Halbjahresbericht 2017

Kuros Biosciences

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Wichtige Fortschritte, finanzielle Entwicklung und Geschäftsergebnis

- **Dank der strategischen Übernahme von Xpand beschleunigt Kuros den Wandel in ein kommerzielles Unternehmen mit einem Standbein in der EU für künftige Aktivitäten in der Distribution, Präklinik und Produktion.**
- **Unter der Leitung des neuen CEO Dr. Ivan Cohen-Tanugi bereitet sich Kuros für die späte klinische Entwicklung der Fibrin-PTH-basierenden Produktkandidaten sowie die Kommerzialisierung in den USA und im Europäischen Wirtschaftsraum vor.**
- **MagnetOs erhält die Marktfreigabe in den USA und in Europa, ausserdem Neuroseal die Marktfreigabe in Europa.**
- **Die Erweiterung des Produktportfolios in weitere Formulierungen und Indikationen schreitet planmässig voran, u.a. dank MagnetOs Putty, das neu die Vertriebszulassung in den USA erhalten hat und kürzlich zur CE-Zertifizierung eingereicht wurde.**
- **Die erfolgreiche Aktienplatzierung stärkt die Eigenkapitalbasis von Kuros und erlaubt die Finanzierung der künftigen kommerziellen Aktivitäten sowie der Entwicklungsprogramme der Fibrin-PTH-Produkte.**

In einer aktienbasierenden, strategischen Akquisition übernahm Kuros per 23. Januar 2017 die holländische Xpand Biotechnology. Für die Rechnungslegung wurde Xpand als die übernommene Gesellschaft bestimmt. Der Kaufpreis, welcher mittels Aktien bezahlt wurde und allenfalls noch wird, beläuft sich auf insgesamt geschätzte CHF 30,6 Mio. und beinhaltet vom Erreichen bestimmter Meilensteinen abhängige Zahlungen in Form von Aktien im Wert von CHF 9,4 Mio. Als Teil der provisorischen Kaufpreisallokation hat Kuros aktuell vertriebsbereite Produkte mit einem vorläufigen fairen Wert von CHF 7,3 Mio. sowie Produkte im Forschungs- und Entwicklungsstadium mit einem vorläufigen fairen Wert von CHF 19,2 Mio. identifiziert, woraus sich in der provisorischen Kaufpreisallokation ein Goodwill von CHF 9,9 Mio. ergibt.

Grössere Finanzreserven dank Kapitalerhöhung
Per 30. Juni 2017 beliefen sich die zur Finanzierung des operativen Geschäfts verfügbaren Mittel auf CHF 21,4 Mio. Sie lagen damit um CHF 9,0 Mio. über dem Wert zum Jahresende 2016 (CHF 12,4 Mio.), was im Wesentlichen auf die Aktienkapitalerhöhung im Juni 2017 zurückzuführen ist.

Der Brutto-Cash-Verbrauch für betriebliche Aktivitäten gemäss Cashflow-Statement in den ersten sechs Monaten betrug CHF 5,1 Mio. oder CHF 0,9 Mio. pro Monat gegenüber CHF 3,8 Mio. resp. CHF 0,6 Mio. in der Vorjahresperiode. Die Erhöhung reflektiert die gestiegen regulatorischen und vorkommerziellen Aktivitäten.

Kosten für die CE-Zertifizierung prägen Nettoergebnis
Die Betriebskosten reduzierten sich auf CHF 7,5 Mio. (1. Halbjahr 2016: CHF 15,1 Mio.) insbesondere dank deutlich tieferen nicht-cash-relevanten aktienbasierenden Vergütungen. In den Ausgaben für Forschung und Entwicklung von CHF 2,2 Mio. spiegeln sich die Kosten für die CE-Zertifizierung in Europa. Die allgemeinen und administrativen Ausgaben beliefen sich auf CHF 6,8 Mio. und enthalten Personalkosten (CHF 4.2 Mio.) und Kosten für die Übernahme von Xpand. Die Umsätze betrugen CHF 0.5 Mio. (1. Halbjahr 2016: CHF 1,1 Mio.) und stammen hauptsächlich aus einer Meilensteinzahlung für die CE-Zertifizierung von Neuroseal. Die übrigen Einkommen von CHF 1,5 Mio. (1. Halbjahr 2016: CHF 1.1 Mio.) beinhalten im Wesentlichen Mietzinseinahmen der Untermieter.

Das Finanzergebnis belief sich auf CHF –0,2 Mio. (1. Halbjahr 2015: CHF 1,0 Mio.). Der resultierende Reinverlust für das 1. Halbjahr 2017 von CHF 7,0 Mio. konnte im Vergleich zur Vorjahresperiode (CHF 13,3 Mio.) signifikant verringert werden. Der Hauptgrund für den Rückgang um CHF 6,3 Mio. waren die substanziellen einmaligen, nicht-cash-relevanten Belastungen beim Zusammenschluss der Cytos Biotechnology AG mit der Kuros Biosurgery Holding AG im Jahr 2016.

Ausblick

Die Produkte von Kuros kommen planmässig voran. MagnetOs in Kittform wurde in den USA zum Vertrieb freigegeben resp. in Europa zur CE-Zertifizierung eingereicht. Im Juni 2017 erhielt Kuros die CE-Zertifizierung für Neuroseal, einen neuartigen Verschluss der Hirnhaut. Im Zuge des Wandels in ein kommerzielles Unternehmen mit MagnetOs sowie Fibrin-PTH in der späten klinischen Entwicklung, strafft Kuros die Organisation und verzichtet künftig auf die Position des Chief Technology Officer, die gegenwärtig von Dr. Jason Schense eingenommen wird. Aus diesem Grund wurde der Arbeitsvertrag mit Dr. Schense unter Einhaltung der vertraglichen Kündigungsfrist von sechs Monaten gekündigt. Herr Schense ist auch nicht mehr Mitglied des Executive Committee. Kuros dankt Jason Schense für seine wertvollen Verdienste den letzten Jahren.

Consolidated balance sheets

in TCHF, IFRS	Note	June 30, 2017	December 31, 2016
Non-current assets:			
Property and equipment, net	10	325	45
Financial assets		–	15
Intangible assets	11	33,023	6,595
Goodwill	12	33,825	23,717
Total non-current assets		**67,173**	**30,372**
Current assets:			
Inventories		146	–
Prepayments		1,305	362
Trade receivables		553	308
Other receivables		301	357
Cash and cash equivalents	9	21,417	12,369
Total current assets		**23,722**	**13,396**
Total assets		**90,895**	**43,768**
Shareholders' equity:			
Share capital	5	7,601	5,084
Share premium		102,705	60,908
Treasury shares		(211)	(266)
Other reserves		17,359	15,934
Accumulated loss		(49,806)	(43,338)
Total shareholders' equity		**77,648**	**38,322**
Non-current liabilities:			
Pension liabilities		2,243	2,181
Deferred tax liabilities		6,134	–
Total non-current liabilities		**8,377**	**2,181**
Current liabilities:			
Trade payables		1,582	1,273
Accrued expenses		3,288	1,992
Total current liabilities		**4,870**	**3,265**
Total shareholders' equity and liabilities		**90,895**	**43,768**

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, 2017	Six months ended June 30, 2016
Revenue from collaborations	6	534	1,055
Revenue		**534**	**1,055**
Research and development		(2,211)	(5,215)
General and administrative		(6,777)	(11,054)
Other income		1,522	1,161
Net operating costs		**(7,466)**	**(15,108)**
Operating loss		**(6,932)**	**(14,053)**
Financial income		1	1,155
Financial expense		(248)	(200)
Net financial result		**(247)**	**955**
Loss before tax		**(7,179)**	**(13,098)**
Income taxes		209	(157)
Net loss		**(6,970)**	**(13,255)**
Weighted average number of shares	7	6,269,276	4,944,256
Basic net loss per share (CHF)	7	(1.11)	(2.68)
Diluted net loss per share (CHF)	7	(1.11)	(2.68)

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

Consolidated statements of comprehensive income

in TCHF, IFRS	Six months ended June 30, 2017	Six months ended June 30, 2016
Net loss	**(6,970)**	**(13,255)**
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	(16)	(1,149)
Tax effects	3	162
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences arising during the year	520	–
Other comprehensive income/(loss)	**507**	**(987)**
Total comprehensive loss	**(6,463)**	**(14,242)**

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, 2017	Six months ended June 30, 2016
Cash flow from operating activities:			
Loss before tax		(7,179)	(13,098)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		547	464
Impairment of assets		–	3,147
Financial result		(247)	(958)
Share-based compensation	8	1,425	7,058
Other non-cash items		127	64
Changes in assets and liabilities:			
Trade and other receivables		(6)	762
Current prepayments		(414)	(9)
Current liabilities excluding convertible loan		(88)	(1,144)
Non-current deferred income and accrued expenses		669	–
Inventories		(17)	–
Changes in retirement benefit obligations		78	(30)
Net cash used in operating activities		(5,105)	(3,744)
Interest paid		–	(9)
Income tax (paid)/refunded		(9)	(7)
Net cash flow from operating activities		**(5,114)**	**(3,760)**
Cash flow from investing activities:			
Cash acquired from acquisitions		629	1,865
Purchase of plant and equipment		(246)	(50)
Reduction / (Investments) in current financial assets		15	–
Net cash from investing activities		**398**	**1,815**
Cash flow from financing activities:			
Proceeds from issuance of shares		13,806	3,640
Transaction costs on issuance of shares		(137)	(193)
Net proceeds from transactions with treasury shares		48	–
Net cash from financing activities		**13,717**	**3,447**
Cash and cash equivalents, beginning of period		12,369	15,940
Net change in cash and cash equivalents		9,000	1,502
Net effect of currency translation on cash		48	4
Cash and cash equivalents, end of period	9	**21,417**	**17,446**

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	Share capital	Share premium	Treasury Shares	Other reserves	Retained Earnings / Accumulated loss	Translation Differences	Total
January 1, 2016	**1,305**	**24,785**	**–**	**7,464**	**(23,114)**	**–**	**10,440**
Capital increase January 2016	242	5,965					6,207
Reverse acquisition	3,537	30,158	(210)				33,485
Share based payment 2016				8,470			8,470
Treasury shares acquisition			(630)				(630)
Treasury shares sale			574		59		633
Profit/(loss) for the period					(19,744)		(19,744)
Other comprehensive income					(539)		(539)
December 31, 2016	**5,084**	**60,908**	**(266)**	**15,934**	**(43,338)**	**–**	**38,322**
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**

Notes

1. Organization

Kuros Biosciences Ltd (henceforth called “Kuros” or “Company” or, together with its subsidiaries, collectively the “Group”) is a Swiss-based biopharmaceutical company focused on the development of innovative products for tissue repair and regeneration. Kuros is listed according to the Main Standard on the SIX Swiss Exchange (“SIX”) under the symbol KURN.

Kuros is incorporated in Switzerland and is the ultimate parent company of the Group since January 18, 2016. The Company owns 100% of Kuros Biosurgery Holding Ltd (Zurich, Switzerland), which holds 100% of Kuros Biosurgery Ltd (Zurich, Switzerland).

With effect as of January 23, 2017, Kuros acquired Xpand Biotechnology B.V. (“Xpand” – renamend Kuros Biosciences B.V.), which holds 100% of RevisOs B.V (“Revisios”) by way of an exchange of Xpand shares for newly issued shares from Kuros by means of which Xpand and Revisios became wholly-owned subsidiaries of Kuros. The main activities of the Group are conducted by Kuros Biosurgery Ltd., Kuros Biosciences Ltd. and Kuros Biosciences B.V.

As of June 30, 2017, the total headcount of the Group amounted to 34 employees. The legal domicile of the Company headquarter is Wagistrasse 25, 8952 Schlieren, Switzerland.

The Audit Committee of the Board of Directors approved these condensed consolidated interim financial statements on September 25, 2017.

2. Summary of significant accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended June 30, 2017 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, 2016.

For better readability, the amounts in the Group’s condensed consolidated interim financial statements and notes are presented in thousand Swiss francs (TCHF) unless stated otherwise.

Changes in accounting policies

The Group has implemented various minor amendments to existing standards and interpretations in the first six months of 2017. These changes do not impact the Group’s overall results and financial position.

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, 2016.

Future financing need

In the past years, Kuros did not have products approved and available for sale and therefore, no cash proceeds from such sales have been received to date. While, having now approved products, this may change in the future, Kuros does not expect any such proceeds to be sufficient for the time being to sustain on-going expenses as a result of which, cash needs to be obtained going forward. Such cash may come from payments received out of licensing transactions, divestitures of assets, non-dilutive financing such as grants and/or proceeds from capital market transactions.

The Company's Board and Management are of the view that the future need for financing does not currently constitute a material uncertainty, which casts significant doubt on the entity's ability to continue as a going concern.

3. Acquisition

On December 19, 2016, Kuros announced its intention to acquire Xpand by way of an exchange of Xpand shares for newly issued shares from Kuros. The transaction closed on January 23, 2017. As a result of the acquisition, Kuros accelerated its transition to become a commercial stage company with two products available for commercialization: Neuroseal (CE certification received in June 2017) and MagnetOs (CE certification obtained for Europe, 510(k) clearance obtained for the US, both for the granules formulation). The acquisition further provides Kuros with an EU operation in the Netherlands as well as certified and GMP-controlled manufacturing capabilities.

Under the terms of the proposed combination, Kuros agreed to issue a total of up to 2.105 million shares for all outstanding Xpand shares. Upon closing of the transaction on January 23, 2017, 1.365 million of these shares were issued out of authorized share capital to the sellers whereas another 0.74 million shares to be issued upon achievement of two milestones associated with product approvals, namely CE mark certification and 510(k) clearance for MagnetOs both in the form of a putty formulation. Following closing, the existing shareholders of Kuros owned approximately 79% of the Company's issued share capital. Provided both milestones are achieved, those Kuros shareholders will own about 71% of the combined company. All shares further needed for the transaction will be issued from Kuros' authorized share capital.

The business combination is accounted for as of January 23, 2017, being the effective date of the combination. The initial accounting for the acquisition of Xpand and it's wholly-owned subsidiary RevisiOs is not finalized at the time the Board's approval of the annual financial statements as Kuros is in the process of evaluating the fair value of the net assets acquired.

Changes in consolidation

- Changes in the scope of consolidation: During the six-month period ended June 30, 2017, Kuros acquired Xpand and its 100% subsidiary RevisiOs with effect as of January 23, 2017

The preliminary fair value of the identifiable assets and liabilities of the acquired company at the date of acquisition were determined as follows:

Preliminary purchase price allocation

in TCHF	
Net working capital	170
Tangible fixed assets	40
Intangible assets (currently marketed products)	7,264
Intangible assets (in process research & development products)	19,219
Deferred taxes fair value on intangible assets of net assets acquired	(6,243)
Fair value of net assets acquired	**20,450**
Net debt	268
Goodwill arising on acquisition	9,927
Total purchase consideration	**30,645**

The carrying value of the receivables acquired is equal to the gross contractual amounts and was determined to be the fair value as of the acquisition date. All amounts are expected to be collected.

This preliminary purchase price allocation has been determined based on an analysis performed by the Company's management. The main adjustments in the purchase price allocation as illustrated above are:

- Intangible asset: At the date of acquisition Xpand had two products, which are determined as currently marketed products, and two products as in process research and development products, which are identified to represent fair value. The fair value of the mentioned intangible assets was determined using discounted cash-flow models with projected success rates based on managements' best estimates.
- Goodwill: The acquisition is accounted for using the acquisition method in accordance with IFRS 3. Goodwill is recognized as an asset from the acquisition date and is measured as the excess of the consideration transferred over the interest in the net fair value of the identifiable net assets acquired and liabilities assumed. The goodwill amount recognized comprises various non-specific values added. Among others, this includes expected cash flows related to third-party manufacturing agreements and the value of the assembled workforce. In addition, this includes access to a EU operation with certified and GMP-controlled manufacturing capabilities, which otherwise would not be accessible by the Company. None of the goodwill is expected to be deductible for tax purposes.

This purchase price allocation is deemed to be provisional.

Xpand receives subsidy grants under certain grant agreements and European Union Law. For accounting purposes the capitalized subsidy grants which are in excess of the capitalized development costs are netted under the development costs in the income statement based on the project cost ratio.

On February 27, 2017, Kuros received the 510(k) clearance from the FDA for MagnetOs, allowing the commercialization of the product in the US.

In the first six months of 2017, the Group expensed a total of CHF 0.79 million (2016, CHF 0.15 million) through the income statement as acquisition-related costs.

The revenue and net loss included in the consolidated statement of comprehensive income of the acquiree for the six-months period ended June 30, 2017 is TCHF 0 and TCHF 513, respectively.

4. Seasonality

Operating costs and revenue are not exposed to substantial seasonal variations. However, 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, which occur sporadically.

5. Shareholders' equity

Options

In the first six months of 2017, no options were exercised (first six months 2016, 56 options).

Change in capital structure

As of January 1, 2017 and prior to the acquisition of Xpand Biotechnology B.V. as mentioned below ("Xpand" – renamed Kuros Biosciences B.V.; acquisition closed on January 23, 2017) the nominal share capital of the ultimate parent company of the group, Kuros Biosciences AG ("Kuros"), amounted to CHF 5'084'323.00 and was divided into 5'083'323 registered common shares with a par value of CHF 1.00.

On December 19, 2016, Kuros announced the signing of a combination agreement with privately held Xpand of Bilthoven, the Netherlands, with the intention to acquire Xpand by way of an exchange of all Xpand shares for up to 2.105 million new Kuros shares. On January 25, 2017, Kuros announced the closing of the all-share strategic acquisition. Under the terms of the acquisition, Kuros issued a first tranche of 1.365 million shares with a nominal value of CHF 1.00 out of authorized share capital upon closing of the transaction. As a result, the share capital of Kuros increased to CHF 6,449,323 which was divided into 6,449,323 registered common shares with a par value of CHF 1.00. The first trading day of these new shares on the SIX was January 25, 2017. A further total of 0.74 million shares with a nominal value of CHF 1.00 issued out of authorized share capital will be issued upon achievement of the following two milestones associated with product approvals: i) 370,000 shares upon approval of the MagnetOs putty formulation by the European authorities (i.e. upon CE mark certification); ii) 370,000 shares upon approval be the US authorities (i.e. upon 510(k) clearance). Either achievement triggers the delivery of additional shares as described independent from each other.

Following a rights offering in June 2017, Kuros' share capital was increased by CHF 1,151,606 divided into 1,151,606 registered common shares with a nominal value of CHF 1.00 to CHF 7,600,929. This capital increase took effect as of June 30, 2017.

Subsequent event after June 30, 2017 (see also Note 13)

With effect as of August 2, 2017, upon exercise of the over-allotment option granted to the banks, Kuros' share capital increased by an additional CHF 200,000 divided into 200,000 registered common shares with a nominal value of CHF 1.00 to CHF 7,800,929.

6. Segment and geographic information

Segment reporting

The Group operates in one segment focusing on the development and commercialization of innovative products for tissue repair and regeneration, and the prospective commercialization of out-licensed biopharmaceutical products to prevent and treat chronic diseases. The segments are reported in a manner consistent with the internal reporting as provided to the Executive Management Team as the chief operating decision-maker.

Analysis of revenues by country:

in TCHF	Six months ended June 30, 2017	Six months ended June 30, 2016
United States of America	534	997
Other	–	58
Total	**534**	**1,055**

Analysis of revenues by category:

in TCHF	Six months ended June 30, 2017	Six months ended June 30, 2016
Research and development	–	58
Milestone payments	534	997
Total	**534**	**1,055**

Analysis of revenues by customer:

in TCHF	Six months ended June 30, 2017	Six months ended June 30, 2016
DePuy Synthes	534	–
SABIC Ventures	–	58
Checkmate	–	997
Total	**534**	**1,055**

As noted above, revenue is sourced from one customer, however as business is still in research and development status, this does not represent a significant risk in terms of exposure of revenue fluctuation.

Geographical segments

Revenues from collaboration agreements are attributable to individual countries and are based on the location of the collaboration partner, while Switzerland and 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 fair value of the options is determined at the grant date, based on the market price, by using the Black-Scholes model.

The total number of shares outstanding as of January 1, 2017 amounted to 752'016 which various exercise prices and expiration dates. A total of 21,200 options expired in the first six months of 2017 and no new options were granted in that same period. As a result, the total number of options outstanding as of June 30, 2017 amounts to 730,816.

Total expenses for the share-based compensation for the first six months of 2017 amounted to TCHF 1,425 (TCHF 7,055 for the first six months of 2016. This amount included the one-time impact of the replacement of options issued by Kuros Biosurgery Holding of TCHF 6,090).

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 2016 and 2017.

10. Property and equipment

In the first six months of 2017, the Group invested TCHF 239 into plant and equipment (six-month period 2016: TCHF 35). The Group owns no properties.

11. Intangible Assets

in TCHF	Note	Subleasing	Licensing	Currently Marketed Products	In-Process Research & Development	Total
Historical, costs						
January 1, 2017		2,526	8,025	–	–	10,551
Additions per acquisition	3	–	–	7,264	19,219	26,483
Exchange Differences		–	–	133	351	484
June 30, 2017		**2,526**	**8,025**	**7,397**	**19,570**	**37,518**
Accumulated amortization and impairments						
January 1, 2017		(160)	(3,796)	–	–	(3,956)
Amortization charge		(84)	(261)	(193)	–	(538)
Impairment		–	–	–	–	–
Exchange Differences		–	–	(1)	–	(1)
June 30, 2017		**(244)**	**(4,057)**	**(194)**	**–**	**(4,495)**
Net book value on June 30, 2017		**2,282**	**3,968**	**7,203**	**19,570**	**33,023**

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 comprises 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, signified by a market approval 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.

Reference should be made to the non-adjusting subsequent event as described in note 13.

12. Goodwill

in TCHF	Note	Goodwill
Historical, costs, January 1, 2017		23,717
Additions per acquisition	3	9,927
Exchange Differences		181
Net book value on June 30, 2017		**33,825**

13. Events after balance sheet date

With effect as of August 2, 2017, upon exercise of the over-allotment option granted to the banks, Kuros' share capital was increased by an additional CHF 200,000 to CHF 7,800,929 divided into 7,800,929 registered common shares with a nominal value of CHF 1.00.

In September 2017, the Company decided to terminate a significant part of the lease agreement for the premises at Wagistrasse 25 in Schlieren as per September 30, 2018. The Company has multiple sublease agreements in which it is the lessor for office space in its leased facilities. Those favorable subleases were capitalized as part of the purchase price allocation for the January 2016 reverse merger transaction. Management is currently assessing the impact of the lease termination on the estimated cash flows supporting the carrying value of the sublease asset. It is currently estimated that substantially all related intangible assets will need to be impaired as a result of the termination. The carrying amount of the sublease asset as per June 30, 2017 is CHF 2.3 million.

Under the terms of the combination agreement with Xpand, the clearance for MagnetOs Putty in the United States triggers the issuance of 370,000 common registered shares from Kuros' authorized share capital to the former owners of Xpand. Because this clearance has been received at the end of August 2017, the issuance and delivery of said shares will be effected shortly.

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.

Published:
Kuros Biosciences Ltd
Wagistrasse 25
8952 Schlieren/Switzerland