Interim Report

as of June 30, 2018

Kuros Biosciences

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Consolidated Interim Financial Statements as of June 30, 2018

Key developments, financial performance and results of operations

Kuros Biosciences Expands License Agreement with Checkmate

Kuros announced on January 8, 2018 that it has amended its exclusive license agreement, which was originally signed in 2015, granting Checkmate Pharmaceuticals Inc., Cambridge, MA, USA ("Checkmate") access to Kuros' clinically validated product candidate CYT003 as well as its VLP platform and to technology related to oligonucleotide synthesis. The amendment extends the field from oncology to all indications and broadens the range of product candidates covered. Kuros received an upfront payment and may be eligible for additional milestone payments and royalties.

Kuros Biosciences obtains European patent covering osteoinductive materials

Kuros announced on March 12, 2018 that its Dutch subsidiary, Kuros Biosciences B.V., has been granted the European patent, EP3021878, entitled "Method for producing an osteoinductive calcium phosphate and products thus obtained" by the European Patent Office (EPO).

Kuros Biosciences receives European clearance for MagnetOs Putty and prepares for commercial roll-out in the U.S. and Europe

Kuros announced on May 2, 2018 that it has received the CE Mark for MagnetOs Putty indicated for use as an osteoconductive and osteoinductive bone void filler in the skeletal system (i.e. spine, extremities, pelvis, cranium, mandible and maxilla). This market clearance allows commercialization of MagnetOs Putty in Europe, and complements the existing clearance for MagnetOs Granules, and the 510K clearance for both formulations from the U.S. Food and Drug Administration as an autograft extender in the posterolateral spine. With its unique submicron surface topography, MagnetOs preferentially directs early wound healing toward the bone-forming pathway. Numerous studies have shown that MagnetOs leads to progressive bone formation and implant resorption comparable to autograft (patient's own bone), the current gold standard.

Kuros announces start of investigator-led study of MagnetOs Granules for maxillary sinus floor elevation

Kuros announced on May 29, 2018 the start of an investigator-led study at University Medical Center (UMC) Utrecht, using MagnetOs Granules for maxillary sinus floor elevation with two-stage implant placement. Sinus floor elevation is performed to allow placement of dental implants in the maxilla, or upper jaw. It is most commonly performed when the floor of the sinus is too close to an area where dental implants are to be inserted. The prospective clinical trial will compare MagnetOs Granules to autologous bone (autograft), harvested from the patient's own body, which is the current gold standard treatment. It is being conducted at the Department of Oral and Maxillofacial Surgery & Special Dentistry, UMC Utrecht and is designed as a controlled open-label, randomized non-inferiority trial with 30 patients. The primary outcome is assessment of effectiveness after 4-6 months. The first patients have already been treated.

Kuros Biosciences announces start of of randomized controlled trial of MagnetOs in spinal fusion Study should further enhance competitive positioning of MagnetOs

Kuros announced on June 12, 2018 that the University Medical Center Utrecht (UMCU) in the Netherlands has obtained approval from its ethical committee to start an investigator-led multicenter study comparing MagnetOs with autologous bone in posterolateral spinal fusion. The study is entitled "A Randomized Controlled Trial of MagnetOs® granules vs. Autograft in Instrumented Posterolateral Spinal Fusion", with UMCU as principal investigator. UMCU's Department of Orthopedics is one of the foremost orthopedic clinical research centers in the world. The primary objective is to demonstrate non-inferiority with regard to efficacy and safety of MagnetOs compared to the current gold standard, autograft, harvested from the patient's own body, in instrumented posterolateral spinal fusion. The first patients are expected to be enrolled in H2 2018.

Kuros Biosciences to present promising clinical case studies with MagnetOs at leading spine surgery conference

Kuros Biosciences announced on June 19, 2018 to present results from several investigator-led clinical case studies of MagnetOs Granules at the 15th annual State of Spine Surgery Think Tank, a leading conference uniquely dedicated to innovation in spinal surgery. The case studies, in which MagnetOs Granules were implanted in the spine, were performed

by Alwyn Jones MB ChB, BSc, MSc, FRCS, FRSC (Orth), Consultant Orthopaedic Spinal Surgeon at Spire Cardiff Hospital in the UK. The key clinical outcomes at six months were improved back and leg pain. The most important fusion outcomes were good incorporation of MagnetOs in the posterior fusion bed, graft resorption and remodelling to bone, and progression towards fusion.

Key takeaways from the case studies were:

- MagnetOs Granules were well-tolerated, and no device related adverse events were reported in the small cohort of patients requiring spinal fusion
- MagnetOs Granules were easy to apply as a stand‐alone graft or when mixed with bone marrow aspirate (BMA) or local bone
- Resorption and remodelling of MagnetOs Granules was evident from as early as 3 months post‐implantation
- MagnetOs Granules promoted spinal fusion in a mixed cohort of patients when implanted using 5 different surgical approaches

Kuros Biosciences reports first U.S. & UK sales of MagnetOs Commercial roll-out in the U.S. and Europe on track

Kuros announced on July 2, 2018 that it recorded the first commercial use in the previous week of MagnetOs in the U.S., and the company expects to ramp up its commercial activities in Europe and the U.S. in the second half of 2018.

Development of expenses

Operating expenses decreased to CHF 6.0 million (first half 2017: CHF 7.5 million) primarily due to lower non-cash expenses in connection with share-based payments. Expenses for research and development of CHF 3.1 million (CHF 2.2 million in the first half 2017) are mainly external costs for the preparation of the Phase II study (spine indication) of fibrin PTH, personnel expenses and depreciation of tangible assets. Expenses for general and administrative of CHF 4.1 million contained costs for personnel and other expenses for maintenance and administration. Revenues amounted to CHF 0.3 million (first half 2017: CHF 0.5 million) and originated primarily from a milestone payment related to the agreement with checkmate. Furthermore, the commercial role out of MagnetOs recognized its first sales. Other income was CHF 1.1 million (first half 2017: CHF 1.5 million) and mainly consisted of proceeds from sub-lease agreements.

The net loss as per June 30, 2018 amounts to CHF 5.2 million, compared to CHF 7.0 million in the corresponding period in the first half of 2017. The primary reason for the substantial decrease of CHF 1.7 million are a substantial reduction in expenses for share-based payment and income tax effects.

Outlook and news flow

Kuros' products are advancing according to plan with MagnetOs Putty having received clearance for commercialization in the United States and recently having received CE mark in Europe followed by first commercial sales in the United States and Europe, in June 2018. Kuros is financed to initiate the commercialization of MagnetOs in the US and to prepare for the phase II development of the Fibrin-PTH projects in spine.

Consolidated balance sheets

in TCHF, IFRS	Note	June 30, 2018	December 31, 2017
Non-current assets:			
Property and equipment, net		648	630
Intangible assets	10	32,961	33,231
Goodwill	10	34,503	34,546
Total non-current assets		**68,112**	**68,407**
Current assets:			
Inventories		417	220
Prepayments and other assets		332	430
Trade receivables		71	154
Other receivables		385	197
Cash and cash equivalents	9	9,650	16,673
Total current assets		**10,855**	**17,674**
Total assets		**78,967**	**86,081**
Shareholders' equity:			
Share capital	5	8,233	8,171
Share premium		104,340	104,153
Treasury shares	5	(24)	-
Other reserves		18,381	17,973
Accumulated loss		(62,231)	(57,157)
Total shareholders' equity		**68,699**	**73,140**
Non-current liabilities			
Pension liabilities	12	1,219	1,688
Deferred tax liabilities		6,090	6,597
Total non-current liabilities		**7,309**	**8,285**
Current liabilities			
Trade and other payables		911	1,320
Accrued expenses		1,133	1,652
Provisions	11	915	1,684
Total current liabilities		**2,959**	**4,656**
Total shareholders' equity and liabilities		**78,967**	**86,081**

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Consolidated income statements

in TCHF, IFRS	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Product sales	3, 6	25	-
Revenue from collaborations	3, 6	249	534
Revenue		**274**	**534**
Cost of goods sold		(16)	-
Gross Profit		**258**	**-**
Research and development		(3,058)	(2,211)
General and administrative		(4,112)	(6,777)
Other income		1,125	1,522
Net operating costs		**(6,045)**	**(7,466)**
Operating loss		**(5,787)**	**(6,932)**
Financial income		76	1
Financial expense		(80)	(248)
Net financial result		**(4)**	**(247)**
Loss before tax		**(5,791)**	**(7,179)**
Income taxes		544	209
Net loss		**(5,247)**	**(6,970)**
Basic and diluted net loss per share (CHF)	7	(0.63)	(1.11)

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Consolidated statements of comprehensive income

in TCHF, IFRS	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Net loss		(5,247)	(6,970)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	12	267	(16)
Tax effects		(59)	3
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising during the year		(110)	520
Other comprehensive income / (loss)		**98**	**507**
Total comprehensive loss		**(5,149)**	**(6,463)**

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Consolidated statements of cash flows

in TCHF, IFRS	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flow from operating activities			
Loss before tax		(5,791)	(7,179)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		747	547
Financial result		5	(247)
Provisions	11	(769)	-
Share-based compensation	8	408	1,425
Changes in retirement benefit obligations		(202)	78
Other non-cash items		(5)	127
Changes in assets and liabilities:			
Trade and other receivables		(105)	(6)
Current prepayments and accrued income		98	(414)
Current liabilities		(928)	581
Inventories		(197)	(17)
Income tax (paid)/refunds		(5)	(9)
Net cash used in operating activities		**(6,744)**	**(5,114)**
Cash flows from investing activities:			
Cash acquired in Acquisition		-	629
Purchases of plant and equipment		(47)	(246)
Reduction / (Investments) in current financial assets		-	15
Capitalization of intangibles		(566)	-
Net cash (used in) / generated from investing activities		**(613)**	**398**
Cash flows from financing activities:			
Proceeds from issuance of shares	5	300	13,806
Transaction costs on issuance of new shares		-	(137)
Net proceeds from transactions with treasury shares		-	48
Net cash from financing activities		**300**	**13,717**
Cash and cash equivalents, beginning of the period		16,673	12,369
Net change in cash and cash equivalents		(7,057)	9,000
Net effect of currency translation on cash		34	48
Cash and cash equivalents, end of period		**9,650**	**21,417**

Shares issued during the period were issued at par within the group in a non-cash transaction. See Note 5 for details.

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Consolidated statements of change in shareholders' equity

in TCHF, IFRS	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated losses	Trans-lation Differ-ences	Total
January 1, 2017		**5,084**	**60,908**	**(266)**	**15,934**	**(43,338)**	**-**	**38,322**
Acquisition January 2017		1,365	29,280					30,645
Capital increase June 2017, net		1,152	12,517					13,669
Share based payment 2017					1,425			1,425
Treasury shares acquisition				(1,020)				(1,020)
Treasury shares sale				1,075		(7)		1,068
Profit/(loss) for the period						(6,969)		(6,969)
Other comprehensive income						(12)	520	508
June 30, 2017		**7,601**	**102,705**	**(211)**	**17,359**	**(50,326)**	**520**	**77,648**
December 31, 2017		**8,171**	**104,153**	**-**	**17,973**	**(59,889)**	**2,732**	**73,140**
January 1, 2018		**8,171**	**104,153**	**-**	**17,973**	**(59,889)**	**2,732**	**73,140**
Capital increases	5	62	187	(24)				225
Change in deferred taxes						(59)		-59
Share based payment	5, 8				408	75		483
Pension						267		267
Profit/(loss) for the period						(5,247)		-5,247
Foreign currency translation							-110	-110
June 30, 2018		**8,233**	**104,340**	**(24)**	**18,381**	**(64,853)**	**2,622**	**68,699**

See accompanying notes, which are an integral part of these condensed consolidated interim financial statements.

Notes

1. Organization

The interim condensed consolidated financial statements of Kuros Biosciences Limited (henceforth called "company") and its subsidiaries (collectively referred as "Kuros" or "Group") for the six months ended 30 June 2018 were authorized for publication in accordance with a resolution of the board of directors on August 31, 2018.

The company is a limited company, incorporated and domiciled in Switzerland, whose shares are publicly traded at the SIX Swiss Exchange ("SIX") with valor symbol: KURN. The registered office is located at Wagistrasse 25, 8952 Schlieren, Switzerland. The group is engaged in the development of innovative products for tissue repair and regeneration (orthobiology).

The group structure is as following:

- Kuros Biosciences Limited in Schlieren, Switzerland (mother company and 100% shareholder of following subsidiaries)
- Proteome Therapeutics Limited (Konstanz, Germany)
- Kuros Biosurgery Holding Limited (Schlieren, Switzerland) which holds 100% shares of Kuros Biosurgery Limited (Schlieren, Switzerland)
- Kuros Biosciences Limited (Bilthoven, Netherlands) which holds 100% shares of RevisiOs Limited (Bilthoven, Netherlands)
- Kuros Biosciences Inc. (Wilmington, USA)

As of June 30, 2018, the group employs 35 people (28 as of December 31, 2017).

2. Summary of significant accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended June 30, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the Company's annual financial statements as of December 31, 2017.

The figures in the Groups' condensed consolidated interim financial statements and notes are presented in thousand Swiss francs (TCHF) unless stated otherwise. Due to rounding, some line-items do not sum up to 100% or the stated total of referred line-items.

Uncertainties and ability to continue operations

The accounts for the period ending June 30, 2018 have been prepared on a going concern basis. In accordance with IAS 1, the Group has assessed its ability to continue as a going concern. In the past the Group has financed its activities primarily by cash originating i) from revenue from milestone payments, ii) proceeds from no-dilutive financings, debt and equity financings as well as cash paid within collaborations. None of this cash resources can be considered recurring in particular as the Group has not yet recognized substantial sales from its current product pipeline which could provide a more substantial source of cash. Since December 2017 the Group has a Standby Equity line in place which is an additional source of financing. The amounts which can be drawn under the SEDA agreement are dependent on the liquidity of the Kuros share and are therefore limited. Although the Group has the ability to adjust spending according to available financial means further capital increases will be needed in order to sustain operations at current levels. The Board and the Executive Group believe it is appropriate to prepare these financial statements on a going concern basis.

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017, with the following relevant exceptions.

The Group applies, for the first time, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" that would require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Minor other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

IFRS 9 "Financial Instruments"

The Group has adopted IFRS 9 "Financial Instruments" as of January 1, 2018. The financial instruments held by the Group, have no material effects on:

- the statement of financial position as at December 31, 2017 and June 30, 2018
- the statement of profit or loss for the six months ended June 30, 2017 and June 30, 2018
- the other comprehensive income for the six months ended June 30, 2017 and June 30, 2018
- the statement of cash flows
- the basic and diluted net loss per share and
- the note disclosures

IFRS 15 "Revenue from contracts with customers"

The Group has adopted IFRS 15 "Revenue from contracts with customers" as of January 1, 2018. IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method of adoption. The full retrospective adoption of IFRS 15 has no material impact on:

- the statement of financial position as at December 31, 2017 and June 30, 2018
- the statement of profit or loss for the six months ended June 30, 2017 and June 30, 2018
- the other comprehensive income for the six months ended June 30, 2017 and June 30, 2018
- the statement of cash flows
- the basic and diluted net loss per share and
- the note disclosures.

The Group has two forms of revenue streams. The first stream relates to product sales and the second stream of revenue is based on collaborative long-term research and development agreements where the group grants access to technologies to a third party.

(a) Product sales

The Group's contracts with distributors for products sales generally includes one performance obligation. The Group has concluded that revenue from product sales should be recognized at the point in time when the control of the asset is transferred to the customer, generally on a point in time of delivery of products. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(1) Variable consideration

Some distribution contracts for product sales provide distributors with volume rebates. Prior to adoption the Group did not recognize revenue from product sales.

Under IFRS 15, rights of return and volume discounts give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

In the distribution agreements, the Group provides retrospective volume discounts on the product sales. In the reporting period such discounts were not applied yet for product sales as the targeted volumes will not be reached. Therefore, the Group did not estimate the expected volume rebates in this reporting.

(2) Warranty obligations

The Group generally provides warranties for defective products. The warranties are assurance-type warranties under IFRS 15, which the Group will account for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(3) Rendering of services

For product sales, the Group does not render additional services.

(4) Principal versus agent considerations

The Group has entered into distribution contracts, where the distributors act as a principal or agent selling products to customers. In these contracts the Group is primarily responsible for fulfilling the promise to provide the specified product in a given time and volume. The Group does not bear inventory risks after the specified products have been transferred to the customer. The Group generally has no discretion in establishing the price for the specified product. However, the Group's consideration in these contracts is determined in accordance with the maximum purchase price by the end-customer. The Group bears credit risks for cost of goods sold.

(b) Collaborative agreements

Collaborative agreements contain success and milestone payments for development activities and royalty fees on net sales from successfully developed and approved products. Milestone payments are contractually agreed and based on pre-defined performance goals. The group provides the collaboration partner with a right to use the product as it exists at the point in time at which the access to the product is granted. In these cases, the respective performance obligations are satisfied at a point in time. The accomplishment of milestones by the counterparty cannot be specified upfront, therefore revenue is recognized when the counterparty confirms accomplishment of a milestone. Royalty payments are recognized as revenue at the time that the performance goal for product sales have been met.

(c) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue is affected by economic factors. Refer to Notes 3 and 6 for the disclosure on disaggregated revenue and inventory risk.

Standards issued but not applied by the group

The Group is in the process of evaluating the effect of IFRS 16, "Leases", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, specifically the customer (lessee) and supplier (lessor). Currently, lease contracts mainly include the leasing of Kuros premises in Switzerland and the Netherlands which are expected to be capitalized under IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. Kuros plans to apply IFRS 16 starting with reporting year 2019 by applying the modified retrospective approach (i.e. the comparable period will not be adjusted). When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

There are no other standards that are not yet effective and that would be expected to have a material impact on the

entity in the current or future reporting periods and on foreseeable future transactions.

3. Revenues from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

in TCHF, six months ended June 30, 2018	2018	2017
Timing of revenue recognition		
Revenue recognized at a point in time	274	534
Revenue recognized over time	–	–
Total revenue from contracts with customers	**274**	**534**

For a detailed information of the disaggregation of the Group's revenue from contracts with customers please see note 6. There are no reconciling items between the Group's revenue from contracts with customers and the amounts disclosed in the segment information.

The Group announced on January 8, 2018 that it has amended its exclusive license agreement, which was originally signed in 2015, granting Checkmate Pharmaceuticals Inc., Cambridge, MA, USA ("Checkmate") access to the Group's clinically validated product candidate CYT003 as well as its VLP platform and to technology related to oligonucleotide synthesis. This amendment represents a contract modification according to IFRS 15. As the amendment changes the scope and the transaction price of the contract, it is accounted for as a separate contract.

The Group announced on July 2, 2018 the first commercial usage of MagnetOs in the United States and United Kingdom. In the United States, MagnetOs Putty has been successfully used in a minimally invasive spinal fusion. MagnetOs Putty has also been successfully used in a scoliosis intervention.

4. Seasonality

Operating costs are not exposed to substantial seasonal variations. Revenue from biotech companies may vary significantly throughout the year, since revenue is often linked to up-front payments, milestone and license payments, as well as payments for delivery of drug substances, whereof the occurrence is variable. Product sales are dependent on the number of procedures performed and therefore may vary throughout the year.

5. Shareholders' equity

Options

In the first six months of 2018 and 2017, no options were exercised.

Change in capital structure

During the first six months of 2018, two transactions were entered into under the Group's SEDA-Agreement (described in detail in the annual financial statements 2017):

In February the Company has issued 62,000 shares as treasury shares within the group in a transaction to service the existing SEDA-Agreement. For this purpose, the shares were issued at par, to be later placed according to the conditions specified in the SEDA-Agreement. 6,174 shares were transferred to the third party as a commitment fee for this equity line, with an effect of TCHF 75 to retained earnings.

In April 2018, the group placed 31'979 shares under the SEDA-Agreement for a gross amount of TCHF 300.

The final balance of treasury shares therefore amounts to 23,847 shares.

6. Segment and geographic information

Segment reporting

The Group operates in one segment, focusing on the discovery, development and prospective commercialization of a new class of biopharmaceutical products that are intended for use in the treatment and prevention of chronic diseases. The segment is reported in a manner consistent with the internal reporting provided to the Executive Management Team, which is the chief operating decision-maker. Intercompany sales are carried out at arm's lengths and are eliminated on consolidation.

Analysis of revenues by country:

in TCHF	Six months ended June 30, 2018	Six months ended June 30, 2017
Italy	3	–
United Kingdom	21	–
United States of America	250	534
Total	**274**	**534**

Analysis of revenues by category:

in TCHF	Six months ended June 30, 2018	Three months ended June 30, 2017
Product sales	25	–
Collaboration agreements	249	534
Total	**274**	**534**

Analysis of revenues by customer:

in TCHF	Six months ended June 30, 2018	Six months ended June 30, 2017
Other	25	–
Checkmate	249	–
DePuy Synthes	-	534
Total	**274**	**534**

As noted above, revenue is mainly sourced from one customer, but the Group started commercialization of MagnetOs (Putty and Granules) in the United States of America and Europe. The Group's business is predominantly in research and development status and currently not impacted by significant risks from revenue fluctuation.

Product sales

The Group recognized its first commercial sale of MagnetOs (Putty and Granules) in the United States and United Kingdom. The product sales originate from the distribution agreements and were recognized at the point in time (on delivery date) within the agreed terms and conditions. The contributed costs of goods sold consists of direct and indirect cost allocated to the production of each product sold.

Revenue from collaborations

The Group receives payments with respect to a licensing agreement, where it grants technology access to Checkmate, a third party. The contract was modified on January 5, 2018 as described in the key developments section. There is no additional impact which is not reflected in these interim financial statements.
Payment terms are usually 30 days, the milestone payments are contractually agreed and are based on pre-defined performance goals. The Group may receive up to USD 90 million in development milestones and may receive up to double-digit royalties on net sales from successfully developed products. As the revenues of the group are partly linked to revenues of the royalties from the counterparty, which are dependent on market demand, the revenues of the contract cannot be specified with a specific USD amount upfront.

Geographical segments

Revenues from Product Sales and collaboration agreements are attributable to individual countries and are based on the location each business partner, while Switzerland and the Netherlands contributed all material assets and liabilities.

7. Net loss per share

Basic and diluted net losses per share have been computed based upon the weighted average number of registered shares outstanding. Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase, warrants and convertible securities. Outstanding options to purchase registered shares were not included in the computation of the dilutive net loss per share as the effect would have been anti-dilutive.

8. Share option plan

The Group regularly grants share options to the members of the Board, the members of the Executive Committee, as well as to employees and consultants of the Company. The share-based compensations are equity-settled, whereof the fair value of the options is determined at the grant date, based on the market price, by applying the Black-Scholes model.

The total number of options outstanding as of January 1, 2018 amounted to 790,170 with various exercise prices and expiry dates. A total of 10'869 options expired by June 30, 2018 and 110'768 new options were granted in that same period. As a result, the total number of options outstanding as of June 30, 2018 amounts to 890'069.

Total expenses for the share-based compensation for employees for the first six months of 2018 amounted to TCHF 408 (TCHF 1,425 for the first six months of 2017).

9. Cash, cash equivalents and financial assets

The Group considers all short-term, highly liquid investments convertible into known amounts of cash with original maturities of three months or less at the date of the purchase to be cash equivalents. The cash flow statement is based on cash and cash equivalents. Due to the current low interest rate of fixed deposits, the Group has not made any investments in financial assets in the first six months of 2017 and 2018.

10. Intangible Assets and Goodwill

Subleasing: Subleasing comprises of favorable sub-leases acquired in a business combination for office space in Kuros' leased facilities in Schlieren, Switzerland. These subleases run for an indefinite period of time unless terminated at the end of each quarter with a notice period of one year. The cost of subleases represents the fair value at acquisition. Subleases are amortized over their estimated contract duration.

Licensing: Licensing includes out-licensing agreements acquired in a business combination. Such agreements allow for future milestone and royalty payments from the licensees based on the development of the related licensed products. The cost of licensing represents the fair value of the out-licensing agreement at acquisition. Licensing is amortized over the term of the underlying agreement.

Currently Marketed Products ("CMP"): Currently Marketed Products ("CMP") comprise of products acquired in a business combination which have achieved technical feasibility and market clearance from the US Food and Drug Administration or the European Medicines Agency or a comparable regulatory authority and are in the process of being marketed. The cost of Currently Marketed Products ("CMP") represents the fair value at acquisition. Subleases are amortized over their estimated contract duration. The CMP assets are amortized over their estimated remaining useful lives which has been based on the relevant expected patent expiration years.

In-Process Research & Development ("IPR&D"): In-Process Research & Development ("IPR&D") comprise of products which were acquired in a business combination and have not yet achieved market approval. The cost of In-Process Research & Development ("IPR&D") represents the fair value at acquisition. The IRPR&D assets will only be amortized after approval/product launch and are tested for impairment until that time.

in TCHF	Goodwill	Subleasing	Licensing	Currently Marketed Products (“CMP”)	IPR&D*	Total
Historical, costs						
January 1, 2018	34,546	2,526	8,025	8,970	20,967	75,034
Additions	–	–	–	566**	–	566
Start Commercialization				20,282	(20,282)	–
Exchange Differences	(43)	–	–	(126)	(5)	(174)
June 30, 2018	**34,503**	**2,526**	**8,025**	**29,692**	**681**	**75.426**
Accumulated amortization						
January 1, 2018	–	(2,526)	(4,321)	(410)	–	(7,257)
Amortization charge	–	–	(260)	(452)	–	(712)
Exchange Differences	–	–	–	7	–	7
June 30, 2018	**–**	**(2,526)**	**(4,581)**	**(855)**	**–**	**(7.962)**
Net book value on June 30, 2018	**34,503**	**–**	**3,444**	**28,837**	**681**	**67,464**

*In-process research & development

**The additions derive from capitalization of incurred development costs in accordance with the Group’s Accounting Policy.

11. Provisions

Personnel
On November 16 and December 14, 2017, Kuros announced certain changes in management. Following these changes, Kuros recorded a provision of TCHF 1,478 which mainly consists of personnel related expenses. Kuros took these measures as part of its transition to creating a leading commercial-stage orthobiologics company.

Onerous contract
The onerous contract relates to a sublease contract which has become onerous as a major tenant has terminated the lease.

The development of the provision during the first six months of 2018 was as follows, resulting in a reduction of losses compared to the comparison period.

in TCHF	Onerous contract (sublease)	Personnel	Total
January 1, 2018	**206**	**1,478**	**1,684**
Use	(131)	(638)	(769)
June 30, 2018	**75**	**840**	**915**

12. Pension Plan

Settlement
The Company, Kuros Biosciences AG had personnel fluctuations due to the restructuring in the swiss entities and the Group's refocus on orthobiology (spine). This led to a reduction of approximately 14% of the defined benefit obligation and the savings capital. This decrease has been qualified as settlement. The settlement date has been recognized as of April 30, 2018 whereof a gain of TCHF 274 has been recognized through profit and loss. The total of expense and income through profit and loss incurred through Employer's contribution (including Employer Service Cost, Admin Expense, Settlement gain, Interest expense and income) of TCHF (210) amounts a gain of TCHF 64.

The pension liability movements recognized in balance sheet is as following:

Movements in TCHF	January 01 to June 30, 2018
January 1, 2018 . Net assets / (liability)	**(1,688)**
(Expense)/Income through profit and loss	64
Employer Contributions	(138)
Other comprehensive income / (expense)	(267)
June 30, 2018 Net assets / (liability)	**(1,219)**

13. Events after the balance sheet date

On May 2, 2018, Kuros received European clearance for MagnetOs Putty. As a result of that and in accordance with the combination agreement, Kuros has issued 370,000 shares and transfered those shares to the sellers of Xpand for no additional consideration, since these shares were included in the calculation of the consideration transferred for the acquisition of Xpand in 2017. There will be no net effect upon issuance of these shares to either the income statement or equity in 2018, but merely a reclass between the financial statement line-items of share capital and share premium.

Legal Disclaimer

This Interim Report contains statements that constitute "forward-looking statements", including but not limited to, statements relating to research and development plans, planned regulatory approvals, research collaborations and estimates and projections of future trends, as well as the anticipated future development and economic performance of the Group and/or its subsidiaries (together "the Group"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual future results, performance or achievement of the Group, or industry results, to differ materially from any future results, performance or achievement implied by such forward-looking statements. The forward-looking statements are based on the information available to the Group on the date of this Interim Report and on the Group's current beliefs, forecasts and assumptions regarding a large number of factors affecting its business. Such beliefs and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. There can be no assurance that: (i) the Group has correctly measured or identified all the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group's analysis is based is complete or accurate, (iii) the Group's analysis is correct or (iv) the Group's strategy, which is based in part on this analysis, will be successful. Factors that affect the Group's business include, but are not limited to, (i) general market, governmental and regulatory trends, (ii) competitive pressures, (iii) technological developments, (iv) effectiveness and safety of the Group's technology and therapeutics, (v) uncertainty regarding outcome of clinical trials and regulatory approval processes, (vi) management changes, (vii) changes in the market in which the Group operates and (viii) changes in the financial position or credit-worthiness of the Group's customers and partners. The Group assumes no liability to update forward-looking statements or to conform them to future events or developments.

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