

Kuros Biosciences Reports Financial Results for 2015

- **Three extraordinary one-time factors lead to positive result for 2015**
- **Debt-free balance sheet after mandatory conversion of bonds and settlement with convertible loan note holders**
- **Two partnering agreements signed for CYT003 and the VLP technology with Checkmate for the treatment of cancer and with Arbutus for the treatment of hepatitis B infections**
- **Business combination with Kuros Biosurgery closed in January 2016 creating future leader in tissue repair and regeneration**

Schlieren (Zurich), Switzerland, April 26, 2016 – Kuros Biosciences Ltd. (“Kuros”) today announced its financial results for 2015. The Company reported a net income of CHF 6.23 million, largely as a result of three extraordinary, non-operative and one-time effects: (i) markedly higher income from partnering, mainly driven by Novartis’ buy-out of CAD106; (ii) significantly reduced operating costs due to the discontinuation of research and development activities; and (iii) higher financial income as a result of the elimination of all outstanding debt, namely the mandatory conversion of all convertible bonds into equity and the repayment and partial waiver of claims by the convertible loan note holders. These transactions completed the restructuring of the balance sheet of the Company, paving the way for the business combination of Cytos Biotechnology Ltd and Kuros Biosurgery Holding Ltd. The combination was structured by way of an exchange of Kuros Biosurgery Holding Ltd shares for newly issued Cytos Biotechnology Ltd shares. The acquisition closed on January 18, 2016 and created the basis for a future leader in the field of tissue repair and regeneration.

“Last year’s result reflects the effects of three extraordinary items, some of which were non-operational and had a one-time effect. Most importantly, we completed the restructuring of our balance sheet by eliminating all debt, thereby regaining full flexibility in our search for a strategic partner in 2015,” commented Harry Welten, Chief Financial Officer and member of the Board of Directors of Kuros Biosciences. “In January 2016, we acquired Kuros Biosurgery Holding AG, a private-held spin-off from the ETH Zurich, to rejuvenate our asset base. Together, we endeavor to make Kuros Biosciences a leader in the field of tissue repair and regeneration.”

Late-stage pipeline is focused on sealant and orthobiologic product candidates

Kuros focuses on the development of innovative products for tissue repair and regeneration. The Company’s most advanced product candidates have met the respective primary endpoint in all the clinical trials in which they were tested:

- KUR-023 is a novel biomaterial designed to seal the dura (membrane covering the brain and spinal cord) after brain and spinal surgery.
- KUR-111 and KUR-113 are two novel orthobiologic product candidates for the regeneration of bone during fracture healing or spinal fusion. Both candidates share the same biologically active agent.

In addition, Kuros continues its collaborations for CYT003 (an immune modulator) and the virus-like particle (VLP) technology with Checkmate Pharmaceuticals for the treatment of cancer and with Arbutus Biopharma (formerly OnCore Biopharma) for the treatment of hepatitis B infections. Both partnering agreements were signed in 2015. The CYT003 program and VLP technology will be moving forward with investment from the collaboration partners and, if successful, Kuros will be eligible for significant



development milestone payments and royalties on future sales. The Company, however, will no longer invest own funds into these collaborations.

Outlook and newsflow

KUR-023 has successfully completed a European clinical trial and is being prepared to be CE marked ahead of commercial launch in the European Union, which is currently expected in 2017. The Company is planning a second clinical study to support approval of the product in the United States of America. KUR-111 and KUR-113 have been successfully tested in large, controlled Phase IIb clinical trials and are now progressing towards Phase III clinical development.

Kuros is well financed following a CHF 20 million fund-raising in November 2015. The Company expects the current cash position to provide adequate financing to bring KUR-023 to market in both Europe and the US. Moreover, funds available will allow Kuros to prepare for a Phase III study with KUR-111.

Consolidated financial performance and results of operations

Balance sheet restructuring

In 2015, Kuros Biosciences Ltd (“Kuros”; formerly Cytos Biotechnology Ltd) achieved success in two major steps towards elimination of its debt burden. First, the bondholders meeting held on January 26, 2015 approved the mandatory conversion of their bonds into shares, which took place on May 5, 2015. Second, the convertible loan note claims were eliminated by: (i) repayment of the non-subordinated part of the loan notes of CHF 14.2 million at maturity, i.e. on February 10, 2015; (ii) a loan note to convertible bond swap whereby CHF 2 million of the claims of the loan note holders were eliminated by converting the same amount into 1,600 convertible bonds out of treasury; (iii) loan note holders accepting a “haircut” of 8% on their overall claims; and (iv) repayment of all remaining claims, i.e. CHF 4.36 million, on July 28, 2015.

Debt-free balance sheet and significantly lower cash burn

Funds available for financing the operations amount to CHF 2.83 million as per December 31, 2015 and include cash and cash equivalents, financial assets and trade and other receivables. This is CHF 14.22 million lower than on December 31, 2014 (CHF 17.06 million) and is primarily driven by the repayment of the non-subordinated part of the loan notes of CHF 14.2 million on February 10, 2015 as well as the settlement of all remaining claims of the loan note holders in the amount of CHF 4.36 million on July 28, 2015. As a result of these transactions, Kuros’ balance sheet became debt-free. The gross cash burn from operating activities was a monthly average of CHF 0.21 million and significantly lower compared to CHF 2.06 million in 2014.

Higher revenues consist of license fees and buy-out of CAD106

In 2015, revenue comprising deferred income from license fees paid by Novartis of CHF 0.64 million has been recognized for the period from January 1, to August 20, 2015. In March 2015, Novartis has bought out the collaboration and license contract for CAD106 for a lump-sum payment of CHF 4 million (plus VAT) and is therefore not required to make any further payments under the collaboration and license agreement. Kuros had pre-assigned the amount to the holders of the loan notes as part of the final settlement of all outstanding loan notes. In addition, Kuros received revenues from Checkmate (license fee of CHF 0.98 million) and from Arbutus (CHF 0.73 million for material relating to the VLP particle).



Significant reduction in net operating costs due to discontinuation of development

Net operating costs amounted to CHF 5.70 million, compared to CHF 19.94 million in the previous year. In 2015, research and development costs decreased by CHF 16.39 million to CHF 1.09 million as a result of the discontinuation of the Phase IIb clinical study in asthma in the first half-year of 2014 and a substantial reduction in work force, primarily staff in the development and regulatory department. General and administrative and sales and marketing expenditures combined amounted to CHF 7.37 million (2014: CHF 5.28 million). The increase reflects higher administrative work as a result of the discontinuation of the research and development department. Other income consisted of proceeds from sub-lease agreements reaching CHF 2.75 million, a reduction of CHF 0.26 million compared to 2014 (CHF 3.01 million), which included also the final release of accruals for Asklia (CHF 0.49 million).

Mandatory conversion lead to positive net financial income

With CHF 11.23 million, the financial income was significantly higher compared to 2014 (TCHF 88) as a result of the mandatory conversion of all convertible bonds into equity and the partial waiver of claims by the loan note holders with effects of CHF 9.61 million and CHF 1.62 million, respectively. These are one-time effects and will not occur in the future as all debt has been eliminated as of December 31, 2015. Financial expenses amounted to CHF 5.66 million and were significantly lower than in 2014 (CHF 15.19 million) due to the conversion of the convertible bonds and the repayment of the non-subordinated part of the convertible loans in February 2015 as well as the repayment of the remainder of claims by loan note holders on July 2015. The net financial result amounted to CHF 5.57 million in 2015 compared to CHF –15.10 million in 2014.

Positive result for 2015 thanks to three extraordinary effects

Three extraordinary line items shaped Kuros' income statement – significantly lower operating costs and higher financial income as well as markedly higher revenues – resulting in a net income of CHF 6.23 million for 2015 compared to a net loss of CHF 34.03 million in the previous year.

in TCHF	2015	2014
Revenue	6,355	1,000
Net operating costs	(5,701)	(19,937)
Operating income/(loss)	654	(18,937)
Net financial income/(loss)	5,573	(15,097)
Net income/(loss)	6,227	(34,026)
Net income/(loss) per share (in CHF)	0.08	(1.20)
Cash and cash equivalents, financial assets and trade and other receivables	2,834	17,055
Fulltime equivalents	4	23

The Annual Report 2015 can be downloaded at: <http://www.kuros.ch/investors/reports-presentations.html>

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About Kuros Biosciences Ltd

Kuros Biosciences Ltd is focused on the development of innovative products for tissue repair and regeneration and is located in Schlieren (Zurich), Switzerland. The Company is listed according to the Main Standard on the SIX Swiss Exchange Ltd under the symbol KURN. Information regarding Kuros is available at www.kuros.ch.

Forward Looking Statements

This media release contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. You are urged to consider statements that include the words “will” or “expect” or the negative of those words or other similar words to be uncertain and forward-looking. Factors that may cause actual results to differ materially from any future results expressed or implied by any forward-looking statements include scientific, business, economic and financial factors, Against the background of these uncertainties, readers should not rely on forward-looking statements. The Company assumes no responsibility for updating forward-looking statements or adapting them to future events or developments.