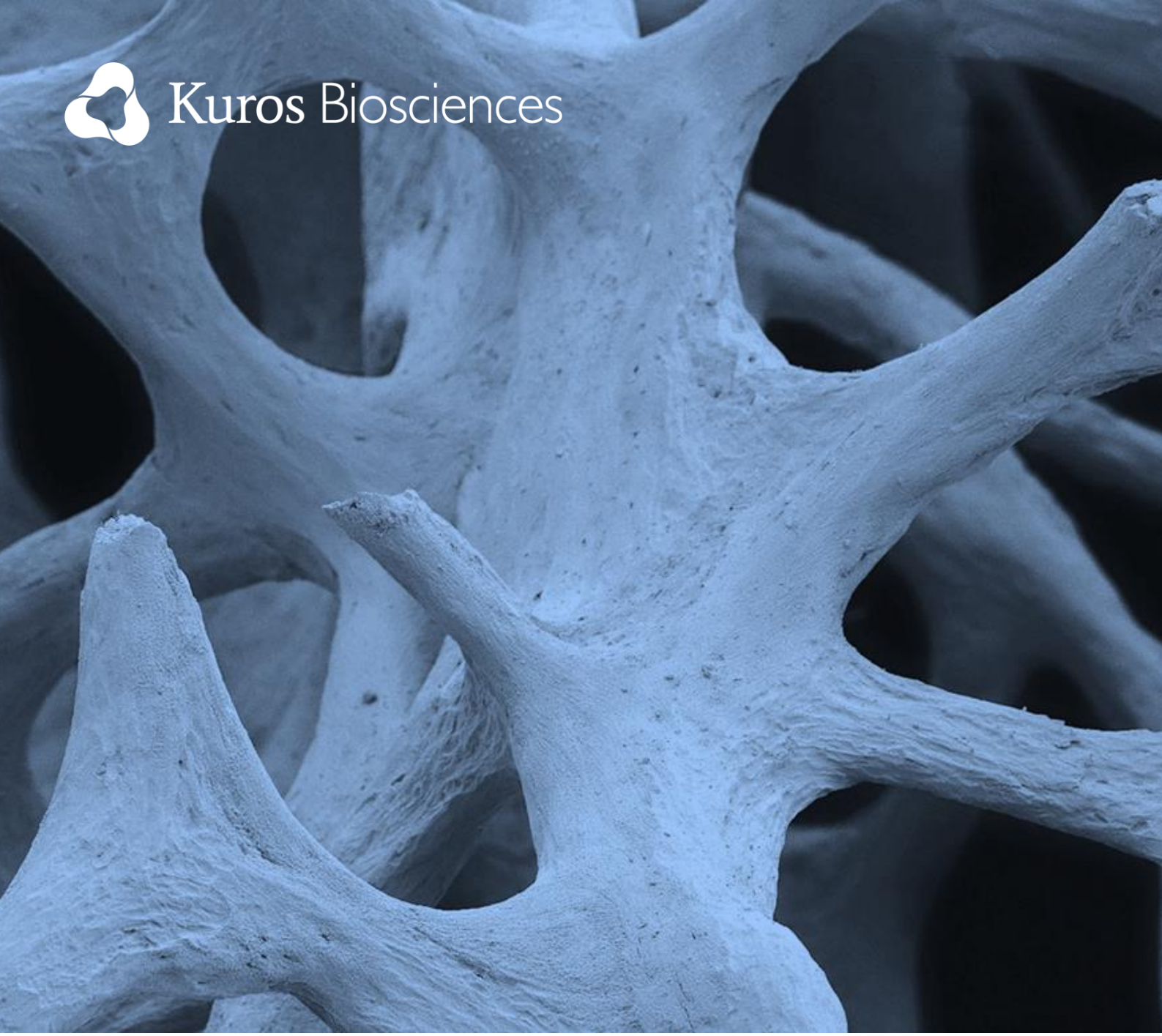

Kuros Biosciences

Interim Report

as of June 30, 2020

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Condensed Consolidated Financial Statements

as of June 30, 2020

Key developments, financial performance and results of operations

Key Developments

Kuros reports publication of MagnetOs preclinical data demonstrating superiority to market-leading synthetic bone grafts in spinal fusion.

Kuros announced on January 30, 2020 the publication of data from a clinically relevant preclinical model comparing MagnetOs with autologous bone, Vitoss® BA2X (Stryker Corp.) and Novabone Putty® (Novabone Products, LLC) in instrumented posterolateral spinal fusion in sheep. Utilizing multiple assessments for fusion, the study concluded that MagnetOs is an appropriate alternative to **the challenges of obtaining sufficient and consistent** autograft when used as a standalone graft and was significantly better at achieving uniform, solid and stable fusions than the comparator products. The publication, which is entitled "MagnetOs, Vitoss & Novabone in a multi-endpoint study of posterolateral fusion: A true fusion or not?", has been accepted for publication by Clinical Spine Surgery.

Kuros strengthens orthobiologics patent portfolio

Kuros announced on March 18, 2020 that its subsidiary, Kuros Biosurgery AG, has been granted the US patent, US 10'589'001, entitled 'Pharmaceutical formulation for use in spinal fusion'. This patent covers the use of parathyroid hormone (PTH) containing matrices for spinal fusion. The granting of this patent strengthens Kuros proprietary position on the use of PTH containing matrices in spinal fusion, the primary indication of Kuros' Fibrin-PTH development program.

Development of expenses

Net operating costs amounted to CHF 7.5 million (first half 2019: CHF 6.1 million). Costs for research and development decreased to CHF 3.1 million (first half 2019: CHF 3.4 million) which contained costs for the preparation of the Phase II study (spine indication) of Fibrin PTH, personnel expenses and depreciation of tangible assets. General and administrative costs, increased to CHF 2.4 million (first half 2019: CHF 2.0 million) as 2019 was impacted by a non-cash settlement gain from the pension fund due to personnel reduction. General and administrative costs included personnel expenses and other expenses for maintenance and administration. Sales and marketing costs increased to CHF 2.1 million (first half 2019: CHF 0.9 million and were previously presented in General and administrative costs). 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 included personnel costs and other costs for marketing. Revenues amounted to CHF 1.3 million (first half 2019: CHF 0.9 million) and originated from product sales. Other income amounted to CHF 0.1 million (first half 2019: CHF 0.2 million).

The net loss for the six months ended June 30, 2020 amounted to CHF 5.8 million (first half 2019: CHF 5.2 million). The operating costs have further shifted towards the focus of the commercialization for MagnetOs and the development of Fibrin-PTH (KUR-113).

Alternative Key Performance Measurements (APM)

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

Operating loss

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

The operating loss for the six months ended June 30, 2020 amounted to TCHF 6,372 (TCHF 5,358 for the six months ended June 30, 2019) and resulted mainly due to an increase of a non-cash charge for share based payments and the decrease of non-cash settlement gain from the pension fund as well an increase of Sales and marketing costs.

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	2020	2019
Net operating cash-flow	(5,386)	(6,375)
Reporting period (in months)	6	6
Cash burn (per month)	**(898)**	**(1,062)**

Consolidated income statement

in TCHF, IFRS, six months ended in June 30,	Note	2020	2019
Revenue from product sales	4,5	1,295	910
Revenue		**1,295**	**910**
Cost of goods sold		(152)	(138)
Gross profit		**1,143**	**772**
Research and development costs		(3,128)	(3,423)
General and administrative costs		(2,438)	(2,007)
Sales and marketing costs		(2,069)	(882)
Other income		120	182
Net operating costs		**(7,515)**	**(6,130)**
Operating loss		**(6,372)**	**(5,358)**
Finance income	16	168	60
Finance costs	16	(298)	(303)
Net finance costs		**(130)**	**(243)**
Loss before tax		**(6,502)**	**(5,601)**
Income taxes		662	374
Net loss		**(5,840)**	**(5,227)**
Basic and diluted net loss per share (CHF)	8	(0.26)	(0.35)

Consolidated statement of comprehensive income

in TCHF, IFRS, six months ended in June 30,	Note	2020	2019
Net loss		**(5,840)**	**(5,227)**
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	14	48	(228)
Tax effects		(11)	50
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(347)	(402)
Other comprehensive income/ (loss)		**(310)**	**(580)**
Total comprehensive loss		**(6,150)**	**(5,807)**

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

Consolidated balance sheet

in TCHF, IFRS, as at	Note	June 30, 2020	December 31, 2019
Non-current assets:			
Property and equipment		490	545
Right-of-use assets	13	2,268	2,237
Intangible assets	11, 12	26,604	27,920
Goodwill	11, 12	33,716	33,860
Total non-current assets		**63,078**	**64,562**
Current assets:			
Inventories		1,230	954
Prepayments and other assets		474	459
Trade receivables		522	759
Other receivables		309	316
Cash and cash equivalents	10	15,212	20,802
Total current assets		**17,747**	**23,290**
Total assets		**80,825**	**87,852**
Shareholders' equity:			
Share capital	7	22,470	22,470
Share premium		118,160	118,160
Treasury shares		(17)	(17)
Other reserves	9	19,541	19,146
Accumulated loss		(88,054)	(81,904)
Total shareholders' equity		**72,100**	**77,855**
Non-current liabilities:			
Pension liabilities	14	714	727
Deferred tax liabilities		2,743	3,488
Non-current lease liabilities	13	2,173	2,142
Total non-current liabilities		**5,630**	**6,357**
Current liabilities:			
Trade and other payables		490	1,059
Accrued expenses		2,229	2,335
Short-term Borrowings	15	104	-
Current lease liabilities	13	272	246
Total current liabilities		**3,095**	**3,640**
Total shareholders' equity and liabilities		**80,825**	**87,852**

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

Consolidated statement of cash flows

in TCHF, IFRS, six months ended in June 30,	Note	2020	2019
Cash flows from operating activities:			
Loss before tax		(6,502)	(5,601)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		1,346	1,372
Net finance costs		130	243
Changes in provisions		-	(292)
Share-based compensation	9	395	281
Changes in retirement benefit obligation	14	35	(504)
Other non-cash items		11	(204)
Changes in operating assets and liabilities:			
Trade and other receivables		228	(208)
Current prepayments and accrued income		(18)	(9)
Current liabilities		(648)	(1,281)
Inventories		(308)	(135)
Interest received		28	-
Interest paid		(36)	(11)
Income tax paid		(47)	(27)
Net cash used in operating activities		**(5,386)**	**(6,375)**
Cash flows from investing activities:			
Purchase of plant and equipment		(29)	(43)
Purchase of intangible assets	11	(146)	–
Net cash used in investing activities		**(175)**	**(43)**
Cash flows from financing activities:			
Net proceeds from issuance of convertible debt		-	699
Proceeds from borrowings	15	104	-
Principal elements of lease payments	13	(134)	(130)
Net cash from financing activities		**(30)**	**569**
Cash and cash equivalents, at the beginning of the year		20,802	18,334
Net change in cash and cash equivalents		(5,591)	(5,850)
Net effect of currency translation on cash		1	131
Cash and cash equivalents, at the end of the year	**10**	**15,212**	**12,615**

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

Consolidated statement of change in shareholders' equity

in TCHF, IFRS	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	Total
At January 1, 2019		**15,059**	**112,226**	**(17)**	**18,648**	**(71,303)**	**1,870**	**76,400**
Loss for the period						(5,227)		(5,227)
Other comprehensive income						(178)	(402)	(580)
Capital increases, net		145	165					310
Share based payment					281			281
At June 30, 2019		**15,204**	**112,391**	**(17)**	**18,929**	**(76,792)**	**1,468**	**71,183**
At December 31, 2019		**22,470**	**118,160**	**(17)**	**19,146**	**(82,817)**	**913**	**77,855**
At January 1, 2020		**22,470**	**118,160**	**(17)**	**19,146**	**(82,817)**	**913**	**77,855**
Loss for the period						(5,840)		(5,840)
Other comprehensive income						37	(347)	(310)
Share based payment	9				395			395
At June 30, 2020		**22,470**	**118,160**	**(17)**	**19,541**	**(88,620)**	**566**	**72,100**

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

Notes

1. Organization

The interim condensed consolidated financial statements of Kuros Biosciences AG (henceforth called "Company") and its subsidiaries (collectively referred as "Kuros" or "Group") for the six months ended 30 June 2020 were authorized for publication in accordance with a resolution of the board of directors on August 11, 2020.

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 regeneration (orthobiology).

The Group structure is as following:

- Kuros Biosciences AG in Schlieren, Switzerland (mother company and 100% shareholder of 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. (Burlington (MA), USA)

Kuros Biosurgery Holding AG, with registered office in Schlieren, Switzerland and a share capital of CHF 1,446,005 and participation capital of CHF 19'267 has been dissolved due to a reverse merger with Kuros Biosurgery AG as of January 1, 2020 (date of transaction). The company has been dissolved from the trade register as of June 17, 2020. All assets and liabilities have been transferred to Kuros Biosurgery AG from the date of transaction. Since this transaction took place between two wholly owned group companies the intra-group merger did not have an impact on the consolidated interim financial statements.

As at June 30, 2020, the Group employs 45 people (42 as at December 31, 2019).

2. Summary of significant accounting policies and changes

2.1 Basis of preparation

The condensed consolidated financial statements were prepared in accordance IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). These consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019. They do not include all of the information required for a complete set of IFRS financial statements. However, they include information required to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the consolidated financial statements for the year ended 31 December 2019 and certain other information deemed relevant.

The figures in the Groups' condensed consolidated financial statements and notes are presented in thousand Swiss Francs (TCHF) unless stated otherwise. Due to rounding, some line-items do not sum up to 100% or the stated total of referred line-items.

2.2 Uncertainties and ability to continue operations

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

The Group has incurred net operating losses during most fiscal periods since its inception and anticipates that it will

continue to incur substantial operating losses for the foreseeable future. The Group may never achieve or sustain profitability.

The Group expects that it will incur significant operating losses in the foreseeable future, primarily due to its continuing pre-clinical and clinical development programs, as well as the commercialization of its product candidates. If the Group does not receive revenues, or milestone and other payments, or does not enter new partnerships for current or future product candidates on acceptable terms, or at all, its operating losses will substantially increase over the next few years.

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

To become and remain profitable, the Group, or its partners, must succeed in financing the development of its product candidates and building up marketing and sales capabilities, obtaining regulatory approvals, and manufacturing, marketing and selling the products for which it or its partners may obtain regulatory approval. The Group, or its partners, may not succeed in these activities, and the Group may never generate revenues from product sales that are significant enough to achieve profitability. Even if the Group achieves profitability, it may not be able to sustain profitability in subsequent periods. The Group's failure to become or remain profitable could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, as well as its share price.

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

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

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

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

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

The product pipeline of both synthetic and drug-based bone graft substitutes could provide commercial opportunities in attractive markets. Kuros' lead synthetic product includes 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 now prepares KUR-113 for spinal indications in a controlled Phase 2a clinical trial.

Kuros continues its existing partnership, namely the collaboration for CYT003 and the VLP technology with Checkmate Pharmaceuticals, Cambridge, MA, USA for the treatment of cancer. With this collaboration, the CYT003 and VLP technology move forward with investments from the collaboration partner only and, if successful, Kuros will be eligible for significant development milestone payments and royalties on future sales. Checkmate has successfully finished its phase I clinical trial and is ready to enter phase II clinical trial. Most recently the FDA has granted a Fast Track designation for CMP-001.

The Board and the Executive Committee believe that it is appropriate to prepare these financial statements on a going concern basis in accordance with IAS 1 "Presentation of Financial Statement".

2.3 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019. A number of 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 standards.

3. Significant developments during the current reporting period – COVID-19

On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of coronavirus (COVID-19). Since March 11, 2020 the WHO has characterized the spread of the coronavirus as a pandemic. Due to the continuing spread of the coronavirus and the impact on the development of the Groups business, the Group has reviewed its performance and financial positions and continuously monitors the situation and performs risk mitigating measures if required.

Although global market conditions have affected market confidence and spending patterns, the Group remains well placed and could significantly grow its MagnetOs revenues compared to the first six months of 2019. 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 benefited from insignificant governmental protection programs in its subsidiary Kuros Biosciences B.V. that were recognized as expense reduction in the profit and loss statement. In addition, the subsidiary Kuros Biosciences USA, Inc. received insignificant borrowings from the Paycheck Protection Program Flexibility Act of 2020 shown on the balance sheet (see note 15). Kuros Biosciences AG did not qualify to receive borrowings from the Swiss governments COVID-19 bridging loan facility program.

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.

4. Revenues from contracts with customers

The Group has two forms of revenue streams. The first stream relates to product sales and the second stream of revenue is based on collaborative long-term research and development agreements where the Group grants access to technologies to a third party.

(a) Product sales

The Group's contracts for product sales generally includes one performance obligation. The Group has concluded that revenue from product sales should be recognized at the point in time when the control of the asset is transferred to the customer, generally at a point in time of delivery of products. The Group determines that the product sales are distinct, as the products are sold on a stand-alone basis. Therefore, no significant estimates or judgement inhere the timing of revenue recognition.

(b) Collaborative agreements

Collaborative agreements contain success and milestone payments for development activities and royalty fees on net sales from successfully developed and approved products. Milestone payments are contractually agreed and based on pre-defined performance goals. The Group provides the collaboration partner with a right to use the product as it exists at the point in time at which the access to the product is granted. In these cases, the respective performance obligations are satisfied at this point in time. The accomplishment of milestones by the counterparty cannot be specified upfront, therefore revenue is recognized when the counterparty confirms accomplishment of a milestone. Royalty payments are recognized as revenue at the time that the performance goal for product sales have been met.

in TCHF, for the six months ended June 30	2020	2019
Timing of revenue recognition		
Revenue recognized at a point in time	1,295	910
Revenue recognized over time	–	–
Total revenue from contracts with customers	**1,295**	**910**

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.

5. Segment reporting

The Group operates in one segment, focusing on the discovery, development and prospective commercialization of a new class of biopharmaceutical products that are intended for use in the treatment and prevention of chronic diseases. The segment is reported in a manner consistent with the internal reporting provided to the Executive Management Team, which is the chief operating decision-maker. Intercompany sales are carried out at arm's lengths and are eliminated on consolidation.

Analysis of revenues by country:

in TCHF, for the six months ended June 30	2020	2019
United States of America	1,251	875
United Kingdom	31	33
Other	12	2
Total	**1,295**	**910**

Analysis of revenues by category:

in TCHF, for the six months ended June 30	2020	2019
Product sales	1,295	910
Collaboration agreements	–	–
Total	**1,295**	**910**

Analysis of revenues by customer:

Revenue is mainly sourced from multiple customers, as the Group started commercialization of MagnetOs (Putty and Granules) mainly in the United States of America and Europe. There are three significant customers that represent each 8%, 13% and 47% of the Group's Product Sales.

Product sales

The product sales originate from contracts with customers and were recognized at the point in time (on delivery date) within the agreed terms and conditions. The contributed costs of goods sold consists of direct and indirect cost allocated to the production of each product sold. Payment terms for product sales are generally 30 days and in certain contracts with customers up to 60 days.

Revenue from collaborations

The Group may receive payments with respect to a licensing agreement, where it grants technology access to Checkmate, a third party. There is no additional impact which is not reflected in these interim financial statements. Payment terms are usually 30 days, the milestone payments are contractually agreed and are based on pre-defined performance goals.

The Group may receive up to USD 90 million in development milestones and may receive up to double-digit royalties on net sales from successfully developed products. As the revenues of the group are partly linked to revenues of the royalties from the counterparty, which are dependent on market demand, the revenues of the contract cannot be specified with a specific USD amount upfront.

Geographical segments:

Revenues from product sales and collaboration agreements are attributable to individual countries and are based on the location of each business partner, while Switzerland and the Netherlands contributed all material assets and liabilities. The US entity contributed less than 4% of the Group's assets and liabilities.

6. Seasonality

Operating costs are not exposed to substantial seasonal variations. Revenue from biotech companies may vary significantly throughout the year, since revenue is often linked to up-front payments, milestone, and license payments, as well as payments for delivery of drug substances, whereof the occurrence is variable. Product sales are dependent on the number of procedures performed and therefore may vary throughout the year.

7. Shareholders' equity

Options

For the six months ended June 30, 2020 and 2019, no options were exercised.

Change in capital structure

For the first six months ended June 30, 2020 no change in capital structure has been incurred and Kuros has not drawn tranches within the Agreement of Nice & Green. During the six months ended June 30, 2019, Kuros has drawn three tranches within the Agreement of "Nice & Green" see details as following.

Nice & Green Convertible bond financing agreement

Kuros announced on April 09, 2019 that it has entered into a convertible bond financing agreement with Nice & Green S.A. for up to CHF 5 million and can be extended by Kuros for an additional CHF 5 million over a further period of 12 months. The facility enables Kuros to draw 12 equal tranches representing 100,000 shares each over 12 months against issuance of convertible notes. The convertible notes are mandatory convertible into equity at the discretion of Nice & Green S.A. within a period of 12 months after their issuance, with a conversion rate of 95% of the lowest volume-weighted average price during the six trading days preceding the conversion date. The convertible notes bear no interest. Upon each conversion request Kuros has the option to reimburse the cash amount to Nice & Green, which will be calculated as Vn/0.98 where Vn is the receivable value of the convertible note that shall be reimbursed. The convertible bond financing agreement composes a series of compound instruments which are classified as financial liability since the attached conversion option is

settled by delivering a variable number of shares against a fixed amount of financial liability. To the extent Nice & Green has not requested conversion at the end of the respective conversion period, Kuros will have the right to request conversion.

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

8. 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.

9. 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, 2020 amounted to 1,228,904 with various exercise prices and expiry dates. Within the six months ended June 30, 2020, a total of 35,420 options expired, 23,317 options were forfeited, and 777,599 new options were granted. The group has not cancelled any grants due to COVID-19. As a result, the total number of options outstanding as at June 30, 2020 amounts to 1,947,766.

Total expenses for the share-based compensation for employees for the six months ended June 30, 2020 amounted to TCHF 395 (TCHF 281 for the six months ended June 30, 2019).

10. Cash, cash equivalents and financial assets

The Group considers all short-term, highly liquid investments convertible into known amounts of cash with original maturities of three months or less at the date of the purchase to be cash equivalents. The cash flow statement is based on cash and cash equivalents. Due to the current low interest rate of fixed deposits, the Group has not made any investments in financial assets in the six months ended June 30, 2019 and 2020.

11. Intangible assets and goodwill

Licensing: Licensing includes out-licensing agreements acquired in a business combination. Such agreements allow for future milestone and royalty payments from the licensees based on the development of the related licensed products. The cost of licensing represents the fair value of the out-licensing agreement at acquisition. Licensing is amortized over the term of the underlying agreement.

Currently Marketed Products: Currently Marketed Products (CMP) comprise of products acquired in a business combination which have achieved technical feasibility and market clearance from the US Food and Drug Administration or the European Medicines Agency or a comparable regulatory authority and are in the process of being marketed. The cost of CMP represents the fair value at acquisition. The CMP assets are amortized over their estimated remaining useful lives which has been based on the relevant expected patent expiration years.

In-Process Research & Development: In-Process Research & Development (IPR&D) comprise of products which were acquired in a business combination and have not yet achieved market approval. The cost of IPR&D represents the fair value at acquisition. The IPR&D assets will only be amortized after approval/product launch and are tested for impairment until that time.

in TCHF	Goodwill	Licensing	CMP	IPR&D	Software	Total

Historical, costs						
January 1, 2020	33,860	8,025	27,968	642	33	70,528
Additions	–	–	–	–	146	146
Exchange differences	(144)	–	(392)	(9)	–	(545)
June 30, 2020	**33,716**	**8,025**	**27,576**	**633**	**179**	**70,129**
Accumulated amortization						
January 1, 2020	–	(5,371)	(3,376)	–	(1)	(8,748)
Amortization charge	–	(264)	(832)	–	(13)	(1,109)
Exchange differences	–	–	48	–	–	48
June 30, 2020	**–**	**(5,635)**	**(4,160)**	**–**	**(14)**	**(9,809)**
Net book value as at June 30, 2020	**33,716**	**2,390**	**23,416**	**633**	**165**	**60,320**

in TCHF	Goodwill	Licensing	CMP	IPR&D	Software	Total
Historical, costs						
January 1, 2019	34,241	8,025	29,016	666	–	71,948
Exchange differences	(158)	–	(433)	(10)	–	(601)
June 30, 2019	**34,083**	**8,025**	**28,583**	**656**	–	**71,347**
Accumulated amortization						
January 1, 2019	–	(4,844)	(1,750)	–	–	(6,594)
Amortization charge	–	(264)	(880)	–	–	(1,144)
Exchange differences	–	–	44	–	–	44
June 30, 2019	**–**	**(5,108)**	**(2,586)**	**–**	**–**	**(7,694)**
Net book value as at June 30, 2019	**34,083**	**2,917**	**25,997**	**656**	**–**	**63,653**

12. Impairment test

In December 2019 and when circumstances indicated that the carrying value may be impaired, the Group performed an impairment test. Basis for the impairment test for goodwill and intangible assets with indefinite lifetime is the value-in-use calculation (discounted cash-flow). The key assumptions used to determine the value-in-use for the cash generating unit (CGU) were disclosed in the annual consolidated financial statements for the year ended December 31, 2019.

A key element for the indication of an impairment is the relation of market capitalization and the CGU's book value. As at June 30, 2020 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, the management performed an impairment test as at June 30, 2020.

The Group's calculated recoverable amount exceeded the carrying amount. To reflect the current state of the Group's business activities, the projected cash flows, WACC and probability assumptions were updated. All other key assumptions are consistent and the sensitivity to changes in assumptions did not indicate significant changes with those disclosed in the annual financial statements for the year ended December 31, 2019. The management concluded that no impairment charge is recognized as the recoverable amount exceeds the carrying value of the CGU.

13. Leases

The Group leases office and production premises which are fully recognized as lease liabilities and right-of-use assets. Rental

periods are entered for fixed periods of 10 years and contain 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:

in TCHF, first six months ended in	Right-of-use assets	Lease liabilities
Beginning balance as at January 1, 2020	**2,237**	**(2,388)**
Depreciation	(161)	
Principal elements of lease payments		134
Remeasurements	224	(224)
Exchange differences	(32)	33
Ending balance as at June 30, 2020	**2,268**	**2'445**

14. Pension Plan

Settlement

In 2019, the Company, Kuros Biosciences AG had personnel fluctuations mainly due to the restructuring in the Swiss entities and the Group's refocus on orthobiology (spine). This decrease has been qualified as settlement. The settlement date has been recognized as of May 31, 2019 whereof a gain of TCHF 549 has been recognized through profit and loss. In the first six months of 2020 there has been no settlement recorded.

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

Movements in TCHF	2020
Net liability as at January 01, 2020	**(727)**
Service costs and employer's contribution	(34)
Net financial result	(1)
Actuarial gain	48
Net liability as at June 30, 2020	**(714)**

15. Borrowings

In April 2020, the Group entered into a loan facility within the Paycheck Protection Program of the US. There are no payments due during the first six-months period of the loan facility. The loan may be repaid at any time without payment of any penalty or premium until maturity date of the loan grant. The loan is a fixed rate of, TUSD 108 currency denominated loan which is carried at amortized cost. Forgiveness of the loan and interest charges depends on whether the forgiveness criteria are met by the Group and may be granted upon request.

16. Financial result

Financial costs of TCHF 298 (first half 2019: TCHF 303) and Financial income of TCHF 168 (first half 2019: TCHF 60) mainly comprise of the foreign exchange losses/gains on financial positions.

17. 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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