Interim Report

as of June 30, 2019

Kuros Biosciences

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Condensed Consolidated Financial Statements as of June 30, 2019

Key developments, financial performance and results of operations

Key Developments

Kuros Biosciences signs agreement to supply SeaSpine with bone graft incorporating Kuros' advanced submicron surface technology

Kuros announced on February 11, 2019 that its Dutch subsidiary, Kuros Biosciences BV, has signed a private label Original Equipment Manufacturer (OEM) agreement with SeaSpine Holdings Corporation (NASDAQ: SPNE), a global medical technology company focused on surgical solutions for the treatment of spinal disorders. Under the agreement Kuros will supply the bone graft in various forms and SeaSpine will market the products under the brand name OsteoCurrent in the U.S. and other select markets in Europe, South America and the Middle East providing the necessary regulatory approvals are achieved. Initial sales in the U.S. are expected prior to the end of H1 2019. Terms of the agreement were not disclosed.

Kuros Biosciences receives US marketing clearance for intervertebral body fusion device

Kuros announced on March 13, 2019 that its Dutch subsidiary, Kuros Biosciences BV, has received clearance for the Kuros TLIF cage from the U.S. Food and Drug Administration (FDA). The TLIF cage has been developed for the use with KUR-113, Kuros' advanced Fibrin-PTH product candidate for spinal fusion. The combination of KUR-113 with the TLIF cage will be investigated in upcoming clinical trials. The Kuros TLIF cage is intended for use in intervertebral body fusion of the spine. The cage comes in a range of sizes and includes instruments to prepare the disc space and implant the device. The cage is cleared for use in the lumbar spine (L1 to S1) in combination with autograft and/or allograft, under 510(k) number K183092.

Kuros Biosciences enters convertible bond financing agreement for up to CHF 5 million

Kuros announced on April 09, 2019 that it has entered into a convertible bond financing agreement with Nice & Green S.A. for up to a maximum of CHF 5 million. The facility is provided by Nice & Green, a private Swiss company which specializes in financing solutions tailored to the requirements of listed growth companies in the biotech and cleantech industries. This agreement can be extended by Kuros for an additional CHF 5 million over a further period of 12 months.

Development of expenses

Net operating costs amounted to CHF 6.1 million (first half 2018: CHF 6.0 million). However, costs for research and development increased to CHF 3.4 million (first half 2018: CHF 3.0 million) which contained mainly external costs for the preparation of the Phase II study (spine indication) of Fibrin PTH, personnel expenses and depreciation of tangible assets. General and administrative costs, have been further reduced to CHF 2.9 million (first half 2018: CHF 4.1 million) mainly a result of lower costs for facilities and administration. General and administrative costs included personnel expenses and other expenses for maintenance and administration. Revenues amounted to CHF 0.9 million (first half 2018: CHF 0.3 million) and originated from product sales. Other income amounted to CHF 0.2 million, compared to CHF 1.1 million in the first half of 2018. The decrease is mainly due to the termination of the sub-lease arrangements in September 2018 as the underlying lease agreement of Kuros has been adapted according to the needs of the Company.

The net loss for the six months ended June 30, 2019 amounted to CHF 5.2 million and remained unchanged compared to that in the first half of 2018. However, the operating costs have shifted towards the focus of the Group in particular the research and development of Fibrin-PTH (KUR-113) and the commercialization for MagnetOs.

Alternative Key Performance Measurements (APM)

Financial measures presented in the financial information of Kuros which do not inhere a definition by the International Financial Reporting Standards (IFRS) are so called alternative key performance measures (APM). Kuros uses such financial measures in addition to provide valuable supplementary information to investors, stakeholders and the Group's key decision makers as they enable an assessment of relevant trends of the Group's performance. These financial measures should not be regarded as substitutes for measures defined as per IFRS. The APM can differ in methods for calculation and definition of other companies. Therefore, such APM are not limited to direct benchmarking of other companies. The definition and calculation method of APM's used by Kuros are as follows:

Operating loss

- Definition: Profit/loss before financial items and tax
- Relevance: The operating profit/loss is used to measure the profit/loss generated by the operating activities

The operating loss for the six months ended June 30, 2019 amounted to TCHF 5,357 (TCHF 5,787 for the six months ended June 30, 2018)

Cash burn

- Definition: net cash-outflow from operating activities
- Relevance: The cash burn is used to measure the net cash outflow from operating activities for the defined reporting period

The cash burn derives as follows:

In TCHF, for the six months ended June 30	**2019**	**2018**
Net operating cash-flow	(6,375)	(6,744)
Reporting period (in months)	6	6
Cash burn (per month)	**(1,062)**	**(1,124)**

Consolidated balance sheet

in TCHF, IFRS	Note	June 30, 2019	December 31, 2018
Non-current assets:			
Property and equipment, net		589	634
Right-of-use assets	2.3	2,454	-
Intangible assets	10	29,570	31,113
Goodwill	10, 11	34,083	34,241
Total non-current assets		**66,696**	**65,988**
Current assets:			
Inventories		665	547
Prepayments and other assets		331	325
Trade receivables		631	214
Other receivables		190	413
Cash and cash equivalents	9	12,615	18,334
Total current assets		**14,432**	**19,833**
Total assets		**81,128**	**85,821**
Shareholders' equity:			
Share capital	6	15,204	15,059
Share premium	6	112,391	112,226
Treasury shares		(17)	(17)
Other reserves	8	18,929	18,648
Accumulated loss		(75,324)	(69,433)
Total shareholders' equity		**71,183**	**76,483**
Non-current liabilities			
Pension liabilities	13	685	961
Deferred tax liabilities		3,830	4,337
Non-current lease liabilities	2.3	2,313	-
Total non-current liabilities		**6,828**	**5,298**
Current liabilities			
Trade and other payables		673	1,611
Accrued expenses		1,784	2,137
Convertible loan	6	412	-
Current lease liabilities	2.3	248	-
Provisions	12	-	292
Total current liabilities		**3,117**	**4,040**
Total shareholders' equity and liabilities		**81,128**	**85,821**

Consolidated income statement

in TCHF, IFRS	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Product sales	3, 4	910	25
Revenue from collaborations	3, 4	-	249
Revenue		**910**	**274**
Cost of Goods sold		(138)	(16)
Gross Profit		**772**	**258**
Research and development		(3'423)	(3'058)
General and administrative		(2'889)	(4'112)
Other income	14	182	1'125
Net operating costs		**(6'130)**	**(6'045)**
Operating loss		**(5'358)**	**(5'787)**
Finance income		60	76
Financial expense	15	(303)	(80)
Net financial result		**(243)**	**(4)**
Loss before tax		**(5'601)**	**(5'791)**
Income taxes		374	544
Net loss		**(5'227)**	**(5'247)**
Basic and diluted net loss per share (CHF)	7	(0.35)	(0.63)

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

Consolidated statement of comprehensive income

in TCHF, IFRS		Six months ended June 30, 2019	Six months ended June 30, 2018
Net loss		(5'227)	(5'247)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	13	(228)	267
Tax effects		50	(59)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising during the year		(402)	(110)
Other comprehensive income / (loss)		**(580)**	**98**
Total comprehensive loss		**(5'807)**	**(5'149)**

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

Consolidated statement of cash flows

in TCHF, IFRS	Note	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flow from operating activities			
Loss before tax		(5'601)	(5'791)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		1'372	747
Financial result		243	5
Provisions	12	(292)	(769)
Share-based compensation	8	281	408
Changes in retirement benefit obligations	13	(504)	(202)
Other non-cash items		(204)	(5)
Changes in assets and liabilities:			
Trade and other receivables		(208)	(105)
Current prepayments and accrued income		(9)	98
Current liabilities		(1'281)	(928)
Inventories		(135)	(197)
Interest paid		(11)	-
Income tax (paid)/refunds		(27)	(5)
Net cash used in operating activities		**(6'375)**	**(6'744)**
Cash flows from investing activities:			
Purchases of plant and equipment		(43)	(47)
Capitalization of intangibles		-	(566)
Net cash (used in) / generated from investing activities		**(43)**	**(613)**
Cash flows from financing activities:			
Proceeds from issuance of shares		-	300
Net proceeds from issuance of convertible debt	6	699	-
Repayment of lease liability	2.3	(130)	-
Net cash from financing activities		**569**	**300**
Cash and cash equivalents, beginning of the period		18'334	16'673
Net change in cash and cash equivalents		(5'850)	(7'057)
Net effect of currency translation on cash		131	34
Cash and cash equivalents, end of period		**12'615**	**9'650**

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

Consolidated statement of change in shareholders' equity

in TCHF, IFRS	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	Total
January 1, 2018		**8,171**	**104,153**	**-**	**17,973**	**(59,889)**	**2,732**	**73,140**
Capital increases		62	187	(24)	-	-	-	225
Share based payment		-	-	-	408	75	-	483
Pension		-	-	-	-	267	-	267
Change in deferred taxes		-	-	-	-	(59)	-	(59)
Loss for the period		-	-	-	-	(5,247)	-	(5,247)
Other comprehensice income / (loss)		-	-	-	-	-	(110)	(110)
June 30, 2018		**8,233**	**104,340**	**(24)**	**18,381**	**(64,853)**	**2,622**	**68,699**
December 31, 2018		**15,059**	**112,226**	**(17)**	**18,648**	**(71,303)**	**1,870**	**76,483**
January 1, 2019		**15,059**	**112,226**	**(17)**	**18,648**	**(71,303)**	**1,870**	**76,483**
Capital increases, net	6	145	181	-	-	-	-	326
Non-amortized transaction costs from issuance of convertible debt	6	-	(16)	-	-	-	-	(16)
Revaluation of lease agreements	2.3	-	-	-	-	(84)	-	(84)
Share based payment		-	-	-	281	-	-	281
Pension	13	-	-	-	-	(228)	-	(228)
Change in deferred taxes		-	-	-	-	50	-	50
Loss for the period		-	-	-	-	(5,227)	-	(5,227)
Other comprehensive income / (loss)		-	-	-	-	-	(402)	(402)
June 30, 2019		**15,204**	**112,391**	**(17)**	**18,929**	**(76,792)**	**1,468**	**71,183**

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

Notes

1. Organization

The interim condensed consolidated financial statements of Kuros Biosciences Ltd (henceforth called "Company") and its subsidiaries (collectively referred as "Kuros" or "Group") for the six months ended 30 June 2019 were authorized for publication in accordance with a resolution of the board of directors on August 19, 2019.

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 Ltd in Schlieren, Switzerland (mother company and 100% shareholder of following subsidiaries)
- Proteome Therapeutics GmbH (Konstanz, Germany)
- Kuros Biosurgery Holding Ltd (Schlieren, Switzerland) which holds 100% shares of Kuros Biosurgery Ltd (Schlieren, Switzerland)
- Kuros Biosciences B.V. (Bilthoven, the Netherlands) which holds 100% shares of RevisiOs B.V. (Bilthoven, the Netherlands)
- Kuros Biosciences USA, Inc. (Burlington (MA), USA)

As at June 30, 2019, the Group employs 36 people (35 as at December 31, 2018).

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements were prepared in accordance IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018. They do not include all of the information required for a complete set of IFRS financial statements. However, they include information required to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the consolidated financial statements for the year ended 31 December 2018 and certain other information deemed relevant.

The figures in the Groups' condensed consolidated 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.

2.2 Uncertainties and ability to continue operations

The Group is subject to various risks and uncertainties, including, but not limited to the time of achieving sustainable profitability and the uncertainty of the discovery, development, and commercialization of product candidates, which includes uncertainty of the outcome of clinical trials and significant regulatory approval requirements.

The Group has incurred net operating losses during most fiscal periods since its inception and anticipates that it will continue to incur substantial operating losses for the foreseeable future. The Group may never achieve or sustain profitability.

The Group expects that it will incur significant operating losses in the foreseeable future, primarily due to its continuing pre-

clinical studies, clinical development programs, and exploratory research as well as commercialization of product candidates. If the Group does not receive revenues, or milestone and other payments, or does not enter new partnerships for current or future product candidates on acceptable terms, or at all, its operating losses will substantially increase over the next few years.

The Group's ability to achieve sustainable profitability will depend, among other things, on attracting sufficient financial resources, successfully bringing existing or new product candidates through clinical development, obtaining regulatory approvals, arrangements with third parties, raising sufficient funds to finance its activities and profitably selling its products. No assurance can be given that the Group will be able to achieve and maintain profitability.

To become and remain profitable, the Group, or its partners, must succeed in financing the development of its product candidates and building up marketing and sales capabilities, obtaining regulatory approvals, and manufacturing, marketing and selling the products for which it or its partners may obtain regulatory approval. The Group, or its partners, may not succeed in these activities, and the Group may never generate revenues from product sales that are significant enough to achieve profitability. Even if the Group achieves profitability, it may not be able to sustain profitability in subsequent periods.

The Group's failure to become or remain profitable could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, as well as its share price.

The development and commercialization of the Group's product candidates will require substantial additional financing and a failure to obtain sufficient financing or opportunities to partner programs could force the Group to delay, limit, reduce or terminate development or commercialization of the Group's product candidates.

The cash flows, if any, from the Group's operations, will not be sufficient to fund the Group's anticipated capital expenditures and working capital requirements for the foreseeable future. If its currently available funding will not be sufficient to cover these steps, the Group will have to rely on the availability of additional funding. Furthermore, any additional steps for the development or commercialization of its product candidates will depend on the availability of such funding.

No assurance can be given that the Group can obtain sufficient funding when needed. The Group's ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond the Group's control. If the Group fails to obtain additional funds and on acceptable terms, or at all when needed, it may have to delay, reduce or terminate certain research and development programs or the production and commercialization of certain products. In addition, the Group's shareholders may have to accept equity financing terms which may significantly dilute their participation.

Any such event could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, as well as its share price.

In the past years, the Group has financed its activities primarily by cash originating from (i) revenue from milestone payments, (ii) proceeds from non-dilutive financings, debt and equity financings as well as (iii) cash paid within collaborations. None of these cash resources can be considered recurring, in particular as the Group has limited sales from its current product pipeline which could provide a more sustained source of cash. Current plans project sufficient cash resources to pursue a limited number of projects and programmes. Although the Group has the ability to adjust spending according to available financial means, future capital increases may be needed in order to sustain operations at current levels.

The product pipeline of both synthetic and drug-based bone graft substitutes could provide commercial opportunities in attractive markets. Our lead synthetic product candidate includes MagnetOS, a novel surface structured orthobiologic and Neuroseal, a novel Dural sealant. MagnetOS is the most advanced product in this class. The drug based orthobiologic product candidates are KUR-111, KUR-112, KUR-113. Both KUR-111 and KUR-113 have been successfully tested in Phase 2b

clinical trials. The Group now prepares KUR-113 for spinal indications in a large, controlled Phase 2b clinical trial.
Kuros continues its existing partnership, namely the collaboration for CYT003 and the VLP technology with Checkmate Pharmaceuticals, Cambridge, MA, USA for the treatment of cancer. With this collaboration, the CYT003 and VLP technology move forward with investments from the collaboration partner only and, if successful, Kuros will be eligible for significant development milestone payments and royalties on future sales.

The Board and the Executive Committee believe that it is appropriate to prepare these financial statements on a going concern basis in accordance with IAS 1 "Presentation of Financial Statement", which is also supported by the facts as disclosed in the subsequent event, note 16.

2.3 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018, with the following relevant exceptions.

As of January 01, 2019, the Group's financial statements are affected by the adoption of the new leasing standard IFRS 16 "Leases". The Group applied 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 "Leases", the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical exceptions during transition. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The Group has recognized the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard affects primarily the accounting for the Group's operating leases.

Upon adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 2.0% as at January 01, 2019. The associated right-of-use assets for such leases were measured on a retrospective basis as if the new rules had always been applied. The residual value for recognized lease liabilities and right-of-use assets has been recognized in retained earnings, as at January 01, 2019.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of TCHF 3,044. Of these commitments, approximately TCHF 35 relate to short-term leases and TCHF 28 to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group recognized right-of-use assets of TCHF 2,608 on January 1, 2019, lease liabilities of TCHF 2,692 with an impact on retained earnings of TCHF 84. As at January 1, 2019 the lease liabilities split in non-current lease liabilities of TCHF 2'445 and current lease liabilities of TCHF 247. The impact on profit and loss is TCHF 147 through increased depreciation and TCHF 27 for interest expenses rather than operating costs. The cash-flow statement is impacted mainly in the operating cash-flow through increased depreciation of TCHF 147 and in the cash flow from financing activities through repayments of total TCHF (130), which were previously included in the cash flows from operating activities. There is no impact on the segment reporting nor a reclass from other balance sheet accounts (e.g. Property and Equipment).

The Group leases office and production premises which are fully recognized as lease liabilities and right-of-use assets as at January 1, 2019. Rental periods are entered for fixed periods of 10 years and do not contain variable lease payments. An extension or termination of the contract has not been accounted for based on management judgment.

2.4 Standards issued but not applied by the group

A number of new or amended standards and interpretations are effective for annual periods beginning on 1 January 2020 or later and have not been applied in preparing these consolidated interim financial statements. The Group does not plan to adopt these standards and interpretations before their effective dates. Many of them are not applicable to the Group or are

expected to have no, or no material, impact on the consolidated financial statements.

3. Revenues from contracts with customers

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 for product 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 at a point in time of delivery of products. The Group determines that the product sales are distinct, as the products are sold on a stand-alone basis. Therefore, no significant estimates or judgement inhere the timing of revenue recognition.

(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 this 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.

in TCHF, for the six months ended June 30	2019	2018
Timing of revenue recognition		
Revenue recognized at a point in time	910	274
Revenue recognized over time	–	–
Total revenue from contracts with customers	**910**	**274**

For a detailed information of the split of the Group's revenue from contracts with customers please see note 4.

There are no reconciling items between the Group's revenue from contracts with customers and the amounts disclosed in the segment information.

4. 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, for the six months ended June 30	2019	2018
Other	2	3
United Kingdom	33	21
United States of America	875	250
Total	**910**	**274**

Analysis of revenues by category:

in TCHF, for the six months ended June 30	2019	2018
Product sales	910	25
Collaboration agreements	–	249
Total	**910**	**274**

Analysis of revenues by customer:

in TCHF, for the six months ended June 30	2019	2018
Other	910	25
Checkmate	–	249
Total	**910**	**274**

As noted above, revenue is mainly sourced from multiple customers, as the Group started commercialization of MagnetOs (Putty and Granules) mainly in the United States of America and Europe. There are three significant customers that represent each 17%, 20% and 28% of the Group's Product Sales. The Group's business reached a commercialization state for MagnetOs however remains predominantly in research and development status and therefore not impacted by significant risks from revenue. The Group will have to rely on the availability of additional funding.

Product sales

The Group recognized commercial sale of MagnetOs (Putty and Granules) primarily in the United States and United Kingdom. The product sales originate from the contracts with customers 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.

The Group announced on February 11, 2019 that it has signed a private label Original Equipment Manufacturer (OEM) agreement with SeaSpine Holdings Corporation (NASDAQ: SPNE), a global medical technology company focused on surgical solutions for the treatment of spinal disorders. Under the agreement Kuros will supply the bone graft in various forms and SeaSpine will market the products under the brand name OsteoCurrent in the U.S. and other select markets in Europe, South America and the Middle East providing the necessary regulatory approvals are achieved. Initial sales in the U.S. were recognized in the first first six months of 2019. Terms of the agreement were not disclosed. The performance obligation of such contract is distinct, and revenue from the contract with this customer is recognized at the point in time the performance obligation has been fulfilled.

Revenue from collaborations

In 2018, the Group received 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 to extend the field from oncology to all indications and broaden the range of product candidates covered. 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 of each business partner, while Switzerland and the Netherlands contributed all material assets and liabilities.

5. 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.

6. Shareholders' equity

Options

For the six months ended June 30, 2019 and 2018, no options were exercised.

Change in capital structure

In 2019 were no transactions in relation to the SEDA agreement entered. During the first six months of 2018, two transactions were entered into under the Group's SEDA-Agreement:
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.

Nice & Green Convertible bond financing agreement

Kuros announced on April 09, that it has entered into a convertible bond financing agreement with Nice & Green S.A. for up to CHF 5 million and can be extended by Kuros for an additional CHF 5 million over a further period of 12 months. The facility enables Kuros to draw 12 equal tranches representing 100,000 shares each over 12 months against issuance of convertible notes. The convertible notes are mandatory convertible into equity at the discretion of Nice & Green S.A. within a period of 12 months after their issuance, with a conversion rate of 95% of the lowest volume-weighted average price during the six trading days preceding the conversion date. The convertible notes bear no interest. Upon each conversion request Kuros has the option to reimburse the cash amount to Nice & Green, which will be calculated as Vn/0.98 where Vn is the receivable value of the convertible note that shall be reimbursed. The convertible bond financing agreement composes a series of compound instruments which are classified as financial liability since the attached conversion option is settled by delivering a variable number of shares against a fixed amount of financial liability. To the extent Nice & Green has not requested conversion at the end of the respective conversion period, Kuros will have the right to request conversion.

During the six months ended June 30, 2019, Kuros has drawn three tranches totaling gross proceeds TCHF 738 of which TCHF 326 have been converted to shares by Nice & Green. In total 145,175 shares have been converted from conditional capital to share capital for effectuating conversion of convertible notes.

7. Net loss per share

Basic and diluted net loss 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 Group. 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 01, 2019 amounted to 969,844 with various exercise prices and expiry dates. Within the six month ended June 30, 2019, a total of 28,366 options expired, 6,750 options were forfeited, and 114,635 new options were granted. As a result, the total number of options outstanding as at June 30, 2019 amounts to 1,049,363.

Total expenses for the share-based compensation for employees for the six months ended June 30, 2019 amounted to TCHF 281 (TCHF 408 for the six months ended June 30, 2018).

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 six months ended June 30, 2018 and 2019.

10. Intangible assets and goodwill

Subleasing: Subleasing includes favorable subleases acquired in a business combination for office space in Kuros' leased facilities in Schlieren, Switzerland. These subleases run for an indefinite period, 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. In 2017, the main tenant of the sublease has decided to terminate the agreement with effect from March 30, 2018.

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: 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 CMP represents the fair value at acquisition. 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: 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 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	CMP	IPR&D	Total
Historical, costs						
January 1, 2019	34,241	2,526	8,025	29,016	666	74,474
Exchange differences	(158)	–	–	(433)	(10)	(601)
June 30, 2019	**34,083**	**2,526**	**8,025**	**28,583**	**656**	**73,873**
Accumulated amortization						
January 1, 2019	–	(2,526)	(4,844)	(1,750)	–	(9,120)
Amortization charge	–	–	(264)	(880)	–	(1,144)
Exchange differences	–	–	–	44	–	44
June 30, 2019	**–**	**(2,526)**	**(5,108)**	**(2,586)**	**–**	**(10,220)**
Net book value as at June 30, 2019	**34,083**	**–**	**2,917**	**25,997**	**656**	**63,653**

11. Impairment test

In December 2018 and when circumstances indicated that the carrying value may be impaired, the Group performed an impairment test. Basis for the impairment test for goodwill and intangible assets with indefinite lifetime is the value-in-use calculation (discounted cash-flow). The key assumptions used to determine the value-in-use for the cash generating unit (CGU) were disclosed in the annual consolidated financial statements for the year ended December 31, 2018.

A key element for the indication of an impairment is the relation of market capitalization and the CGU's book value. As at June 30, 2019 the market capitalization of the Group is below the book value of its equity, indicating a potential impairment of goodwill. As a result, the management performed an impairment test as at June 30, 2019.

The Group's calculated recoverable amount exceeded the carrying amount. To reflect the current state of the Group's business activities, the projected cash flows were updated. All other key assumptions are consistent and the sensitivity to changes in assumptions did not indicate significant changes with those disclosed in the annual financial statements for the year ended December 31, 2018. The management concluded that no impairment charge is recognized as the recoverable amount exceeds the carrying value of the CGU.

12. 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 create a leading commercial stage orthobiologics company. In the first half of 2019 Kuros accomplished the announced personnel changes and no further financial measures are to be considered.

Onerous contract

In 2018, the lease contract as well as the corresponding sub-lease contracts have been terminated. As a result, no further provisions for onerous contracts (sublease) is necessary.

The development of the provision during the six months ended June 30, 2019 was as follows, resulting in a reduction of losses compared to the comparison period.

in TCHF	Onerous contract (sublease)	Personnel	Total
January 1, 2019	**-**	**292**	**292**
Provisions utilized	-	292	292
June 30, 2019	**-**	**-**	**-**

13. Pension plan

Settlement
The Company, Kuros Biosciences AG had personnel fluctuations mainly due to the restructuring in the Swiss entities and the Group's refocus on orthobiology (spine). This decrease has been qualified as settlement. The settlement date has been recognized as at May 31, 2019 whereof a gain of TCHF 549 has been recognized through profit and loss.

The pension liability movements recognized in the balance sheet is as follows:

Movements in TCHF	2019
Net liability as at January 01, 2019	**(961)**
Settlement gain	549
Service costs and employer's contribution	(41)
Net financial result	(4)
Actuarial loss	(228)
Net liability as at June 30, 2019	**(685)**

14. Other income

In other income decreased to TCHF 182 (prior year: TCHF 1'125) mainly through the termination of sublease agreements in September 2018. The remaining other income in the first six months 2019 occur through reimbursement of general costs and costs collaboration agreements.

15. Financial expense

Financial expense of TCHF 303 (for the six months ended June 30, 2018: TCHF 80) mainly comprise of the unrealized financial loss of CHF to EUR value deviations on intergroup balances.

16. Events after balance sheet date

On July 9, 2019 Kuros announced that its Dutch subsidiary, Kuros Biosciences BV, has signed a distribution agreement for the Australian and New Zealand healthcare markets with Surgical Specialties, a subsidiary of the Paragon Care Group (ASX: PGC), a leading provider of medical equipment, devices and consumables. Under the agreement, Kuros will supply Surgical Specialties with its MagnetOs bone graft products and Surgical Specialties will be responsible for their distribution in Australia and New Zealand. In addition, Surgical Specialties will be responsible for the application and maintenance of the regulatory and reimbursement approvals in Australia and New Zealand. Further terms of the agreement were not disclosed.

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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