his nomination to the position of CEO of Roche Pharmaceuticals and board seats at Roche, Genentech and Chugai Pharmaceuticals. The company will benefit from Bill's experience in the development and commercialization of drugs, particularly in oncology, and from his extensive knowledge of pharmaceutical industry operations.

All other motions recommended by the company's Board of Directors were approved as well by the shareholders present at the meeting.

Pamela A. Trail appointed Chief Scientific Officer and member of the Executive Management

On June 21, Pamela A. Trail, Ph.D, was appointed Chief Scientific Officer of Molecular Partners and a new member of the Executive Management Team of the company. Dr. Trail served most recently as Vice President of Oncology Strategy and Program Direction at Regeneron Pharmaceuticals. Dr. Trail has over 30 years of experience in directing cancer drug discovery efforts at leading pharmaceutical companies worldwide. She holds a Ph.D. in Immunology and Virology from the University of Connecticut. With her addition we significantly strengthen our leading research capabilities applying the DARPin® platform to oncology drug development.

Michael T. Stumpp appointed Chief Operating Officer

On June 21, Michael T. Stumpp, Ph.D., a co-founder of Molecular Partners and formerly Chief Scientific Officer of the company, was appointed Chief Operating Officer of the company. Dr. Stumpp was part of the research team at University of Zurich that invented the DARPin® technology. Since Molecular Partners' inception, he has overseen the DARPin® pipeline.

Business outlook and priorities

As pertains to our proprietary oncology pipeline, Molecular Partners expects to report additional safety data and initial efficacy data from the phase 2 study of MP0250 in patients with multiple myeloma (MM) in 2018. The company also expects initial safety data from the phase 1b/2 study of MP0250 in NSCLC in 2018, having dosed the first patients. For MP0274, the proprietary, single-pathway DARPin® drug candidate for the treatment of HER2-positive cancer, we expect initial safety data in Q4 2018 and first efficacy data in 2019. Additionally we will continue to advance our immuno-oncology pipeline and will present further research and preclinical data for our DARPin® candidate MP0310 in 2018. In this promising field, we have reinforced our focus on activating agonists in a tumor-restricted way. In ophthalmology, following the positive phase 3 topline results of abicipar announced by Allergan on July 19, Molecular Partners will continue to support Allergan in advancing abicipar through phase 3 studies in patients with neovascular AMD and in further optimizing the abicipar formulation in order to minimize inflammation.

We will also continue to support Allergan in the launch of the phase 3 study for the further optimized formulation of abicipar in DME, expected for 2019, as well as in advancing the three preclinical ophthalmology assets which Allergan optioned-in from the existing research collaboration. Allergan anticipates a market launch for abicipar for the neovascular AMD indication in the year 2020.

Financial outlook 2018

As the first half of 2018 developed in line with our management team's expectations, Molecular Partners is able to add more precision to the financial outlook 2018 which was provided with the company's 2017 full-year results on February 8, 2018, as well as in our quarterly management statement on April 26, 2018.

For the full year 2018, at constant exchange rates, the company expects total expenses at the lower end of the CHF 50-60 million range, of which around CHF 6 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciations.

However, this guidance is subject to the progress of the pipeline, mainly driven by manufacturing costs, the speed of enrollment of patients in clinical 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 from existing and potentially new partnerships are not disclosed.

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 2018 and beyond.

Sincerely,

Bill Burns
Chairman of the Board of Directors

Patrick Amstutz, Ph.D.
Chief Executive Officer

P. Amstutz (left), B.Burns (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 2018	H1 2017	Change
Total revenues	**9.4**	**6.0**	**3.4**
R&D expenses	(17.7)	(18.9)	1.2
G&A expenses	(4.4)	(3.8)	(0.6)
Total operating expenses (incl. depreciation)	**(22.1)**	**(22.7)**	**0.6**
Operating result	**(12.7)**	**(16.7)**	**4.0**
Net finance result	1.0	(2.7)	3.7
Income taxes	—	—	—
Net result	**(11.7)**	**(19.4)**	**7.7**
Basic and diluted net result per share (in CHF)	(0.56)	(0.93)	0.37
Net cash from (used in) in operating activities	(19.4)	(20.5)	1.1
Net cash from (used in) investing activities	(20.1)	(8.1)	(12.0)
Net cash from (used in) financing activities	0.2	0.3	(0.1)
Exchange gain/(loss) on cash positions	0.7	(2.8)	3.5
Net increase (decrease) in cash & cash equivalents	(38.6)	(31.1)	(7.5)
Cash & cash equivalents at June 30	**92.7**	**118.6**	**(25.9)**
Cash & cash equivalents at June 30 (incl. short-term time deposits)	**122.4**	**156.9**	**(34.5)**
Total non-current assets	1.7	2.2	(0.5)
Total current assets	125.7	158.8	(33.1)
Total shareholders equity at June 30	116.3	118.3	(2.0)
Total non-current liabilities	4.4	27.7	(23.3)
Total current liabilities	6.7	15.0	(8.3)
Number of total FTE at June 30	**112.3**	**104.4**	**7.9**
- thereof in R&D	100.4	92.8	7.6
- thereof in G&A	11.9	11.6	0.3

Financial Summary

Molecular Partners' financial performance continued to develop in line with management's expectations for the first six months of 2018 and the guidance provided to the capital market.

Financial highlights of the first half-year 2018 are as follows:

- Recognized revenues were CHF 9.4 million, against R&D expenses of CHF 17.7 million and G&A expenses of CHF 4.4 million
- This constituted a net operating loss of CHF 12.7 million
- Net finance income amounted to CHF 1.0 million
- The company incurred a net loss of CHF 11.7 million
- Molecular Partners maintained a debt free balance sheet
- As of June 30, 2018, the company held a cash balance (incl. short-term time deposits) of CHF 122.4 million
- As of June 30, 2018 there were 21,180,838 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 is continuing its investing into the further development of its proprietary DARPin® candidates with a specific focus on oncology. Moreover, Molecular Partners remains fully committed to invest in R&D in order to grow and develop its pipeline targeting high value indications. Finally, the company may finance the in-licensing or any acquisition of complementary businesses and technologies in order to fuel the company's growth and development paths towards becoming a leading integrated European biopharmaceutical company.

Revenues

In H1 2018, the company recognized total revenues of CHF 9.4 million, a 57% increase compared to H1 2017. These revenues were fully attributable to the partnership and cooperation with Allergan. The increase was driven by the implementation of IFRS 15 as per January 1, 2018 whereby certain milestone fees and development option fees now will be recognized at a point in time and no longer accounted for over a period of time.

Operating expenses

Total R&D expenses were CHF 1.2 million, or 6%, lower than in H1 2017 and stood at CHF 17.7 million. R&D expenses have gone down vs H1 2017 mainly due to reduced manufacturing costs for MP0250. Total G&A expenses increased by CHF 0.6 million, or 16%, to CHF 4.4 million mainly due to ongoing build-out and growth of the organization.

Overall, total operating expenses decreased by CHF 0.6 million, or 3%, to CHF 22.1 million. These costs included CHF 3.0 million non-cash effective share-based compensation, pension costs and depreciation (H1 2017: CHF 2.6 million). The two major expense categories remained personnel expenses of CHF 12.7 million (ca. 57% of total operating expenses) and third-party R&D expenses of CHF 6.3 million (ca. 28% of total operating expenses).

The company expects operating expenses to increase again in the second half year 2018, reflecting the increasing development and clinical trial activities for the company's proprietary product candidates as well as continued investments into the proprietary DARPin® technology.

This is resulting in the expansion of Molecular Partners' proprietary product pipeline. 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, 2018, Molecular Partners had 112.3 FTE on its payroll (+8% compared to June 30, 2017), thereof 100.4 or 89% in R&D and 11.9 FTE or 11% in G&A (June 30, 2017: 104.4 total FTE; December 31, 2017: 107.8 total FTE).

Operating result

In H1 2018, the company generated an operating loss of CHF 12.7 million, against an operating loss of CHF 16.7 million incurred in the same period in 2017. The lower operating loss compared to the first half 2017 was mainly driven by the higher revenues recognized following the implementation of IFRS 15. This positive one-time effect will not be recurring in future periods.

Financial income and expenses

In H1 2018, Molecular Partners incurred a net financial income of CHF 1.0 million (H1 2017: net financial expense of CHF 2.7 million). The income is mainly due to unrealized foreign exchange gains on the cash balances held in USD and in EUR, respectively. The company continues to not 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 result

In H1 2018, the company incurred a net loss of CHF 11.7 million (H1 2017: net loss of CHF 19.4 million). The substantially lower net loss fully reflects the lower operating loss and is hence also ultimately mainly driven by higher revenues recognized following the implementation of IFRS 15. This positive one-time effect will not be recurring in future periods.

Balance sheet and capital resources

Total current assets came back to CHF 125.8 million as per June 30, 2018, down by CHF 33.0 million compared to CHF 158.8 million recorded on June 30, 2017. This decrease mirrors the reduction in the company's total cash balance (including short-term time deposits) of CHF 34.5 million. The company's cash balance (including short-term time deposit) per June 30, 2018 stood at CHF 122.4 million (H1 2017: CHF 156.9 million). Compared to the level at year-end 2017, the reduction was CHF 18.7 million. Compared to year-end 2017, total shareholders' equity decreased by a marginal CHF 0.4 million to CHF 116.3 million which corresponds to a CHF 2.0 million reduction versus the level of mid-2017 (June 30, 2017: CHF 118.3 million).

The company continued to be debt-free. The liabilities on the balance sheet are made up of trade payables and accrued expenses from our operations as well as pension liabilities as per IAS 19. Total liabilities were CHF 16.6 million lower compared to the year-end level 2017, following the implementation of IFRS 15. As per June 30, 2018 the company no longer records any deferred revenues. As a consequence, total liabilities stood at CHF 11.1 million at the end of the first half-year 2018 (June 30, 2017: CHF 42.7 million).

Cash flow statement

In H1 2018, Molecular Partners incurred a net cash outflow from operations of CHF 19.4 million, a decrease of CHF 1.1 million compared to the same period in 2017. Cash outflow from investing activities went up substantially to CHF 20.1 million (H1 2017: CHF 8.1 million) mainly due to an additional net transfer of CHF 20.0 million into short-term time deposits. Net cash from financing activities, which is mainly related to the exercise of employee stock options, minimally reduced by CHF 0.1 million to CHF 0.2 million. The company's unrealized net foreign exchange result on its USD and EUR cash positions turned from a CHF 2.8 million loss in H1 2017 into a CHF 0.7 million gain in H1 2018.

Overall, this produced a net cash reduction of CHF 38.6 million in H1 2018 (H1 2017: net cash reduction of CHF 31.2 million), resulting in a cash and equivalents position of CHF 92.7 million as per June 30, 2018 and in a total cash balance (including short-term time deposits) of CHF 122.4 million, respectively.

Outlook 2018

As the first half 2018 developed in line with management expectations, Molecular Partners is able to add more precision to the financial outlook 2018 which was provided in the company's 2017 full-year results on February 8, 2018 as well as in the company's interim management statement on April 26, 2018:

At constant exchange rates, the company expects total expenses at the lower end of the CHF 50-60 million range, of which around CHF 6 million will be non-cash effective costs for share-based payments, IFRS pension accounting and depreciations.

However, this guidance is subject to the progress of the pipeline, mainly driven by manufacturing costs, the speed of enrollment of patients in clinical 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 from existing and potentially new partnerships are not disclosed.

Financial Calendar

Date	Event
November 1, 2018	Publication of Q3 2018 Interim Management Statement
December 6, 2018	R&D Day in New York
February 7, 2019	Full-year Results 2018 (unaudited)
March 15, 2019	Publication of Annual Report and audited Full-year Results 2018
April 16, 2019	Annual General Meeting

Share Price & Volume Development

Share price development

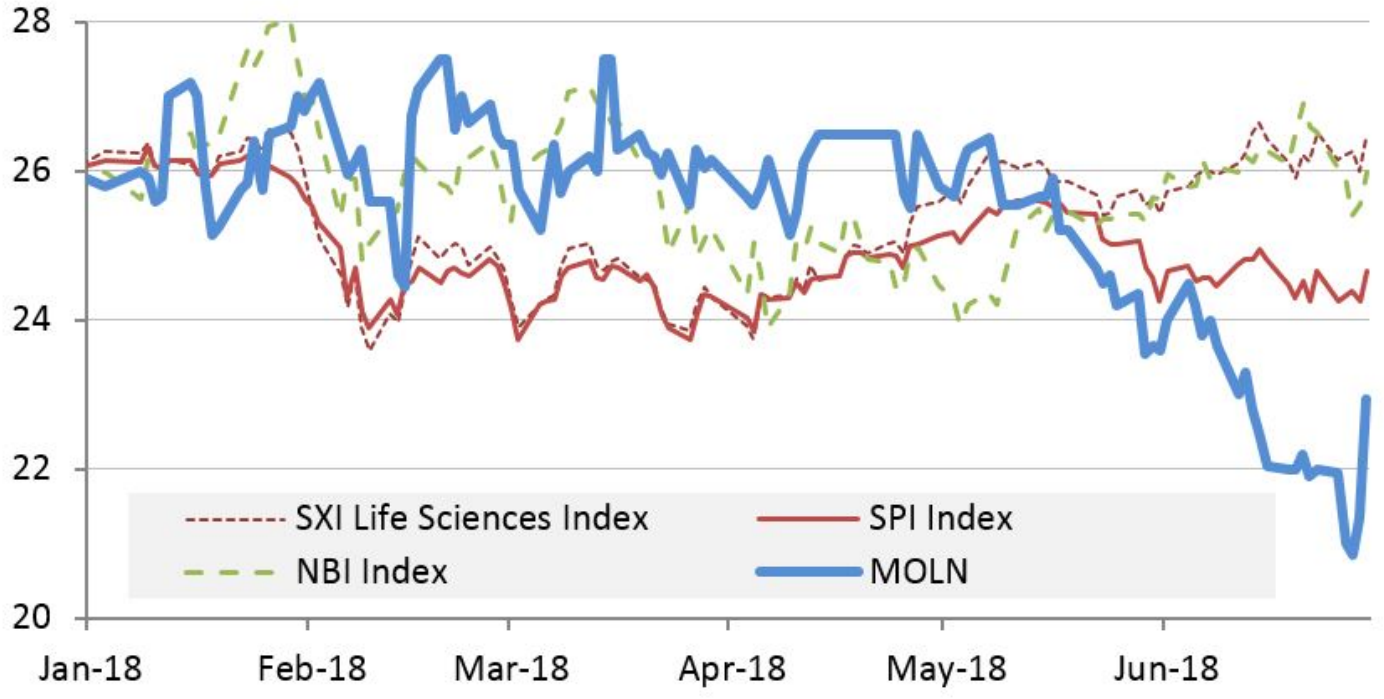
After having closed the year 2017 on a share price of CHF 26.30, representing a yearly increase of 6%, the Molecular Partners share also started solidly into 2018. Over the course of the first quarter 2018, the share traded basically unchanged versus year-end 2017 which represented an over-performance versus both its domestic and international biotech peers as well as the Swiss Performance Index (SPI).

As of the beginning of May 2018, the Molecular Partners Share had outperformed both domestic indices (the SPI and the SXI Life Sciences indices) and the international Nasdaq Biotech Index (NBI). However, as of May 8, 2018 the share entered into a prolonged phase of pricing pressure which only eased immediately before the semester end during the last two trading sessions.

The highest price of CHF 27.50 during the first six months 2018 was recorded on February 20, 2018 and the lowest value of CHF 20.85 on June 27, 2018.

As a result of the sharply negative performance in the months of May and June 2018, the Molecular Partners share closed the half-year 2018 on a level of CHF 22.95, down 13% versus year-end 2017. That closing price implied a market capitalization of CHF 486 million per June 30, 2018.

The sharp share price decrease over the course of the first semester 2018 represents a clear under-performance versus the domestic SPI index (-4% during H1 2018). Compared to both the international Nasdaq Biotech Index NBI (+3% in H1 2018) as well as the domestic SXI Life Sciences peers (+4% in H1 2018), the underperformance in the first six months of 2018 was even more substantial.



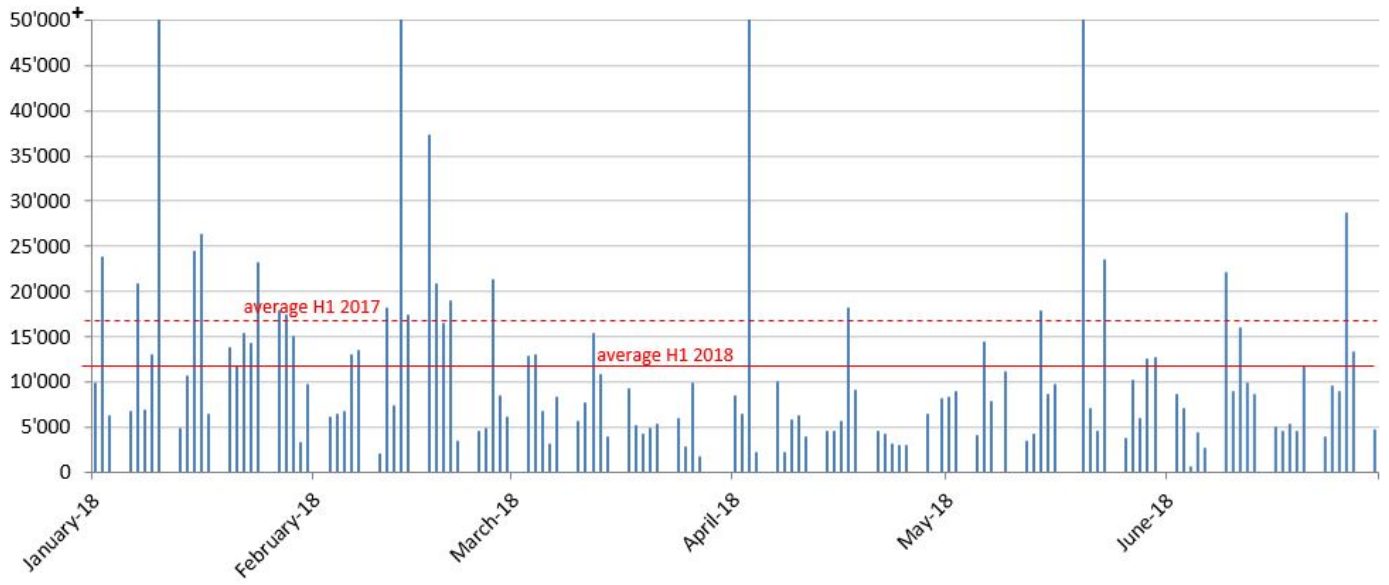
Volume development

The total volume of Molecular Partners' shares which were traded on the SIX Swiss Exchange during the first six months 2018 was 1.42 million shares, a decrease of almost 28% versus the comparable period in 2017 (1.96 million) and representing a share of ca. 67% of all shares outstanding and ca. 87% of the free float.

On average, ca. 11,600 shares were traded on a daily basis on the SIX during the first half-year 2018, excluding any off-exchange block trades. This represents a decrease of 27% compared to 1H 2017 (15,800).

The decrease reflects on the one hand some investors' skepticism about the Swiss listed biotech sector triggering a muted trading activity in Molecular Partners as well as its peers. Additionally, the first half-year 2017 saw elevated trading as a result of the substantial shareholder rotation from VC investors to private shareholders.

The trading volume in the first half-year 2018 reached its highest daily amount of almost 74,000 shares on April 5, 2018. Four trading days saw a volume exceeding 50,000 shares traded. The lowest daily trading activity (778 shares) occurred on June 6, 2018.



The total trading turnover in the first half-year 2018 was CHF 36.2 million, representing an decline of 27% versus the same period in 2017 (1H 2017: CHF 49.6 million).

The average daily trading turnover was CHF 300,000, representing a decrease of 25%.

Condensed Interim Financial Statements 2018 (unaudited)

Interim statement of financial position as of		June 30, 2018	December 31, 2017
in CHF thousands	Note		
Assets			
Property, plant and equipment		1,652	1,871
Intangible assets		15	27
Total non-current assets		**1,667**	**1,898**
Short-term time deposits		29,697	9,745
Prepaid expenses and accrued income		2,256	349
Trade and other receivables		1,148	1,115
Cash and cash equivalents		92,667	131,316
Total current assets		**125,768**	**142,525**
Total assets		**127,435**	**144,423**
Shareholders' equity and liabilities			
Share capital	6.4	2,118	2,104
Additional paid-in capital		177,787	175,349
Treasury shares		—	—
Cumulative losses		(63,566)	(60,724)
Total shareholders' equity		**116,339**	**116,729**
Deferred revenues (long-term)		—	9,539
Employee benefits		4,448	4,014
Total non-current liabilities		**4,448**	**13,553**
Trade and other payables		2,288	1,291
Accrued expenses		4,360	3,971
Deferred revenues (short-term)		—	8,879
Total current liabilities		**6,648**	**14,141**
Total liabilities		**11,096**	**27,694**
Total shareholders' equity and liabilities		**127,435**	**144,423**

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

Interim statement of comprehensive loss for the six months ended		June 30, 2018	June 30, 2017
in CHF thousands	Note		
Revenues			
Research and collaboration revenues		9,440	5,875
Other revenues	5 / 6.1	—	137
Total revenues		**9,440**	**6,012**
Operating expenses			
Research and development expenses		(17,713)	(18,936)
General and administrative expenses		(4,403)	(3,806)
Total operating expenses		**(22,116)**	**(22,742)**
Operating result		**(12,676)**	**(16,730)**
Financial income	6.7	1,033	283
Financial expenses	6.7	(77)	(2,930)
Net finance result		**956**	**(2,647)**
Result before income taxes		**(11,720)**	**(19,377)**
Income taxes	6.8	—	—
Net result, attributable to shareholders		**(11,720)**	**(19,377)**
Other comprehensive result			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension liabilities, net of tax		(101)	(20)
Other comprehensive result, net of tax		**(101)**	**(20)**
Total comprehensive result, attributable to shareholders		**(11,821)**	**(19,397)**
Basic and diluted net result per share (in CHF)	6.9	(0.56)	(0.93)

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

Interim cash flow statement for the six months ended in CHF thousands	**June 30, 2018**	**June 30, 2017**
Net result	(11,720)	(19,377)
Adjustments to reconcile net loss to net cash from (used in) operating activities:		
Depreciation and amortization	475	572
Share-based compensation costs	2,231	1,610
Change in employee benefits	334	446
Deferred revenues recognized in income	(9,440)	(5,239)
Financial income	(1,033)	(283)
Financial expenses	77	2,930
Changes in working capital:		
Change in prepayments and other assets	(1,617)	(28)
Change in trade and other receivables	(29)	(315)
Change in trade and other payables	1,001	118
Change in accrued expenses	389	(885)
Exchange loss on working capital positions	(38)	(30)
Other financial expense	(39)	(43)
Net cash used in operating activities	**(19,409)**	**(20,524)**
Proceeds from Investments in short term time deposits	10,033	—
Investment in short term time deposits	(29,985)	(7,808)
Acquisition of property, plant and equipment	(240)	(272)
Acquisition of intangible assets	(4)	(6)
Interest and option premium received	62	1
Net cash used in investing activities	**(20,134)**	**(8,085)**
Exercise of stock options, net of transaction costs	221	278
Net cash from financing activities	**221**	**278**
Exchange gain/(loss) on cash positions	673	(2,846)
Net decrease in cash and cash equivalents	**(38,649)**	**(31,177)**
Cash and cash equivalents at January 1	131,316	149,735
Cash and cash equivalents at June 30	**92,667**	**118,558**

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

Interim statement of changes in equity in CHF thousands	Share capital	Additional paid-in capital	Treasury Shares	Cumulative losses	Total equity
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**
At January 1, 2018	**2,104**	**175,349**	**—**	**(60,724)**	**116,729**
Cumulative effect of change in accounting principles	—	—	—	8,979	8,979
Adjusted January 1, 2018	**2,104**	**175,349**	**—**	**(51,745)**	**125,708**
Net result	—	—	—	(11,720)	(11,720)
Remeasurement of net pension liabilities	—	—	—	(101)	(101)
Total comprehensive income	**—**	**—**	**—**	**(11,821)**	**(11,821)**
Share-based compensation costs	—	2,231	—	—	2,231
Exercise of stock options, net of transaction costs	14	207	—	—	221
At June 30, 2018	**2,118**	**177,787**	**—**	**(63,566)**	**116,339**

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

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.

The condensed interim financial statements for the six months ended June 30, 2018 were approved for issuance by the Board of Directors on August 29, 2018.

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 of and for the year ended December 31, 2017. The accounting policies set forth in the notes to those annual financial statements have been consistently applied to all periods presented, except for changes related to the application of IFRS 15, which are described in Note 5. The condensed interim financial statements are presented in thousands of Swiss Francs (TCHF), unless stated otherwise.

3. New and revised standards and interpretations

This is the first set of the Company's financial statements where IFRS 15 `Revenues from Contracts with Customers` has been applied as the company adopted this standard as per January, 1 2018. Changes to significant accounting policies and related impacts are described in Note 5.

Other new standards issued by the IASB with effect from January 1, 2018 (notably IFRS 9 'Financial Instruments' , IFRIC 22 'Foreign Currency Transactions and Advance Consideration' and various amendments to other standards) 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, 2019 and beyond, most notably IFRS 16 'Leases'.

4. Critical Accounting estimates and judgments

The condensed interim financial statements have been prepared under the historical cost convention. In preparing these condensed 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are revenue recognition and share based compensation. The significant judgments made by management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for significant judgments related to the application of IFRS 15, which are described in Note 5.

5. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as applied in the Company's financial statements as of and for the year ended December 31, 2017. The changes in accounting policies are also expected to be reflected in the Company's financial statements as of and for the year ended December 31, 2018.

IFRS 15 Revenue from Contracts with Customers

The Company has initially adopted IFRS 15 'Revenue from Contracts with Customers' from January 1, 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS18 'Revenue' and related interpretations. The Company has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying the standard recognized at the date of the initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

As a guiding principle, revenues from research and development collaboration agreements are recognized when earned based upon the performance requirements of the respective agreements. For revenue arrangements with separately identifiable components (separate performance obligations under IFRS 15), the revenue recognition criteria are applied to each component. The transaction price is determined as the consideration expected to be received from the arrangement and is allocated amongst the separate components based on their relative stand-alone selling prices. The corresponding amount of transaction price allocated to each component is recognized over the relevant pattern, either over time for upfront payments or at a point in time for milestone payment and development option payments. Payments received in excess of amounts earned are recorded as deferred revenue.

Revenues include fee such as upfront payments received in connection with out-licensing of products and in connection with discovery alliances, as well as fees for maintenance of patents, R&D support and services, participation in Joint Steering Committees and other involvement in the collaboration. In exchange for these non-refundable upfront fees, the Company does not transfer a good or a service to the customer, rather the upfront fee consists of an advance payment for future services and/or the right to access the underlying intellectual property of the Company. Consequently, the related revenues are recognized over time pro rata over the duration of such performance obligations. Revenue recognition related to upfront payments was not affected by the new accounting policy.

Revenues also include fees such as milestone and development option payments received in connection with out-licensing of products and in connection with discovery alliances. Upon meeting the set milestone or upon a development option being exercised, the Company obtains a right to payment (non-refundable) and the customer has typically acquired the right to use the underlying intellectual property, without any remaining performance obligations from the Company. Consequently, the related revenues are recognized at a point in time, either when the milestone is met or the option is exercised by the customer.

The effect of initially applying IFRS 15 is mainly attributed to the following items that are explained in the below tables:

- earlier recognition of revenue from milestones achieved before January 1, 2018
- earlier recognition of revenue from development options exercised before January 1, 2018
- later recognition of revenue from development options exercised after January 1, 2018

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's various services are set out below. Under IFRS 15, revenue is recognized when a customer obtains control of the services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

Type of payments received	Timing of revenue recognition	Nature of change in accounting policy
Revenue recognition of upfront payments	Upfront payments received in connection with out-licensing arrangements are typically non-refundable fees for which the Company does not transfer a good or a service to the customer, rather the upfront payments consists of an advance payment for future services and/or an acquisition of the right to access the underlying intellectual property of the Company. Consequently, the related revenue is recognized pro rata over the duration of such performance obligations, for example the period over which the company would be required to deliver research and development activities.	No change as a result of the transition to IFRS 15
Revenue recognition of milestone payments	Milestone payments received in connection with out-licensing arrangements are typically non-refundable fees entitling the Company to a right to payment upon such milestone being met. At that time, the customer has typically acquired to right to use the underlying intellectual property, without any remaining performance obligation from the Company. Considering the uncertainty surrounding the outcome of such development activities, the revenue is consequently recognized at a point in time, when the milestone is reached. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.	Under IAS18 these milestones were recognized over time considering the probability of achieving the next milestone as well as the date of its achievement.
Revenue recognition of payments received for development options exercises	Development option payments received in connection with out-licensing arrangements are typically non-refundable fees entitling the Company to a right to payment upon such option being exercised. At that time, the customer has typically acquired the right to use the underlying intellectual property, without any remaining performance obligations from the Company. Considering the fact that the exercise of any option is outside the control of the Company, revenue is recognized at a point in time at the effective exercise of the option. At this stage it is highly probable that a reversal of the cumulative revenue will not occur.	Under IAS 18 these development option exercise fees were recognized over time where depending on the assessment of timing to completion.

Due to immateriality the Company determined that certain recharges to its collaboration and other partners would no longer be presented as other revenue but as credits to the associated expense lines in the income statement.

The following table summarizes the impact, net of tax, of the transition to IFRS 15 on cumulative losses as at January 1, 2018. This overview reflects the impact of the recognition at a point-in-time, whereby the actual date of the performance obligation, for milestones and development option fees, is satisfied / completed, is taken into consideration and this resulted in an earlier or later recognition of revenue as compared to the previously applied IAS 18 standard.

in CHF thousands	Impact of adopting IFRS 15 at January 1, 2018
Cumulative losses at December 31, 2017 as reported	**(60,724)**
Milestones achieved before January 1, 2018	6,244
Development options exercised before January 1, 2018	7,494
Development options exercised after January 1, 2018	(4,759)
Total impact on Cumulative Losses	**8,979**
Adjusted cumulative losses as per January 1, 2018	**(51,745)**

The following tables summarize the impacts of adopting IFRS 15 on the Company's interim statement of financial position as at June 30, 2018 and its interim statement of comprehensive income for the six months then ended for each of the line items affected. There was no impact on the Company's interim statement of cash flows for the six month period ended June 30, 2018, other than balancing entries on Net result and Deferred revenue recognized in income, not affecting the total net cash used in operating activities.

as of June 30, 2018 In CHF thousands	As reported	Adjustments	Amounts without adoption of IFRS 15
Total non-current assets	1,667	—	1,667
Total current assets	125,768	—	125,768
Total Assets	**127,435**	**—**	**127,435**
Share capital	2,118	—	2,118
Additional paid in capital	177,787	—	177,787
Treasury shares	—	—	—
Cumulative losses	(63,566)	(13,979)	(77,545)
Total shareholders' equity	**116,339**	**(13,979)**	**102,360**
Deferred revenues (long-term)	—	5,197	5,197
Employee benefits	4,448	—	4,448
Total non-current liabilities	**4,448**	**5,197**	**9,645**
Trade and other payables	2,288	—	2,288
Accrued expenses	4,360	—	4,360
Deferred revenues (short-term)	—	8,782	8,782
Total current liabilities	**6,648**	**8,782**	**15,430**
Total liabilities	**11,096**	**13,979**	**25,075**
Total shareholders' equity and liabilities	**127,435**	**—**	**127,435**

For the six months June 30, 2018 In CHF thousands	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenues from research and development collaborations	9,440	(5,000)	4,440
Other revenues	—	149	149
Total revenues	**9,440**	**(4,851)**	**4,589**
Total operating expenses	(22,116)	(149)	(22,265)
Operating result	**(12,676)**	**(5,000)**	**(17,676)**
Net finance result	956	—	956
Result before income taxes	**(11,720)**	**(5,000)**	**(16,720)**
Income taxes	—	—	—
Net result, attributable to shareholders	**(11,720)**	**(5,000)**	**(16,720)**
Other comprehensive result, net of tax	(101)	—	(101)
Total comprehensive result, attributable to shareholders	**(11,821)**	**(5,000)**	**(16,821)**

6. Other explanatory notes

6.1 Revenue

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	June 30, 2018	June 30, 2017
Revenues CH	—	53
Revenues USA	9,440	5,959
Total revenues	**9,440**	**6,012**

Analysis of revenue by major alliance partner

in CHF thousands, for the six months ended	June 30, 2018	June 30, 2017
Allergan Inc., USA	9,440	5,959
Other	—	53
Total	**9,440**	**6,012**

Revenue increased due to the implementation of IFRS 15 in the 6 months ended June 30, 2018; please see also Note 4 and Note 5.

6.2 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.

6.3 Significant events, transactions and changes in estimates

In the course of the two reporting periods ended June 30, 2017 and 2018 respectively, there were no significant events, transactions and changes in estimates that had a material impact on the condensed interim financial statements, other than as disclosed in note 5 related to the implementation of IFRS 15.

6.4 Issues, repurchases and repayments of debt and equity securities

As of June 30, 2018, as a result of the exercise of employee stock options and the vesting of PSUs and RSUs under the 2015 Plan for PSUs and RSUs, the outstanding issued share capital of the Company amounted to CHF 2,118,083.80 divided into 21,180,838 fully paid registered shares. There were no other issues, repurchases and repayments of debt and equity securities in the 1st half of 2018.

As of June 30, 2017 the outstanding issued share capital of the Company amounted to CHF 2,079,460.60 divided into 20,794,606 fully paid registered shares . There were no other issues, repurchases and repayments of debt and equity securities in the 1st half of 2017.

6.5 Dividends paid

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

6.6 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).

As of June 30, 2018, 909,839 options were outstanding (June 30, 2017: 1,192,554 options) 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 both the June 30, 2018 and the June 30, 2017 reporting dates, a total of 47,512 options out of 448,225 options under ESOP 2014 were unvested as of June 30, 2018 (as per June 30, 2017: a total of 178,853 out of 481,275 options under ESOP 2014 were unvested). ESOP 2014 contains a 100% accelerated vesting upon change of control of the Company.

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
- LTI plans 2018 established in March 2018

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 blocking period. The number of RSUs per plan participant is a function of the approved CHF amount per position divided by the fair value of each RSU as at the grant date. In certain circumstances, including a change of control, a full or partial accelerated vesting of the RSUs may occur.

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. In regards to 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, 2018 a number of 257,419 PSUs and 68,911 RSUs were outstanding, of which none were vested (as of June 30, 2017 a number of 257,913 PSUs and 65,808 RSUs were outstanding, of which also none were vested).

The movements in the number of share-based compensation (options, RSUs and PSUs) outstanding during the six months ended June 30, 2018 and 2017 are as follows:

Share Option / PSU/ RSU movements	Total numbers	Weighted average exercise price (CHF)	Options (numbers)	Weighted average exercise price (CHF)	PSU / RSU (numbers)	Weighted average exercise price (CHF)
Balance outstanding at December 31, 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 options)	(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**
Balance outstanding at December 31, 2017	**1,259,491**	**3.37**	**954,360**	**4.42**	**305,131**	**0.10**
Granted	130,258	0.10	—	—	130,258	0.10
(Performance adjustment)	(9,437)	0.10	—	—	(9,437)	0.10
(Forfeited)	(7,367)	0.15	(56)	6.94	(7,311)	0.10
(Expired)	—	—	—	—	—	—
(Exercised options), vested PSU / RSU	(136,776)	1.62	(44,465)	4.78	(92,311)	0.10
Balance outstanding at June 30, 2018	**1,236,169**	**3.65**	**909,839**	**4.92**	**326,330**	**0.10**

The share-based compensation costs recognized within personnel expenses during the six months ended June 30, 2018 amounted to TCHF 2,231 (TCHF 1,610 for the six months ended June 30, 2017).

6.7 Financial income and expense

Financial income

in CHF thousands, for the six months ended	June 30, 2018	June 30, 2017
Interest income	352	283
Foreign exchange gain	681	—
Total	**1,033**	**283**

Financial expense

in CHF thousands, for the six months ended	June 30, 2018	June 30, 2017
Foreign exchange loss	(38)	(2,887)
Other financial expenses	(39)	(43)
Total	**(77)**	**(2,930)**

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.

6.8 Income taxes

The Company had tax loss carry-forwards of TCHF 42,056 as of December 31, 2017 (2016: TCHF 20,290). Based on the current R&D plans the Company expects a loss for the year ending December 31, 2018. No current or deferred income taxes have been recognized in these condensed interim financial statements.

6.9 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. As per both reporting dates there are no dilutive effects.

for the six months ended	June 30, 2018	June 30, 2017
Weighted average number of shares used in computing basic and diluted loss per share	21,112,248	20,765,139

6.10 Related parties

The Company did not enter into any related party transactions in the periods under review, other than the June 21, 2018 appointment of the new Chief Scientific Officer and member of the management Board, who has been a consultant to the Company since March 2018.

6.11 Events after the balance sheet date

No other 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, 2018 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 13 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.

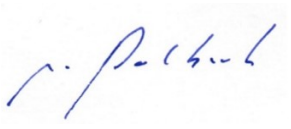
Scope of Review

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, 2018 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, 2018

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Disclaimer

This report does not constitute an offer or invitation to subscribe for or purchase any securities of Molecular Partners AG. This publication 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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