2024 Interim Report Kuros Biosciences

As of June 30, 2024

Kuros Biosciences

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Condensed Interim Consolidated Financial Statements (unaudited)

June 2024

Kuros Biosciences

Key Developments

Kuros reports on April 24, 2024, corporate highlights as of Q1 2024 including increase in direct MagnetOs sales

Kuros Biosciences provided an update on its financial, regulatory, and organizational activities. Direct MagnetOs sales rose by 155% to CHF 13.9 million in Q1 2024 from CHF 5.4 million in Q1 2023; this corresponds to a sequential increase of 21.9% or CHF 2.5 million over Q4 2023. Total Kuros Medical Devices segment sales accelerated to CHF 13.9 million in Q1 2024 from CHF 5.6 million in Q1 2023. Kuros Medical Devices segment achieved a positive EBITDA of CHF 3.9 million in Q1 2024 compared to CHF 0.5 million in Q1 2023.
MagnetOs Putty is the fourth product in the MagnetOs portfolio to receive FDA 510(k) clearance to market for interbody use. A recently published independent clinical study utilizing MagnetOs Putty in lumbar interbody fusion procedures demonstrated 86% fusion rate, which included 49% of study subjects in a high-risk patient cohort.
G. Joseph (Joe) Ross appointed as Senior Vice President Marketing and Business Development, expanding the Kuros Leadership Team and providing significant industry experience.

Kuros announces on June 25, 2024, peer-reviewed publication of MagnetOs MAXA Level 1 Study outcomes in spine, indicating superiority over autograft

Kuros Biosciences, a leader in next generation bone healing technologies, announced the publication of a peer-reviewed manuscript that details the clinical data of its MAXA Level 1 prospective, multi-center, randomized, intra-patient controlled clinical study in Spine[1].

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[1] Stempels, H. et al., "Efficacy of biphasic calcium phosphate ceramic with a needle-shaped surface topography versus autograft in instrumented posterolateral spinal fusion: A randomized trial." Spine. June 17, 2024. https://doi.org/10.1097/BRS.0000000000005075

Financial performance and results of operations (IFRS)

Revenue and gross profit

In the first half of 2024, revenue from direct MagnetOs product sales rose by 159% to CHF 31.6 million (H1 2023: CHF 12.2 million). Total revenue from product sales arrived at CHF 31.8 million (H1 2023: CHF 12.9 million), showing a year-over-year growth of 148% or 157% on a constant currency basis. The cost of goods sold amounted to CHF 3.5 million for the first half of 2024 (H1 2023: CHF 2.1 million). It included the amortization of intangible assets totaling CHF 0.8 million (H1 2023: CHF 1.0 million) and other production-related expenses amounting to CHF 2.7 million (H1 2023: CHF 1.1 million). The gross profit increased by CHF 17.7 million to CHF 28.4 million (H1 2023: CHF 10.7 million). The decrease in the cost of goods sold relative to revenue in 2024 compared to 2023 resulted from a reduction in overhead cost per unit. This reduction was mainly driven by the higher production volume in the first half of 2024.

Net operating costs

Net operating costs amounted to CHF 28.9 million (H1 2023: CHF 15.3 million). The increase is primarily driven by sales and marketing costs resulting from growing commercial activities. Therefore, sales and marketing costs increased from CHF 9.3 million in H1 2023 to CHF 18.5 million in H1 2024, mainly due to the increase in sales force headcount and general sales and distribution costs. Research and development costs amounted to CHF 3.6 million (H1 2023: CHF 2.3 million). The increase is primarily attributed to investments in innovative activities and personnel in the medical device segment. It is partially offset by the reduction in research and development costs for the phase 2a study in spinal fusion of Fibrin-PTH. General and administrative costs increased to CHF 7.0 million (H1 2023: CHF 3.8 million). The increase is mainly driven by the expansion in operations. Further, a share-based compensation expense of CHF 2.9 million is recognized in the first half of 2024 (H1 2023: CHF 0.1 million). Of the share-based compensation expense in the first half of 2024, CHF 2.4 million resulted from a one-time award related to the transition of responsibilities within the Executive Committee that occurred in October 2023. Other income amounted to CHF 0.1 million (H1 2023: CHF 0.1 million).

Net loss

The net loss for the six months ended June 30, 2024 amounted to CHF 0.2 million (H1 2023: 5.1 million)

Financial positions and other assets

Cash and cash equivalents amounted to CHF 14.3 million (December 31, 2023: CHF 14.2 million). Funds available (including trade and other receivables) for financing the operations of the Group amounted to CHF 25.3 million as of June 30, 2024 (December 31, 2023: CHF 21.8 million).

As of June 30, 2024, total intangible assets amounted to CHF 16.2 million (December 31, 2023: CHF 16.5 million) and goodwill amounts to CHF 24.7 million (December 31, 2023: CHF 24.5 million).

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 referred to as alternative key performance measures (APM). Kuros uses such financial measures to provide valuable supplementary information to investors, stakeholders, and the Group's 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 in the IFRS framework. These APMs can differ in methods for calculation and definition of other companies. Therefore, such APMs should not be used for direct benchmarking to other companies. The definition and calculation method of APMs 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 profit/ loss

- Definition: Profit/loss before net financial results 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, 2024, amounted to CHF 0.6 million (H1 2023: CHF 4.5 million). The decrease in operating loss is primarily due to the increased revenue from product sales, which is partially offset by the higher net operating costs .

EBITDA and adjusted EBITDA

- EBITDA definition: The adjusted operating profit/loss that is disclosed in our financial highlights and our segment disclosures in Note 3 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 charge on intangible assets and depreciation charge on plant and equipment and right-of-use assets
    - Impairment loss on intangible assets, plant and equipment and right-of-use assets (if any)
    - Impairment loss on goodwill (if any)

- Adjusted EBITDA definition: Adjusted EBITDA is used to evaluate the core financial and operational performance run rate of the Group by removing one-time, non-cash and non-recurring expenses. Adjusted EBITDA represents the EBITDA excluding:
    - Research and development costs incurred to complete phase 2a of Fibrin-PTH (KUR-113)
    - Recurring and one-time, non-recurring share-based compensation expenses related to the transition of responsibilities within the Executive Committee that occurred in October 2023

The EBITDA and adjusted EBITDA are computed as follows:

In TCHF, for the six months ended June 30	2024	2023
Operating loss	**(559)**	**(4,529)**
Amortization and depreciation charges	1,278	1,414
Impairment losses	–	120
EBITDA	**719**	**(2,995)**
Research and development costs - Fibrin-PTH phase 2a	341	—
Recurring share-based compensation	537	117
One-time share-based compensation	2,391	—
Adjusted EBITDA	**3,988**	**(2,878)**

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 is derived as follows:

In TCHF, for the six months ended June 30	2024	2023
Net cash used in operating activities	(316)	(6,745)
Reporting period (in months)	6	6
Average Cash burn (per month)	**(53)**	**(1,124)**

Consolidated income statement

in TCHF, IFRS, for the six months ended June 30	Note	2024	2023
Revenue from product sales	3,4	31,844	12,866
Revenue		**31,844**	**12,866**
Cost of goods sold	5	(3,477)	(2,142)
Gross profit		**28,367**	**10,724**
Sales and marketing costs		(18,493)	(9,332)
Research and development costs		(3,563)	(2,291)
General and administrative costs		(6,984)	(3,759)
Other income		114	129
Net operating costs		**(28,926)**	**(15,253)**
Operating loss		**(559)**	**(4,529)**
Finance income		2,089	689
Finance expense		(434)	(1,041)
Net finance result	17	**1,655**	**(352)**
Profit/ (loss) before tax		**1,096**	**(4,880)**
Income taxes		(1,307)	(172)
Net loss		**(211)**	**(5,052)**
Basic and diluted net loss per share (CHF)	6	(0.01)	(0.14)

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	Note	2024	2023
Net loss		**(211)**	**(5,052)**
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	11	102	14
Tax effects		(20)	–
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(164)	21
Other comprehensive (loss)/ income		**(82)**	**35**
Total comprehensive loss		**(293)**	**(5,017)**

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, 2024	December 31, 2023 Restated
Non-current assets:			
Property and equipment	7	1,214	718
Right-of-use assets	8	1,727	1,924
Intangible assets	9	16,168	16,508
Goodwill	9	24,741	24,469
Defined benefit asset	11	111	14
Deferred tax assets		98	637
Total non-current assets		**44,059**	**44,270**
Current assets:			
Inventories		6,853	4,856
Prepayments and other assets		1,134	513
Trade receivables	12	9,155	6,411
Other receivables	12	1,825	1,206
Cash and cash equivalents	13	14,277	14,208
Total current assets		**33,244**	**27,194**
Total assets		**77,303**	**71,464**
Shareholders' equity:			
Share capital	14	3,714	3,678
Share premium		74,107	73,316
Treasury shares		(17)	(17)
Other reserves		25,163	22,234
Accumulated loss		(42,792)	(42,499)
Total shareholders' equity		**60,175**	**56,712**
Non-current liabilities:			
Non-current lease liabilities	8	1,359	1,565
Financial liabilities from collaborations	16	3,604	3,375
Total non-current liabilities		**4,963**	**4,940**
Current liabilities:			
Current lease liabilities	8	605	578
Accrued expenses		8,732	7,933
Trade and other payables		2,828	1,301
Total current liabilities		**12,165**	**9,812**
Total shareholders' equity and liabilities		**77,303**	**71,464**

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	2024	2023
Cash flows from operating activities:			
Profit/ (loss) before tax		1,096	(4,880)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization	7, 8, 9	1,278	1,413
Impairment of assets		–	120
Net finance result	17	(1,655)	352
Provisions		–	(101)
Share-based compensation	15	2,929	117
Changes in retirement benefit obligation	11	5	14
Other non-cash items		(266)	(123)
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(2,852)	(1,672)
Increase in prepayments and other assets		(603)	(120)
Increase/ (decrease) in trade and other payables		1,472	(112)
Increase/ (decrease) in accrued expenses		413	(314)
Increase in inventories		(1,412)	(1,421)
Interest received		62	170
Interest paid		(12)	(20)
Income tax paid		(771)	(168)
Net cash used in operating activities		**(316)**	**(6,745)**
Cash flows from investing activities:			
Purchase of plant and equipment	7	(597)	(82)
Purchase of intangible assets	9	(17)	(9)
Net cash used in investing activities		**(614)**	**(92)**
Cash flows from financing activities:			
Proceeds from exercise of share options		827	–
Principal elements of lease payments	8	(299)	(309)
Net cash from financing activities		**528**	**(309)**
Cash and cash equivalents, at the beginning of the year		14,208	24,065
Net change in cash and cash equivalents		(402)	(7,146)
Net effect of currency translation on cash		471	(57)
Cash and cash equivalents, at the end of the periods	13	**14,277**	**16,861**

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, 2023		**3,656**	**160,157**	**(17)**	**21,317**	**(115,835)**	**(419)**	**68,860**
Loss for the period		–	–	–	–	(5,052)	–	**(5,052)**
Other comprehensive income		–	–	–	–	14	21	**35**
Share based payment	15	–	–	–	117	–	–	**117**
As of June 30, 2023		**3,656**	**160,157**	**(17)**	**21,434**	**(120,872)**	**(397)**	**63,960**
As of December 31, 2023		**3,678**	**73,316**	**(17)**	**22,234**	**(42,151)**	**(348)**	**56,712**
As of January 1, 2024		**3,678**	**73,316**	**(17)**	**22,234**	**(42,151)**	**(348)**	**56,712**
Loss for the period		–	–	–	–	(211)	–	**(211)**
Other comprehensive income		–	–	–	–	82	(164)	**(82)**
Exercise of share options		36	791	–	–	–	–	**827**
Share based payment	15	–	–	–	2,929	–	–	**2,929**
As of June 30, 2024		**3,714**	**74,107**	**(17)**	**25,163**	**(42,280)**	**(512)**	**60,175**

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, 2024, were authorized for publication by a resolution of the board of directors on August 8, 2024.

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 active in the research, development, marketing and commercialization 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 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)
  - Kuros US Royalty Fund (US) LLC (Delaware, USA)

As of June 30, 2024, the Group employs 106 people (80 as of December 31, 2023).

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, 2023, 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, 2023.

The figures in the Group's condensed interim consolidated financial statements and accompanying notes are presented in Swiss Francs (CHF) and values are rounded to the nearest thousand (TCHF), except when indicated otherwise.

Uncertainties and ability to continue operations (Going concern)

The Group is subject to various risks and uncertainties, including, but not limited to the point in time of achieving sustainable profitability and the uncertainty of the discovery, development, and marketing and commercialization of product candidates, which includes uncertainty of the outcome of clinical trials and significant regulatory approval requirements. However, given the recent changes around year-end 2023 and thereafter, a decision was made to not proceed to phase 3 with the clinical study in spinal fusion of Fibrin-PTH (KUR-113) after the completion of phase 2a, which was originally planned for the third quarter of 2024. As a result, the financial profile of the Group has substantially improved. For the first time, the Group nearly achieved an operating profit and a positive net cash inflow from operating activities.

The Group has incurred net operating losses in most fiscal periods since its inception and is now for the first time very close to achieve break-even very soon. Therefore the Group expects that it still may incur operating losses in the foreseeable future, but to a much lesser extent than in the past with a turnaround to profitability in sight.

To finally achieve profitability, the Group, or its partners, must succeed in obtaining regulatory clearance, increasing marketing and sales capabilities and securing sufficient operational capacity to meet demand. The Group, or its partners, may finally not succeed in these activities, and there is no assurance that revenues from product sales will be sufficient 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 from the Group's operations, may not be sufficient to fund the anticipated expenditures and working capital requirements in the foreseeable future. Therefore, the Group will have to rely on the availability of additional external 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 generated from (i) revenue from product sales, (ii) milestone payments, (iii) proceeds from dilutive equity financing, non-dilutive financings and debt financings as well as (iv) cash from collaborations. Except for revenue from product sales, none of these cash sources can be considered recurring. With the increase in sales from its current product pipeline, the Group may establish a more stable 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 to sustain operations at current levels.

Taking into consideration cash and cash equivalents on the balance sheet as well as the respective cash burn in combination with the product pipeline outlook and the results of the clinical trials, 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, 2023, except for the adoption of new standards effective as of January 1, 2024.

The group has applied the following amendments for the first time from January 1, 2024:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1

As a result of the adoption of the amendments to IAS 1, the group changed its accounting policy for the classification of financial liabilities from collaborations:

"Financial liabilities from collaborations are classified as non-current liabilities unless at the end of the reporting period, the contractual due date falls within 12 months after end of reporting period."

The Group previously classified the financial liabilities from collaborations as current liabilities. The amendments to IAS 1 clarify certain requirements for determining whether a liability should be classified as current or non-current. Following the amendments, the Group has classified the financial liabilities from collaborations as non-current liabilities. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. As a result, the 2023 comparative information was restated to reflect the change in classification. The Group's other liabilities were not impacted by the amendments.

Several other amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant developments during the current reporting period

Although global market conditions have affected market confidence and spending patterns, the Group remains well positioned to grow revenues through ongoing product innovation. The Group has significantly increased its Medical Device revenues compared to 2023. The Group has completed the one-year follow up for all patients in the clinical phase 2a study in spinal fusion of Fibrin-PTH (KUR-113).

3. 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 has been identified as being the chief operating decision maker ("CODM") and assesses the financial performance and position of the Group and makes strategic decisions on this basis. 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 cancelous bone and are produced in the same facility.
- **"Pharmaceuticals"** includes products such as 'Fibrin-PTH', a drug-biologic combination product candidate 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 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, 2023	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	Total
Revenue	12,866	–	–	–	12,866
EBITDA	**2,223**	**(1,238)**	**(44)**	**(3,937)**	**(2,995)**
Amortization, depreciation and impairment loss	(903)	–	(261)	(370)	(1,534)
Operating profit/ (loss)	**1,320**	**(1,238)**	**(305)**	**(4,307)**	**(4,529)**

in TCHF, six months ended June 30, 2024	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	Total
Revenue	31,844	–	–	–	31,844
EBITDA	**8,605**	**(341)**	**(35)**	**(7,510)**	**719**
Amortization and depreciation charge	(870)	–	(67)	(341)	(1,278)
Operating profit/ (loss)	**7,735**	**(341)**	**(102)**	**(7,851)**	**(559)**

4. Revenue from contracts with customers

The Group's major revenue stream is product sales from medical devices.

in TCHF, for the six months ended June 30	2024	2023
Timing of revenue recognition		
Revenue recognized at a point in time	31,844	12,866
Total revenue from contracts with customers	**31,844**	**12,866**

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

The following table disaggregates the Group's revenue by geography:

in TCHF, for the six months ended June 30	**2024**	**2023**
United States of America	30,777	12,520
European Union	803	272
Other	264	74
Total	**31,844**	**12,866**

Kuros recognized revenues from product sales of CHF 31.8 million for the first half of 2024 and CHF 12.9 million for the first half of 2023. The Group's contracts for product sales generally include 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 the 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 stream.

5. Cost of goods sold

in TCHF, for the six months ended June 30	2024	2023
Amortization of intangible assets	(827)	(1,049)
Other costs of goods sold	(2,650)	(1,093)
Total	**(3,477)**	**(2,142)**

The decrease in the cost of goods sold relative to revenue in 2024 compared to 2023 resulted from a reduction in overhead cost per unit. This reduction was mainly driven by the higher production volume in the first half of 2024.

6. Net loss per share

Basic and diluted net loss per share are 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 and RSUs 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.

7. Property and equipment

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
As of December 31, 2023				
Cost	41	1,481	267	1,789
Accumulated depreciation	(37)	(833)	(201)	(1,071)
Net book value as of December 31, 2023	**4**	**648**	**66**	**718**
Six months ended June 30, 2024				
Cost				
As of January 1, 2024	**41**	**1,481**	**267**	**1,789**
Additions	23	553	21	597
Exchange differences	1	49	4	54
As of June 30, 2024	**65**	**2,083**	**292**	**2,440**
Accumulated depreciation				
As of January 1, 2024	**(37)**	**(833)**	**(201)**	**(1,071)**
Depreciation charge	(2)	(110)	(13)	(125)
Exchange differences	(1)	(27)	(2)	(30)
As of June 30, 2024	**(40)**	**(970)**	**(216)**	**(1,226)**
Net book value as of June 30, 2024	**25**	**1,113**	**76**	**1,214**

8. Right-of-use assets and leases

The Group has rental contract (lease) for office and production premises as lessee.

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, 2024	**1,924**	**2,143**
Depreciation	(309)	–
Principal elements of lease payments	–	(299)
Remeasurements	45	45
Exchange differences	67	75
Ending balance as of June 30, 2024	**1,727**	**1,964**

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 2%.

9. Goodwill and intangible assets

in TCHF	Goodwill*	Licensing	Currently Marketed Products	Software	Total
As of December 31, 2023					
Cost	32,438	4,730	24,625	277	62,070
Accumulated amortization	(7,969)	(3,926)	(8,945)	(253)	(21,093)
Net book value as of December 31, 2023	**24,469**	**804**	**15,680**	**24**	**40,977**
Historical costs					
As of January 1, 2024	**32,438**	**4,730**	**24,625**	**277**	**62,070**
Additions	–	–	–	17	17
Exchange differences	272	–	764	–	1,036
As of June 30, 2024	**32,710**	**4,730**	**25,389**	**294**	**63,123**
Accumulated amortization					
As of January 1, 2024	**(7,969)**	**(3,926)**	**(8,945)**	**(253)**	**(21,093)**
Amortization charge	–	(67)	(762)	(15)	(844)
Exchange differences	–	–	(277)	–	(277)
As of June 30, 2024	**(7,969)**	**(3,993)**	**(9,984)**	**(268)**	**(22,214)**
Net book value as of June 30, 2024	**24,741**	**737**	**15,405**	**26**	**40,909**

*Accumulated amortization in Goodwill refers to the accumulated impairment charge from prior years.

10. Impairment test of goodwill

Goodwill is tested annually in December for impairment, or more frequently if there are indications of impairment. The impairment test for goodwill 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 31 December 2023.

The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As of June 30, 2024, the market capitalization of the Group is higher than the equity book value. Since there were no indicators for impairment of any CGUs, management has not updated any of the impairment calculations.

Carrying amount of goodwill allocated to each of the CGUs is presented below:

in TCHF	June 30, 2024	December 31, 2023
MagnetOs	8,993	8,721
Checkmate Licensing	15,748	15,748
Balance as of period end	**24,741**	**24,469**

11. Pension plan

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

Movement in TCHF	2024
Net asset as of January 1, 2024	**14**
Service costs and employer contributions	(5)
Actuarial gain	102
Net asset as of June 30, 2024	**111**

12. Trade and other receivables

in TCHF	June 30, 2024	December 31, 2023
Trade receivables – gross carrying amount	9,874	7,081
Loss allowance	(719)	(670)
Trade receivables – net carrying amount	**9,155**	**6,411**

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

13. Cash and cash equivalents

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, 2024, and 2023.

in TCHF	June 30, 2024	December 31, 2023
Cash at bank and on hand	12,913	9,302
Deposits at call	1,364	4,905
Total cash and cash equivalents	**14,277**	**14,208**

In the first six months of 2024 the Group recorded TCHF 62 of interest income (2023: TCH 170). The cash at bank and on hand includes TCHF 546 (2023: TCHF 342) of guarantees for lease agreements and corporate credit cards which is considered restricted.

14. Shareholders' equity

During the six months ended June 30, 2024, 359,664 ordinary shares were issued as a result of the exercise of vested options. No options were exercised for the six months ended June 30, 2023.

In the Annual Shareholders' Meeting on April 17, 2024, shareholders approved the introduction of a capital band. The capital band ranges between CHF 2,942,730.40 (lower limit) and CHF 4,414,095.70 (upper limit). The Board of Directors is authorized to increase the share capital up to the upper limit at any time and as often as required until May 16, 2028. A capital reduction within the capital band is excluded.

15. Share based compensation

The Group grants share options and restricted share units (RSUs) to the members of the Board, the Executive Committee, as well as to employees and consultants of the Group. The share-based compensations are equity-settled. All stock options and RSUs are issued by the Company.

The movement in the number of outstanding options and RSUs are as follows:

	Options (number)	RSUs (number)
Balance outstanding as of January 1, 2024	**3,364,637**	**668,382**
Granted	572,943	639,271
Exercised	(359,664)	–
Forfeited	(109,907)	(27,746)
Lapsed	(25,269)	–
Balance outstanding as of June 30, 2024	**3,442,740**	**1,279,907**

In the Annual Shareholders' Meeting on April 17, 2024, shareholders approved the grant of 489,528 RSUs to members of the Executive Committee. This one-time award is related to the transition of responsibilities within the Executive Committee that occurred in October 2023. Out of this grant, 361,265 RSUs have vesting conditions tied to the achievement of specific performance-related targets, while the remaining RSUs have a vesting period of 3 years. The fair value of these RSUs is determined on the basis of the share price at grant date and is amounting to CHF 7.67.

On April 30, 2024, a total 572,943 share options and 149,743 RSUs were granted to the members of the Board, the Executive Committee and employees of the Group. The fair value of each options is determined at the date of grant based on the share price using the Black-Scholes Model, whereas the fair value of each RSU is determined based on the volume-weighted average share price over the last three trading days preceding the grant date. The fair value of each options and RSU amounts to CHF 3.66 and CHF 6.50 respectively.

For the six months ended June 30, 2024, the Group has recognized TCHF 2,929 of share-based compensation expense in the income statement (June 30, 2023: TCHF 117).

16. Financial liabilities from collaborations

The financial liabilities from collaborations is measured at fair value and subsequent remeasurements are recognized in the financial result. It represents XOMA's entitlement to future pre-commercial milestones due from the Licensing Agreement with Checkmate Pharmaceuticals. XOMA obtained this entitlement from an initial payment in July 2021 under the Royalty Purchase Agreement.

The initial fair value of the liability represents XOMA's share of future pre-commercial milestones which is measured based on a contractually agreed pre-commercial milestones due from Checkmate under the Checkmate Licensing Agreement. The liability is subsequently measured at fair value based on the probability to reach the pre-commercial milestone and remeasurements are recognized in the financial results.

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, 2024	**3,375**
Exchange differences	229
Ending balance as of June 30, 2024	**3,604**

17. Net finance result

Finance income of TCHF 2,089 (June 30, 2023: TCHF 689) and finance expense of TCHF 434 (June 30, 2023: TCHF 1,041) mainly comprise of the foreign exchange gains and losses.

18. Related parties' transactions

The Group's related party relationships and transactions as of June 30, 2024 have not changed compared to information disclosed in the consolidated annual financial statements as of December 31, 2023.

19. Events after balance sheet date

The Group has no significant events after the reporting period and up to the date of this report.

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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