2022 *Interim Report*

Kuros Biosciences

As of June 30, 2022

Kuros Biosciences

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Condensed Interim Consolidated Financial Statements *(unaudited)*

June 2022

Key Developments

Kuros Biosciences announces on January 20, 2022, that they published first-in-human clinical data for Fibrin-PTH (KUR-113) in treatment of open tibial shaft fractures

Kuros Biosciences announced on January 20, 2022, that the first-in-human data from a Phase II trial of Fibrin-PTH (KUR-113) in open tibial shaft fractures was published in The Journal of Bone and Joint Surgery (JBJS), the leading peer-reviewed orthopedic research journal. The article outlines results from a multicenter, randomized, controlled dose-finding study with 200 patients who had an open tibial shaft fracture secondary to trauma.

Kuros announced on February 3, 2022, that the U.S. Food and Drug Administration (FDA) has cleared MagnetOs Granules for use in expanded spinal indications

Kuros Biosciences announced on February 3, 2022, that its MagnetOs Granules has been cleared by the U.S. Food and Drug Administration (FDA) for expanded indications in the spine, making it only the second-ever bone graft to achieve clearance for standalone use in the spine based on human clinical data.

Kuros Biosciences announced on April 21, 2022, that the U.S. Food and Drug Administration (FDA) has cleared MagnetOs Flex Matrix for Spinal Indications

Kuros Biosciences announced on April 21, 2022, that its MagnetOs Flex Matrix has been cleared by the U.S. Food and Drug Administration (FDA) as a bone void filler for use in the posterolateral spine. MagnetOs Flex Matrix is a new open matrix bone graft with a unique fibrillar and flexible structure that optimizes the effect of Kuros' established pro-healing NeedleGrip surface technology for more predictable fusion. U.S. spine surgeons routinely mix their bone graft of choice with bone marrow aspirate and the MagnetOs Flex Matrix allows them to reap the benefits of MagnetOs' NeedleGrip surface technology while continuing with their routine perioperative practice.

Kuros Biosciences announced on May 18, 2022, the commercial launch of MagnetOs Easypack Putty in the U.S.

Kuros Biosciences announced on May 18, 2022, the commercial launch of MagnetOs Easypack Putty in the U.S., at the 22nd Annual Meeting of the International Society for the Advancement of Spine Surgery (ISASS), held in the Bahamas, June 1-4, 2022.

Kuros Biosciences announced on May 31, 2022, favorable preliminary results of MagnetOs as standalone alternative to autograft in first randomized controlled trial

Kuros Biosciences announced on May 31, 2022, promising preliminary results from the first of its five planned randomized controlled trials for its MagnetOs family, comparing MagnetOs Granules to the gold standard of autograft bone.

Kuros Biosciences announced on June 2, 2022, that the completion of the acquisition of Checkmate Pharmaceuticals by Regeneron Pharmaceuticals triggered a $5 million milestone payment

Kuros Biosciences announced on June 2, 2022, the completion of the acquisition of Checkmate Pharmaceuticals (NASDAQ: CMPI) by Regeneron Pharmaceuticals (NASDAQ: REGN). The completion triggers a $5 million milestone payment under a license agreement entered into by Kuros and Checkmate in 2015.

Financial performance and results of operations (IFRS)

Gross profit – Revenue from product sales increased by 58% to CHF 5.7 million

In the first half 2022, revenue from product sales increased by 58% and 56% at constant currency, to CHF 5.7 million (first half 2021: CHF 3.6 million). Revenue from collaborations amounted to CHF 4.7 million (first half 2021: CHF 5.4 million). Cost of goods sold amounted to CHF 1.9 million for the first half of 2022 (first half 2021: CHF 1.9 million). Cost of goods sold included costs of amortization of capitalized intangible assets of CHF 1.1 million (first half 2021: CHF 1.1 million) and other costs of CHF 0.8 million (first half 2021: CHF 0.8 million) directly attributable to production. The gross profit increased by CHF 1.4 million to CHF 8.6 million (first half 2021: CHF 7.2 million).

Operating costs

Operating costs amounted to CHF 10.9 million (first half 2021: CHF 8.6 million) and have increased primarily due to the marketing activities for MagnetOs. Costs for research and development amounted to CHF 2.5 million (first half 2021: CHF 2.5 million) which contained costs for the Phase II study (spine indication) of Fibrin PTH, personnel expenses, and other expenses for research and development activities. General and administrative costs increased to CHF 3.1 million (first half 2021: CHF 2.8 million) mainly due to personnel and travel costs. General and administrative costs included personnel expenses, depreciation for fixed assets and other expenses for administration. Sales and marketing costs increased to CHF 5.4 million (first half 2021: CHF 3.5 million). The increase is mainly due to the hiring of additional sales personnel in the US and an increase of marketing efforts for MagnetOs. Sales and Marketing costs includes both personnel costs and marketing costs. Other income amounted to CHF 0.1 million (first half 2021: CHF 0.1 million).

Net loss

The net loss for the six months ended June 30, 2022, amounted to CHF 3.7 million (first half 2021: CHF 0.1 million)

Financial positions and other assets

Funds available for financing the operations as of June 30, 2022, amounted to CHF 29.4 million (December 31, 2021: CHF 30.7 million), which included cash and cash equivalents, trade, and other receivables.

As of June 30, 2022, total intangible assets amounted to CHF 20.8 million (December 31, 2021: CHF 22.6 million) and goodwill amounts to CHF 33.0 million (December 31, 2021: CHF 33.4 million).

Alternative Key Performance Measurements (APM)

Financial measures presented in the financial information of Kuros which are not defined by International Financial Reporting Standards (IFRS) are referred to as alternative key performance measures (APM). Kuros uses such financial measures to provide valuable supplementary information to investors, stakeholders, and other key decision makers to enable an assessment of the relevant trends of the Group's performance. These financial measures should not be regarded as substitutes for measures defined as per IFRS. These measures may be defined or calculated differently by other companies, and therefore should not be used for direct benchmarking to other companies. The definition and calculation method of APM's used by Kuros are as follows:

Constant Currency (CCY)

Individual financial information of prior period comparatives is presented at historical and constant currency, in order to assess the period over period evolution of financial indicators without the currency impact. Kuros applies current period average exchange rates to prior period numbers, to present comparable figures.

Operating loss

- Definition: Profit/loss before financial items and tax
- Relevance: The operating profit/loss is used to measure the margin generated by the operating activities
- The operating loss for the six months ended June 30, 2022, amounted to TCHF 2,379 (TCHF 1,449 for the six months ended June 30, 2021). The increase mainly resulted due increased spending in sales and marketing.

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, 2022	2022	2021
Cash-Flow from operating activities	(6,823)	(798)
Reporting period (in months)	6	6
Average Cash burn (per month)	**(1,137)**	**(133)**

EBITDA

- Definition: The adjusted operating profit/loss that is disclosed in our financial highlights and our segment disclosures in Note 4 of our condensed consolidated interim financial statements is provided to assess the underlying financial and operational performance of the Group by segment line excluding the influence of items not directly attributable to operational performance. EBITDA represents the operating income/ loss excluding:

- Amortization expenses on Intangible Assets and depreciation expenses on Property, Plant and Equipment expenses
- Impairment expenses on Intangible Assets and Property, Plant and Equipment
- Impairment expenses on Goodwill

The EBITDA is computed as following:

In TCHF, for the six months ended June 30, 2022	2022	2021
Operating Income/(Loss)	**(2,379)**	**(1,449)**
Amortization and depreciation expenses	1,424	1,442
Impairment expenses	–	–
EBITDA	**(955)**	**(7)**

Consolidated income statement

in TCHF, IFRS, for the six months ended June 30, 2021	Note	2022	2021
Revenue from product sales	3,4	5,705	3,612
Revenue from collaborations	3,4	4,721	5,474
Revenue		**10,426**	**9,086**
Cost of goods sold	5	(1,873)	(1,901)
Gross profit		**8,553**	**7,185**
Research and development costs		(2,534)	(2,505)
General and administrative costs		(3,090)	(2,755)
Sales and marketing costs		(5,426)	(3,492)
Other income		117	118
Net operating costs		**(10,932)**	**(8,634)**
Operating loss		**(2,379)**	**(1,449)**
Finance income	18	1,213	449
Finance costs	18	(3,353)	(138)
Net finance result		**(2,140)**	**311**
Loss before tax		**(4,519)**	**(1,138)**
Income taxes		818	1,038
Net loss		**(3,701)**	**(100)**
Basic and diluted net loss per share (CHF)	7	(0.11)	(0.01)

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

Consolidated statement of comprehensive income

in TCHF, IFRS, for the six months ended June 30, 2022	Note	2022	2021
Net loss		(3,701)	(100)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	17	525	204
Tax effects		(102)	(40)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(575)	54
Other comprehensive (loss)/ income		(152)	218
Total comprehensive (loss)/ income		(3,853)	(118)

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

Consolidated balance sheet

in TCHF, IFRS as of	Note	June 30, 2022	December 31, 2021
Non-current assets:			
Property and equipment	11	506	552
Right-of-use assets	15	1,669	1,895
Intangible assets	12	20,758	22,607
Goodwill	12	33,037	33,390
Pension assets	17	54	–
Total non-current assets		**56,024**	**58,444**
Current assets:			
Inventories		2,342	1,757
Prepayments and other assets		534	465
Trade receivables	10	7,329	1,691
Other receivables		483	356
Cash and cash equivalents	9	21,557	28,623
Total current assets		**32,245**	**32,892**
Total assets		**88,269**	**91,336**
Shareholders' equity:			
Share capital	6	3,281	3,281
Share premium		154,591	154,591
Treasury shares		(17)	(17)
Other reserves		20,367	20,287
Accumulated loss		(105,019)	(101,166)
Total shareholders' equity		**73,203**	**76,976**
Non-current liabilities:			
Pension liabilities	17	–	353
Deferred tax liabilities		163	890
Non-current lease liabilities	15	1,632	1,829
Total non-current liabilities		**1,795**	**3,072**
Current liabilities:			
Financial liabilities from collaborations	16	8,426	6,463
Current lease liabilities	15	308	317
Accrued expenses		3,081	3,424
Provisions	14	536	238
Trade and other payables		920	846
Total current liabilities		**13,271**	**11,288**
Total shareholders' equity and liabilities		**88,269**	**91,336**

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

Consolidated statement of cash flows

in TCHF, IFRS, for the six months ended June 30,	Note	2022	2021
Cash flows from operating activities:			
Loss before tax		(4,519)	(1,138)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		1,424	1,442
Net finance costs		2,158	(309)
Provisions	14	310	-
Share-based compensation	8	80	236
Changes in retirement benefit obligation	17	118	27
Loss on disposals of property and equipment		-	1
Other non-cash items		297	68
Changes in operating assets and liabilities:			
Trade and other receivables		(5,730)	(672)
Current prepayments and accrued income		(81)	(184)
Current liabilities		(250)	(270)
Inventories		(542)	53
Interest paid		(84)	(70)
Income tax paid		(4)	18
Net cash used in operating activities		**(6,823)**	**(798)**
Cash flows from investing activities:			
Purchase of plant and equipment		(72)	(176)
Purchase of intangible assets	12	–	(58)
Net cash used in investing activities		**(72)**	**(234)**
Cash flows from financing activities:			
Principal elements of lease payments	15	(170)	(153)
Net cash from financing activities		**(170)**	**(153)**
Cash and cash equivalents, at the beginning of the year		28,623	28,388
Net change in cash and cash equivalents		(7,065)	(1,185)
Net effect of currency translation on cash		(1)	18
Cash and cash equivalents, at the end of the periods	**9**	**21,557**	**27'221**

See accompanying notes, which are an integral part of these condensed consolidated interim 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**
As of January 1, 2021		32,811	125,061	(17)	19,898	(94,272)	1,120	84,601
Loss for the period		–	–	–	–	(100)	–	(100)
Other comprehensive income		–	–	–	–	164	54	218
Share based payment	8	–	–	–	236	–	–	236
As of June 30, 2021		32,811	125,061	(17)	20,134	(94,208)	1,174	84,955
As of December 31, 2021		3,281	154,591	(17)	20,287	(101,588)	422	76,976
As of January 1, 2022		3,281	154,591	(17)	20,287	(101,588)	422	76,976
Loss for the period		–	–	–	–	(3,701)	–	(3,701)
Other comprehensive income		–	–	–	–	423	(575)	(152)
Share based payment	8	–	–	–	80	–	–	80
As of June 30, 2022		3,281	154,591	(17)	20,367	(104,866)	(153)	73,203

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

Notes to Condensed Interim Consolidated Financial Statements

1. General information

The condensed interim consolidated financial statements of Kuros Biosciences AG (henceforth called "Company") and its subsidiaries (collectively referred to as "Kuros" or "Group") for the six months ended June 30, 2022, were authorized for publication in accordance with a resolution of the board of directors on August 9, 2022.

The company is a stock corporation, 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 commercialization and development of innovative products for tissue repair and bone regeneration (orthobiology).

The Group structure is as following:

- Kuros Biosciences AG (Schlieren, Switzerland), the parent company is listed according to the International Reporting standard on the SIX and 100% shareholder of the following subsidiaries:
  - Kuros Biosurgery AG (Schlieren, Switzerland)
  - Kuros Biosciences B.V. (Bilthoven, the Netherlands) which holds 100% shares of RevisiOs B.V. (Bilthoven, the Netherlands)
  - Kuros Biosciences USA, Inc. (Boston, Massachusetts, USA)
  - Kuros US LLC (Delaware, USA)
  - Kurose US Royalty Fund (US) LLC (Delaware, USA)

As of June 30, 2022, the Group employs 64 people (58 as of December 31, 2021).

Basis of preparation

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). This unaudited interim report should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, as this interim report does not include all information required for a complete set of IFRS financial statements. However, the interim report does include information relevant to obtaining an understanding of the significant changes in the Group's financial position and performance since the consolidated financial statements for the year ended December 31, 2021.

The figures in the Group's condensed interim consolidated financial statements and accompanying notes are presented in thousand Swiss Francs (TCHF) unless stated otherwise.

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 and clinical development programs, as well as the commercialization of its products. If the Group does not generate revenues, or receive 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, making 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, increasing 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 cash flows, if any, from the Group's operations, will not be sufficient to fund the Group's anticipated expenditures and working capital requirements for the foreseeable future. Therefore, 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 economic, and other factors, many of which are beyond the Group's control. If the Group fails to obtain additional funds 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 product sales and milestone payments, (ii) proceeds from non-dilutive financings, debt, and equity financings as well as (iii) cash paid within collaborations. Except for revenue from product sales, none of these cash resources can be considered recurring. The Group is increasing 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 programs. Although the Group can 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. Kuros' lead synthetic product is MagnetOs, a novel surface structured

orthobiologic. 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 in trauma indications. The Group is enrolling patients in a controlled Phase 2a clinical trial for KUR-113 in spinal indications.

Kuros licensed its product candidate CYT003, and the related VLP technology, to Checkmate Pharmaceuticals, Cambridge, MA, USA under a 2015 license agreement. Checkmate is investigating CMP-001, now known as vidutolimod, an advanced generation Toll-like receptor 9 (TLR9) agonist, delivered as a biologic virus-like particle utilizing a CpG-A oligodeoxynucleotide as a key component, across multiple tumor types in combination with several checkpoint inhibitor immunotherapies. Checkmate is conducting multiple clinical trials, including two phase 2 trials in melanoma, and these have already triggered two milestone payments of total USD 6 million (CHF 5.5 million) by Checkmate to Kuros in the first half of 2021. Under this license agreement Kuros is eligible for significant pre-commercial milestone payments and royalties on future sales. In July 2021, XOMA Corporation purchased a proportion of the potential future pre-commercial milestone payments and all the royalties due under this existing license agreement. In exchange, Kuros received an initial payment of USD 7 million (CHF 6.4 million), has retained the right to receive up to USD 24 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA. In May 2022, Checkmate Pharmaceutical announced the completion of the acquisition by Regeneron Pharmaceuticals, Inc. Due to the completion of this acquisition, Kuros is receiving a milestone payment of USD 5 million due within 30 days and will pay USD 2.5 million of the milestone payment to XOMA Corporation immediately due upon receival of the milestone payment, under the royalty purchase agreement. Both payments were settled in early July 2022.

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 Statements".

Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with the policies used in the preparation of the Group's annual financial statements for the year ended December 31, 2021. Several new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards.

2. *Significant developments during the current reporting period*

As the political conflict between Russia and Ukraine turned into a military crisis in the first quarter of 2022, the Company is reviewing the macro-economic implications carefully. The Group assesses the direct implications on its business activity to be remote, in the absence of revenue activity with countries affected by the crisis as well as the absence of employees and suppliers from the respective region.

With the ongoing health emergency due to COVID-19 and its impact on the development of Kuros' business, the Group has reviewed its performance and financial positions and continuously monitors the situation and performs risk mitigating measures if required. The Group assessed the valuation of its assets (especially its investments and intergroup receivables) and concludes that the impact of COVID-19 does not require an adjustment to the financial positions, as of now.

The Group remains well placed and could significantly grow its MagnetOs revenues compared to 2021. The impact of COVID-19 on the Group's commercialization progress has been significantly lower than expected since the beginning of COVID-19 outbreak. Additionally, the Group's manufacturing of MagnetOs continued to be operational

to facilitate future product sales. At the same time, the situation has led to a delay in the start of the phase II study in spinal fusion of Fibrin-PTH (KUR-113).

The Group assessed the valuation of its intangible assets (especially goodwill), fixed assets, trade accounts receivables, inventory, pension liabilities and provisions and concludes that the impact of COVID-19 does not require an adjustment to the financial positions, as of now.

3. Revenue from contracts with customers

The Group has two revenue streams, product sales and revenue from collaboration agreements in which the Group grants access to technologies to a third party.

in TCHF, for the six months ended June 30	2022	2021
Timing of revenue recognition		
Revenue recognized at a point in time	10,426	9,086
Revenue recognized over time	–	–
Total revenue from contracts with customers	10,426	9,086

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.

(a) Product sales

Kuros recognized revenues from product sales of CHF 5.7 million for the first half of 2022 and CHF 3.6 million for the first half of 2021. The Group's contracts for product sales generally includes one performance obligation under IFRS 15 Revenue from Contracts with Customers. 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 determined the product sales are distinct, as products are sold on a stand-alone basis. Therefore, no significant estimates or judgements are required to determine the timing of revenue recognition for this revenue steam.

(b) Collaboration agreements

Kuros recognized revenue from collaborations of CHF 4.7 million for the first half of 2022, due to a milestone payment from the licensing agreement with Checkmate, which is payable within 30 days. The milestone was triggered due to the acquisition of Checkmate by Regneron Pharmaceuticals. In the first half of 2021, Kuros recognized revenue from collaborations of CHF 5.4 million. The Group's Collaboration agreements contain success and milestone payments for development activities as well as 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 collaboration partners with the 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 upon execution of the agreement. 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.

4. *Segment reporting*

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of Kuros Biosciences AG has appointed an Executive Committee which assesses the financial performance and position of the group and makes strategic decisions. The Executive Committee, which has been identified as being the chief operating decision maker ("CODM"), consists of the chief executive officer and the chief financial officer. The CODM reviews the group's performance from a product perspective and has identified three separate reportable segments of its business:

- "Medical devices" includes products such as 'MagnetOs' and 'Attrax'. Both products are a biphasic calcium phosphate ('BCP') bone graft that mimics the porous, trabecular structure of cancellous bone and are produced in the same facility.
- "Pharmaceuticals" includes products such as 'Fibrin-PTH', a drug-biologic combination which promotes targeted and controlled bone formation through the induction of osteoprogenitor cell differentiation, enhancement, of osteoblast proliferation and by increasing the lifespan of bone-forming cells.
- "Legacy portfolio" includes all other products that do not belong to the Group's core business strategy and can therefore be aggregated to one segment. The intellectual property within the Legacy portfolio has value but is either not yet commercialized or fully developed to be brought to market. Capitalizing of these assets would require a separate commercialization channel and production facility and they are outside the therapeutic focus of the Group, so no resources are allocated to the segment.

"Corporate function" does not represent a separate operating segment but will be presented separately as it is considered useful information for the reader of the financial statements. It carries out support functions including General Management, Quality & Assurance, Human Resource Management, Infrastructure, Legal, and Accounting and Finance. These activities occur to support the consolidated business and the revenue earned is only incidental to the entity's business.

Measurement

The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) to assess the performance of the operating segments. The Executive Committee also receives information about the segments' revenue on a monthly basis but does not review the assets and liabilities of each segment.

in TCHF, six months ended June 30, 2021*	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	**Total**
Revenue	3,612	–	5,474	–	**9,086**
EBITDA	**(2,010)**	**(1,063)**	**5,234**	**(2,168)**	**(7)**
Amortization and depreciation expenses	(896)	–	(314)	(232)	**(1,442)**
Operating Income/(Loss)	**(2,906)**	**(1,063)**	**4,920**	**(2,400)**	**(1,449)**

** Due to the change in approach in segment report in 2021, prior year segment information has been adjusted accordingly*

in TCHF, six months ended June 30, 2022	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	**Total**
Revenue	5,705	–	4,721	–	**10,426**
EBITDA	**(622)**	**(1,603)**	**4,709**	**(3,439)**	**(955)**
Amortization and depreciation expenses	(894)	–	(271)	(259)	**(1,424)**
Operating Income/(Loss)	**(1,516)**	**(1,603)**	**4,438**	**(3,698)**	**(2,379)**

5. Cost of goods sold

in TCHF, for the six months ended June 30,	2022	2021
Amortization of intangible assets	(1,080)	(1,145)
Other costs of goods sold	(793)	(756)
Total	**(1,873)**	**(1,901)**

The cost of goods sold mainly decreased due to foreign exchange fluctuations and a higher production efficiency in 2022 compared to 2021.

6. Shareholders' equity

Options

For the six months ended June 30, 2022, and 2021, no options were exercised.

Changes in capital structure

For the first six months ended June 30, 2022, and 2021, no changes in capital structure have occurred.

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 for the periods presented.

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, 2022, amounted to 1,589,219 with various exercise prices and expiry dates. Within the six months ended June 30, 2022, a total of 76,795 options expired 38,498 options were forfeited, and 78,670 new options were granted. As a result, the total number of options outstanding as of June 30, 2022, amounts to 1,552,596.

Total expenses for the share-based compensation for employees for the six months ended June 30, 2022 amounted to TCHF 80 (TCHF 236 for the six months ended June 30, 2021).

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. The Group has no investments in financial assets in the six months ended June 30, 2022, and 2021.

in TCHF	June 30, 2022	December 31, 2021
Cash at bank and on hand	15,557	16,623
Deposits at call	6,000	12,000
Total cash and cash equivalents	**21,557**	**28,623**

In the first six months of 2022 and 2021, the Group recorded no interest income.

10. *Trade receivables*

in TCHF	June 30, 2022	December 31, 2021
Trade receivables – gross carrying amount	7,416	1,741
Loss allowance	(87)	(50)
Trade receivables – net carrying amount	**7,329**	**1,691**

Trade receivables include the milestone payment of USD 5 mio (CHF 4.7 mio) due from Checkmate , for which the full payment was received in early July 2022.

The fair values of trade and other receivables do not materially differ from the carrying amounts.

11. *Property and equipment*

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
As of December 31, 2021				
Cost	40	961	220	1,221
Accumulated depreciation	(30)	(481)	(158)	(669)
Net book value as of December 31, 2021	10	480	62	552
Six months ended June 30, 2022				
Cost				
As of January 1, 2022	40	961	220	1,221
Additions	2	67	3	72
Exchange differences	(2)	(37)	(3)	(42)
As of June 30, 2022	40	991	220	1,250
Accumulated depreciation				
As of January 1, 2022	(30)	(481)	(158)	(669)
Depreciation charge	(4)	(85)	(11)	(100)
Exchange differences	1	21	3	25
As of June 30, 2022	(33)	(545)	(166)	(746)
Net book value as of June 30, 2022	7	446	53	506

12. *Goodwill and intangible assets*

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) comprises 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 IPR&D assets will only be amortized after approval/product launch and are periodically tested for impairment until that time.

in TCHF	Goodwill	Licensing	Currently Marketed Products	In-Process Research & Development	Software	Total
As of December 31, 2021						
Cost	33,390	4,730	26,683	611	262	65,676
Accumulated amortization	–	(3,131)	(6,430)	–	(118)	(9,679)
Net book value as of December 31, 2021	33,390	1,599	20,253	611	144	55,997
Historical costs						
As of January 1, 2022	33,390	4,730	26,683	611	262	65,676
Additions	–	–	–	–	–	–
Transfers	–	–	611	(611)	–	–
Exchange differences	(353)	–	(988)		–	(1,341)
As of June 30, 2022	33,037	4,730	26,306	–	262	64,335
Accumulated amortization	–	–	–	–	–	–
As of January 1, 2022	–	(3,131)	(6,430)	–	(118)	(9,679)
Amortization charge	–	(264)	(817)	–	(44)	(1,125)
Exchange differences	–	–	264	–	–	264
As of June 30, 2022	–	(3,395)	(6,983)	–	(162)	(10,540)
Net book value as of June 30, 2022	33,037	1,335	19,323	–	100	55,795

13. Impairment test

The Group performs impairment tests annually in December and when circumstances indicate that the carrying value of an asset may be impaired. The impairment test for goodwill and intangible assets with indefinite lives is conducted using a value-in-use calculation (discounted cash-flow method). The key assumptions used to determine the value-in-use for the cash generating units (CGU's) were disclosed in the annual consolidated financial statements for the year ended December 31, 2021.

A key consideration for the indication of an impairment is the relation between market capitalization and the CGU's book value. As of June 30, 2022, the market capitalization of the Group is below the book value of its equity, indicating a potential impairment of goodwill. In addition to the Group's review of its financial positions and performance, due to the COVID-19 outbreak the Group considered expected changes and effects on the valuation of the intangibles. As a result, Management performed an impairment test as of June 30, 2022.

The Group's calculated recoverable amount exceeded the carrying amount for each tested CGU. To reflect the current state of the Group's business activities, the projected cash flows, WACC and probability assumptions were reviewed, and where applicable updated. As of June 30, 2022, there are no significant changes noted in the key assumptions. and the sensitivity to changes in assumptions did not indicate significant changes, compared to those disclosed in the annual financial statements for the year ended December 31, 2021. As of June 30, 2022, the Group concluded that no impairment loss needs to be recognized on goodwill and intangible assets. The sensitivity analysis determined that Checkmate licensing's carrying amount would equate the recoverable amount if the free cash-flow would decrease by 1.63 percentage points (pp) or the WACC would increase by 0.44 pp. Checkmate licensing's recoverable amount exceeds the present carrying amount by CHF 0.5 million.

Carrying amount of goodwill and intangible assets for In-Process Research & Development allocated to each of the CGUs is presented below:

in TCHF	Goodwill	In-Process Research & Development	Total
	2022	2022	2022
MagnetOs	9,320	–	9,320
Fibrin-PTH	–	–	–
Neuroseal	–	–	–
Checkmate Licensing	23,717	–	23,717
Balance as of June 30, 2022	**33,037**	–	**33,037**

14. Provisions

Movement in TCHF	Provisions
Beginning balance as of January 1, 2022	**238**
Increase	371
Utilization	(60)
Exchange differences	(13)
Ending balance as of June 30, 2022	**536**

Due to personnel related matters, the Company increased its provisions by TCHF 371 in the first six months of 2022. The provisions recorded as of December 31, 2021 were utilized in the amount of TCHF 60.

15. Leases

The Group leases office and production premises which are fully recognized as lease liabilities and right-of-use assets. The rental periods entered are for a fixed periods of 10 years in the Netherlands and 1 year in the US and includes variable lease payments that depend on an index. An extension or termination of the contract has not been accounted for based on management judgment.

The movement of right-of-use assets and lease liabilities recognized in the balance sheet is as follows:

Movement in TCHF	Right-of-use assets	Lease liabilities
Beginning balance as of January 1, 2022	**1,895**	**2,146**
Depreciation	(199)	–
Principal elements of lease payments	–	(170)
Remeasurements	36	36
Exchange differences	(63)	(72)
Ending balance as of June 30, 2022	**1,669**	**1,940**

16. *Financial liabilities*

Financial liabilities from collaborations

The financial liability from collaboration represents XOMA's entitlement to future clinical milestones due from Kuros' collaboration agreement with Checkmate Pharmaceuticals. XOMA obtained this entitlement from an initial payment in July 2021. The initial fair value of the liability is measured based on a business plan of milestones due from Checkmate which includes XOMA's participation in such milestone payments. The fair value of the liability is not based on observable market data (Level 3 hierarchy) and is primarily determined based on the probability assumption to recognize future milestone payments. Probability rates of 25% to 30.5% were applied to determine the fair value. The liability is measured at fair value and subsequent remeasurements are recognized in the financial result. The financial liability's sensitivity is dependent on changes in timing and probability of the contractually agreed future cashflows.

The movement of financial liabilities from collaborations recognized in the balance sheet is as follows:

Movement in TCHF	Financial liabilities from collaborations
Beginning balance as of January 1, 2022	**6,463**
Increases (fair-value)	1,636
Exchange differences	327
Ending balance as of June 30, 2022	**8,426**

Financial liabilities

The carrying amounts of the Group's liabilities carried at amortized cost are not materially different from their fair values as of June 30, 2022 as they are short-term in nature. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 2%.

17. *Pension Plan*

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

Movement in TCHF	**2022**
Net liability as of January 1, 2022	**(353)**
Service costs and employer contributions	(117)
Net financial results	(1)
Actuarial gain	525
Net asset as of June 30, 2022	**54**

The remeasurement of the Group's defined benefit pension plan as of June 30, 2022 resulted in an increase of TCHF 525 in other comprehensive income. In the six months period ended June 30, 2022, the net defined benefit liability of TCHF 353 recorded at December 31, 2021 turned into a plan asset of TCHF 54 as of June 30, 2022 primarily driven by actuarial gains on the defined benefit obligation and the plan assets.

18. Net financial result

Finance costs of TCHF 3,353 (first half of 2021: TCHF 138) and Finance income of TCHF 1,213 (first half of 2021: TCHF 449) mainly comprise of the foreign exchange losses/gains on financial positions and the fair-value increase of TCHF 1,636 from the XOMA contingent settlement liability (note 16).

19. Related parties' transactions

The Group's related party relationships and transactions as of June 30, 2022 have not changed compared to information disclosed in the consolidated annual financial statements as of December 31, 2021.

20. Events after balance sheet date

None

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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Kuros Biosciences AG
Wagistrasse 25
8952 Schlieren/Zürich (Switzerland)

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