Bicycle Therapeutics plc
(formerly Bicycle Therapeutics Limited)
Annual Report and financial statements
for the year ended 31 December 2019

Company No: 11036004

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for the year ended 31 December 2019

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year ended 31 December 2019

General Information

Directors
Michael Anstey
Catherine Bingham
Janice Bourque
Bosun Hau
Veronica Jordan
Richard Kender
Kevin Lee
Pierre Legault
Carolyn Ng
Gregory Winter

Secretary
Jim Sutcliffe

Registered office
Bicycle Therapeutics plc
Building 900
Babraham Research Campus
Cambridgeshire
CB22 3AT

Company Number
11036004

Independent Statutory Auditors
PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St. John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Bankers
Barclays Bank
9-11 St Andrews Street
Cambridge
CB2 3AA

Solicitors
Cooley (UK) LLP
Dashwood
69 Old Broad Street
London EC2M 1QS

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)
year ended 31 December 2019

Strategic Report

Introduction

Bicycle Therapeutics plc (the "**Parent Company**") on behalf of itself and its subsidiaries, BicycleRD Limited, BicycleTx Limited and Bicycle Therapeutics Inc. (which together may be referred to as the "**Company**", "**Bicycle**", "**we**", "**us**" or "**our**"), is required to produce a strategic report complying with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "**Regulations**") for the year ended 31 December 2019. Bicycle also filed with the U.S. Securities and Exchange Commission (the "**SEC**") its Annual Report on Form 10-K for the year ended 31 December 2019 (the "**Form 10-K**"), which contains additional disclosures regarding some of the matters discussed in this report.

Principal activities

The Company carries out research and development activities developing novel bicyclic peptides both in Cambridge, UK and Lexington, Massachusetts, U.S.A.

On 13 May 2019, the Parent Company's share capital was reorganised by issuing ordinary shares as bonus shares to each holder of ordinary shares on the basis of 1.429 bonus share for each ordinary share.

On 22 May 2019, the Parent Company re-registered as a public limited company and on 28 May 2019 the Parent Company closed a public offering of American Depositary Shares representing its ordinary shares ("**ADSs**") on The Nasdaq Stock Market ("**NASDAQ**") in the U.S., pursuant to which it received gross proceeds of $64.9 million, inclusive of the partial exercise of an underwriters' option to purchase additional ADSs (the "**IPO**"). On completion of the IPO all outstanding A convertible preferred shares, B1 convertible preferred shares and B2 convertible preferred shares were converted to ordinary shares on a 1 to 1.429 basis.

On 1 June 2019, the Parent Company changed its functional currency to U.S. dollars from British pounds sterling following the IPO. The Parent Company's subsidiaries in the UK, BicycleTx Limited and BicycleRD Limited, continue to use British pounds sterling as their functional currencies and their results have been translated into U.S. dollars for inclusion in the consolidated financial statements. The functional currency of the Parent Company's U.S. subsidiary, Bicycle Therapeutics Inc., is the U.S. dollar.

Business overview

We are a clinical-stage biopharmaceutical company developing a novel and differentiated class of medicines, referred to as *Bicycles*®, for diseases that are underserved by existing therapeutics. *Bicycles* are fully synthetic short peptides constrained to form two loops which stabilise their structural geometry. This constraint is designed to confer high affinity and selectivity, making *Bicycles* attractive candidates for drug development. *Bicycles* are a unique therapeutic modality combining the pharmacology usually associated with a biologic with the manufacturing and pharmacokinetic ("**PK**") properties of a small molecule. The relatively large surface area presented by *Bicycles* allows targets to be drugged that have historically been intractable to non-biological approaches. *Bicycles* are excreted by the kidney rather than the liver and have shown no signs of immunogenicity to date, which we believe together support a favourable toxicological profile.

We have a novel and proprietary phage display screening platform which we use to identify *Bicycles* in an efficient manner. The platform initially displays linear peptides on the surface of engineered bacteriophages, or phages, before "on-phage" cyclisation with a range of small molecule scaffolds which can confer differentiated physicochemical and structural properties. Our platform encodes quadrillions of potential *Bicycles* which can be screened to identify molecules for optimisation to potential product candidates. We have used this powerful screening technology to identify our current portfolio of candidates in oncology and intend to use it in conjunction with our collaborators to seek to develop additional future candidates across a range of other disease areas.

Our initial internal programs are focused on oncology indications with high unmet medical need. Our lead product candidate, BT1718, is a *Bicycle* Toxin Conjugate ("**BTC**"). This *Bicycle* is being developed to target tumours that express Membrane Type 1 matrix metalloproteinase ("**MT1-MMP**"). The *Bicycle* is chemically attached to a toxin that when administered is cleaved from the *Bicycle* and kills the tumour cells. BT1718 is being investigated for safety, tolerability and efficacy in an ongoing Phase I/IIa clinical trial in collaboration with, and fully funded by, the Centre for Drug Development of Cancer Research UK ("**CRUK**").

We are also evaluating BT5528, a second-generation BTC targeting Ephrin type-A receptor 2 ("**EphA2**") in a company-sponsored Phase I/II study and are conducting Investigational New Drug application ("**IND**") enabling activities for BT8009, a BTC targeting Nectin-4. Our discovery pipeline in oncology includes Bicycle-based systemic immune cell agonists and *Bicycle* tumour-targeted immune cell agonists (TICAs™).

Beyond oncology, we are collaborating with biopharmaceutical companies and organisations in therapeutic areas where we believe our proprietary *Bicycle* screening platform can identify therapies to treat diseases with significant unmet medical need. Our partnered programs outside of oncology include collaborations for anti-bacterial, cardiovascular, ophthalmology and respiratory indications.

The following table summarises key information about our programs:

Product/Target	Therapeutic Interest	Collaborator	Stage of Clinical Development			
			Discovery	Phase I	Phase II	Phase III
***Bicycle*® Toxin Conjugates**						
BT1718 (MT1-MMP)	Oncology	CANCER RESEARCH UK				
BT5528 (EphA2)	Oncology					
BT8009 (Nectin-4)	Oncology					
***Bicycle* Tumor-targeted Immune Cell Agonists (TICAs™) & Systemic Agonist**						
BT7480 (Nectin-4/CD137 TICA)	Oncology					
BT7401 (multivalent CD137 agonist)	Oncology	CANCER RESEARCH UK				
BT7455 (EphA2/CD137 TICA)	Oncology					
Beyond Oncology						
THR-149 (Kallikrein inhibitor *Bicycle*)	Ophthalmology	OXURION				

We were founded in 2009 based on innovative science conducted by Sir Greg Winter and Professor Christian Heinis. Sir Greg Winter is a pioneer in monoclonal antibodies and, in 2018, was awarded a Nobel Prize in chemistry for the invention of the technology underpinning our proprietary phage

display screening platform that we use to identify *Bicycles*. From our founding through to 31 December 2019, we have generated substantial intellectual property, including four patent families directed to novel scaffolds, 16 patent families directed to our platform technology, 69 patent families directed to bicyclic peptides and related conjugates, and seven patent families directed to clinical indications and other properties of development assets. The work we have conducted in developing *Bicycles* and our proprietary screening platform have created substantial know-how that we believe provides us with a competitive advantage.

Our management team includes veterans in drug development with executive experience at leading pharmaceutical companies including GlaxoSmithKline, Novartis and Pfizer. Our board of directors (the "**Board**") and scientific advisory board include industry experts and seasoned investors, with extensive experience in immuno-oncology.

Our business strategy

Our mission is to become a leading biopharmaceutical company by pioneering *Bicycles* as a novel therapeutic modality to treat diseases that are inadequately addressed with existing treatment modalities.

Specifically, we seek to execute on the following strategy to maximise the value of our novel technology and pipeline:

Progress our most advanced candidates, BT1718 and BT5528, through clinical development. BT1718 is being investigated in an ongoing Phase I/IIa clinical trial sponsored by CRUK. We intend to advance development of this candidate aggressively across oncology indications in which the target MT1-MMP is expressed. We expect CRUK to initiate expansion cohorts in the Phase IIa portion of the Phase I/IIa study in 2020. Bicycle is also evaluating BT5528 in an ongoing company-sponsored Phase I/II trial in patients with solid tumours.

Advance BT8009 into clinical development. We intend to progress our IND-enabling activities for BT8009 to advance this program into clinical development for oncology indications in 2020. Based on promising observations from our preclinical models, we believe Nectin-4 is an attractive target for cytotoxin delivery and that *Bicycles* provide a promising delivery modality.

Continue IND-enabling activities for our lead TICA program, BT7480. BT7480 is a *Bicycle* tumour-targeted immune cell agonist (TICA) targeting Nectin-4 and agonising CD137. The constrained nature of *Bicycles* confers high affinity and selectivity and enables us to link tumour targeting *Bicycles* to *Bicycles* that agonise CD137, providing tumour-specific effects. In preclinical experiments with BT7480, we have observed that these characteristics promote powerful anti-tumour activity. We expect to progress our IND-enabling activities for BT7480 in 2020.

Pursue clinical development of our discovery programs. We intend to continue our ongoing discovery activities to screen and select promising candidates for oncology indications. For example, our discovery pipeline includes systemic and tumour-targeted immune cell agonists, from which we expect to identify additional development candidates.

Leverage our powerful proprietary screening platform and novel Bicycle modality to grow our pipeline. Our novel and proprietary phage display screening platform allows us to rapidly and efficiently identify potential candidates for development. We can incorporate a wide range of small molecule scaffolds into

Bicycles to increase diversity and confer differentiated physicochemical and structural properties. We have used our powerful *Bicycle* screening platform to identify our current pipeline of promising BTCs and immune cell agonists, and intend to use it to develop a broader pipeline of diverse product candidates.

Collaborate strategically with leading organisations to access enabling technology and expertise in order to expand the application of our novel* Bicycle *modality to indications beyond oncology. We are collaborating with leading biopharmaceutical companies and organisations to apply our novel *Bicycle* modality to other disease areas, including neurological, anti-bacterial, cardiovascular, ophthalmological and respiratory indications. We may opportunistically enter into additional collaborations in the future to apply our technology to areas of unmet medical need.

If approved, maximise the commercial potential of our product candidates by either establishing our own sales and marketing infrastructure or doing so through collaborations with others. Subject to receiving marketing approval, we intend to pursue the commercialisation of our product candidates either by building internal sales and marketing capabilities or doing so through opportunistic collaborations with others.

Our collaborations

Cancer Research UK

BT1718

In December 2016, we entered into a clinical trial and license agreement with Cancer Research Technology Limited and CRUK. Pursuant to the agreement, as amended in March 2017 and June 2018, CRUK's Centre for Drug Development will sponsor and fund a Phase I/IIa clinical trial of our lead product candidate, BT1718, in patients with advanced solid tumours.

CRUK is responsible for designing, preparing, carrying out and sponsoring the clinical trial at its cost. We are responsible for supplying agreed quantities of Good Manufacturing Practice ("**GMP**") materials for the study, the supply of which has been completed. In the event that additional quantities are needed, we will provide CRUK with all reasonable assistance to complete the arrangements necessary for the generation and supply of such additional GMP materials but CRUK will be responsible for supplying and paying for such additional quantities of GMP materials.

We granted to CRUK a license to our intellectual property in order to design, prepare for, sponsor, and carry out the clinical trial. We retain the right to continue the development of BT1718 during the clinical trial. Upon the completion of the Phase I/IIa clinical study, we have the right to obtain a license to the results of the clinical trial upon the payment of a milestone, in cash and ordinary shares, with a combined value in the mid-six digit dollar amount. If such license is not acquired, or if it is acquired and the license is terminated and we decide to abandon development of all products that deliver cytotoxic payloads to the MT1 target antigen, Cancer Research Technology Limited may elect to receive an exclusive license to develop and commercialise the product on a revenue sharing basis (in which case we will receive tiered royalties of 70% to 90% of the net revenue depending on the stage of development when the license is granted) less certain costs, as defined by the agreement. The CRUK agreement contains additional future milestone payments upon the achievement of development, regulatory and commercial milestones, payable in cash and shares, with

an aggregate total value of $50.9 million, as well as royalty payments based on a single digit percentage on net sales of products developed.

BT7401

In December 2019, we entered into a clinical trial and license agreement with Cancer Research Technology Limited and CRUK. Pursuant to the agreement, CRUK's Centre for Drug Development will fund and sponsor development of BT7401 from current preclinical studies through the completion of a Phase IIa trial in patients with advanced solid tumours.

We granted to CRUK a license to our intellectual property in order for CRUK to design, prepare for, sponsor, and carry out the clinical trial and all necessary preclinical activities to support the trial. We retain the right to continue the development of BT7401 during the clinical trial. Upon the completion of the Phase I/IIa clinical study, we have the right to obtain a license to the results of the clinical trial upon the payment of a milestone, in cash and ordinary shares, with a combined value in the mid six-digit dollar amount. If such license is not acquired, or if it is acquired and the license is terminated and we decide to abandon development of all products that contain BT7401 or all the pharmaceutically active parts of BT7401, we will assign or grant to Cancer Research Technology Limited an exclusive license to develop and commercialise the product on a revenue sharing basis (in which case we will receive tiered royalties of 55% to 80% of the net revenue depending on the stage of development when the license is granted) less certain costs, as defined in the agreement. The CRUK agreement contains additional future milestone payments upon the achievement of development, regulatory and commercial milestones, payable in cash, with an aggregate total value of up to $60.3 million for each licensed product, as well as royalty payments based on a single digit percentage on net sales of products developed, and sublicense royalties to the CRUK in the low double digit percentage of sublicense income depending on the stage of development when the license is granted.

Genentech

On 21 February 2020, the Company entered into a Discovery Collaboration and License Agreement with Genentech Inc., a member of the Roche Group. Further details of this agreement are set out in the Directors' report under the heading "post balance sheet events".

Non-oncology collaborators

We have entered into several collaborations outside of our internal focus in oncology to leverage the broad applicability of *Bicycles*. Our strategic collaborations are based on the ability of *Bicycles* to address a wide variety of targets and we are working with collaborators with deep therapeutic expertise outside of oncology to enable us to more efficiently develop novel medicines for patients. Further details regarding these collaborations are included on the Form 10-K.

Dementia Discovery Fund. In May 2019, we entered into a collaboration with the Dementia Discovery Fund ("**DDF**") to use *Bicycle* technology for the discovery and development of novel therapeutics for dementia. DDF is a specialised venture capital fund focused on discovering and developing novel therapies for dementia. In October 2019, the collaboration with DDF was expanded to include Oxford University's Oxford Drug Discovery Institute ("**ODDI**"). Under the terms of the agreement, Bicycle and DDF will collaborate to identify *Bicycles* that bind to clinically validated dementia targets. ODDI will then profile these *Bicycles* in a range of target-specific and disease-focused

assays to assess their therapeutic potential. If promising lead compounds are identified, DDF, ODDI and Bicycle will establish a jointly-owned new company to advance the compounds through further development towards commercialisation. The jointly-owned company will receive a royalty and milestone-bearing assignment and license of intellectual property from Bicycle for this purpose.

AstraZeneca. In November 2016, we entered into a research collaboration agreement with AstraZeneca AB ("**AstraZeneca**"), with a focus on targets within respiratory, cardiovascular and metabolic disease. The collaboration is focused on the research and development of *Bicycle* peptides that bind to an undisclosed number of biological targets for the treatment of respiratory, cardiovascular and metabolic diseases. After discovery and initial optimisation of such *Bicycle* peptides, AstraZeneca will be responsible for all research and development, including lead optimisation and drug candidate selection. AstraZeneca receives development, commercialisation and manufacturing license rights with regard to any selected drug candidate(s).

Under the AstraZeneca collaboration agreement, we are obligated to use commercially reasonable efforts to perform research activities, under mutually agreed upon research plans. AstraZeneca may, at its sole discretion, approve any compound to be progressed into drug development.

AstraZeneca receives development and commercialisation licenses associated with each designated drug candidate, and owes a milestone fee of $8 million for the first drug candidate selected from each research program. In addition, AstraZeneca is required to make certain other milestone payments to us upon the achievement of specified development, regulatory and commercial milestones. We are eligible to receive these milestone payments for up to six research programs. In addition, to the extent any of the drug candidates covered by the licenses conveyed to AstraZeneca are commercialised, we would be entitled to receive tiered royalty payments of mid-single digits based on a percentage of net sales. Royalty payments are subject to certain reductions, including in certain countries where AstraZeneca faces generic competition. In total, we could receive more than $1 billion in milestone payments and royalties under the collaboration agreement.

Oxurion. In August 2013, we entered into a research collaboration and license agreement with Oxurion NV (formerly ThromboGenics NV) ("**Oxurion**"), focused on ophthalmology, which agreement was amended in 2017. The lead molecule of the partnership is THR-149, a novel plasma kallikrein inhibitor, for the treatment of diabetic macular edema. A Phase I clinical trial of THR-149 was completed in July 2019. The Phase I clinical trial, conducted by Oxurion, was an open-label, multi-center, non-randomised study to evaluate the safety of a single intravitreal injection of THR-149 at three ascending dose levels in 12 subjects with visual impairment due to center-involved DME. The study also investigated changes to patients' best corrected visual acuity (BCVA). A rapid onset of action was observed from Day 1, with an increasing average improvement in BCVA of up to 7.5 letters at Day 14. This activity was maintained with an average improvement in BCVA of 6.5 letters at Day 90 following a single injection of THR-149.

The Oxurion collaboration agreement provided an upfront payment of EUR 1.0 million and potential additional research and development funding, at an agreed upon FTE rate, should the research effort require more than one FTE or the research plan be amended or extended by Oxurion. In addition, Oxurion is required to make certain milestone payments to us upon the achievement of specified research, development, regulatory and commercial milestones. In addition, to the extent any of the collaboration products covered by the licenses granted to Oxurion are commercialised, we would be entitled to receive tiered royalty payments of mid-single digits based on a percentage of net sales.

Royalty payments are subject to certain reductions. Also, if Oxurion grants a sublicense to a third party for rights to the program for non-ophthalmic use prior to the filing of an IND, we would be entitled to receive payments in the double digits (no higher than first quartile) based on a percentage of non-royalty sublicensing income. If Oxurion grants a sublicense to a third party for rights to the program for non-ophthalmic use after the filing of an IND, we would be entitled to receive payments of mid-single digits to low teen-digits.

Sanofi (formerly Bioverativ). In August 2017, we entered into a collaboration agreement with Bioverativ, Inc., (which was acquired by Sanofi in March 2018 ("**Sanofi**")), in the field of non-malignant hematology, including hemophilia. This collaboration was terminated during 2019.

Founder royalty arrangements

We have entered into two royalty agreements with our founders, Christian Heinis, John Tite, and Sir Greg Winter, and our initial investors, Atlas Venture Fund VIII LP and Novartis Bioventures LTD. Pursuant to the first royalty agreement, we are obligated to pay an aggregate royalty percentage in the low single digits on net sales arising from products licensed under the Oxurion collaboration agreement. Pursuant to the second royalty agreement, we are obligated to pay an aggregate royalty percentage in the low single digits on net sales arising from products licensed under the AstraZeneca collaboration agreement.

Review of business performance and future developments

Since our inception, we have devoted substantially all of our resources to developing our *Bicycle* platform and our lead product candidates, BT1718, BT5528, BT8009, BT7480 and BT7401, conducting research and development of our product candidates and preclinical programs, raising capital and providing general and administrative support for our operations. To date, we have financed our operations primarily with proceeds from the sale of ADSs and ordinary shares, convertible preferred shares, as well as proceeds received from upfront payments, research and development payments, and development milestone payments from our collaboration agreements with Oxurion, AstraZeneca and Sanofi.

Since our inception in 2009 through 31 December 2019, we have received gross proceeds of $193.1 million from the sale of ADSs, ordinary shares and convertible preferred shares, including the proceeds from our IPO, and $30.2 million of cash payments under our collaboration revenue arrangements, including $4.1 million from Oxurion, $9.0 million from AstraZeneca, $15.0 million from Sanofi and $1.1 million from DDF. We do not have any products approved for sale and have not generated any revenue from product sales.

Since our inception, we have incurred significant operating losses. Our ability to generate product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialisation of one or more of our product candidates. Our net losses for the year ended 31 December 2019 were $26.0 million (year ended 31 December 2018: $16.7 million) and we had net assets at book value of $97.6 million as at 31 December 2019 (year ended 31 December 2018: net assets $61.1 million). These losses have resulted primarily from costs incurred in connection with research and development activities and general and administrative costs associated with our operations. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future.

We anticipate that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities and clinical trials of our product candidates and, if any product candidates are approved, pursue the commercialisation of such product candidates by building internal sales and marketing capabilities. In addition, we expect to continue to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses. We expect that our expenses and capital requirements will increase substantially if and as we:

- continue our development of our product candidates, including conducting future clinical trials of BT1718 and BT5528;
- progress the preclinical and clinical development of BT8009, BT7480 and BT7401;
- seek to identify and develop additional product candidates;
- develop the necessary processes, controls and manufacturing data to obtain marketing approval for our product candidates and to support manufacturing to commercial scale;
- develop, maintain, expand and protect our intellectual property portfolio;
- seek marketing approvals for our product candidates that successfully complete clinical trials, if any;
- hire and retain additional personnel, such as non-clinical, clinical, pharmacovigilance, quality assurance, regulatory affairs, manufacturing, distribution, legal, compliance, medical affairs, commercial and scientific personnel;
- acquire or in-license other products and technologies;
- expand our infrastructure and facilities to accommodate our growing employee base, including adding equipment and infrastructure to support our research and development; and
- add operational, financial and management information systems and personnel, including personnel to support our research and development programs, any future commercialisation efforts and our operations as a public company.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain marketing approval for one or more of our product candidates, which we expect will take many years and is subject to significant uncertainty. We have no commercial-scale manufacturing facilities of our own, and all of our manufacturing activities have been and are planned to be contracted out to third parties. Additionally, we currently utilise third-party contract research organisations ("**CROs**") to carry out our clinical development activities. If we seek to obtain marketing approval for any of our product candidates from which we obtain promising results in clinical development, we expect to incur significant commercialisation expenses as we prepare for product sales, marketing, manufacturing, and distribution.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances, charitable grants, monetisation transactions or licensing arrangements. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favourable terms, or at all. If we fail to raise capital or enter into such agreements as, and

when, needed, we may have to significantly delay, scale back, or discontinue the development and commercialisation of one or more of our product candidates.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

Our cash balance as at 31 December 2019 was $92.1 million (31 December 2018: $63.0 million). We believe that our existing cash will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our available capital resources sooner than we expect.

Key performance indicators ('KPIs')

We do not consider traditional financial measures to be key performance indicators at this stage of development of our business. However, management closely monitors our cash position and our research and development expenses. In addition, we assess our performance through the clinical advancement of our programs. During the year ended 31 December 2019, we commenced the Phase 1 dose escalation portion of our Phase I/II clinical trial for BT5528, the Phase I/IIa clinical trial of BT1718 continued to progress with the aim to initiate Phase IIa in 2020, we selected BT7480 as our lead immuno-oncology target to advance into IND-enabling studies and we announced the successful completion of Oxurion's Phase I clinical trial evaluating the safety and tolerability of a single intravitreal injection of THR-149. BT8009 is positioned to enter clinical development in 2020. We also positioned ourselves to sign a collaboration agreement with Genentech to identify and develop additional targets in early 2020, which we signed in February 2020. In addition, the IPO was completed which generated gross cash proceeds of $64.9 million.

Financial risk management

The directors have concluded that the management of price risk and liquidity risk are not material for the assessment of the assets, liabilities, financial position and loss of the Company.

Currency risk

The Company raises funds in U.S. dollars, and pays for goods and services in a variety of currencies but mainly the British pound sterling and U.S. dollar. The Company mitigates this risk by also holding cash in these two currencies. The Company does not use derivatives to manage this risk.

Cash flow

The Company principally finances its operations through funding from its investors. The Board monitors the level of cash on a regular basis and cash is placed in deposit accounts to earn a return whilst enabling the cash to be available to meet the Company's day to day needs.

Credit Risk

The Company has receivables and cash from both its operating and financing activities. The Company ensures that invoices are raised when performance conditions are met and that the payment terms with the customer are adhered to. Cash is maintained in accounts of reputable financial institutions with high quality credit ratings.

Environmental matters

The Company's activities have a minimal environmental impact. It leases all of its facilities and sub-contracts all manufacturing activities. The Company complies with all applicable environmental laws and regulations, but currently does not have a large environmental footprint.

Following listing of the Parent Company's ADSs on NASDAQ in May 2019, the Company is required under English law to measure and report its greenhouse gas emissions in accordance with the provisions of the Regulations. The sources of emissions relate solely to the electricity and gas purchased by our premises in the UK and U.S., the costs of which are included within these consolidated financial statements. Management has used the most recent evidence or estimates provided by its energy suppliers to generate the disclosure of emissions. The annual quantity of emissions for the Company for the year ending 31 December 2019 was 445 tonnes with an intensity ratio of 6.8 tonnes based on the average number of employees in the year of 65, as determined based on our electricity and gas consumption provided by our suppliers as converted to emissions by publicly available emission converters. The Company, in preparing these details, considers ways to minimise indirect areas of emissions and where practical enables remote working and also promotes online conferencing facilities to reduce business travel.

Employee, social, community and human rights matters

The Company places considerable value on the involvement of its employees. Regular meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Company through share option schemes (see note 9 to the financial statements).

The Company maintains and operates a Code of Conduct and Business Ethics. This sets out the Company's approach to ensure that our corporate values are maintained throughout our global business. This code applies to all employees of the Company and certain designated consultants, who are required to comply with this policy.

The Company endeavours to impact positively on the community in which it operates. The Company does not, at present, have a specific policy on human rights. However, we have several policies that promote the principles of human rights. We will respect the human rights of all our employees, including:

- provision of a safe, clean working environment;
- ensuring employees are free from discrimination and coercion;
- not using child or forced labour; and
- respecting the rights of privacy and protecting access and use of employee personal information.

We also have a policy on equal opportunities and on anti-bullying and harassment.

The Company is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to the organisation. The Company endeavours to not discriminate because of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. The Company will undertake an annual review of its policies and procedures to establish its position with regard to compliance and best practice, and monitor and promote a healthy corporate culture.

Employee gender diversity

Appointments within the Company are made on merit according to the balance of skills and experience offered by prospective candidates. While acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion, or age. A breakdown of employment statistics as of 31 December 2019 and 31 December 2018 is as follows:

31 December 2018

Position	Male	Female	Total
Directors	6	4	10
C-Band	3	2	5
Vice President/Director	9	3	12
Other Employees	13	26	39
Total Directors and Employees	31	35	66

31 December 2019

Position	Male	Female	Total
Directors	6	4	10
C-Band	4	0	4
Vice President/Director	9	7	16
Other Employees	17	34	51
Total Directors and Employees	36	45	81

Notes: Directors are directors of the Parent Company; C-Band includes the Chief Financial Officer, Chief Scientific Officer, Chief Business Officer and Chief Operating Officer in 2019, and included the Chief Medical Officer in 2018. In both 2018 and 2019, the Chief Executive Officer was a director of the Parent Company and, accordingly, was included in the directors totals above.

Principal risks and uncertainties

Financial

We are a clinical-stage biopharmaceutical company. We have not commercialised any products or generated any revenues from the sale of products, and absent the realisation of sufficient revenues

from product sales, we may never attain profitability in the future. We have a history of significant operating losses (year ended 31 December 2019: $34.2 million, year ended 31 December 2018: $23.2 million) and we do not expect to generate revenue or profitability that is necessary to finance our operations in the short-term. We have devoted substantially all of our financial resources and efforts to research and development, including preclinical studies and our clinical trials. Our ability to become and remain profitable depends on our ability to generate revenue. Generating product revenue will depend on our or our collaborators' ability to obtain marketing approval for, and successfully commercialise, one or more of our product candidates, which cannot be guaranteed. Our failure to become and remain profitable could impair our ability to raise capital, expand our business or continue our operations.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. We will be required to expend significant funds in order to advance the development of the product candidates in our pipeline, as well as any other product candidates we may seek to develop. We cannot be certain that additional funding will be available on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. There is a risk that should we fail to obtain additional funding on the terms or timescales we require, we may be required to delay, limit, reduce or terminate our product development or future commercialisation efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Clinical

Our product candidates will need to undergo preclinical and clinical trials that are time consuming and expensive and can be subject to extensive delays. We may not be able to identify, recruit and enrol a sufficient number of patients, or those with the required or desired characteristics, to complete our clinical trials in a timely manner. Our product candidates may cause undesirable side effects or have other properties when used alone or in combination with other approved products or investigational new drugs that could halt their clinical development and/or prevent their marketing approval and/or limit their commercial potential. The timeline for recruiting patients, conducting trials and obtaining regulatory approval of our product candidates may be delayed, which could result in increased costs, delays in advancing our product candidates, delays in testing the effectiveness of our product candidates or termination of the clinical trials altogether. The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of clinical trials do not necessarily predict success in the results of completed clinical trials. Preclinical and clinical data are often susceptible to varying interpretations and analyses and there is no certainty that the results obtained in clinical trials of our existing clinical candidates will be sufficient to enable progression of those candidates through our clinical programmes or the obtaining of regulatory approval or marketing authorisation. If we fail to receive positive results in clinical trials of our product candidates, the development timeline and regulatory approval and commercialisation prospects for our most advanced product candidates, and, correspondingly, our business and financial prospects, would be negatively impacted.

Manufacturing

We do not own or operate manufacturing facilities for the production of clinical or commercial supplies of the product candidates that we are developing or evaluating and our strategy is to outsource all manufacturing of our product candidates and products to third parties. In order to conduct clinical trials of product candidates, we will need to have them manufactured in potentially large quantities. Our third-party manufacturers may be unable to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities and at other times. Our use of new third-party manufacturers increases the risk of delays in production or insufficient supplies of our product candidates as we transfer our manufacturing technology to these manufacturers and as they gain experience manufacturing our product candidates. Even after a third party manufacturer has gained significant experience in manufacturing our product candidates or even if we believe we have succeeded in optimising the manufacturing process, there can be no assurance that such manufacturer will produce sufficient quantities of our product candidates in a timely manner or continuously over time, or at all. While we have engaged several third-party vendors to provide clinical and non-clinical supplies and fill-finish services, we do not currently have any agreements with third party manufacturers for long-term commercial supplies. Our product candidates may be delayed if we need to change the manufacturing process used by a third party, subsequently resulting in further delays from a regulatory authority reviewing the new manufacturing process before it may be used. Reliance on third party manufacturers entails risks, including the reliance on third parties for manufacturing process development, regulatory compliance and quality assurance, limitations on supply availability resulting from capacity and scheduling constraints of third parties, the possible breach of manufacturing agreements by third parties because of factors beyond our control and the possible termination or non-renewal of the manufacturing agreement by the third party at a time that is costly or inconvenient to us.

Third parties

For certain product candidates, we depend, or will depend, on development and commercialisation collaborators to develop and conduct clinical trials with, obtain regulatory approvals for, and if approved, market and sell product candidates. If such collaborators fail to perform as expected, the potential for us to generate future revenue from such product candidates would be significantly reduced and our business would be harmed. We cannot provide assurance that our collaborators will be successful or that they will devote sufficient resources to the development or commercialisation of the products. If our current or future collaboration and commercialisation partners do not perform in the manner we expect or fail to fulfil their responsibilities in a timely manner, if our agreements with them terminate or if the quality or accuracy of the clinical data they obtain is compromised, the clinical development, regulatory approval and commercialisation efforts related to their and our product candidates and products could be delayed or terminated and it could become necessary for us to assume the responsibility at our own expense for the clinical development of such product candidates.

We rely on third parties, including independent clinical investigators and CROs to conduct and sponsor some of the clinical trials of our product candidates. Any failure by a third party to meet its obligations with respect to the clinical development of our product candidates may delay or impair our ability to obtain regulatory approval for our product candidates.

Commercialisation

We are substantially dependent on the success of our internal development programs and of our product candidates from our BTC and tumour-targeted immune cell agonist programs which may not successfully complete clinical trials, receive regulatory approval or be successfully commercialised. In addition, we are at a very early stage in our development efforts and our product candidates represent a new category of medicines and may be subject to heightened regulatory scrutiny until they are established as a therapeutic modality. Our clinical trials may not be conducted as planned or completed on schedule, if at all and, even if completed on schedule, there remains no guarantee that the results seen in any clinical trials will be sufficient to progress to the next stage of any clinical approval or ultimately to the obtaining of a marketing approval for any of our programs.

Our estimates of the potential patient population which can be treated may be inaccurate affecting the amount of revenue obtainable for any product. Likewise, the amount of revenue that can be obtained in relation to our programs may be impacted by the nature of pricing reimbursement coverage or schemes available or in place in any specific country and the continuation of such coverage and schemes. If reimbursement is not available, or is available only at limited levels, we may not be able to successfully commercialise our product candidates, even if approved. We currently have no marketing sales or distribution infrastructure with respect to our product candidates and we will have to establish a marketing capability prior to bringing any product candidate to market, or outsource this function to a third party. Even if we are successful in obtaining regulatory approval, the commercial success of our product candidates will depend upon the degree of market acceptance by physicians, patients, payors and others in the medical community.

In addition, we face significant competition, and our competitors may develop and market products that are more effective, safer or less expensive than our product candidates, which may negatively impact our commercial opportunities.

Regulation

Our product candidates are highly regulated and the regulatory process is lengthy, time-consuming and expensive. We may experience significant delays in obtaining regulatory approval or be required to make changes to our clinical programmes or product candidates by regulatory authorities. Even if we do receive regulatory approval to market our product candidates, any such approval may be subject to limitations on the indicated uses or patient populations for which we may market the product. If we are successful in obtaining regulatory approvals in one country, this does not mean that we will be successful in other countries and further clinical programmes may be required to obtain required regulatory approvals in such other countries. In addition, failure to successfully validate, develop and obtain regulatory approvals for companion diagnostics could harm our drug development strategy.

Should we obtain marketing approvals for any current or future product candidates we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products. Any failure to comply with regulatory requirements at any stage in the development of our product candidates could result, among other things, in restrictions on the labelling, distribution, marketing or manufacturing of the product, suspension or withdrawal of marketing approvals and fines, restitution or disgorgement of profits or revenues. We are also subject to regulation as a company both in the UK and the U.S. including in

relation to anti-bribery and other anti-corruption laws, as well as export control laws, import and customs laws, trade and economic sanctions laws and other laws governing our operations. In addition, because we have a U.S. subsidiary and substantial operations in the U.S., we are subject to U.S. laws that regulate non-U.S. investments in U.S. businesses and access by non-U.S. persons to technology developed and produced in the U.S. We are also subject to numerous environmental, health and safety laws and regulations.

Litigation

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval expose us to the risk of product liability claims from patients, healthcare providers, pharmaceutical companies and others. We believe our product liability insurance coverage is sufficient in light of our current commercial and clinical programs; however, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability.

Our subsidiary, BicycleRD Limited ("**BicycleRD**") is involved in ongoing litigation with Pepscan Systems B.V., and its affiliates ("**Pepscan**") related to a non-exclusive patent license agreement that BicycleRD entered into with Pepscan in 2009. Pursuant to the patent license agreement, BicycleRD licensed rights related to the scaffold used for *Bicycles* contained in certain of our product candidates, including our lead product candidate, BT1718, which is currently in clinical trials sponsored by CRUK, and in THR-149, which has been licensed to Oxurion. The agreement required BicycleRD to enter into a framework services agreement with Pepscan under which Pepscan would provide certain *Bicycles* not produced by BicycleRD. In 2010, BicycleRD entered into such a framework services agreement. In 2015, BicycleRD terminated the framework services agreement in accordance with its terms. Since 2015, the Company has ceased using the scaffolds claimed by Pepscan in the Company's new product candidates and has instead developed proprietary scaffold technology of its own.

In 2016, Pepscan terminated the patent license agreement. BicycleRD instituted proceedings in the District Court of The Hague (the "**District Court**") to contest the right of Pepscan to terminate the patent license agreement. BicycleRD included a conditional claim for a ruling that the licensed patent relevant to BicycleRD's activities is invalid. In response, Pepscan claimed, among other things, that the termination of the framework services agreement and alleged breaches by BicycleRD of confidentiality obligations constituted grounds for the termination of the patent license agreement. In an interlocutory judgement delivered in April 2018, the District Court rejected Pepscan's claim that it was entitled to terminate the patent license agreement on the basis of a breach of a purported exclusive supply obligation. The District Court reserved for further proceedings a decision on both the validity of the Pepscan patent and the question of whether BicycleRD breached its confidentiality obligations.

In July 2018, Pepscan appealed the decision of the District Court and the proceedings before the District Court were stayed pending a decision in that appeal.

On 18 February 2020 the Court of Appeal of The Hague (the "**Court of Appeal**") ruled that Pepscan was entitled to terminate the license agreement and granted a worldwide injunction against BicycleRD exploiting the licensed Pepscan patents and any related know-how, subject to a civil daily fine of EUR 25k in the event of non-compliance. BicycleRD intends to appeal the decision of the Court of Appeal to the Dutch Supreme Court and is preparing for further proceedings before the

District Court. Pending such further proceedings, BicycleRD will comply with the injunction issued by the Court of Appeal.

There can be no assurance that BicycleRD will prevail in any future proceedings. While we do not believe the injunction applies to entities other than BicycleRD, including our collaboration partners, there can be no assurance that Pepscan will not allege that the injunction applies to other entities.

Intellectual Property

Our ability to compete effectively depends, in part, on our ability to maintain the proprietary nature of our technology and manufacturing processes. We rely on research, manufacturing and other know-how, patents, trade secrets, license agreements and contractual provisions to establish our intellectual property rights and protect our products and product candidates. We may become involved in lawsuits to protect or enforce our patents and other intellectual property rights, which could be expensive, time-consuming and unsuccessful. Even if they are unchallenged, our patents and patent applications may not provide us with any meaningful protection or prevent competitors from designing around our patent claims by developing similar or alternative technologies or therapeutics in a non-infringing manner. Third parties may claim that our activities or products infringe upon their intellectual property which will adversely affect our operations and prove costly and time-consuming to defend against and could ultimately prevent or delay us from developing or commercialising our product candidates. Further, our products may infringe the intellectual property rights of others and we may be unable to secure necessary licences to enable us to continue to manufacture or sell our products. We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property.

Cybersecurity

Cyber-attacks or other failures in telecommunications or information technology systems could result in information theft, data corruption and significant disruption of our business operations. We utilise information technology, systems and networks to process, transmit and store electronic information in connection with our business activities. As the use of digital technologies has increased, cyber incidents, including deliberate attacks and attempts to gain unauthorised access to computer systems and networks, have increased in frequency and sophistication. These threats pose a risk to the security of our systems and networks, the confidentiality and the availability and integrity of our data. We have been the target of a cyber-attacks in the past. For example, we were recently targeted in a phishing incident, which included email accounts being accessed by unauthorised third parties. Promptly after discovery, we performed third party investigations and as there was no evidence of access or acquisition of any personal information as a result of the incident, we believe that no further action was required under UK, E.U. (GDPR) or U.S. federal or state law. There was no material impact to our business or financial condition. While we believe we responded appropriately, including implementing remedial measures to stop the cyber-attacks and with the goal of preventing similar ones in the future, there can be no assurance that we will be successful in these remedial and preventative measures or successfully mitigating the effects of future cyber-attacks. Similarly, there can be no assurance that our collaborators, CROs, third-party logistics providers, distributors and other contractors and consultants will be successful in protecting our clinical and other data that is stored on their systems.

Any cyber-attack or destruction or loss of data could have material effects on our business and prospects. In addition, we may suffer reputational harm or face litigation or adverse regulatory action

as a result of cyber-attacks or other data security breaches and may incur significant additional expense to respond appropriately to such breaches and to implement further data protection measures.

Employees

We rely on the ongoing involvement of principal members of our executive team and key employees. The loss of the services of one or more of our executive team and key employees might impede the achievement of our research, development and commercialisation objectives. Furthermore, replacing executive officers or other key employees may be difficult and may take an extended year of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialise products successfully.

Our focus on the development of our product candidates requires us to optimise cash utilisation and to manage and operate our business in a highly efficient manner. We cannot provide assurance that we will be able to hire or retain adequate staffing levels to develop our product candidates or run our operations or to accomplish all of our objectives.

Brexit

Following the result of a referendum in 2016, the UK left the European Union, or E.U., on 31 January 2020, commonly referred to as "Brexit". Pursuant to the formal withdrawal arrangements agreed between the UK and the E.U., the UK will be subject to a transition period until 31 December 2020, during which E.U. rules will continue to apply. Negotiations between the UK and the E.U. are expected to continue in relation to the customs and trading relationship between the UK and the E.U. following the expiry of the transition period. Due to the current COVID-19 global pandemic, negotiations between the UK and the EU scheduled for March were not held and there is an increased likelihood that the transition period may need to be extended beyond 31 December 2020 (although it remains the position of the UK government that it will not be extended).

Since a significant proportion of the regulatory framework in the UK applicable to our business and our product candidates is derived from E.U. directives and regulations, Brexit, following the transition period, could materially impact the regulatory regime with respect to the development, manufacture, importation, approval and commercialisation of our product candidates in the UK or the E.U.

COVID-19

Our business could be adversely affected by the effects of the recent COVID-19 outbreak in regions where we or third parties on which we rely have significant manufacturing facilities, concentrations of clinical trial sites or other business operations. The COVID-19 pandemic could materially affect our operations as well as causing significant disruption in the operations and business of third-party manufacturers and CROs with whom we conduct business.

Following the outbreak of a novel strain of coronavirus, referred to as COVID-19, the World Health Organization declared the COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, many state, local and foreign governments, including the UK and U.S. have put in place quarantines, executive orders, shelter-in-place or stay-at-home orders and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur or continue for a protracted period of time,

have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellation of events, among other effects that could negatively impact productivity and disrupt our business and those of third-party manufacturers and CROs.

We have implemented work-from-home policies for certain employees. The effects of the our work-from-home policies may negatively impact productivity, disrupt our business and delay our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.

In addition, our ability to conduct clinical trials may be affected by the COVID-19 pandemic. Clinical site initiation and patient enrolment may be delayed due to prioritisation of hospital resources toward the COVID-19 pandemic. Some patients may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 and adversely impact our future clinical trial operations.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business.

The global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, our clinical trials, healthcare systems or the global economy as a whole. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

Section 172 statement

This statement aligns to the section 172 statement requirements contained in section 414CZA of the Companies Act 2006 (the "**Companies Act**"). This statement focuses on how the directors of the Parent Company have had regard during the year to the matters set out in section 172(1)(a) to (f) of the Companies Act when performing their duties by incorporating information from other areas of the Annual Report to avoid unnecessary duplication. The Board considers that the statement focuses on those risks and opportunities that were of strategic importance to the Parent Company consistent with the size and complexity of the Company.

In the performance of its duty to promote the success of the Parent Company for the benefit of its members as a whole, the Board has regard to a number of matters, including listening to and considering the views of shareholders and holders of ADSs representing the Parent Company's ordinary shares and the Parent Company's other key stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which the Parent Company operates.

In particular:

- representatives of the Company's management regularly interact with holders of ordinary shares and ADSs. Since the Parent Company's listing on NASDAQ in May 2019, the Company's

management have had regular dialogue with investors, including in connection with its quarterly and annual results announcement;

- the Company places considerable value on the involvement of its employees. Regular meetings are held with employees to discuss the operations and progress of the Company's business;
- the Company engages regularly with its key business partners, including third party manufacturers and suppliers, independent clinical investigators and CROs, to ensure that they all have appropriate standards and policies in place, are financially robust and capable of delivering their services. In addition, the Company works closely with its key collaborators, Cancer Research UK, Genentech, AstraZeneca and Oxurion, in accordance with the terms of its commercial agreements with them; and
- the Company endeavours to impact positively on the community in which it operates and aims to provide a safe, clean working environment for employees. The Company's activities have a minimal environmental impact.

The governance framework within which the Board operates is set out in the corporate governance guidelines adopted by the Board, a copy of which is available on the Company's website at https://investors.bicycletherapeutics.com. In addition, the Parent Company maintains and operates a Code of Conduct and Business Ethics which sets out the Company's approach to ensuring that our corporate values are maintained throughout our global business.

The Board fosters effective stakeholder relationships in order to align with the Parent Company's strategy and is responsible for seeing meaningful engagement with stakeholders. The Board's endeavours to implement various mechanisms to enable management and the Board to understand and consider stakeholder views as part of their oversight and decision making. Throughout the year, directors recognised their responsibility to act in good faith to promote the success of the Parent Company for the benefit of investors, while also considering the impact of their decisions on wider stakeholders and other factors relevant to the decision being made. Clear communication and proactive engagement to understand the issues and factors which are most important to stakeholders is fundamental to this. The Board acknowledges that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering our corporate values, together with our strategic priorities, the Board aims to ensure that the decisions made are consistent and intended to promote the Parent Company's long-term success.

The table below identifies where in the Annual Report information on those issues, factors and the stakeholders the Board has considered relevant for disclosure in complying with section 172(1)(a) to (f) of the Companies Act are set out in more detail, given their strategic importance to the Parent Company.

Strategic Report (continued)

The Board has had regard to the following matters:	More information:
Long-term results – the likely consequences of any decision in the long term	**Strategic report** – Business overview (page 2) – Our business strategy (page 4) – Review of business performance and future developments (page 8) – Key performance indicators (page 10) – Principal risks and uncertainties (page 12) **Directors' report** – Post balance sheet events (page 55)
Our workforce – the interests of the Company's employees	**Strategic report** – Business overview (page 2) – Our business strategy (page 4) – Employee, social, community and human rights matters (page 11) – Employee gender diversity (page 12) **Remuneration report** – Compensation Committee Chair's Statement (page 23) – Employment conditions (page 37)
Our business relationships – the importance of developing the Company's business relationships with suppliers, customers and others	**Strategic report** – Business overview (page 2) – Our business strategy (page 4) – Our collaborations (page 5) – Non-oncology collaborators (page 6) – Principal risks and uncertainties—Manufacturing / Third Parties / Commercialisation (pages 14 to 15)
The community and our environment – the impact of the Company's operations on the community and the environment	**Strategic report** – Environmental matters (page 11)
Our reputation – our desire to maintain our reputation for high standards of business conduct	**Strategic report** – Employee, social, community and human rights matters (page 11) **Bicycle website** – Code of Business Conduct and Ethics

Strategic Report (continued)

The Board has had regard to the following matters:	More information:
Fairness between our shareholders	**Remuneration report**
– our aim to act fairly as between members of the Parent Company	– Shareholder views (page 37)
	Bicycle website
	– Corporate Governance Guidelines

This report was approved by the board of directors on 23 April 2020 and signed on behalf of the board of directors by:

Kevin Lee
Director
23 April 2020

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)
year ended 31 December 2019

Directors' Remuneration Report

Annual Statement from the Chair of the Compensation Committee

Dear Shareholders,

As the Chair of the Compensation Committee (the "**Committee**"), I am pleased to present, on behalf of the board of directors (the "**Board**") of Bicycle Therapeutics plc (the "**Parent Company**" and, together with its subsidiaries, the "**Company**", "**Bicycle**", "**our**", "**we**" or "**us**"), the Directors' Remuneration Report for the year ended 31 December 2019 (the "**Remuneration Report**"), which is the Company's first such report following the Parent Company's initial public offering (the "**IPO**") and listing on The Nasdaq Stock Market ("**NASDAQ**") on 23 May 2019.

The Remuneration Report will be subject to an advisory vote, and the Directors' Remuneration Policy (the "**Remuneration Policy**") will be subject to a binding vote, at the forthcoming Annual General Meeting to be held on 29 June 2020 (the "**AGM**"). There are no other matters that the Parent Company requires approval for under Chapter 4A of Part 10 of the Companies Act 2006. Following the IPO in May 2019, this will be the Parent Company's first AGM.

Introduction

2019 was a pivotal year for Bicycle, having undertaken an IPO on NASDAQ and fully transitioned into being a public company. During 2019, we established a broad range of remuneration programs and policies and the Committee took actions aligned strategically with the Parent Company's shareholders and designed to appropriately position the Company as a global biopharmaceutical company.

As we move into 2020 and beyond, the Committee's role will be to ensure that directors and senior executives are appropriately compensated and incentivised to deliver growth in a long-term and sustainable manner to shareholders. The Committee will implement this strategy by establishing remuneration programs that are grounded in market practice, effective at driving proper executive behaviours, clearly link pay and performance and are cost-efficient overall to shareholders. Key considerations guiding our Remuneration Policy are described in more detail on page 26 of the Remuneration Report.

The global marketplace for talent

We are a biopharmaceutical company headquartered in the UK and with operations in both the UK and the U.S. Given that the market for experienced directors and biopharmaceutical executive talent, particularly in the U.S., is very competitive, the Committee references the U.S. market as the leading indicator for executive and director remuneration levels and practices. This will help attract and retain directors and motivate the superior executive talent needed to successfully manage the Company's complex global operations. Being consistent in this market view of the U.S. as the primary benchmark for remuneration practices for our Executive and Non-Executive Directors is key for the Company as it builds its global operations in a manner designed to deliver sustainable long-term growth and shareholder value.

In taking any actions, the Committee is mindful of the general UK compensation framework, including investor bodies' guidance and the UK Corporate Governance Code, and has considered these when determining the remuneration programs and policies where it believes they best serve the long-term interests of shareholders.

Pay for performance

We believe that a significant portion of the remuneration of our Executive Director should be based on achieving objectives designed to create inherent value in the Company, and ultimately on achieving value creation for our shareholders. In line with this belief, the compensation of our Executive Director includes short term incentives based on corporate and personal goals. Similarly, all directors receive equity incentives designed to reward long-term value creation for our shareholders.

2019 remuneration outcome

As outlined above, a core principle of Bicycle's Remuneration Policy is the link between pay and performance. In the financial year 2019 (being the year ended 31 December 2019), the annual bonus paid to Kevin Lee, our Chief Executive Officer ("**CEO**"), was determined by the Board following an assessment of the corporate and personal objectives achieved in the year. Kevin Lee received a bonus of 143% of his target bonus, which resulted in a total bonus pay out of 71% of salary earned for the financial year 2019. The bonus was paid in cash in February 2020. This outcome was based on achievements versus goals in the following key areas: Corporate Development, Clinical Development, CMC Platform, Financial and Organisational Development.

Some of the key highlights of the 2019 year included:

- successful listing on NASDAQ;
- significant advancement of clinical pipeline by delivering BT5528 phase 1 results ahead of schedule; and
- establishing a partnering strategy to enhance external presence.

Please see the remainder of the Remuneration Report for additional details on this bonus outcome and the pay for performance linkage.

2020 Equity Incentive Plan

It is proposed that, following shareholder approval at the AGM, the Parent Company will adopt the Bicycle Therapeutics plc 2020 Equity Incentive Plan (the "**EIP**"), further details of which can be found in the Parent Company's proxy statement dated 27 April 2020. The EIP will allow for greater flexibility in the type of equity awards that can be granted and, subject to it being approved by the Parent Company's shareholders, the EIP will replace the Company's existing Share Option Plan (the "**SOP**") for all equity awards granted after the date of approval of the EIP, both for our directors and for all other eligible participants.

Conclusion

The Committee believes the proposals put forth in this report will properly motivate our directors and senior executives to deliver sustainable growth and shareholder value over the long term and do so in a responsible and cost-efficient manner.

I hope that you find the information in this report helpful and I look forward to your support at our AGM.

Yours sincerely,

Veronica Jordan
Chair of the Compensation Committee
23 April 2020

Remuneration Policy

This part of the Remuneration Report sets out the Remuneration Policy and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Remuneration Policy will be put forward for approval by shareholders in a binding vote at the forthcoming AGM on 29 June 2020. If approved, it is intended that the Remuneration Policy will take effect from the date of approval and apply for a maximum period of three years (or until a revised policy is approved by shareholders).

Key considerations when determining the Remuneration Policy

The Committee designed the Remuneration Policy with a number of specific objectives in mind. The Remuneration Policy should:

- attract, retain and motivate high calibre senior management and focus them on the delivery of the Company's strategic and business objectives;
- encourage a corporate culture that promotes the highest level of integrity, teamwork and ethical standards;
- be competitive against appropriate market benchmarks (being predominantly the U.S. biotech sector) and have a strong link to performance, providing the ability to earn above-market rewards for strong performance;
- be simple and understandable, both internally and externally;
- encourage increased equity ownership to motivate executives in the overall interests of shareholders, the Company, employees and customers; and
- take due account of good governance and promote the long-term success of the Company.

In seeking to achieve the above objectives, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration including: market conditions; pay and benefits in relevant comparator organisations; terms and conditions of employment across the Company; the Company's risk appetite; the expectations of institutional shareholders; and any specific feedback received from shareholders and other stakeholders.

Remuneration Policy table

The table in the following pages sets out, for each element of pay, a summary of how remuneration is structured and how it supports the Company's strategy.

Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary			
To recruit and retain Executive Directors of the highest calibre who are capable of delivering the Company's strategic objectives, reflecting the individual's experience and role within the Company. Base salary is designed to provide an appropriate level of fixed income to avoid any over-reliance on variable pay elements that could encourage excessive risk taking.	Salaries are normally reviewed annually, and changes are generally effective from 1 January each year. The annual salary review for Executive Directors takes a number of factors into consideration, including: • business performance; • salary increases awarded to the overall employee population; • skills and experience of the individual over time; • scope of the individual's responsibilities; • changes in the size and complexity of the Company; • market • competitiveness assessed by periodic benchmarking; and • the underlying rate of inflation. If salary is set in USD but paid to a UK-based Executive Director it will be converted and paid in GBP pursuant to the terms of the applicable service agreement (as amended from time to time).	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions and the approach to employee pay throughout the organisation. In assessing base salaries, the Committee takes into account market data, but does not target a specific percentile when setting pay levels, rather considers it as one factor along with several others including Company and individual performance, tenure, past experiences and expected future contributions. Base salary increases are awarded at the discretion of the Committee; however, salary increases will normally be no greater than the general increase awarded to the wider workforce, in percentage of salary terms unless the salary is meaningfully below peers. In addition, a higher increase may be made where an individual had been appointed to a new role at below-market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than that awarded to the wider workforce.	Not performance related.

Directors' Remuneration Report (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits			
Reasonable benefits-in-kind are provided to support Executive Directors in carrying out their duties and assist with retention and recruitment.	The Company aims to offer benefits that are in line with market practice. The main benefits currently provided include private health insurance, long-term disability, critical illness and death in service. Under certain circumstances the Company may offer relocation allowances or assistance. Expatriate benefits may be offered where relevant including fees for tax advice associated with completion of international tax returns and, if relevant, any gross-up for tax. Travel, accommodation and any reasonable business-related expenses (including tax thereon) may be reimbursed. Executive Directors may become eligible for other benefits in future where the Committee deems it appropriate. Where additional benefits are introduced for the wider workforce, Executive Directors may participate on broadly similar terms. Executive Directors are eligible to participate in the Company's all-employee share plans on the same terms as other employees in the jurisdiction in which they are engaged.	Not applicable.	Not performance related.

Directors' Remuneration Report (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pensions			
The Company aims to provide a contribution towards life in retirement.	Executive Directors are eligible to receive employer contributions to the Company's Group Personal Pension Scheme or a salary supplement in lieu of pension benefits, or a mixture of both.	Up to 12% of salary per annum for Executive Directors, C-level executives and senior managers. The rest of the workforce is up to 8%.	Not performance related.
Annual Performance Bonus			
The annual bonus scheme rewards the achievement of stretching objectives that support the Company's corporate goals and delivery of the business strategy.	Bonuses are determined based on annual corporate and personal performance measures and targets that are agreed between the Executive Directors and the Board (following the Committee's recommendation) at the start of each financial year. Bonuses may be paid in cash or in equity awards, as may be agreed between the Executive Directors and the Committee. Payment of bonuses is conditional on the Executive Directors being in employment (and not having served notice of termination). No deferral period applies to bonuses.	The maximum target bonus opportunity for Executive Directors is 80% of salary, with a maximum bonus opportunity of up to two times the target opportunity. For threshold performance, no more than 50% of target bonus may be payable. For 2020, the target bonus opportunity for Executive Directors will be no more than 60% of salary, with a maximum bonus opportunity of up to 150% of the target opportunity. In addition there is an opportunity based on personal objectives to receive up to an additional 50% of the total bonus outcome (i.e. a maximum total of 135% of salary).	Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's business strategy and shareholder value. The performance measures may include financial, strategic and/or personal objectives. The Committee may alter the bonus outcome (up or down) if it considers that the pay-out derived from a formula is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help ensure that payments reflect overall Company performance during the period.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
2019 Share Option Plan ("SOP")			
The SOP is designed to incentivise the successful execution of business strategy over the longer term and provide long-term retention. Facilitates share ownership to provide further alignment with shareholders.	Subject to shareholder approval of the new EIP being obtained, no new options will be granted under the SOP. Awards will typically be granted annually, in the form of options although may also be granted more or less frequently. Options are typically subject to vesting over a four-year period, with 25% of the award vesting on the first anniversary of the grant, and the remainder vesting in equal monthly instalments thereafter. The Committee may vary the vesting schedule of options as it considers appropriate. No deferral or holding period applies to options or to the shares acquired on the exercise of options.	There is no defined maximum opportunity under the SOP. However, the Committee will generally work within the benchmarking guidelines provided by our compensation consultants. We seek to establish equity-based remuneration competitive to that offered by a set of comparable companies with whom we may compete for talent.	Performance conditions may apply to awards. Such conditions may be strategic objectives which may include milestones events, financial, strategic and/or personal objectives. Share options are granted with an exercise price no less than the fair market value of the shares on the date of grant. Accordingly, share options will only have value to the extent the Company's share price appreciates following the date of grant. Any performance conditions set will be designed to incentivise performance in support of the Company's strategy and business objectives. The Committee has flexibility to vary the mix of measures or introduce new measures for each subsequent award taking into account business priorities at the time of grant. The Committee may amend, relax or waive performance conditions if it considers that they have become unfair or impractical. This will help ensure that vesting reflects overall Company performance during the period. Options vest in full on a change of control.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
2020 Equity Incentive Plan ("EIP")			
The EIP is designed to incentivise the successful execution of business strategy over the longer term and provide long-term retention. Facilitates share ownership to provide further alignment with shareholders.	Awards may be granted in the form of options, share appreciation rights, restricted shares, restricted share units or such other form as may be permitted under the EIP or by any other equity incentive plan operated by the Company from time to time. Awards will typically be granted annually to continuing employees, although may also be granted more or less frequently. Awards are typically subject to vesting over a four-year period, with 25% of the award vesting on the first anniversary of the grant, and the remainder vesting in equal monthly instalments thereafter. The Committee may vary the vesting schedule of awards as it considers appropriate. No deferral or holding period applies to awards or to the shares acquired following the vesting of awards.	There is no defined maximum opportunity under the EIP. However, the Committee will generally work within the benchmarking guidelines provided by our compensation consultants. We seek to establish equity-based remuneration competitive to that offered by a set of comparable companies with whom we may compete for talent.	Performance conditions may apply to awards. Such conditions may be strategic objectives which may include milestones events, financial, strategic and/or personal objectives. Any performance conditions set will be designed to incentivise performance in support of the Company's strategy and business objectives. The Committee has flexibility to vary the mix of measures or introduce new measures for each subsequent award taking into account business priorities at the time of grant. The Committee may amend, relax or waive performance conditions if it considers that they have become unfair or impractical. This will help ensure that vesting reflects overall Company performance during the period. Awards vest in full on a change of control.

Chair and Non-Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fees and benefits			
To attract Non-Executive Directors who have a broad range of experience and skills to provide independent judgement on issues of strategy, performance, resources and standards of conduct.	Non-Executive Directors receive an annual retainer paid in cash, comprising a base fee plus additional fees for Committee Chairpersonship or membership. Such fees are set based on peer group comparator data. The Chair's fee is reviewed annually by the Committee (without the Chair present). Fee levels for the Non-Executive Directors are determined by directors upon the recommendation of the Committee. When reviewing fee levels, account is taken of market movements in fee levels, Board committee responsibilities, ongoing time commitments and the general economic environment. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay additional fees to recognise that additional workload.	When reviewing fee levels, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments, as well as the underlying rate of inflation. Actual fee levels are disclosed in the Annual Remuneration Report for the relevant financial year.	Not performance related.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fees and Benefits (continued)			
	Non-Executive Directors ordinarily do not participate in any pension, bonus or performance-based share incentive plans. Travel, accommodation and other business-related expenses incurred in carrying out the role as well as fees for tax advice associated with completion of international tax returns will be paid by the Company including, if relevant, any gross-up for tax. Tax equalisation benefits may be provided to Non-Executive Directors who are required to relocate or become tax resident in a new jurisdiction. Non-Executive Director fees are generally denominated and paid in USD but may be denominated and/or paid in GBP, USD, or a combination depending on the personal situation of each Non-Executive Director. Any currency conversions are calculated in accordance with the applicable Company procedure from time to time. Non-Executive Director fees in respect of those Non-Executive Directors who are appointed by an investor (or group of investors) in the Parent Company may be paid to those investor(s) on behalf of the relevant Non-Executive Director.		

Directors' Remuneration Report (continued)

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Equity Awards			
To facilitate share ownership and provide alignment with shareholders.	Non-Executive Directors may receive equity awards under the EIP (or options, share appreciation rights, restricted shares, restricted share units or such other form as may be permitted by any other equity incentive plan operated by the Company from time to time). Non-Executive Directors will receive an initial equity award upon appointment or election. Initial equity awards normally vest over a period of three years on a monthly basis from the date of appointment, subject generally to continued service. In addition, Non-Executive Directors who have not announced an intention to either resign from the Board or not to stand for election at the next annual meeting of shareholders will be granted an equity award in January of each year which shall vest in full upon grant. If a new Non-Executive Director joins the Board following the date of grant of this annual grant in any calendar year, such Non-Executive Director will be granted a pro rata portion of the next annual grant, based on the time between his or her appointment and the date of such annual grant.	There is no maximum award level for equity awards to Non-Executive Directors. The size of the equity awards is determined by the full Board, upon recommendation of the Compensation Committee. When reviewing award levels, account is taken of market movements in equity awards, Board committee responsibilities, ongoing time commitments and the general economic conditions.	Not performance related. Awards vest in full on a change of control.

Notes to the policy table

Legacy arrangements

For the duration of this Remuneration Policy, the Company will honour any commitments made in respect of current or former directors before the date on which either: (i) the Remuneration Policy becomes effective; or (ii) an individual becomes a director, even when not consistent with the Remuneration Policy set out in this report or prevailing at the time such commitment is fulfilled. For the avoidance of doubt, all outstanding historic awards that were granted in connection with, or prior to, listing on NASDAQ and/or under the SOP remain eligible to vest based on their original or modified terms.

Payments may be made in respect of existing awards under the SOP and the Committee may exercise any discretions available to it in connection with such awards in accordance with the rules of the SOP and relevant award documentation. Options granted under the SOP vest in full on a change of control.

Payments may be made in respect of consultancy services provided by Pierre Legault pursuant to a consulting agreement entered into between Stone Sunny Isles, Inc. and Bicycle Therapeutics Inc. dated 15 March 2019 pursuant to which Stone Sunny Isles has agreed to make available Pierre Legault to provide advisory services to us as requested by our Board of Directors or our chief executive officer. In consideration for the provision of the advisory services, we pay Stone Sunny Isles a monthly retainer of £10,416, which is billed in U.S. dollars. Pierre Legault is the President, Treasurer and Director of Stone Sunny Isles.

Retention Bonus

Kevin Lee received a retention bonus to incentivise his continuous service in an aggregate amount of £150k (paid in two tranches, £100k in August 2018 and £50k in October 2019). This bonus is subject to repayment (net of statutory deductions for income tax and employee's National Insurance contributions) if he gives notice to terminate his employment with the Company at any time before 1 August 2020.

Performance conditions

The choice of annual bonus performance metrics reflects the Committee's belief that any incentive remuneration should be appropriately challenging and tied to the delivery of key strategic objectives intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The targets for the bonus scheme for the forthcoming year will be set out in general terms, subject to limitations with regards to commercial sensitivity. The full details of the targets will be disclosed when they are in the public domain and are no long considered commercially sensitive.

Where used, performance conditions applicable to EIP awards (or other equity incentive plans operated by the Company from time to time) will be aligned with the Company's objective of delivering superior levels of long-term value to shareholders. Prior to each award, the Committee has flexibility to select measures that are fully aligned with the strategy prevailing at the time awards are granted.

The Committee will review the calibration of targets applicable to the annual bonus, and the EIP in years where performance measures apply, annually to ensure they remain appropriate and sufficiently challenging, taking into account the Company's strategic objectives and the interests of shareholders.

Recovery and withholding

The Company does not have a policy on recovery and withholding provisions other than on retention bonuses if the employee gives notice of the termination of their employment before a prescribed date.

Differences in remuneration policy between Executive Directors and other employees

The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long-term, and 'at risk' with an emphasis on performance-related pay linked to business performance and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided only to the most senior executives as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

Committee discretion in operation of variable pay schemes

The Committee operates under the powers it has been delegated by the Board. In addition, where relevant, it complies with rules that are either subject to shareholder approval or by approval from the Board. These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual director and to the shareholders. The Committee also has discretions to set components of remuneration within a range, from time to time. Where appropriate, the extent of such discretions is set out in the relevant rules and/or described in the policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions.

These include the following:

- selecting the individuals who will receive awards under the plans on an annual basis;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments;
- determining the choice (and adjustment) of any performance measures and targets, vesting schedules, exercise prices (where applicable) and other award terms for each incentive plan;
- determining the extent of vesting, including for leavers;
- making the appropriate adjustments (including to any performance targets) required in certain circumstances, for instance for changes in capital structure;

- determining "good leaver" status and the impact of certain corporate events, if applicable, for incentive plan purposes and determining and applying the appropriate treatment;
- interpreting the plan rules where necessary; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or EIP (where performance conditions apply) performance conditions and/or targets being deemed unfair or impractical (e.g. material acquisition or divestment), the Committee will have the ability to make amend, relax or waive (and/or recommend such alterations to the Board for approval) to the measures and/or targets and alter weightings. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Parent Company's major shareholders.

The Committee may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Shareholder views

The Board is committed to dialogue with shareholders and intends to engage directly with them and their representative bodies when considering any significant changes to our remuneration arrangements. The Committee will consider shareholder feedback received following the AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company's remuneration framework and practices going forward. Assisted by its independent adviser, the Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Employment conditions

The Committee is regularly updated throughout the year on pay and conditions applying to Company employees. Where significant changes are proposed to employment conditions elsewhere in the Company these are highlighted for the attention of the Committee at an early stage.

Whilst the Committee does not currently consult directly with employees regarding its policy for directors, the Committee is considering the best method of bringing the employee voice to the boardroom.

Other remuneration policies

Remuneration for new appointments

Where it is necessary to appoint or replace an Executive Director or to promote an existing Executive Director, the Committee's approach when considering the overall remuneration arrangements in the recruitment of a new Executive Director is to take account of the calibre, expertise and responsibilities of the individual, his or her remuneration package in their prior role and market rates. Remuneration will be in line with the Remuneration Policy and the Committee will not pay more than is necessary to facilitate their recruitment.

The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. Further details are provided below:

Salary	The Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee. In arriving at a salary, the Committee may take into account, amongst other things, the market rate for the role and internal relativities. The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance. In exceptional circumstances, the Committee has the ability to set the salary of a new Executive Director at a rate higher than the market level to reflect the criticality of the role and the experience and performance of the individual.
Benefits	Benefits will be consistent with the principles of the policy set out on page 26. The Company may award certain additional benefits and other allowances including, but not limited to, those to assist with relocation support, temporary living and transportation expenses, educational costs for children, reimbursement of fees for tax advice associated with completion of international tax returns and tax equalisation to allow flexibility in employing an overseas national.
Pension benefits	A maximum employer pension contribution of 12% of salary (or equivalent cash allowance) may be payable for external appointments. For an internal appointment, his or her existing pension arrangements may continue to operate. Any new Executive Director based outside the UK will be eligible to participate in pension or pension allowance, insurance and other benefit programmes in line with local practice.
Annual bonus	The maximum target bonus opportunity is 80% of base salary and the maximum bonus opportunity for new appointments is 225% of their target bonus.
Other cash or equity-based awards	Executive Directors may receive awards under the EIP (or other equity incentive plan operated by the Company from time to time) on appointment. The Committee will assess and determine the award level, award vehicle, performance conditions and vesting schedule for each individual on a case-by-case basis. In addition, Executive Directors are eligible to participate in the Company's all-employee share plans on the same terms as other employees in the jurisdiction in which they are engaged. In addition, the Committee may offer additional cash and/or equity-based elements in order to "buy-out" remuneration relinquished on leaving a former employer. Any awards made in this regard may have no performance conditions, or different performance conditions, or a different vesting schedule compared to the Company's existing plans, as the Committee considers appropriate.

Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus or SOP performance measures and targets as applicable to other Executive Directors.

The terms of appointment for a Non-Executive Director would be in accordance with the approved remuneration policy for Non-Executive Directors in force at the time of the appointment.

Service contracts and termination policy

Executive Directors have rolling service agreements (entered into with the Parent Company or a subsidiary thereof) which may be terminated in accordance with the terms of these agreements. The period of notice for Executive Directors (to be given by the employer or the Executive Director) will not normally exceed 6 months. Executive Directors' service agreements are available for inspection at the Parent Company's registered office during normal business hours and will also be available to the public if required to be filed by the Parent Company with the SEC. The terms of the current Executive Director's service contract are:

Name	Position	Date of service contract	Notice period
Kevin Lee	Chief Executive Officer	26 Sept 2019	6 months either party

The Company's policy on remuneration for Executive Directors who leave the Company is set out below. The Committee will exercise its discretion when determining amounts that should be paid to leavers (other than in respect of the relevant leaver's contractual entitlements which will be respected), taking into account the facts and circumstances of each case. Where applicable, the Company may elect to make a payment in lieu of notice ("**PILON**") equivalent in value to basic salary and contractual benefits for any unexpired portion of the notice period (but excluding any annual bonus or holiday entitlement that would have otherwise accrued during the notice period).

Where the Executive Director is terminated by the Company without "Cause" (as defined in the service agreement), by the Executive Director for "Good Reason" (as defined in the service agreement), or on the Executive Director's death, severance pay in addition to any potential PILON and any entitlements in respect of the year to the date of termination in accordance with the applicable terms shall be paid to an Executive Director as set out below, subject to the Executive Director signing a waiver of claims:

Element of pay / benefit	Termination other than within 12 months after a relevant "Change in Control" (as defined in the service agreement)	Termination within 12 months after a relevant "Change in Control" (as defined in the service agreement)
Salary	A lump sum payment equal to 12 months' salary payable.	A lump sum payment equal to 18 months' salary payable.
Contractual benefits	A lump sum payment equal to the cost to the Company of providing contractual benefits for 12 months (or continuation of such benefits).	A lump sum payment equal to the cost to the Company of providing contractual benefits for 18 months (or continuation of such benefits).
Annual bonus	Not applicable.	A lump sum payment equal to 1.5 times target bonus will be paid.

Element of pay / benefit	Termination other than within 12 months after a relevant "Change in Control" (as defined in the service agreement)	Termination within 12 months after a relevant "Change in Control" (as defined in the service agreement)
Share Option Plan (legacy awards)	Options treated in accordance with plan rules. Good leavers may exercise their options to the extent vested at the time of termination within 12 months after termination. The Committee has the discretion to accelerate vesting in whole or in part, to extend the exercise window, and/or to waive any applicable performance conditions in whole or in part.	Options subject to time-based vesting (only) accelerate, vest and become exercisable in full. Options subject to performance conditions treated in accordance with plan rules (as described at left).
Equity Incentive Plan	Awards treated in accordance with plan rules. Unless otherwise determined by the Committee, unvested equity awards lapse on the date of termination of employment.	Awards vest in full on a change of control.

The Company is unequivocally against rewards for failure; the circumstances of any departure, including the individual's performance, would be taken into account in every case. Statutory redundancy payments may be made. Service agreements may be terminated summarily without notice (or on shorter notice periods) and without payment in lieu of notice in certain circumstances, such as gross misconduct or any other material breach of the obligations under their employment contract. The Company may require the individual to work during their notice period or may place them on garden leave during which they would be entitled to full pay and benefits.

Except in the case of gross misconduct or resignation, the Company may at its absolute discretion reimburse for reasonable professional fees relating to the termination of employment and, where an Executive Director has been required to re-locate, to pay reasonable repatriation costs, including possible tax exposure costs and/or settle any other amount the Committee considers reasonable including any statutory entitlements or sums to settle or compromise claims or potential claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services).

Policy on external appointments

The Board believes that it may be beneficial to the Company for executives to hold certain roles outside the Company provided that the Company's business takes priority. Any such appointments are subject to approval by the Board and the director may retain any fees received. Kevin Lee is currently a director of Nodthera Limited and Wilbraham Consulting Limited in respect of which he receives an aggregate of £20k per annum in fees.

Non-Executive Directors' terms of engagement

Each of the Non-Executive Directors is engaged under a Non-Executive Director appointment letter. Each appointment is normally terminable by either party on no more than three months' written notice (or, in some cases, payment in lieu of notice), but may be terminated immediately in certain circumstances. Under our articles of association, our Board is divided into three classes (Class I, Class II and Class III), with members of each class serving staggered three-year terms. In the event of termination, the Chair and Non-Executive Directors are only entitled to fees accrued to the date of termination together with reimbursement of expenses properly incurred before that date.

The dates of appointment of each of the Non-Executive Directors serving at 31 December 2019 are summarised in the table below. The Parent Company was incorporated on 27 October 2017.

Non-Executive Directors	Date of appointment letter	Date of appointment
Michael Anstey	22 May 2019	4 December 2017
Catherine Bingham	22 May 2019	4 December 2017
Janice Bourque	18 July 2019	18 July 2019
Bosun Hau	23 May 2019	22 May 2019
Veronica Jordan	30 October 2019	30 October 2019
Richard Kender	20 July 2019	18 July 2019
Pierre Legault (Chairman)	15 March 2019	15 March 2019
Carolyn Ng	22 May 2019	12 July 2018
Gregory Winter	24 May 2019	4 December 2017

At the time of the IPO in May 2019 all Non-Executive Directors then appointed except Pierre Legault entered into new letters of appointment which took effect conditional upon completion of the IPO. Janice Bourque, Richard Kender and Veronica Jordan each entered into letters of appointment at the time of their appointment to the Board.

Non-Executive Directors' letters of appointment are available for inspection at the Parent Company's registered office during normal business hours and will be available for inspection at the AGM.

A company affiliated with Pierre Legault, Stone Sunny Isles, Inc., has also entered into a consulting agreement with Bicycle Therapeutics Inc. dated 15 March 2019 under which it will procure the provision of consulting services by Pierre Legault to the Parent Company and is paid a monthly retainer of £10,416, which is billed in U.S. dollars for these services. This consulting agreement is terminable on three months' written notice (or payment in lieu of notice).

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and section 420 of the Companies Act 2006. The Annual Report on Remuneration and the Annual Statement by the Chair of the Compensation Committee will be put to a single advisory shareholder vote at the AGM to be held on 29 June 2020.

Compensation Committee

The current members of the Committee, who are all independent, are Veronica Jordan (as Chair of the Committee), Richard Kender and Janice Bourque. Prior to the appointments of Veronica Jordan on 30 October 2019 and Richard Kender and Janice Bourque on 18 July 2019, the Committee comprised Deborah Harland and Carolyn Ng who left the Committee on 18 July 2019. Decisions of the Committee are made by majority vote or by unanimous written consent.

The Chair and members of management, the CEO, and the Chief Financial Officer, are invited to attend meetings where appropriate. Attendees are not involved in any decisions and are not present for any discussions regarding their own remuneration.

No conflicts of interest have arisen during the year and none of the members of the Committee has any personal financial interest in the matters discussed, other than as optionholders. The fees of the Non-Executive Directors are approved by the Board on the joint recommendation of the Committee and the Chief Executive Officer/Executive Director.

Meetings attendance (since listing on NASDAQ)

Director	Meetings Attended
Deborah Harland	1 of 1[1]
Carolyn Ng	1 of 1[2]
Janice Bourque	5 of 5[3]
Richard Kender	5 of 5[4]
Veronica Jordan	2 of 2[5]

1. One meeting of the Committee took place during Deborah Harland's tenure.
2. One meeting of the Committee took place during Carolyn's Ng's tenure.
3. Five meetings of the Committee have taken place during Janice Bourque's tenure.
4. Five meetings of the Committee have taken place during Richard Kender's tenure.
5. Two meetings of the Committee have taken place during Veronica Jordan's tenure and she attended one of the meetings in part.

Independent advisors

Independent advice on executive remuneration is received from the Executive Compensation practice of Radford. Radford is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. Radford advises the Committee on all aspects of senior executive remuneration. Since the IPO, Radford has assisted with the drafting of the Remuneration Policy and has kept the Committee up to date on remuneration trends and corporate governance best practice. Radford does not have any other remuneration-unrelated connection with the Company and is considered to be independent by the Committee. During the year ended 31 December 2019, fees charged by Radford for advice provided to the Committee for 2019 amounted to approximately $45k.

Activity in the year

The Committee's principal function is to develop and implement compensation policies and plans that ensure the attraction and retention of key management personnel, the motivation of management

to achieve the Company's corporate goals and strategies, and the alignment of the interests of management with the long-term interests of the Parent Company's shareholders. In determining the remuneration policy, and in constructing the remuneration arrangements for Executive Directors and senior employees, the Board, advised by the Committee, aims to provide remuneration packages that are competitive and designed to attract, retain and motivate Executive Directors and senior employees of the highest calibre.

The Committee is responsible for and considered, where applicable, during the year:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and Chief Financial Officer;
- evaluating the performance of the CEO and Chief Financial Officer in light of such corporate goals and objectives and recommending or determining the compensation of the CEO;
- reviewing and recommending or determining the compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- retaining and approving the compensation of any compensation advisors;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- preparing the compensation committee report required by the SEC rules to be included in our annual proxy statement, and the directors' remuneration policy and report as required under English law;
- reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K, if required;
- reviewing and making recommendations to the Board with respect to director compensation; and
- reviewing and discussing with the Board our corporate succession plans for the CEO and other key officers.

The Committee is formally constituted and operates pursuant to a written charter, which is available on Bicycle's website, https://investors.bicycletherapeutics.com.

Directors' Remuneration Report (continued)

Single total figure of directors' remuneration—year ended 31 December 2019 (audited)

The total remuneration of the individual directors who served from the date of listing on NASDAQ on 23 May 2019, is shown below. Total remuneration is the sum of emoluments plus Company pension contributions.

		Base salary[1]/fees $000	Benefits[2] $000	Pension[3] $000	Bonus[4] $000	Equity-based awards[5] $000	Other $000	Total remuneration $000
Executive Directors								
Kevin Lee	2019	351	13	36	282	—	—	682
Non-Executive Directors								
Michael Anstey	2019	24	—	—	—	—	—	24
Catherine Bingham	2019	31	—	—	—	—	—	31
Janice Bourque	2019	29	—	—	—	—	—	29
Bosun Hau	2019	24	—	—	—	—	—	24
Veronica Jordan	2019	9	—	—	—	—	—	9
Richard Kender	2019	44	—	—	—	—	—	44
Pierre Legault[6]	2019	113	—	—	—	—	—	113
Carolyn Ng	2019	24	—	—	—	—	—	24
Gregory Winter	2019	24	—	—	—	—	—	24
Total	**2019**	**673**	**13**	**36**	**282**	**—**	**—**	**1,004**

1. The Executive Director's salary was set in USD but converted and paid in GBP based on the USD/GBP Bank of England daily spot exchange rate applicable on the date of his service agreement.

2. The Executive Director's benefits included private health insurance, long term disability, critical illness and death in service benefits.

3. Relates to cash in lieu of pension.

4. Annual bonus for our Executive Director has been calculated in this table on an accrual basis for the 7 months after the Parent Company's listing on NASDAQ. Bonus was paid in cash. See below / overleaf for more details. This sum also includes £50k paid to the Executive Director in 2019 by way of retention bonus which is subject to repayment (net of statutory deductions for income tax and employee's National Insurance contributions) if he gives notice to terminate his employment with the Company at any time before 1 August 2020 (described above on page 35).

5. There were no performance obligations linked to the equity-based awards. The value of equity-based awards in the table is based on the market value of underlying shares at the date of grant, less the applicable exercise price. For the CEO and Non-Executive Directors this was nil because the exercise price is equal to the market value of the underlying shares at the date of grant. Refer to "Share Option Plan" below for details of grants.

6. Pierre Legault's fees include those payable under a consulting agreement entered into between Stone Sunny Isles, Inc. and Bicycle Therapeutics Inc. dated 15 March 2019 pursuant to which such entity is paid £125k per year for Mr. Legault's advisory services to the Company.

Single total figure of directors' remuneration—year ended 31 December 2019 (audited)

The total remuneration of the individual directors who served during the financial year, from 1 January 2019 to 31 December 2019, together with a comparison with the equivalent figure for the

Directors' Remuneration Report (continued)

2018 financial year is shown below. Other than shown, no directors received remuneration in the 2018 financial year. Total remuneration is the sum of emoluments plus Company pension contributions.

		Base salary[1]/fees $000	Benefits[2] $000	Pension[3] $000	Bonus[4] $000	Equity-based awards[5] $000	Other[6] $000	Total remuneration $000
Executive Directors								
Kevin Lee	2019	516	2	53	433	—	—	1,004
	2018	402	2	37	385	—	—	826
Non-Executive Directors[6]								
Michael Anstey	2019	24	—	—	—	—	—	24
Catherine Bingham	2019	31	—	—	—	—	—	31
Janice Bourque	2019	29	—	—	—	—	—	29
Bosun Hau	2019	24	—	—	—	—	—	24
Veronica Jordan	2019	9	—	—	—	—	—	9
Richard Kender	2019	44	—	—	—	—	—	44
Pierre Legault[7]	2019	141	—	—	—	—	—	141
Carolyn Ng	2019	24	—	—	—	—	—	24
Gregory Winter	2019	24	—	—	—	—	—	24
Deborah Harland[8]	2019	—	—	—	—	—	—	—
Stephen Hoffman[8]	2019	53	—	—	—	—	—	53
	2018	108	—	—	—	—	—	108
Viswanthan Krishnan[8]	2019	—	—	—	—	—	—	—
Anja Koenig[8]	2019	—	—	—	—	—	—	—
Jason Rhodes[8]	2019	—	—	—	—	—	—	—
Total	**2019**	**919**	**2**	**53**	**433**	**—**	**—**	**1,407**
	2018	**510**	**2**	**37**	**385**	**—**	**—**	**934**

1. The Executive Director's salary was set in USD but converted and paid in GBP based on the USD/GBP Bank of England daily spot exchange rate applicable on the date of his service agreement.

2. The Executive Director's benefits included private health insurance, long term disability, critical illness and death in service benefits.

3. Relates to cash in lieu of pension.

4. Annual bonus was paid in cash. See below / overleaf for more details. This sum also includes £50k paid to the Executive Director in 2019 and £100k in 2018 each by way of a cash retention bonus which is subject to repayment (net of statutory deductions for income tax and employee's National Insurance contributions) if he gives notice to terminate his employment with the Company at any time before 1 August 2020 (described above on page 35).

5. There were no performance obligations linked to the equity-based awards. The value of equity-based awards in the table is based on the market value of underlying shares at the date of grant, less the applicable exercise price. For the CEO and Non-Executive Directors this was nil because the exercise price is equal to the market value of the underlying shares at the date of grant. Refer to "Share Option Plan" below.

6. Stephen Hoffman was the only Non-Executive Director in office in 2018 who received a fee.

7. Pierre Legault's fees include those payable under a consulting agreement between Stone Sunny Isles, Inc. and Bicycle Therapeutics Inc. dated 15 March 2019, pursuant to which such entity is paid £125k per year for Mr. Legault's advisory services to the Company.

8. Deborah Harland resigned on 27 Sept 2019, Stephen Hoffman resigned on 19 March 2019, Anja Koenig resigned on 22 May 2019, Viswanathan Krishnan resigned on 22 May 2019 and Jason Rhodes resigned on 22 May 2019. Stephen Hoffman's fees include those payable under a consulting agreement entered into with BicycleTx Limited under which he was paid $99k per year.

2019 Annual bonus (audited)

In 2019, the CEO's annual bonus was based on corporate and personal objectives. The overall bonus outcome of percentage of target resulted in a total bonus pay out of $368k or 71% of the CEO's base salary for the year ended 31 December 2019.

Share Option Plan

Awards granted in the year since listing on NASDAQ on 23 May 2019 (audited)

On 28 June 2019, the CEO and Chairman were granted an option exercisable into 506,252 and 116,827 shares (respectively) under the SOP with an option exercise price of $14.00 per share. The market value of the Parent Company's American Depositary Shares on the date of grant was $10.06. These options are not subject to any performance obligations and vest monthly over three years from the date of grant. The face values of the equity-based awards (based on the market value of underlying shares at the date of grant, multiplied by the number of shares under option, minus the applicable exercise price) were nil because the exercise price is equal to the market value of the underlying shares at the date of grant.

Awards granted from 1 January 2019 to date of listing on NASDAQ on 23 May 2019 (audited)

The CEO and Chairman received the following share option awards during the year from 1 January 2019 to 23 May 2019 prior to our listing as a public company, as set forth in the table below:

Executive Director	Form of Award	Date of Grant	Shares Covered	Exercise Price $	Face Value at Date of Grant[1]	Expiry Date	Vest Terms
Kevin Lee	Fair market value options	25 April 2019	44,897	8.03	—	24 April 2029	25% vest after one year, remaining shares vest in 36 equal monthly instalments
Pierre Legault	Fair market value options	25 April 2019	218,312	8.03	—	24 April 2029	Vesting in 36 equal monthly instalments

1. The value of equity-based awards in the table is based on the market value of underlying shares at the date of grant, less the applicable exercise price. This was nil because the exercise price is equal to the market value of the underlying shares at the date of grant. No share price available as the shares were not listed on the date of grant. Instead, the exercise price was set in accordance with the 409A valuation in effect on the date of grant ($8.03 per share).

Payments to former directors and for loss of office (audited)

No payments were made to former directors of the Company or in relation to loss of office during the current or prior year.

Non-Executive Directors also received the following option awards during the year, each vesting based on continued employment only. All options were granted under the SOP, save for the grant to Pierre Legault in April 2019 which was granted under a standalone option contract (and which vests in full in the event of a sale of the Company or substantially all its assets):

Non-Executive Director	Form of Award	Date of Grant	Shares Covered	Exercise Price $	Face Value at Date of Grant[1]	Expiry Date	Vest Terms
Veronica Jordan	Fair market value options	17 December 2019	32,000	8.3	—	16 December 2029	Vesting in 36 equal monthly instalments
Richard Kender	Fair market value options	26 September 2019	23,798	11.66	—	25 September 2029	Vesting in 36 equal monthly instalments
Pierre Legault	Fair market value options	25 April 2019	218,312	8.03	—	24 April 2029	Vesting in 36 equal monthly instalments
		28 June 2019	116,827	14.00		27 June 2029	
Janice Bourque	Fair market value options	26 September 2019	23,798	11.66	—	25 September 2029	Vesting in 36 equal monthly instalments

1. The value of equity-based awards in the table is based on the market value of underlying shares at the date of grant, less the applicable exercise price. This was nil because the exercise price is equal to the market value of the underlying shares at the date of grant. No share price available for the grants in April 2019 as the shares were not listed on the date of grant, instead the exercise price was set in accordance with the 409A valuation in effect on the date of grant (£6.67 per share).

Statement of directors' shareholding and share interests (audited)

The share interests of each director as at 31 December 2019 (together with interests held by his or her connected persons) are set out in the table below.

Shareholdings for directors who have held office during the period between listing on NASDAQ and 31 December 2019 are set out in the table below.

	Shares	Share Options			
	Beneficially owned shares as at 31 December 2019	Vested but unexercised	Unvested with performance conditions	Unvested without performance conditions	Total
Executive Director					
Kevin Lee	275,085	187,107	—	528,785	990,977
Non-Executive Directors					
Michael Anstey	—	—	—	—	—
Catherine Bingham	—	—	—	—	—
Janice Bourque	—	3,966	—	19,832	23,798
Bosun Hau	—	—	—	—	—
Deborah Harland	—	—	—	—	—
Veronica Jordan	—	2,666	—	29,334	32,000
Richard Kender	—	3,966	—	19,832	23,798
Pierre Legault	—	77,294	—	257,845	335,139
Carolyn Ng	—	—	—	—	—
Gregory Winter	92,477	—	—	—	92,477

No shares were unvested.

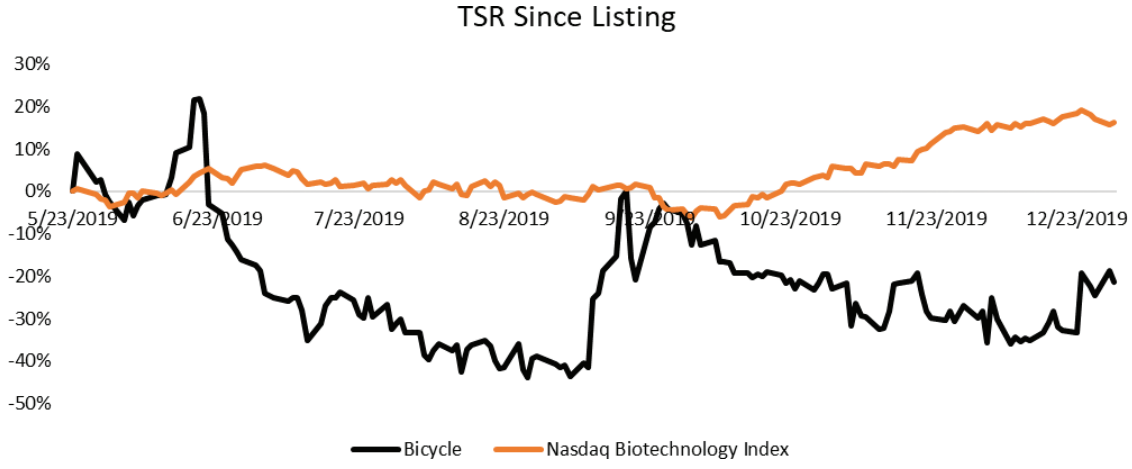
Gregory Winter held warrants to subscribe for 71,450 ordinary shares at 31 December 2019. These were exercised in full by Gregory Winter on 14 April 2020. Stephen Hoffman holds 80,638 ordinary shares. No other former director who held office in 2018 or 2019 holds any ordinary shares or has any share options.

Share ownership guidelines

Executive Directors are encouraged to build a meaningful shareholding so as to align their interests with those of shareholders but no formal shareholding requirements apply.

Performance graph and table

The chart below shows the Parent Company's Total Shareholder Return (TSR) performance compared with that of the NASDAQ Biotechnology Index over the year from the date of the Parent Company's listing on NASDAQ to 31 December 2019. The NASDAQ Biotechnology Index has been chosen as an appropriate comparator as it is the index of which the Parent Company is a constituent. TSR is defined as the return on investment obtained from holding a company's shares over a year. It includes dividends paid, the change in the capital value of the shares and any other payments made to or by shareholders within the year.



Aligning pay with performance

The total remuneration figure for the CEO is shown in the table below, along with the value of bonuses paid, and SOP vesting, as a percentage of the maximum opportunity. As this is the first year reported since listing, it is not possible to provide meaningful comparative data. However, full disclosure of the year on year movement will be provided in future remuneration reports.

Chief Executive Officer	2019
Total remuneration ($000)	1,004
Actual bonus (% of the maximum)	63%
SOP vesting (% of the maximum)	100%

Directors' Remuneration Report (continued)

Percentage change in remuneration of the Chief Executive Officer

As this is the first year reported since listing on NASDAQ there has been no change in remuneration of the CEO. It is therefore not possible to provide meaningful comparative data. However, full disclosure of the year on year movement will be provided in future remuneration reports.

Relative importance of spend on pay

The table below illustrates the Company's expenditure on employee pay in comparison to distributions to shareholders by way of dividend payments.

	2018	2019	% change
Distributions to shareholders	$ 0	$ 0	N/A
Total employee pay expenditure ($'000)[1]	9,193	17,774	93

1. Total pay expenditure includes wages and salaries, social security costs, pension contributions, bonus, equity compensation plans and termination benefits.

Statement of implementation of remuneration policy in 2020

Annual base salary

The percentage salary increases for the CEO were consistent with salary increases provided to Company employees on the whole.

	Base salary 2019 $'000	Base salary 2020 $'000
Executive Directors		
Kevin Lee	575	592

Remuneration scenario for Executive Director

The charts below show an estimate of the 2020 remuneration package for the Executive Director under three assumed performance scenarios and these scenarios are based on the remuneration policy set out above.

Minimum (comprising fixed pay only)

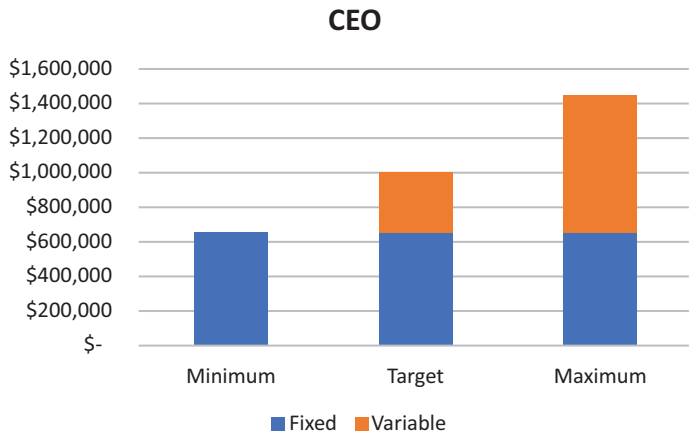
- Base salary as of 1 January 2020 of $592,250 and cash in lieu of pension of 12% of base salary net of employer NI costs of the cash in lieu.

Target

- Fixed pay as above.
- Assumes target bonus of 60%.

Maximum

- Fixed pay as above.
- Assumes maximum bonus payout of 135%.



Benefits and pension

In 2020, Executive Directors are eligible for the same benefits (such as health insurance) as provided to all senior employees in the jurisdiction in which they reside. In the UK, where the CEO is based, this means that employer pension contributions are 12% of base salary for Executive Directors and employees with job title of 'director' and above and 8% for all other employees (or, in each case, cash equivalent at the election of the relevant employee).

Bonus

The CEO will be entitled to a target bonus of 60% base salary in 2020, with final payout of up to 135% of base salary in the event of 'stretch' performance being achieved. The bonus will be paid cash or in an equity award, as may be agreed between the Executive Director and the Committee, and subject to the achievement of a number of corporate and personal objectives determined by the Committee. Details of the specific objectives will be disclosed when they are no longer considered commercially sensitive.

Specific targets are commercially sensitive and therefore are not disclosed in advance. However, full details of the targets and performance against them will be disclosed when they are no longer considered commercially sensitive.

Share Option Plan

The Company granted the following annual equity incentive awards to directors and the Chairman on 2 January 2020 under the SOP:

Director	Form of Award	Date of Grant	Shares Covered	Exercise Price[1]	Face Value at Date of Grant[2] $	Expiry Date	Vest Terms
Kevin Lee	Fair market value options	2 January 2020	210,000	9.82	—	1 January 2030	25% vest after one year, remaining shares vest in 36 equal monthly instalments
Veronica Jordan	Fair market value options	2 January 2020	16,000	9.82	—	1 January 2030	100% Vested
Richard Kender	Fair market value options	2 January 2020	16,000	9.82	—	1 January 2030	100% Vested
		2 January 2020	8,202	9.82	—	17 July 2029	Vesting in 36 equal monthly instalments from date of appointment
Pierre Legault	Fair market value options	2 January 2020	32,000	9.82	—	1 January 2030	100% Vested
Janice Bourque	Fair market value options	2 January 2020	16,000	9.82		1 January 2030	100% Vested
		2 January 2020	8,202	9.82	—	17 July 2029	Vesting in 36 equal monthly instalments from date of appointment
Catherine Bingham	Fair market value options	2 January 2020	16,000	9.82	—	1 January 2030	100% Vested
Gregory Winter	Fair market value options	2 January 2020	16,000	9.82	—	1 January 2030	100% Vested

1. Exercise price is equal to the market value of the underlying shares at the date of grant.

2. The value of equity-based awards in the table is based on the market value of underlying shares at the date of grant, less the applicable exercise price. This was nil because the exercise price is equal to the market value of the underlying shares at the date of grant.

No other grants are currently proposed for 2020. Subject to shareholder approval of the EIP, all future equity awards will be granted under the EIP.

Directors' Remuneration Report (continued)

Non-Executive Directors' fees

Non-Executive Directors will receive the following annual fees for 2020, which will be paid in cash, as follows:

	Fees (effective from 1 January 2020) 000s
Base fee:	
Board Chair	£ 5
Board member	$40
Additional fees:	
Audit Committee Chair	$20
Audit Committee member	$ 9
Compensation Committee Chair	$14
Compensation Committee member	$ 7
Nomination Committee Chair	$ 8
Nomination Committee member	$ 4
Strategic Committee member	$30

Non-Executive Director fees may be paid in GBP, USD, or a combination depending on the personal situation of each Non-Executive Director.

Non-Executive Directors will not be eligible to participate in any performance-based incentive plans.

Each Non-Executive Director will also be entitled to reimbursement of reasonable expenses and reimbursement of fees for tax advice associated with completion of international tax returns due to their role as a Bicycle Therapeutics plc Non-Executive Director.

On behalf of the Board

Veronica Jordan

Chair of the Compensation Committee
23 April 2020

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)
year ended 31 December 2019

Directors' Report

The directors present their report and the audited financial statements of Bicycle Therapeutics plc (the "**Parent Company**") for the year ended 31 December 2019 and, the consolidated financial statements of Bicycle Therapeutics plc and its subsidiaries, BicycleTx Limited, BicycleRD Limited and Bicycle Therapeutics Inc. (the "**Company**") for the year ended 31 December 2019.

Bicycle Therapeutics plc is a public company limited by shares and incorporated and domiciled in England and Wales. BicycleTx Limited, and BicycleRD Limited are registered in England and Wales. Bicycle Therapeutics Inc. is registered in the U.S.

This is the first year that UK statutory audited consolidated financial statements have been presented. The comparative balances presented for the consolidated financial statements for the year ended 31 December 2018 are unaudited.

Where stated certain information is not shown in the directors report because it is shown in the Strategic Report instead under section 414C(11) of the Companies Act 2006 (the "**Companies Act**").

Change of name

On 22 May 2019, the Parent Company re-registered as a public company and changed its name from Bicycle Therapeutics Limited to Bicycle Therapeutics plc.

Results and dividends

The results of the Company for the year are set out on page 66. During the year ended 31 December 2019, no dividend was declared or paid (31 December 2018: $nil). The directors do not recommend the payment of any further dividend.

Directors

The directors of the Parent Company who held office during the year and up to the date of signing the consolidated financial statements, unless otherwise stated, were as follows:

Michael Anstey
Catherine Bingham
Janice Bourque *(appointed 18 July 2019)*
Deborah Harland *(resigned 27 September 2019)*
Bosun Hau *(appointed 22 May 2019)*
Stephen Hoffman *(resigned 19 March 2019)*
Veronica Jordan *(appointed 30 October 2019)*
Richard Kender *(appointed 18 July 2019)*
Anja Koenig *(resigned 22 May 2019)*
Viswanathan Krishan *(resigned 22 May 2019)*
Kevin Lee
Pierre Legault *(appointed 15 March 2019)*
Carolyn Ng
Jason Rhodes *(resigned 22 May 2019)*
Gregory Winter

Capital structure

Details of the issued share capital, together with details of shares issued during the year, are set out in note 15 to the financial statements. Following the Parent Company's initial public offering there is one class of ordinary shares which carries no right to fixed income. Each ordinary share carries the right to one vote at a general meeting of the Parent Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Parent Company's articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Parent Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Parent Company's share capital and all issued shares are fully paid. Subject to the Companies Act and any relevant authority of the Parent Company in general meeting, the Parent Company has authority to issue new shares.

Political donations

No political donations were made, and no political expenditure was incurred, by the Company during the current and prior year.

No contributions were made to any non-EU political party by the Company during the current and prior year.

Research and development activities

The directors are satisfied that research activities of the Company are progressing satisfactorily. Total research and development expenditure during the year was $28.9 million (year ended 31 December 2018: $24.2 million).

Going concern

The financial statements have been prepared on the basis that the Company is a going concern.

The uncertainty as to the future impact on the Company of the current COVID-19 pandemic has been considered as part of our adoption of the going concern basis.

With this in mind, the directors have reasonable expectation that the Company has adequate resources to continue its activities for at least 12 months from the date of approval of these financial statements.

Further disclosure relating to going concern is included in note 1 to the financial statements.

Employee involvement

The Company is committed to the continued development of employee involvement by an effective communications and consultative framework. Please refer to the "Employee, social, community and human rights matters" section included in our Strategic Report, beginning on page 11 of this document.

Greenhouse gas emissions, energy consumption and energy efficiency action

Please refer to the "Environmental matters" section included in our Strategic Report, beginning on page 11 of this document.

Financial risk management

Please refer to the "Financial risk management" section included in our Strategic Report, beginning on page 10 of this document.

Qualifying third party indemnity provisions

The Parent Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its reports, of which the auditors are unaware. Having made enquiries of fellow directors and the company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Branches outside of the UK

The Parent Company has no overseas branches.

Future developments

Information on likely future developments in the business of the Company has been included in the Strategic Report on page 8.

Post balance sheet events

On 21 February 2020, the Company entered into a Discovery Collaboration and License Agreement (the "Genentech Collaboration Agreement") with Genentech, a member of the Roche Group. The collaboration is focused on the discovery and development of *Bicycle* peptides directed to biological targets selected by Genentech and aimed at developing up to four potential development candidates against multiple immuno-oncology targets suitable for Genentech to advance into further development and commercialisation. The Company will be responsible for discovery and lead optimisation of such *Bicycle* peptides through specified phases of the collaboration, and following drug candidate selection Genentech will be responsible for all future research and development. The initial discovery and optimisation activities will focus on two immuno-oncology targets, potentially with additional targeting elements, and Genentech has the option to nominate up to two additional immuno-oncology targets, potentially with additional targeting elements, to be the subject of additional collaboration programs during a specified period following completion of certain activities under an agreed research plan, in which case Genentech will pay to the Company an expansion fee of $10.0 million per additional collaboration program. Genentech has the right, under certain limited

circumstances, to select an alternative target to be the subject of a collaboration program, in some cases subject to payment of an additional target selection fee.

Under the Genentech Collaboration Agreement, Genentech made an upfront payment to the Company of $30.0 million. The Company will perform research activities for each target under the collaboration, under a mutually agreed upon research plan through specified collaboration phases, under the oversight of a joint research committee. For each collaboration program, Genentech may elect, at its sole discretion, to progress development candidates into further preclinical development and obtain exclusive worldwide development and commercialisation rights for compounds directed to the target of such collaboration program in exchange for success-based milestone payments totalling $10-12 million per collaboration program.

On a collaboration program-by-collaboration program basis, if Genentech elects to obtain exclusive development and commercialisation rights and pays the applicable success-based milestone payments, Genentech will be required to make milestone payments to the Company upon the achievement of specified development, regulatory, and initial commercialisation milestones for products arising from each collaboration program, totalling up to $200.0 million. In addition, the Company is also eligible to receive up to $200.0 million in sales milestone payments on a product-by-product basis. In addition, to the extent any of the product candidates covered by the licenses conveyed to Genentech are commercialised, the Company would be entitled to receive tiered royalty payments on net sales at percentages ranging from the mid-single to low double-digits, subject to certain standard reductions and offsets. Royalties will be payable, on a product-by-product and country-by-country basis, until the later of the expiration of specified licensed patents covering such product in such country, or ten years from first commercial sale of such product in such country.

The directors are not aware of any other events that have occurred subsequent to the year-end that may materially impact the results of the consolidated financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company and Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Parent Company and of the profit or loss of the Company and Parent Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Parent Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Parent Company and enable them to ensure that the financial statements comply with the Companies Act.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Parent Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting to be held on 29 June 2020.

The financial statements on pages 66 to 95 were approved by the board of directors on 23 April 2020.

This report was approved by the board of directors on 23 April 2020 and signed on behalf of the board of directors by:

Kevin Lee
Director
23 April 2020

Independent auditors' report to the members of Bicycle Therapeutics plc

Report on the audit of the financial statements

Opinion

In our opinion, Bicycle Therapeutics plc's Company consolidated financial statements (which cover the group comprising the Parent Company and its subsidiaries) and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the Parent Company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Consolidated and Parent Company balance sheets as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

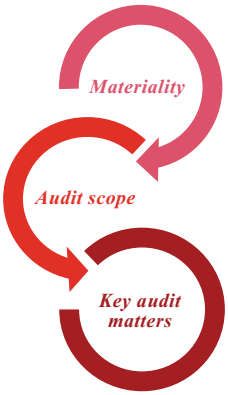
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Parent Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: $1.5 million (2018: not applicable), based on 5% of profit/loss before tax.
- Overall Parent Company materiality: $1.3 million (2018: £0.56 million), based on 1% of total assets.

- Full scope audit for four entities.
- 100% coverage of the group's revenue and total assets

- Share-based compensation expense
- COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not

provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Share-based compensation expense The Company provides benefits to employees in the form of share-based payment transactions, whereby officers and employees render services and receive rights over shares. These share-based payment transactions are classified by the Company as equity-settled share-based payment transactions. Share option compensation expense of $6.2 million was recorded in the year. The accounting for share-based payments was a key audit matter because of the magnitude of the compensation charge and because a degree of judgement is required in determining the inputs into the stock option pricing model. We focused on judgmental assumptions used in the valuation of new equity awards, including share price at date of grant and expected volatility, as well as the allocation of the compensation expense to the year.	We obtained management's share-based compensation expense calculations and performed procedures including; • Comparing the terms and conditions for a sample of the options issued during the financial year included in the expense calculations with appropriate Board minutes, Compensation Committee minutes or option certificates; • Reading the Company's expert's option valuation report and assessing the reasonableness of key inputs used in valuation. We focused on the more significant judgemental assumptions, being share price at date of grant (by considering the reasonableness of management's estimates of share price at date of grant for options prior to the IPO and by testing actual share prices at date of grant post IPO), and volatility, by comparing management's estimated expected volatility with the historical volatility of similar entities. We also assessed the competency of the Company's expert, including considering their experience and qualifications; • Testing the mathematical accuracy of management's calculation and reperforming the allocation of total compensation expense to the year on a sample basis; • Evaluating the adequacy of disclosures made by the Company in the financial statements. Based on our work, we noted no material issues in relation to share-based compensation expense recorded in the financial year.

Key audit matter	How our audit addressed the key audit matter
COVID-19 The COVID-19 outbreak and the social distancing measures implemented by the UK, US and other governments have the potential to materially affect the operations of the Company and cause significant disruption to the operations and business of third-party manufacturers and CROs with which the Company conducts business. We focused on re-evaluating our initial risk assessment, to determine whether the uncertainties created require additional audit testing or additional disclosures in the financial statements.	We have performed the following procedures; • We considered the extent to which the Company's future cash flows might be adversely affected by the COVID-19 situation. Taking into account the cash held by the Company (including the $30 million received post year-end under a collaboration with Genentech, as described in note 22) and the Company's planned expenditure, we did not identify any new significant risks in relation to going concern. • We considered the adequacy of the Company's post balance sheet events disclosures in note 22. We concurred with management that the COVID-19 situation represents a non-adjusting balance sheet event as at 31 December 2019. Management considered whether there were any indications that material assets held in the balance sheet as at 31 December 2019 might be at heightened risk of impairment in 2020, such that additional disclosures might be required, and we concurred with their assessment that there were no such indications. While we are not able to predict all future events and possible ramifications of COVID-19, the current situation has not resulted in substantial changes to our risk assessment in relation to the audit of the 2019 financial statements.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material

misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company consolidated and Parent Company financial statements, including, but not limited to, the Companies Act 2006, UK tax legislation and The Health and Safety Legislation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

The group comprises of four entities, Bicycle Therapeutics plc, the parent company and BicycleTx Limited, BicycleRD limited, Bicycle Therapeutics Inc, the subsidiary companies. Full scope audits were performed over the financial information of these four entities and was fully substantive in nature. This approach provided 100% coverage of the group's revenues and total assets.

We did not identify any key audit matters relating to irregularities including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Company consolidated financial statements	Parent Company financial statements
Overall materiality	$1.5 million (2018: not applicable).	$1.3 million (2018: £0.56 million).
How we determined it	5% of profit/loss before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate benchmark as the company is a holding company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $0.1 million and $1.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $75,000 (group audit) (2018: not applicable) and $65,000 (Parent Company

audit) (2018: £28,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and Parent Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 56, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The Company consolidated financial statements for the year ended 31 December 2018, forming the corresponding figures of the Company consolidated financial statements for the year ended 31 December 2019, are unaudited. However the Parent Company financial statements for the year ended 31 December 2018 were audited.

Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
23 April 2020

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)

Registered in England No: 11036004

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
			(unaudited)
Turnover	3	**12,009**	11,300
Operating expenses		**(46,236)**	(34,545)
Operating loss	4	**(34,227)**	(23,245)
Interest receivable and similar income	5 & 18	**790**	153
Loss before taxation		**(33,437)**	(23,092)
Tax on loss	6	**7,479**	6,415
Loss for the financial year		**(25,958)**	(16,677)
Other comprehensive expense			
Foreign exchange translation differences		**(2,184)**	(2,693)
Total comprehensive expense for the year		**(28,142)**	(19,370)
Basic and diluted loss per ordinary share	20	**$ (2.35)**	$ (38.00)
Weighted average ordinary shares		**11,045,370**	438,862

The notes of pages 71 to 95 form part of the consolidated financial statements.

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)

Registered in England No: 11036004

Consolidated and Parent Company balance sheets
as at 31 December 2019

	Note	Consolidated		Parent Company	
		31 December 2019 $'000	31 December 2018 $'000	31 December 2019 $'000	31 December 2018 $'000
			(unaudited)		
Fixed assets					
Intangible assets	10	**103**	119	**—**	—
Tangible assets	11	**2,292**	1,810	**—**	—
Investments	12	**—**	—	**8,058**	1,848
Current assets					
Debtors	13	**13,644**	15,715	**75,521**	23,231
Cash at bank and in hand		**92,117**	62,992	**55,384**	48,553
Creditors: amounts falling due within one year	14	**(10,568)**	(19,494)	**—**	(125)
Net current assets		**95,193**	59,213	**130,905**	71,659
Total assets less current liabilities		**97,588**	61,142	**138,963**	73,507
Net assets		**97,588**	61,142	**138,963**	73,507
Capital and reserves					
Called up share capital	15	**227**	110	**227**	110
Share premium account	15	**56,652**	25,768	**56,652**	25,768
Exchange reserve	15	**(1,004)**	692	**(10)**	(2,314)
General Reserve	15	**7,596**	1,384	**7,596**	1,384
Retained earnings		**34,117**	33,188	**74,498**	48,559
Total shareholders' funds		**97,588**	61,142	**138,963**	73,507

The Parent Company's total comprehensive income for the year ended 31 December 2019 is $868k (14 months ended 31 December 2018: $46,245k).

The consolidated and Parent Company financial statements were approved by the board of directors on 23 April 2020 and signed on behalf of the board of directors by:

Kevin Lee
Director
23 April 2020

The notes of pages 71 to 95 form part of the financial statements.

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)

Registered in England No: 11036004

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Called up Share Capital $'000	Share premium account $'000	Exchange reserve $'000	General Reserve $'000	Retained Earnings $'000	Total Shareholders' funds $'000
Balance as at 1 January 2018 (unaudited)	**96**	**—**	**(646)**	**806**	**53,820**	**54,076**
Loss for the year (unaudited)	—	—	—	—	(16,677)	(16,677)
Shares issued (unaudited)	14	25,768	—	—	—	25,782
Share options granted (unaudited)	—	—	—	654	—	654
Total transactions with owners, recognised directly in equity (unaudited)	**14**	**25,768**	**—**	**654**	**—**	**26,436**
Currency translation adjustment (unaudited)	—	—	1,338	(76)	(3,955)	(2,693)
Balance as at 31 December 2018 (unaudited)	**110**	**25,768**	**692**	**1,384**	**33,188**	**61,142**
Loss for the year	—	—	—	—	(25,958)	(25,958)
Shares issued	67	58,302	—	—	—	58,369
Bonus issue	51	(51)	—	—	—	—
Capital reduction	—	(27,697)	—	—	27,697	—
Share options granted	—	—	—	6,219	—	6,219
Total transactions with owners, recognised directly in equity	**118**	**30,554**	**—**	**6,219**	**27,697**	**64,588**
Currency translation adjustment	(1)	330	(1,696)	(7)	(810)	(2,184)
Balance as at 31 December 2019	**227**	**56,652**	**(1,004)**	**7,596**	**34,117**	**97,588**

The notes of pages 71 to 95 form part of the consolidated financial statements.

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)

Registered in England No: 11036004

Parent Company statement of changes in equity
for the year ended 31 December 2019

	Called up Share Capital $'000	Share premium account $'000	Exchange reserve $'000	General Reserve $'000	Retained Earnings $'000	Total Shareholders' funds $'000
Balance as at 27 October 2017	—	—	—	—	—	—
Profit for the period	—	—	—	—	48,559	48,559
Shares Issued	110	25,768	—	—	—	25,878
Share options granted	—	—	—	1,384	—	1,384
Total transactions with owners, recognised directly in equity	**110**	**25,768**	**—**	**1,384**	**—**	**27,262**
Currency translation adjustment	—	—	(2,314)	—	—	(2,314)
Balance as at 31 December 2018	**110**	**25,768**	**(2,314)**	**1,384**	**48,559**	**73,507**
Profit for the year	—	—	—	—	1,623	1,623
Shares issued	67	58,302	—	—	—	58,369
Bonus issue	51	(51)	—	—	—	—
Capital reduction	—	(27,697)	—	—	27,697	—
Share options granted	—	—	—	6,219	—	6,219
Total transactions with owners, recognised directly in equity	**118**	**30,554**	**—**	**6,219**	**27,697**	**64,588**
Currency translation adjustment	(1)	330	2,304	(7)	(3,381)	(755)
Balance as at 31 December 2019	**227**	**56,652**	**(10)**	**7,596**	**74,498**	**138,963**

The notes of pages 71 to 95 form part of the consolidated financial statements.

Bicycle Therapeutics plc (formerly Bicycle Therapeutics Limited)

Registered in England No: 11036004

Consolidated statement of cash flows
for the year ended 31 December 2019

	Note	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
			(unaudited)
Net cash used in operating activities	16	**(35,075)**	(29,530)
Taxation received		**5,834**	2,697
Net cash used in operating activities		**(29,241)**	(26,833)
Cash flow from investing activities			
Purchase of tangible assets		**(1,317)**	(1,236)
Proceeds from sales of tangible assets		**18**	—
Interest received		**725**	139
Net cash used in investing activities		**(574)**	(1,097)
Cash flow from financing activities			
Proceeds from issue of share capital (net of costs of issue)		**58,369**	25,782
Net cash generated from financing activities		**58,369**	25,782
Net increase (decrease) in cash and cash equivalents		**28,554**	(2,148)
Unrealised foreign exchange gain/ (loss)		**571**	(2,523)
Cash and cash equivalents at the beginning of the year		**62,992**	67,663
Cash and cash equivalents at the end of the year		**92,117**	62,992

The notes of pages 71 to 95 form part of the consolidated financial statements.

Notes to the financial statements

1 Accounting policies

General information

Bicycle Therapeutics plc (the "**Parent Company**") and, together with its subsidiaries (the "**Company**"), is a clinical-stage biopharmaceutical company developing a novel and differentiated class of medicines, which the Company refers to as *Bicycles*, for diseases that are underserved by existing therapeutics. *Bicycles* are a unique therapeutic modality combining the pharmacology usually associated with a biologic with the manufacturing and pharmacokinetic properties of a small molecule.

The Parent Company is a public company limited by shares and incorporated in England and Wales and quoted on the NASDAQ capital market (NDAQ: BCYC).

Its registered number is: 11036004.

Its registered office is: Building 900, Babraham Research Campus, Cambridge, CB22 3AT.

The presentation currency is the U.S. Dollar, rounded to the nearest $000.

Statement of compliance

The consolidated financial statements of the Company and the financial statements of the Parent Company have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Companies Act 2006 (the "**Companies Act**").

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

This is the first year that audited consolidated financial statements have been presented. The comparative balances presented for the consolidated financial statements for the year ended 31 December 2018 are unaudited.

The accompanying consolidated financial statements of the Company include the accounts of Bicycle Therapeutics plc and its wholly owned subsidiaries, BicycleTx Limited, BicycleRD Limited and Bicycle Therapeutics Inc. All intercompany balances and transactions have been eliminated on consolidation.

The financial statements have been prepared under the historical cost accounting rules and in accordance with the Companies Act.

Accounting policies have been applied consistently other than when new policies have been adopted.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions, from preparing a Parent Company statement of cash flows, on the basis that it is a qualifying entity and the Parent Company's cash flows are included in the consolidated cashflow. In addition, the Parent Company is exempted from disclosing share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23 concerning its own equity instruments as the Parent Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein. The Parent Company has also taken the exemption available from disclosing the company key management compensation as required by FRS102 paragraph 33.7.

Going concern

The Company is involved in research and development activities and until it is able to convert this activity into a significant revenue stream, it will be reliant upon obtaining additional funding in connection with continuing operations.

The uncertainty as to the future impact on the Company of the current COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis.

At 31 December 2019, the Company had cash of $92.1m and the directors estimate the Company's existing cash at the date of approval of these financial statements is sufficient to continue to fund the Company's operating expense for at least 12 months from the date of that approval and that is therefore appropriate to prepare these financial statements on a going concern basis.

Turnover

Turnover represents the amounts received or receivable in respect of research and development contracts, collaborative research agreements, license fees or milestone payments (excluding value added tax). These are recognised as turnover when the specific conditions stipulated in the agreements have been satisfied. Where the Company enters into an arrangement to deliver material and data packages to a customer, turnover is recognised when such delivery has occurred.

The Company provides research and development services to its customers which often culminate in the provision of a license to developed intellectually property. Where services are provided in the development or identification of a licensed molecule the services are not considered to be a separate performance obligation or deliverable to the customer/licensor. Any upfront income received under such arrangements is considered to be consideration for the development services and it is recognised over the development term, typically on a straight-line basis as such agreements usually encompass an indeterminate number of acts over a specified development period. Where arrangements involve upfront consideration allowing customers the option to select licenses and/or research and development services in relation to additional targets, such consideration is deferred until the option is exercised (in which case the turnover is recognised as the related services are performed) or terminated by the customer (in which case the turnover is recognised immediately, as the Company has no further obligations under the arrangement). Customer options for future deliverables are accounted for as separate arrangements when they occur.

1 Accounting policies (continued)

Where the Company grants a license to its intellectual property and it has no further performance obligations relating to the license revenues are recognised when receipt of subsequent milestones is probable. This is typically when the milestone event is achieved or satisfied.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Tangible assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to their residual values over their estimated useful lives, as follows as follows:

Laboratory equipment	3 to 5 years
Office equipment	3 years
Computer equipment	3 years
Leasehold improvements	over the remaining period of the lease

Intangible assets and amortisation

Intangible assets are capitalised at cost. Amortisation is charged to write off the cost of the intellectual property over its estimated useful economic life, assessed by the directors on a case-by-case basis. Provision is made against the carrying value of such assets when an impairment in value is deemed to have occurred.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. The Company has no finance leases.

Debtors

Short term debtors are measured at transaction price, less any impairment.

1 Accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Investments in subsidiaries—Company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Operating leases

Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Grant Income

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions of the grants and also that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grant income is recognised gross in the income statement as other operating income.

Pension costs

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income for the year in which they are payable to the scheme. Differences between contributions payable and contributions actually paid in the year are shown as either accruals or prepayments at the year end.

Share-based payments

The Company provides share-based payment arrangements to certain employees.

1 Accounting policies (continued)

Equity-settled arrangements are measured at fair value (excluding the effect on nonmarket based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The Company has no cash-settled arrangements.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Income tax credit

The Company benefits from the UK research and development tax credit regime under both the small and medium sized enterprise ("**SME**") scheme and by claiming a Research and Development Expenditure Credit ("**RDEC**") in respect of grant funded projects. Under the SME regime, a portion of the Company's losses are surrendered for a cash rebate of up to 33.3% of eligible expenditures. Such credits are accounted for within the tax provision in the year in which the expenditures were incurred.

Deferred Tax

Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1 Accounting policies (continued)

Research and development

Expenditure on research and development is written off against the profits in the year which it is incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing at the date of the transaction. Adjustments that arise from exchange rate changes on transactions denominated in a currency other than the local currency are included as income or expense as incurred.

Basis of consolidation

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Parent Company takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the financial statements from the date control is achieved to the date control ceases.

Functional and presentational currency

Functional currency

From 1 June 2019, the Parent Company changed its functional currency to U.S. dollars from British pound sterling following the public offering on the NASDAQ, due to a change in the source of the Company's financing and cash flows, which following the completion of the Parent Company's initial public offering ("**IPO**") is now primarily the U.S. dollar. Historically its financing had been in British pound sterling.

The statement of comprehensive income for the period 1 January 2019 to 31 May 2019 was retranslated into U.S. dollars at a rate of 1.299 and balance sheet items as at 31 May 2019 were translated into U.S. dollars at a rate of 1.262. The resulting translated amounts for non-monetary items are treated as their historical cost. Comparative information for the Parent Company for the year ended 31 December 2018 has been translated at a rate of 1.331 for the statement of comprehensive income and 1.269 for balance sheet items.

The Parent Company's subsidiaries in the UK, BicycleTx Limited and BicycleRD Limited, continue to use British pound sterling as their functional currencies and their results have been translated into U.S. dollars for inclusion in these consolidated financial statements. The functional currency of the Parent Company's subsidiary in the U.S., Bicycle Therapeutics Inc., is the U.S. dollar.

1 Accounting policies (continued)

Presentational currency

The presentational currency has also been changed to U.S. dollars for all years presented in these financial statements.

The Company translates the assets and liabilities of BicycleTx Limited and BicycleRD Limited into U.S. dollars at the exchange rate in effect on the balance sheet date. Turnover and expenses are translated at the average exchange rate in effect during the period. Unrealised translation gains and losses are recorded as a cumulative translation adjustment, which is included in the statement of changes in equity.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Warrants issued by the Company are recognised and classified as equity when upon exercise, the Parent Company would issue a fixed amount of its own equity instruments (ordinary shares) in exchange for a fixed amount of cash or another financial asset.

Consideration received, net of incremental costs directly attributable to the issue of such new warrants, is shown in equity. Such warrants are not remeasured at fair value in subsequent reporting periods.

Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets:

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

1 Accounting policies (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

Financial liabilities:

Basic financial liabilities, including trade and other payables, bank loans, loans from the Parent Company's subsidiaries and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2 Critical accounting judgements and estimation uncertainty

The directors do not consider there to be any critical accounting estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

3 Turnover

All the Company's turnover was generated from research collaborations. The analysis of turnover by geography is:

	2019 $'000	2018 $'000
		(unaudited)
Europe	4,199	3,930
North America	7,810	7,370
	12,009	11,300

No further segmental information is given. A segment is a distinguishable component of the Company that is engaged in either providing related products or services which is subject to risks and rewards that are different from those of other segments. The CEO reviews the Company's internal reporting in order to assess performance and allocate resources. Management has determined that there is one operating segment based on these reports.

4 Operating loss

The Company's consolidated operating loss is stated after charging/(crediting):

	2019 $'000	2018 $'000
		(unaudited)
Expenditure on research and development	28,885	24,194
Depreciation of tangible assets	962	711
Amortisation of intangible assets	20	20
Operating lease charges—land and buildings	904	911
(Gain) on foreign exchange	(3,598)	(42)
Wages and salaries (note 7)	9,735	7,278
Social security costs	1,332	909
Other pension costs	488	352
Share based payments (note 9)	6,219	654
Grant income	(594)	(44)
Auditors' remuneration		
Audit of these financial statements	102	77
Audit-related assurance services for U.S. SEC financial statements	909	356

In addition, $671k (31 December 2018 (unaudited): $698k) of IPO related costs were charged to the Share Premium account.

4 Operating loss (continued)

Expenditure on research and development includes staff costs as follows:

	2019 $'000	2018 $'000
		(unaudited)
Wages and salaries	6,585	5,115
Social security costs	754	342
Other pension costs	414	270

5 Interest and other receivable income

The Company's interest and other receivable income consisted of the following:

	2019 $'000	2018 $'000
		(unaudited)
Bank interest	790	153

6 Tax on Loss

The Company's tax on loss consisted of the following:

	2019 $'000	2018 $'000
		(unaudited)
Current year	(6,707)	(6,398)
Foreign corporation tax on profits for the year	56	77
Adjustment in respect of prior years	54	(94)
Total current tax	(6,597)	(6,415)
Deferred tax recognised in the year	(882)	—
Tax on loss	(7,479)	(6,415)

6 Tax on Loss (continued)

The tax assessed for the year is lower (31 December 2018 (unaudited): lower) than the standard rate of corporation tax in the UK (19%) (31 December 2018 (unaudited): 19%). The tax reconciliation for the year is given below:

	2019 $'000	2018 $'000 (unaudited)
Loss on ordinary activities before taxation	(33,437)	(23,092)
Loss on ordinary activities reconciled to the current tax rate of 19% (December 2018: 19%)	(6,353)	(4,387)
Effects of:		
Expenses not deductible for tax purposes	975	250
Surrender of tax losses for research and development tax credit refund	2,082	1,985
Carry forward of tax losses for which no deferred tax asset is recognised	927	810
Research & Development enhanced allowance	(4,966)	(4,795)
Difference in overseas tax rates	104	55
Research and development expenditure credits	(200)	(180)
Unrecognised deferred tax	(102)	(59)
Prior year adjustment	54	(94)
Tax on loss	(7,479)	(6,415)

No corporation tax liability arises on the results for the year due to the loss incurred. A tax credit of $6,707k (31 December 2018 (unaudited): $6,397k) has arisen as a result of tax losses being surrendered in respect of research and development expenditure.

Deferred taxation

The Company had potential and actual deferred tax assets at the prevailing rate of 17.0% (31 December 2018 (unaudited): 17.0%) as follows:

	Amount unrecognised 31 December 2019 $'000	Amount unrecognised 31 December 2018 $'000 (unaudited)
Tax effect of timing differences because of:		
Fixed asset and other timing differences	(32)	340
Stock compensation	294	—
Tax losses carried forward	6,725	4,882
Deferred Tax Asset	6,987	5,222

Deferred tax assets are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future.

The Company regularly assesses its ability to realise its deferred tax assets. Assessing the realisation of deferred tax assets requires significant judgment. After consideration of the evidence,

6 Tax on Loss (continued)

including the Company's history of cumulative net losses in the UK, and has concluded that it is more likely than not that the Company will not realise the benefits of its UK deferred tax assets and accordingly the Company has not recognised UK deferred tax assets. The Company has considered the Company's history of cumulative net profits in the U.S., estimated future taxable income and concluded that it is more likely than not that the Company will realise the benefits of its U.S. deferred tax assets and has recognised net U.S. deferred tax assets.

The Company has recognised deferred tax assets within its U.S. subsidiary as follows:

	Amount recognised 31 December 2019	Amount recognised 31 December 2018
		(unaudited)
Tax effect of timing differences because of:		
Stock compensation	340	—
Other	542	—
Deferred Tax Asset	882	—

Of the above $517k is none current (31 December 2018: $nil).

7 Staff costs

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	31 December 2019 Number	31 December 2018 Number
		(unaudited)
By activity		
Research and development	51	40
Administration	14	9
	65	49

Their aggregate remuneration comprised:

	31 December 2019 $000	31 December 2018 $000
		(unaudited)
Wages and salaries	9,735	7,278
Social security costs	1,332	909
Other pension costs	488	352
Stock based compensation	6,219	654
	17,774	9,193

The Parent Company had no employees, other than directors of the Company.

8 Directors' emoluments

The aggregate emoluments of the directors of the Parent Company are set out below:

	31 December 2019 $'000	31 December 2018 $'000
		(unaudited)
Aggregate emoluments	1,407	921
Company pension contributions to money purchase schemes	—	13
	1,407	934

One director had retirement benefits accruing to them under a money purchase scheme. In 2019 a director received cash in lieu of contributions to the money purchase scheme.

Emoluments paid to the highest paid director are set out below:

	31 December 2019 $'000	31 December 2018 $'000
		(unaudited)
Aggregate emoluments	1,004	813
Pension contributions to money purchase schemes	—	13
	1,004	826

No directors exercised any share options in the year (2018 (unaudited): nil).

Further details of the directors' remuneration and directors' share options are contained in the Directors' Remuneration Report.

9 Share-based payments

Employees of the Parent Company's subsidiaries have been granted options to purchase ordinary shares in the Parent Company. Options granted typically vest over a four-year service year with 25% of the award vesting on the first anniversary of the commencement date and the balance thereafter in 36 equal monthly instalments.

Certain equity awards were issued for which 20% of the award vests upon the first anniversary of the vesting start date, 60% vests thereafter in 36 equal monthly instalments, and 20% vest upon the earlier of the fourth anniversary of the vesting start date, or the achievement of a specified revenue threshold from the Company's collaboration arrangements.

Options granted generally expire 10 years from the date of grant.

On 4 December 2017 all of the share options outstanding in BicycleRD Limited were exchanged for share options in the Parent Company as part of a corporate reorganisation.

On 17 December 2018, 340,735 share options that were due to vest up to 31 December 2018 were cancelled and ordinary shares of the same amount issued.

9 Share-based payments (continued)

A reconciliation of the Company's share option movements over the year to 31 December 2019 and the period to 31 December 2018 is shown below:

	Number (000)	2018 Weighted average exercise price	Weighted Average Remaining Contractual (in years)	Aggregate Intrinsic value $'000
Outstanding at 1 January 2018	965	$0.69	8.95	1,855
Granted	284	$0.97	—	—
Forfeited	(34)	$0.79	—	—
Exercised	(10)	$0.01	—	—
Exchanged for shares on 17 December 2018	(341)	$0.01	—	—
Outstanding at 31 December 2018	864	$1.00	8.75	3,292

	Number (000)	2019 Weighted average exercise price	Weighted Average Remaining Contractual (in years)	Aggregate Intrinsic value $'000
Outstanding at 1 January 2019	864	$ 1.00	8.75	3,292
Granted	2,134	$12.01	—	—
Forfeited	(278)	$ 4.21	—	—
Exercised	(86)	$ 1.61	—	—
Outstanding at 31 December 2019	2,634	$ 9.57	9.04	6,101

The expense recognised for share-based payments in respect of employee services received during the year ended 31 December 2019 is $6,219k (2018: $654k).

The assumptions used in the Black-Scholes option pricing model to determine the value of share options granted to employees and directors during the years ending 31 December 2019 and 31 December 2018 were as follows:

	2019 £'000	2018 £'000 (unaudited)
Risk-free interest rate	2.1%	2.7%
Expected volatility	77.9%	78.6%
Expected dividend yield	—	—
Expected term (in years)	5.86	6.07

10 Intangible assets

Intangible assets of the Company, consist of the following:

	Intellectual Property License $'000
Cost	
At 1 January 2019	303
Foreign Exchange	12
At 31 December 2019	315
Accumulated amortisation	
At 1 January 2019	184
Charge made in the year	20
Foreign exchange	8
At 31 December 2019	212
Net book value	
As at 31 December 2019	103
As at 31 December 2018 (unaudited)	119

The Parent Company had no intangible assets.

11 Tangible assets

Tangible assets of the Company, consist of the following:

	Office equipment $'000	Laboratory equipment $'000	Computer equipment $'000	Leasehold Improvement $'000	Total $'000
Cost					
At 1 January 2019	99	3,337	221	75	3,732
Additions	17	1,152	3	221	1,393
Disposals	—	(295)	—	(1)	(296)
Foreign exchange	4	133	4	5	146
At 31 December 2019	120	4,327	228	300	4,975
Accumulated depreciation					
At 1 January 2019	30	1,749	128	15	1,922
Charge for the year	29	847	47	39	962
Disposals	—	(291)	—	—	(291)
Foreign exchange	2	83	4	1	90
At 31 December 2019	61	2,388	179	55	2,683
Net book value					
At 31 December 2019	59	1,939	49	245	2,292
At 31 December 2018 (unaudited)	69	1,588	93	60	1,810

The Parent Company had no tangible assets.

12 Investments

Investments of the Parent Company consisted of the following:

	Investment in subsidiary undertaking $'000
Cost	
At 27 October 2017	—
Investment in subsidiaries	465
Capital contribution arising from equity settled share-based payments	1,383
Foreign exchange	—
At 31 December 2018	1,848
Net book value	
At 31 December 2018	1,848
Cost	
At 1 January 2019	1,848
Capital contribution arising from equity settled share-based payments	6,219
Foreign exchange	(9)
At 31 December 2019	8,058
Net book value	
At 31 December 2019	8,058
At 31 December 2018	1,848

The Parent Company has three wholly owned subsidiaries: BicycleRD Limited and BicycleTx Limited which are based in Cambridge, UK and Bicycle Therapeutics Inc, which is based in Boston, Massachusetts, U.S.

All these subsidiaries perform research and development activities.

Subsidiary undertakings

Name	Class of shares	Country of incorporation	Holding	Principal activity
BicycleRD Limited	Ordinary	England and Wales	100%	Development of novel bicyclic peptides
BicycleTx Limited	Ordinary	England and Wales	100%	Development of novel bicyclic peptides
Bicycle Therapeutics Inc	N/A	United States	100%	Development of novel bicyclic peptides

The registered office address of BicycleRD Limited and BicycleTx Limited is Building 900, Babraham Research Campus, Cambridge, CB22 3AT.

The registered office address of Bicycle Therapeutics Inc. is 4 Hartwell Place, Lexington, MA, 02421-3122, U.S.

13 Debtors

	Consolidated		Parent Company	
	31 December 2019 $'000	31 December 2018 $'000 (unaudited)	31 December 2019 $'000	31 December 2018 $'000 (unaudited)
Amounts falling due within one year				
Trade debtors	209	4,993	—	—
Other debtors	593	597	—	3
Inter-company debtors	—	—	75,446	21,585
Corporation tax	882	—	—	—
Interest receivable	78	13	75	13
Research and development tax credit	7,022	6,260	—	—
Prepayments and accrued income	4,860	3,852	—	1,630
	13,644	15,715	75,521	23,231

14 Creditors

	Consolidated		Parent Company	
	31 December 2019 $'000	31 December 2018 $'000 (unaudited)	31 December 2019 $'000	31 December 2018 $'000 (unaudited)
Amounts falling due within one year				
Trade creditors	1,949	1,867	—	125
Taxation and social security	178	94	—	—
Accruals and deferred income	8,441	17,533	—	—
	10,568	19,494	—	125

15 Called up share capital and reserves

The Parent Company's called up share capital and reserves consisted of the following:

	31 December 2019 $'000	31 December 2018 $'000
Issued, allotted, called up and fully paid		
17,993,701 (31 December 2018: 898,701) ordinary shares of £0.01 each	227	8
Nil (31 December 2018: 4,001,201) A ordinary shares of £0.01 each	—	35
Nil (31 December 2018: 5,640,546) B1 ordinary shares of £0.01 each	—	51
Nil (31 December 2018: 1,890,921) B2 ordinary shares of £0.01 each	—	16
	227	110

15 Called up share capital and reserves (continued)

On 28 May 2019, on completion of the IPO, all of the A ordinary, B1 ordinary and B2 ordinary shares were converted into ordinary shares on a 1:1.429 basis. All issued and outstanding and per share amounts of shares and share options included in these financial statements have been adjusted to reflect this reorganisation in both years presented.

Also on 28 May 2019 4,333,333 new ordinary shares were issued. In June 2019, the Parent Company issued a further 304,333 ordinary shares, pursuant to the partial exercise of the underwriters' option. The aggregate net proceeds received by the Parent Company from the IPO were $56.6 million, after deducting underwriting discounts and commissions of $4.5 million and offering expenses of $4.0 million.

In addition, all 371,645 of the Series B1 warrants were converted into 531,077 ordinary shares and 120,000 Series A warrants were converted into 171,480 ordinary shares as adjusted for the bonus issue.

On 13 May 2019 the Parent Company's share capital was reorganised by issuing ordinary shares as bonus shares to each holder of ordinary shares on the basis of 1.429 bonus share for each ordinary share. Also on 13 May 2019 a capital reduction was completed and $27.7 million of the share premium was credited to retained earnings.

On the 7 March 2019, the holders of the Series B1 warrants to subscribe for B1 ordinary shares agreed that 50% of the warrants will be exercised in conjunction with an IPO taking place on or before 30 June 2019, in which case the remaining 50% of the warrants will lapse.

On 3 January 2019, 114,870 B2 ordinary shares were issued and $1.6 million raised.

On 20 December 2018 2,055,071 B2 ordinary shares were issued and net proceeds of $25.8 million were received. Also during 2018 466,407 ordinary shares were issued and 11,863 ordinary shares were cancelled.

The A ordinary shares had equal voting and dividend rights as the ordinary shares, although they carry preferential rights in the event of a sale or liquidation.

The B1 ordinary shares had equal voting and dividend rights as the ordinary and A ordinary shares, although they carry preferential rights over both in the event of a sale or liquidation.

The B2 ordinary shares had equal voting and dividend rights as the ordinary, A and B1 ordinary shares, although they carry preferential rights over all the other share classes in the event of a sale or liquidation.

The A ordinary, B1 ordinary and B2 ordinary shares were convertible into ordinary shares on a one for one basis at the option of the shareholder.

As at 31 December 2018 200,000 warrants to subscribe for 285,800 A ordinary shares at £0.01 each and 743,287 warrants to subscribe for 1,062,157 B1 ordinary shares at £0.01 each were outstanding.

As at 31 December 2019 65,000 warrants to subscribe for 92,885 ordinary shares at an aggregate subscription price of £650 were outstanding and are exercisable until 28 May 2020. Details of outstanding share options are given in note 9.

15 Called up share capital and reserves (continued)

Nature and purpose of reserves

Share premium

The share premium account represents the premium arising on the issue of shares net of issue costs.

Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements.

General reserve

The general reserve represents the value of share-based payments granted to employees of the Company.

Retained earnings

Retained earnings represents cumulative profits and losses net of dividends and other adjustments.

16 Notes to the consolidated cash flow statement

	31 December 2019 $'000	31 December 2018 $'000
		(unaudited)
Loss for the financial year	(25,958)	(16,677)
Tax on loss	(7,479)	(6,415)
Interest receivable and similar income	(790)	(153)
Operating loss	(34,227)	(23,245)
Amortisation of intangible assets	20	20
Depreciation of tangible fixed assets	962	711
Equity settled share-based payment	6,219	654
Profit on disposal of tangible fixed assets	(23)	—
Working capital movements:		
Decrease (increase) in debtors	3,780	(7,514)
(Increase) in payables	(9,013)	(156)
Net exchange differences	(2,793)	—
Cash flow from operating activities	(35,075)	(29,530)

Following the change in functional currency of the Parent Company the intercompany balances with the UK subsidiaries were designated as denominated in U.S. dollars which are not intended to be repaid as such foreign exchanges on these loans are reflected as non-cash net exchange differences.

17 Pensions

The Company operated a defined contribution pension scheme for its executive directors and employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total pension cost for the year was $488k (31 December 2018 (unaudited): $352k) and the amount outstanding at the 31 December 2019 was $13k (31 December 2018 (unaudited): $Nil).

18 Financial instruments

The carrying amounts of the Company's financial instruments are as follows:

	2019 $'000	2018 $'000 (unaudited)
Financial assets measured at amortised cost		
Debtors		
Trade debtors	209	4,993
Interest receivable	78	13
	287	5,006
Cash and cash equivalents	92,117	62,992
Financial liabilities measured at amortised cost		
Creditors		
Trade creditors	1,949	1,867
Accruals	5,528	7,134
	7,477	9,001

The income, expenses, net gains and net losses attributable the Company's consolidated financial instruments are summarised as follows:

	31 December 2019 $'000	31 December 2018 $'000 (unaudited)
Income and expense		
Financial assets measured at amortised cost	790	153
	790	153

There were no net gains or net losses for financial assets measured at amortised cost for the years ended 31 December 2019 and 31 December 2018 (unaudited).

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was $790k (31 December 2018 (unaudited): $153k) and $Nil (31 December 2018 (unaudited): $Nil), respectively.

18 Financial instruments (continued)

Cash and cash equivalents, trade and other creditors and trade and other debtors with remaining life of less than one year, the notional amount is deemed to reflect fair value.

The carrying amounts of the Parent Company's financial instruments are as follows:

	2019 $'000	2018 $'000
Financial assets measured at amortised cost		
Debtors		
Interest receivable	75	13
	75	13
Cash and cash equivalents	55,384	48,553
Financial liabilities measured at amortised cost		
Creditors		
Trade creditors	—	125
	—	125

The income, expenses, net gains and net losses attributable the Company's consolidated financial instruments are summarised as follows:

	31 December 2019 $'000	14 months ended 31 December 2018 $'000
Income and expense		
Financial assets measured at amortised cost	727	111
	727	111

There were no net gains or net losses for financial assets measured at amortised cost for the year ended 31 December 2019 and the period ended 31 December 2018.

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was $727k (31 December 2018: $111k) and $Nil (31 December 2018: $Nil), respectively.

Cash and cash equivalents, trade and other creditors and trade and other debtors with remaining life of less than one year, the notional amount is deemed to reflect fair value.

19 Financial commitments and contingencies

At 31 December 2019, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 31 December 2019 $'000	Land and buildings 31 December 2018 $'000
		(unaudited)
Within one year	901	886
Between one and five years	1,398	2,425
Total	2,299	3,311

During 2019, the amount charged to the consolidated statement of comprehensive income in respect of operating leases was $904k (2018 (unaudited): $911k).

The Parent Company had no annual commitments under non-cancellable operating leases.

There were no contracted capital commitments at 31 December 2019 (31 December 2018 (unaudited): nil).

Legal proceedings

In September 2016, the Parent Company's subsidiary, BicycleRD, filed a complaint in the District Court of the Hague against Pepscan Systems B.V. and its affiliates ("**Pepscan**") to contest the right of Pepscan to terminate a non-exclusive patent license agreement entered into with Pepscan in 2009. BicycleRD included a conditional claim for a ruling that the licensed patent relevant to BicycleRD's activities is invalid. In response, Pepscan counterclaimed for injunctive relief and unquantified damages. On 18 February, 2020 the Court of Appeal of The Hague (the "**Court of Appeal**") ruled that Pepscan was entitled to terminate the license agreement and granted a worldwide injunction against BicycleRD exploiting the licensed Pepscan patents and any related know-how, subject to a civil daily fine of EUR 25k in the event of non-compliance. BicycleRD intends to appeal the decision of the Court of Appeal to the Dutch Supreme Court and is preparing for further proceedings before the District Court. The Company is vigorously prosecuting its claims and defending against those of Pepscan. The Company does not believe that a loss is probable or estimable at this time, and as such, the Company has not recorded a liability related to the Pepscan litigation as of 31 December 2019. Should the Company not be successful in maintaining its rights to Pepscan's patent or in the Company's alternative demand that the patent be invalidated, commercialisation of the Company's lead product could be delayed. As the Pepscan patent expires prior to the expected commercialisation date of the product, the Company does not believe that the legal proceedings could have a material adverse effect on the Company's business and operating results.

20 Basic and diluted loss per share

Basic and diluted loss per ordinary share is determined by dividing net loss by the weighted average number of ordinary shares outstanding during the period.

20 Basic and diluted loss per share (continued)

The Parent Company's potentially dilutive securities, which include share options, warrants to subscribe for ordinary shares, and which prior to the completion of the IPO, included convertible preferred shares, warrants to subscribe for Series A and Series B1 Preferred Shares, and unvested restricted shares, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of ordinary shares outstanding used to calculate both basic and diluted net loss per share attributable to ordinary shareholders is the same. The Company excluded the following potentially dilutive ordinary shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to ordinary shareholders for the periods indicated because including them would have had an anti-dilutive effect:

	31 December 2019	31 December 2018 (unaudited)
Convertible preferred shares	—	11,532,659
Warrants to subscribe for convertible preferred shares	92,885	1,347,953
Restricted ordinary shares	—	83,947
Options to purchase ordinary shares	2,634,346	863,712
	2,727,231	13,828,271

21 Related party disclosures

The Company has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group undertakings.

Stephen Hoffman was a director of the Parent Company and is associated with 10X Capital Inc., which provided consultancy services to the Company totalling $50k for the year ended 31 December 2019 (2018 (unaudited): $100k). The amount outstanding at the year-end was Nil (2018 (unaudited): Nil).

Pierre Legault, a director of the Parent Company, is associated with Stone Sunny Isles, Inc., which provided consultancy services to the Company totalling $100k for the year ended 31 December 2019 (2018 (unaudited): Nil). The amount outstanding at the year-end was Nil (2018 (unaudited): Nil).

Key management personnel include the CEO and a number of senior managers across the Company who together have authority and responsibility for planning, directing and controlling the activities of the Company.

The total compensation paid to key management personnel for services provided to the Company was $3,262k (2018 (unaudited): $2,581k).

22 Post balance sheet events

On 21 February 2020, the Company entered into a Discovery Collaboration and License Agreement (the "Genentech Collaboration Agreement") with Genentech, a member of the Roche Group. The collaboration is focused on the discovery and development of *Bicycle* peptides directed to

22 Post balance sheet events (continued)

biological targets selected by Genentech and aimed at developing up to four potential development candidates against multiple immuno-oncology targets suitable for Genentech to advance into further development and commercialisation. The Company will be responsible for discovery and lead optimisation of such *Bicycle* peptides through specified phases of the collaboration, and following drug candidate selection Genentech will be responsible for all future research and development. The initial discovery and optimisation activities will focus on two immuno-oncology targets, potentially with additional targeting elements, and Genentech has the option to nominate up to two additional immuno-oncology targets, potentially with additional targeting elements, to be the subject of additional collaboration programs during a specified period following completion of certain activities under an agreed research plan, in which case Genentech will pay to the Company an expansion fee of $10.0 million per additional collaboration program. Genentech has the right, under certain limited circumstances, to select an alternative target to be the subject of a collaboration program, in some cases subject to payment of an additional target selection fee.

Under the Genentech Collaboration Agreement, Genentech made an upfront payment to the Company of $30.0 million. The Company will perform research activities for each target under the collaboration, under a mutually agreed upon research plan through specified collaboration phases, under the oversight of a joint research committee. For each collaboration program, Genentech may elect, at its sole discretion, to progress development candidates into further preclinical development and obtain exclusive worldwide development and commercialisation rights for compounds directed to the target of such collaboration program in exchange for success-based milestone payments totalling $10-12 million per collaboration program.

On a collaboration program-by-collaboration program basis, if Genentech elects to obtain exclusive development and commercialisation rights and pays the applicable success-based milestone payments, Genentech will be required to make milestone payments to the Company upon the achievement of specified development, regulatory, and initial commercialisation milestones for products arising from each collaboration program, totalling up to $200.0 million. In addition, the Company is also eligible to receive up to $200.0 million in sales milestone payments on a product-by-product basis. In addition, to the extent any of the product candidates covered by the licenses conveyed to Genentech are commercialised, the Company would be entitled to receive tiered royalty payments on net sales at percentages ranging from the mid-single to low double-digits, subject to certain standard reductions and offsets. Royalties will be payable, on a product-by-product and country-by-country basis, until the later of the expiration of specified licensed patents covering such product in such country, or ten years from first commercial sale of such product in such country.

The global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The directors do not yet know the full extent of potential delays or impacts on the Company, its clinical trials, healthcare systems or the global economy as a whole. However, these effects could have a material impact on operations, and the directors will continue to monitor the COVID-19 situation closely. Further details are included in the Strategic Report.

While future events remain uncertain, as at the date of approval of the financial statements, the Company has not suffered any material adverse effects, and the directors do not currently anticipate

22 Post balance sheet events (continued)

any material impact on the carrying value of assets and liabilities reported in the 31 December 2019 balance sheet arising from the global pandemic of COVID-19.

The directors are not aware of any other events that have occurred subsequent to the year-end that may materially impact the results of the financial statements.