



# 2020 Annual Report

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*“Our focus is on revolutionizing the field of orthobiologics by developing bone grafts that deliver both targeted and controlled bone healing.”*

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# Highlights of the last 15 months

Dates correspond to the official announcements.

<b>January 30<sup>th</sup>, 2020</b>	Kuros reports publication of MagnetOs preclinical data demonstrating superiority to market-leading synthetic bone grafts in spinal fusion
<b>March 18<sup>th</sup></b>	Kuros strengthens orthobiologics patent portfolio
<b>March 26<sup>th</sup></b>	Kuros Biosciences reports results for the full year 2019
<b>April 21<sup>st</sup></b>	Annual General Meeting of Kuros Biosciences approves all resolutions
<b>July 22<sup>nd</sup></b>	Kuros Biosciences further strengthens orthobiologics patent portfolio
<b>August 12<sup>th</sup></b>	Kuros Biosciences Reports Results for First Half 2020
<b>September 1<sup>st</sup></b>	Kuros Biosciences Announces Treatment of the First Patient in its Spinal Fusion Trial with Fibrin-PTH
<b>September 9<sup>th</sup></b>	Kuros Biosciences' licensee Checkmate Pharmaceuticals completes its IPO on NASDAQ
<b>September 11<sup>th</sup></b>	Kuros Convenes Extraordinary General Meeting
<b>October 5<sup>th</sup></b>	Kuros announces all agenda items were approved at its Extraordinary General Meeting today and launches a discounted-rights offering expected to raise up to CHF 15.2 million of gross proceeds
<b>October 6<sup>th</sup></b>	Kuros Biosciences to present new data on the role of osteoimmunology in bone formation at NASS 2020 Annual Meeting
<b>October 15<sup>th</sup></b>	Kuros provides an update on the planned Capital Increase
<b>October 19<sup>th</sup></b>	Kuros announces results of Rights Offering
<b>October 20<sup>th</sup></b>	Kuros announces final result of capital increase – total gross proceeds of CHF 18.6 million raised
<b>November 20<sup>th</sup></b>	Kuros Biosciences wins 2020 Spine Technology Award from Orthopedics This Week
<b>March 2<sup>nd</sup>, 2021</b>	Kuros Biosciences announces MagnetOs sales and distribution agreements across Northern Europe
<b>March 10<sup>th</sup></b>	Kuros Biosciences to present at upcoming clinical and investor conferences

# Dear Shareholders

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The year 2020 will be remembered for COVID-19 and its fundamental challenges. Kuros was impacted by reductions in elective surgery in the first half of 2020, but we experienced a strong bounce-back in the second half of the year. Our results showed CHF 4.1m revenues in FY 2020, an increase of 58% compared to 2019, despite headwinds due to the pandemic. We are proud of the resilience and dedication of our employees, who have shown outstanding flexibility in getting used to the 'new normal' of working mainly from home.

We have now fully transformed to a clinical and commercial-stage biotech company and continue to clearly focus on further developing our two core pillars, the commercial product MagnetOs™ and Fibrin-PTH, in clinical development for spinal fusion. Our position as leader in the field of orthobiologics has been further strengthened by the granting of US patents related to both PTH containing matrices for spinal fusion, as well as the preparation of osteoinductive materials (i.e. MagnetOs™).

Early in 2020, we published preclinical data on MagnetOs™, demonstrating superiority to market-leading synthetic bone grafts in spinal fusion in a head-to-head study. This study was published in a surgeon focused journal, Clinical Spine Surgery, and was also presented by a leading academic expert at the North American Spine Society (NASS), the largest annual meeting of spine surgeons.

At NASS, we also presented new data on the role of osteoimmunology in bone formation, demonstrating the way Kuros is pioneering next generation bone graft materials with targeted and controlled bone healing. At the same meeting, a prominent spine surgeon also shared his positive clinical experience of MagnetOs™ bone graft.

An important milestone was reached in Q3 2020 with the treatment of the first patient in the STRUCTURE phase 2 spinal fusion trial with Fibrin-PTH, which is addressing a major commercial opportunity. This is the first investigational trial of a drug-biologic bone graft for spine fusion and is being conducted in the U.S. The trial compares Fibrin-PTH (KUR-113) with local autograft and has a primary endpoint of radiographic interbody fusion at 12 months.

The year culminated with a successful capital increase, where we raised total gross proceeds of CHF 18.6 million to accelerate and advance the commercial roll-out of MagnetOs which, based on current performance, is expected to become cash flow positive for the Company by the end of 2022. The proceeds also allow for further clinical development of Fibrin-PTH, which targets a substantial clinical need in orthopedics and neurosurgery. This includes completion of the STRUCTURE clinical Phase 2 study, as well as preparations for Phase 3 clinical development.

We would like to thank our former Director Jason Hannon for his services to the Board. We are proud to have received several noteworthy awards which recognize Kuros' leadership in orthobiologics. These include the 2020 Spine Technology Award from Orthopedics This Week, an industry-leading award recognizing Kuros' Fibrin-PTH (KUR-113) technology, and GHP Magazine's 2020 International Life Science Award.

Despite the headwinds experienced due to COVID-19, Kuros has had a successful year of commercial, clinical and financial progress and we look forward to 2021 with confidence. Although the pandemic continues to pose major challenges for us all, we continue to work on targeted measures to minimize the impact. As a Company, we have defined measures worldwide to protect the health and safety of our employees and are deeply grateful for the dedication of our talented employees and the trust and support of our patients and shareholders.

Best wishes to you all,

**Prof. Dr. Clemens van Blitterswijk**  
Chairman of the Board

**Prof. Dr. Joost de Bruijn**  
Chief Executive Officer



# Our focus is on revolutionizing the field of orthobiologics by developing bone grafts that deliver both targeted and controlled bone healing.

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## Kuros Biosciences Ltd

Kuros is a group with a focus on bone repair and regeneration (orthobiology). The Group has developed commercial-stage products and a pipeline of product candidates at various stages of pre-clinical and clinical development. The most advanced orthobiology programs are targeting commercially attractive opportunities in the spinal field. Our initial focus is in the spinal field because there are unmet needs of patients and surgeons in the bone graft substitute market and the benefits of our technologies align perfectly to the evolving needs of the spinal surgeon community. In addition to many years of substantial work in the preclinical setting, Kuros has enrolled over 400 patients in multi-national clinical trials and generated promising data supporting the safety and efficacy of its product candidates in a number of indications.

## The field of Orthobiologics

There is a requirement for bone generation in many different clinical situations, including during fracture repair, joint replacement and treatments where bones need to be fused together such as in spinal fusion. Bone generation is usually promoted by applying a bone graft or a bone graft substitute into the space where the new bone is required. Bone graft can either be the patient's own bone (autograft) or suitably processed bone from another individual (allograft). Autograft is bone that is surgically transplanted from a healthy site of a patient's body. This surgical transplantation has the potential for significant morbidity for the patient and increases surgery time and costs. While allograft does not share these disadvantages, it is processed cadaveric tissue, which is much less efficacious than autograft. Bone graft substitutes represent efficient and cost-effective alternatives to autograft or allograft. Two major categories of bone graft substitutes are synthetics and growth factor-based products. Kuros has advanced products in each of these categories. Kuros' leading orthobiologic products and product candidates place current suboptimal synthetic and growth factor-based solutions by new, innovative products that address the shortcomings of existing products in each of these product groups.

Many patients suffer from chronic back pain due to degeneration, trauma or instability of the spine. When the pain can no longer be addressed by conservative treatment, a common solution is to fuse two or more vertebrae, i.e. perform a spinal fusion. This is achieved by removal of the damaged disc, placement of a titanium or PEEK (polyether ether ketone) implant for immediate post-operative stability and implantation of a bone graft or bone graft substitute to promote bone growth between the vertebrae for long-term stability and pain relief.

## Our products and product candidates for spinal fusion

The MagnetOs™ product range is based on a unique submicron surface technology that stimulates the body to form bone rather than scar tissue, as is often seen for other synthetic bone grafts currently available on the market. Fibrin-PTH is a drug-based technology that allows controlled and targeted release of PTH, a bone stimulating growth factor. Both orthobiologic solutions are unique in that they instruct the body to form bone with the goal to improve the success rates of spinal fusion.

### MagnetOs™ Product Family – surface topography instructed bone formation

MagnetOs™ is Kuros' family of surface structured bone graft substitutes that is available in various forms in order to meet the different needs of surgeons and clinical situations. Kuros has market clearance for both MagnetOs™ Granules and MagnetOs™ Putty in both the EU (CE-mark) and US (FDA 510(k)) as a bone void filler for use in the spine. Kuros' proprietary MagnetOs™ bone graft technology comprises biphasic calcium phosphate with an advanced submicron surface topography that directs bone formation after implantation. With its unique topography, it preferentially directs early wound healing toward the bone-forming pathway, resulting in predictable healing, reliable fusions and an osteoinductive claim in Europe.

MagnetOs™ (CE Mark/510(k))	Therapeutic area	Preclinical	Registration	Market Clearance
Granules EU	Spine (all indications)	████████████████████	████████████████████	████████████████████
Granules US	Spine (PLF)	████████████████████	████████████████████	████████████████████
Putty EU	Spine (all indications)	████████████████████	████████████████████	████████████████████
Putty US	Spine (PLF)	████████████████████	████████████████████	████████████████████

### Fibrin-PTH (KUR-113) Interbody Fusion Product Candidate

Kuros' Fibrin-PTH-based product candidates are designed to promote controlled and targeted bone formation. Such products are applicable in a number of clinical situations, including fracture repair and bone fusion. All members of this product family contain fibrin sealant and a variant of parathyroid hormone (PTH). Both components are medicinal products with a significant history of safe use. Kuros is combining these known and safe products in a novel patent protected way to produce new products. Kuros' Fibrin-PTH product candidate for spinal fusion is KUR-113.

Fibrin/PTH (NDA/MAA)	Therapeutic area	Preclinical	Phase I	Phase II	Phase III
KUR-113	Spinal interbody fusion*	████████████████████	████████████████████	████████████████████	████████████████████

\* KUR-113 directly entered into a Phase II clinical study in spine utilizing safety data from tibial shaft fracture trial

Fibrin-PTH (KUR-113) consists of a natural healing matrix (fibrin sealant) combined with a bone growth factor (TgP1PTH<sub>1-34</sub>, a variant of parathyroid hormone). Fibrin-PTH (KUR-113) has great potential in spinal surgery and is applied into and around an interbody spinal cage. Non-clinical studies have shown that administration of Fibrin-PTH (KUR-113), induces a response from the adjacent vertebrae that facilitates fusion through the cage. Also, as mentioned below, KUR-113 has shown significant efficacy in a clinical study in tibial shaft fractures. Clinical studies of Fibrin-PTH (KUR-113) for interbody spinal fusion are currently underway with the first patient treated in Q3 2020.

## Our products and product candidates for other indications

### MagnetOs™ Product Family – surface topography instructed bone formation

In addition to approval for use in spine, Kuros has market clearance for MagnetOs™ Putty for use as a bone void filler in orthopaedics in both the EU (CE-mark) and US (FDA 510(k)). In addition, MagnetOs Granules™ and MagnetOs Putty™ are cleared for use in dental indications in the EU.

MagnetOs™ (CE Mark/510(k))	Therapeutic area	Preclinical	Registration	Market Clearance
Granules EU	Orthopaedics & dental	████████████████████	████████████████████	████████████████████
Putty EU	Orthopaedics & dental	████████████████████	████████████████████	████████████████████
Putty US	Orthopaedics	████████████████████	████████████████████	████████████████████

### Fibrin-PTH Product Candidates in Trauma Indications

Kuros has two Fibrin-PTH product candidates in trauma indications, KUR-111 and KUR-113.

KUR-111 has been specifically designed as a bone graft substitute that safely and effectively regenerates bone without having to resort to an autograft. KUR-111 incorporates three key components: a natural healing matrix (fibrin sealant), with a potent targeted drug (TGpPTH<sub>1-34</sub>, a variant of parathyroid hormone), and a structural ceramic. The combination of the three components provides the key efficacy and safety profile to address the medical need of e.g. tibial plateau fractures. In addition, KUR-111 is designed as an easy-to-use device, forming a paste that can be easily administered into the fracture voids as required. The material polymerizes in situ and adopt the shape of the defect and form a perfect space filling graft substitute that resists compression. In a large, randomized, multinational, Phase 2b study in patients with tibial plateau fractures requiring grafting, KUR-111 met the primary efficacy endpoint (statistical non-inferiority to gold standard autograft) demonstrating its potential as a safe and effective treatment for severe bone trauma, such as tibial plateau fractures.

In addition to spine fusion, KUR-113 addresses trauma procedures in which no bone graft substitute is applied during surgery. For trauma procedures, the product candidate is applied directly into the fracture's gaps. The product initially forms a gel which further polymerizes in situ. These properties allow the material to infiltrate fracture sites without disturbing the surrounding tissue. KUR-113 has completed a large, randomized, well-controlled, multinational Phase 2b study for open tibial shaft fractures in which it met its primary endpoint demonstrating improvement over standard of care.

Fibrin/PTH (NDA/MAA)	Therapeutic area	Preclinical	Phase I	Phase II	Phase III
KUR-111	Tibial plateau fractures	████████████████████	████████████████████	████████████████████	████████████████████
KUR-113	Tibial shaft fractures	████████████████████	████████████████████	████████████████████	████████████████████

## Non-core products and product candidates: Surgical Sealants

Neuroseal (CE Mark/PMA)	Initial indications	Nonclinical	Pilot	Pivotal	Registration
EU	Dural sealant (cranial)				
US	Dural sealant (cranial)				

Sealants provide rapid and reliable closure of tissue membranes to ensure functional integrity after surgery or trauma. Surgical sealants are used where leakage of body fluids or gases have to be minimized. Examples are blood vessels, the gastrointestinal tract, lobes of the lung or of the Dura mater surrounding the brain and spinal cord.

Neuroseal is a synthetic tissue sealant for the prevention of cerebrospinal fluid leakage following cranial or spinal surgery. It is based on two synthetic polymers that cross-link in-situ, at the site of administration, to seal the treated tissue. The novel sealant has a number of features such as ease of administration, reliable and pressure resistant rapid closure of the damaged tissues and low swelling.

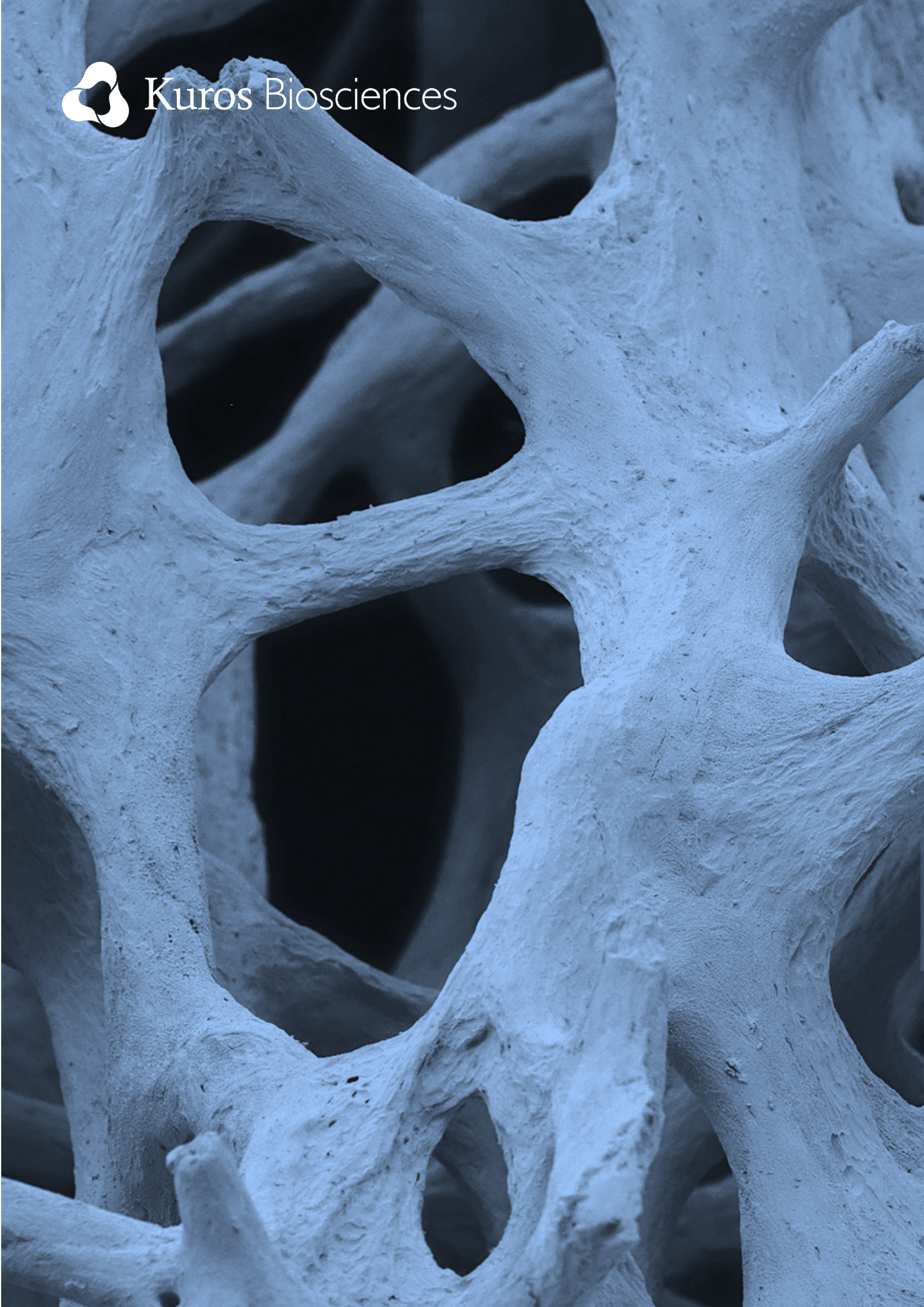
In 2017, Kuros received market clearance (CE-mark) for Neuroseal in the EU to seal the dura after cranial surgery. The Dura is a membrane surrounding the brain and spine that separates the central nervous system from the rest of the body. It acts as a protective barrier for the brain and spinal cord ensuring they remain bathed in the cerebrospinal fluid, which is essential for the healthy functioning of the central nervous system. During most cranial and some spinal surgeries, the dural membrane is cut or torn and thus the watertight closure is compromised. Complications include increased risk of infection (meningitis), delayed wound healing and pain. These may then result in safety risks to the patient, longer hospitalizations and associated increase in healthcare costs. A multinational clinical trial in the EU demonstrated Neuroseal's safety and utility when it rapidly sealed the leaking Dura in all 40 evaluable cases after a single application. All clinical end-points were met with no safety issues observed.







Kuros Biosciences



# Corporate Governance Report 2020

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## Preface and Important Information

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

Kuros is incorporated in Switzerland and is the ultimate parent company of the Group since January 18, 2016.

As of December 31, 2020, the total headcount of the Group amounted to 46 employees. The legal domicile of the Company headquarter is Wagistrasse 25, 8952 Schlieren, Switzerland.

The Board of Directors (“Board”) approved these consolidated financial statements on March 17, 2021.

The information published below conforms to the Corporate Governance Directive (“DCG”) of the SIX. The numbering of the subsections was made based on the DCG.





## Group Structure and Shareholders (DCG 1)

### Group structure (DCG 1.1)

The group structure is as follows:

- 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% of the shares of RevisiOs B.V. (Bilthoven, Netherlands)
  - Kuros Biosciences Inc. (Burlington, USA)

Security number	1 102 521
ISIN	CH0325814116
Ticker symbol	KURN
Market capitalization on December 31, 2020	CHF 66.3 million

The Company is a corporation established under Swiss law with its registered office in Schlieren, Switzerland. As of December 31, 2020 the Group consists of the parent company Kuros Biosciences AG and four non-listed subsidiaries:

Name	Share capital
Kuros Biosurgery AG, Schlieren, Switzerland	CHF 435,459.00
Kuros Biosciences B.V., Bilthoven, The Netherlands	EUR 18,000.00
RevisiOs B.V., Bilthoven, The Netherlands	EUR 22,000.00
Kuros Biosciences USA Inc., Burlington, USA	USD 25

### Significant shareholders (DCG 1.2)

According to disclosure notifications filed with the Company to the SIX, the following Shareholders hold more than 3% of the share capital of the Company as of December 31, 2020.

Name	Shareholding / Purchase Positions*
Incubation B.V., Bilthoven, the Netherlands/ Aldabra B.V., Amersfoort , The Netherlands/ Optiverder BV, Delft, The Netherlands and one other person**	25.6 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	11.6 %
APO Asset Management	4.6 %
LSP V Coöperatieve U.A, Amsterdam, The Netherlands	4.6 %
Banque Pictet & Cie SA, Geneva, Switzerland	4.3 %

\* The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website as at December 31, 2020 (as indicated below).

\*\* Incubation B.V., (3.4%) Aldabra B.V.(3.5%), Optiverder B.V.(17.6%) and one other person (1.1%) formed a lock-up as of December 31, 2020. Information on disclosure notifications during the year under review, concerning the significant shareholders and the financial instruments in particular may be found on the SIX website on:

[www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html)

As of December 31, 2020, the company holds purchase positions of 0.1% and sale positions of 6.5%.

The Company has not entered into any agreement with any Shareholder regarding the voting or holding of shares.

To the knowledge of the Company, no Shareholders are linked by any shareholder agreement.

### Cross-shareholdings (DCG 1.3)

There are no cross-shareholdings.

## Capital Structure as of December 31, 2020 (DCG 2)

The capital structure of the Company is as per the excerpts below from the articles of association (the "Articles") as of October 21, 2020, valid as of December 31, 2020, available on the Company's website at:

<https://kurosbio.com/resources/articles-of-association/>

### Capital (DCG 2.1)

"Art. 3a Share Capital and Shares

<sup>1</sup> The share capital of the Company is CHF 32'811'378.00 and fully paid-in. It is divided into 32'811'378 registered shares with a nominal value of CHF 1.00 each.

<sup>2</sup> Registered shares may be converted into bearer shares and bearer shares may be converted into registered shares by a resolution of the General Meeting."

### Conditional capital (DCG 2.2)

"Art. 3b Conditional Share Capital for Bonds or Similar Debt Instruments

<sup>1</sup> The share capital of the Company shall be increased by a maximum amount of CHF 673,462 through the issue of a maximum of 673,462 registered shares, payable in full, each with a nominal value of CHF 1 through the exercise of conversion and/or option rights granted in connection with bonds or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments. The maximum number of registered shares that may be issued pursuant to this paragraph 1 shall be reduced to such extent as the Board of Directors issues registered shares pursuant to Art. 3d para. 1 (Authorized Share Capital).

<sup>2</sup> Shareholders' subscription rights for these shares are excluded. Shareholders' advance subscription rights with regard to the new bonds or similar instruments may be restricted or excluded by decision of the Board of Directors in order to finance or re-finance the acquisition of companies, parts of companies or holdings, or new investments planned by the Company, or in order to issue convertible bonds or similar instruments on the international capital markets or through private placement. If advance subscription rights are excluded, then (1) the instruments are to be placed at market conditions, (2) the exercise period is not to exceed ten years from the date of issue of option rights and twenty years for conversion rights and (3) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued.

<sup>3</sup> The acquisition of registered shares through the exercise of conversion or option rights and any transfers of registered shares shall be subject to the restrictions specified in Article 4 of the Articles of Association."

"Art. 3c Conditional Share Capital for Employees, Persons of comparable Positions and Board Members

<sup>1</sup> The share capital of the Company increases in the nominal value of up to CHF 248,389.00 by issuance of up to 248,389 fully paid-in registered Shares with a nominal value of CHF 1.00 each, subject to the exercise of options granted by the Company to employees of the Company or its subsidiaries, persons of a comparable position and Board members under the employee participation plans, in force until the end of the year 2015.

The share capital of the Company furthermore increases in the nominal value of up to CHF 2,000,000.00 by issuance of up to 2,000,000 fully paid-in registered Shares with a nominal value of CHF 1.00 each, subject to the exercise of options granted by the Company to employees of the Company or its subsidiaries, persons of a comparable position and Board members under the employee participation plans, in force starting from the year 2016.



2 The pre-emptive rights of the shareholders shall be excluded. The conditions of the grant of the options, as the amount of the issue of the shares, the time of the entitlement for dividends as well as the kind of contribution, shall be determined by the Board of Directors in the form of special rules (Stock Option Plans).

3 The further transfer of the registered Shares acquired by the exercise of the options rights under this article shall be subject to the restrictions of Article 4 of these Articles of Association."

## Authorized capital (DCG 2.2)

### "Art. 3d Authorized Share Capital

1 The Board of Directors is authorized, at any time until July 16, 2021, to increase the share capital by a maximum of CHF 673,462.00 through the issuance of a maximum of 673,462 registered shares, to be fully paid up, with a nominal value of CHF 1.00 each. Increases by underwriting as well as partial increases are permissible. The issue price, the time of dividend entitlement, and the type of contribution will be determined by the Board of Directors. Upon acquisition, the new shares will be subject to the transfer restrictions pursuant to Art. 4 of the Articles of Association. The contribution may also be made by conversion of available reserves (including also the amount of the capital contribution reserve exceeding the legal requirements of the Swiss Code of Obligations for legal reserves) into share capital, provided that an audited statutory balance sheet evidences the availability of such reserves and is not older than six months at the time of the completion of the capital increase; the amount, which may be converted from the reserves into share capital for the purpose of an authorized capital increase, may not exceed CHF 4,000,000.00. The maximum number of registered shares that may be issued pursuant to this paragraph 1 shall be reduced to such extent as the Board of Directors issues registered shares pursuant to Art. 3b para. 1 (Conditional Capital Increase for Bonds or Similar Debt Instruments). The maximum number of registered shares that may be issued pursuant to this paragraph 1 shall be reduced to such extent as the Board of Directors issues registered shares pursuant to Art. 3b para. 1 (Conditional Capital Increase for Bonds or Similar Debt Instruments).

2 The Board of Directors is authorized to exclude the pre-emptive right of shareholders if the newly issued registered shares (a) are at disposal as shares in the context of a preemptive rights offering in which more preemptive rights are exercised than shares are at disposal, or (b) for the acquisition of companies, business units or participations through exchange of shares, or (c) for financing or refinancing of the acquisition of companies, business units or participations, or (d) for investment projects and/or investment vehicles which are applied in national or international capital markets or for a quick and flexible raising of capital (including private placements) which probably could not be reached without the exclusion of the statutory pre-emptive right of the existing shareholders.

3 If the Company assumes obligations to serve convertible bonds or loans or option bonds in the context of company takeovers or investment projects, the Board of Directors is obliged to issue new shares under exclusion of the pre-emptive right of the shareholders in order to fulfill delivery obligations.

4 If pre-emptive rights have been granted but not exercised for registered shares, such shares must be used in the interest of the Company or must be sold at market conditions on the market."

## Changes in capital (DCG 2.3)

Description of changes in capital that have taken place within the last three financial years:

in TCHF, IFRS	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	Total
<b>January 1, 2018</b>	<b>8,171</b>	<b>104,153</b>	–	<b>17,973</b>	<b>(59,889)</b>	<b>2,732</b>	<b>73,140</b>
Loss for the period					(11,693)		(11,693)
Other comprehensive income					204	(862)	(658)
Capital increases, net	6,888	7,862					14,750
Share based payment				675			675
Treasury shares purchased			(62)				(62)
Treasury shares sold		211	45		75		331
<b>December 31, 2018</b>	<b>15,059</b>	<b>112,226</b>	<b>(17)</b>	<b>18,648</b>	<b>(71,303)</b>	<b>1,870</b>	<b>76,483</b>
Revaluation of lease agreements					(83)		(83)
<b>At January 1, 2019</b>	<b>15,059</b>	<b>112,226</b>	<b>(17)</b>	<b>18,648</b>	<b>(71,386)</b>	<b>1,870</b>	<b>76,400</b>
Loss for the period					(11,252)		(11,252)
Other comprehensive income					(179)	(957)	(1,136)
Capital increases, net	7,411	5,934					13,345
Share based payment				498			498
<b>At December 31, 2019</b>	<b>22,470</b>	<b>118,160</b>	<b>(17)</b>	<b>19,146</b>	<b>(82,817)</b>	<b>913</b>	<b>77,855</b>
<b>At January 1, 2020</b>	<b>22,470</b>	<b>118,160</b>	<b>(17)</b>	<b>19,146</b>	<b>(82,817)</b>	<b>913</b>	<b>77,855</b>
Loss for the period					(11,520)		(11,520)
Other comprehensive income					65	207	272
Capital increases, net	10,341	6,901					17,242
Share based payment				752			752
<b>At December 31, 2020</b>	<b>32,811</b>	<b>125,061</b>	<b>(17)</b>	<b>19,898</b>	<b>(94,272)</b>	<b>1,120</b>	<b>84,601</b>

For further information, see the consolidated statements of change in Shareholders' equity.

## Shares and participation certificates (DCG 2.4)

The Company has only one class of shares, i.e. registered shares with a nominal value of CHF 1.00 each. Each share is fully paid-in and carries one vote and equal dividend rights with no privileges. The Company has no outstanding participation certificates.

The Company's shares are not certified. Shareholders are not entitled to request printing and delivery of share certificates; however, any Shareholder may at any time request the Company to issue a confirmation of its shareholding.

## Dividend-right certificates (DCG 2.5)

The Company has not issued any dividend-right certificates.

## Limitations on transferability and nominee registrations (DCG 2.6)

If buyers of registered shares explicitly declare in the request for registration that they have bought the registered shares in their own name and for their own account, they shall be registered in the share register as Shareholders with voting rights. Article 4 of the Articles provides that shareholders may register their shares in the name of a nominee ("Nominee") and may exercise their voting rights by giving instructions to the Nominee to vote on their behalf. However, a Nominee holding more than 3% of the Company's share capital may be registered only if the identity of the beneficial owners of shares claiming 0.5% or more of the Company's share capital is disclosed.

To remove or amend the above-mentioned limitations on transferability and nominee registrations, the approval of (i) at least two-thirds of the votes represented and (ii) the majority of the represented share capital at the respective General Meeting would be required.

### Convertible bonds and options (DCG 2.7)

As of December 31, 2020, the Company has no outstanding convertible loans.

The following table applies to all valid share options outstanding on December 31, 2020:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.88	2,500	3.7	782
2.00	272,427	4.9	272,427
2.09	756,500	4.2	–
2.27	2,500	4.7	2,500
2.30	10,968	4.7	10,968
2.42	37,875	3.4-3.8	19,125
2.45	12,531	4.1-4.7	12,531
2.76	99,385	3.2	99,385
2.95	158,150	3.8	39,537
3.09	15,000	2.9	15,000
3.12	8,406	3.9	8,406
5.00	15,000	2.8	15,000
8.2	2,500	2.7	1,408
9.26	45,533	2.5	24,050
10.2	47,500	2.5-3.6	35,473
12.1	90,768	2.1	39,711
18.3	66,623	1.5	66,623
24.00	110,200	0.4	110,200
26.00	15,000	0.1	15,000
27.75	20,000	0.6	20,000
33.00	46,845	0.5	46,845
42.00	25,000	0.2	25,000
45.00	14,984	Up to 0.7	14,984
52.00	11,093	Up to 1.5	11,093
<b>Total</b>	<b>1,887,288</b>		<b>906,048</b>

\* Includes all options granted within the Group

The total 1,887,288 outstanding options represent CHF 1,887,288.00 of nominal capital. Each option entitles the option holder to purchase one share. For further details please see note 23 to the consolidated financial statements.

## Board of Directors (DCG 3)

### Members of the Board of Directors (DCG 3.1)

Name Position, nationality	Year of birth	First elected	Elected until	Compensation Committee	Nomination & Corporate Governance Committee	Audit Committee	Research & Development Committee
Clemens van Blitterswijk, PhD Chairman, The Netherlands	1957	2017	2021				⊙
Leanna Caron, MBA Vice-Chairperson, Canada	1968	2016	2021	✉	✉		
Scott Bruder, MD Member, USA	1962	2018	2021			⊙	✉
Oliver Walker, MBA Member, Switzerland	1969	2018	2021		⊙	✉	
Joost de Bruijn Member, The Netherlands	1966	2018	2021				
Jason Hannon <sup>1</sup> Member, USA	1972	2018			⊙	⊙	

✉ Chairman

⊙ Member

<sup>1</sup>until April 21, 2020

### Clemens van Blitterswijk

Professor Clemens van Blitterswijk, PhD, serves as Chairman of the Board of Directors of the Company. He is the Department Chair and Professor at MERLN Institute for Technology-Inspired Regenerative Medicine at Maastricht University, The Netherlands. Prof van Blitterswijk has founded nine companies over the years. He has authored and co-authored over 350 scientific papers and is inventor on more than 100 patents. He has published three books as an editor, and contributed to many more as a contributing author. Prof van Blitterswijk is a biologist by training and has a PhD in Medicine from Leiden University, the Netherlands.

### Leanna Caron

Leanna Caron is the Vice-Chairperson of the Company. A global business executive, Leanna Caron has extensive experience in the pharmaceutical and medical devices industries. She is a respected sales, marketing, business development, and overall general management leader with demonstrated effectiveness in corporate governance. Ms. Caron currently serves as Vice Chair of the Board of the Company and is an advisor to the board of directors of CartiHeal, an Israeli medical device company focused on cartilage regeneration and osteoarthritis. She is also President and Chair of the board of directors for Skate Canada, the largest and longest standing figure skating organization in the world. Previous positions include executive vice president and chief commercial officer at AgNovos Healthcare, overseeing all aspects of global commercial development, commercialization, and corporate communications; Vice President and General Manager at Sanofi, overseeing the global commercial operations for Cell Therapy & Regenerative Medicine. Ms. Caron has also held senior positions at Genzyme and Merck in the United States, Canada, and Europe, and has led several international teams to successfully launch niche/orphan and blockbuster products globally. She received her pharmacy degree from the University of Toronto, Canada, and her MBA from Concordia University, Montreal, Canada, and Cornell University, Ithaca/NY, USA.

## Scott Bruder

Scott P. Bruder, MD, PhD, has enjoyed a long and distinguished career in the discovery, development and commercialization of products to diagnose and treat patients around the world. He founded the Bruder Consulting & Venture Group in 2014 after 25 years in the industrial sector, serving in the c-suites of Stryker Corporation as the Chief Medical and Scientific Officer, and at Becton, Dickinson and Company as the Chief Science and Technology Officer. Previously, while at Johnson & Johnson, he and his team built a portfolio of tissue repair products for the DePuy franchise before establishing a new business unit known as J&J Regenerative Therapeutics, LLC. In addition to his tenure through industry, Dr. Bruder has maintained an active academic presence, serving as a Professor of Biomedical Engineering at Case Western Reserve University, USA since 2011, after 13 years as faculty in the Department of Orthopaedic Surgery. Dr. Bruder holds an Honors ScB from Brown University, USA, both an MD and PhD from Case Western Reserve University, and received post-graduate clinical training at Albert Einstein Medical Center and the University of Pennsylvania, USA.

## Oliver Walker

Oliver Walker is a senior executive with more than 20 years of experience in international companies, both listed and privately-held, and was active in high growth industries and mature industries alike. Currently, he is CEO of Evolva, a Swiss stock listed industrial biotech company, and serves on the board of several privately-owned companies.

Amongst other senior positions he was previously Executive Vice President and CFO of several leading Life Science Companies, including Sivantos (Singapore), Nobel Biocare, Sonova, and Stratec Medical (all Switzerland). Oliver Walker holds a MSc in Business Administration & Economics from the University of Berne, Switzerland. Mr. Walker is a Swiss citizen.

## Joost de Bruijn

Joost de Bruijn, PhD, is currently Chief Executive Officer of the Company. Dr. de Bruijn founded Xpand Biotechnology B.V. in 2005 (renamed to Kuros Biosciences B.V. in May 2017) and remained Chief Executive Officer of Xpand after the acquisition by Kuros in early 2017. Dr. de Bruijn also holds the positions of Professor of Biomaterials at Queen Mary University of London, UK (since 2004) and Professor of Regenerative Medicine and Entrepreneurship at Twente University, The Netherlands (since 2011). In 2007, he founded Progentix Orthobiology that signed an exclusive development agreement with NuVasive in 2009 for a novel family of calcium phosphate synthetic bone substitutes. Prior to founding Xpand he was Research Director Bone at IsoTis for seven years, during which he specialized in bone tissue engineering technologies that were brought to clinical application. Dr. de Bruijn has more than 20 years' experience in academia and the life science industry. He published 165 papers in peer-reviewed journals and is the inventor of 24 patent families. Dr. de Bruijn is scientific editor and reviewer for numerous international biomaterials, tissue engineering and regenerative medicine journals. He received his PhD from Leiden University in 1993.

## Jason Hannon

Jason Hannon is currently the Chief Executive Officer and a Director of Mainstay Medical, which is focused on bringing to market ReActiv8®, an implantable neurostimulation system to treat disabling Chronic Low Back Pain. Mr. Hannon has extensive experience in the healthcare and medical devices industry, particularly related to commercialization of new products, penetration of new markets, product innovation, strategic and financial planning, raising capital, regulatory and clinical management, and the building of a high-performance culture. Mr. Hannon previously served as President and Chief Operating Officer of NuVasive (NASDAQ:NUVA), a medical device company focused on the spine market. He helped grow NuVasive from a small U.S.-centric business with a handful of products into the third largest spine company in the world, operating in over 40 countries. During his 12 years at NuVasive, and prior to becoming COO, Mr. Hannon led the international business, was responsible for business development and strategy, and also served as general counsel. Mr. Hannon has a JD degree from Stanford University Law School, USA, and a BA degree from the University of California, Berkeley, USA.

With the exception of Joost de Bruijn, CEO of Kuros, no other Board member is or has been member of the executive management or has a material business relationship with the Company.

## Other activities and vested interests (DCG 3.2/3.3)

Other than as described above, none of the members of the Board has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political mandate.



Pursuant to article 37 of the Articles, each member of the Board may cumulatively assume not more than the following number of mandates in the board of directors, the superior management or an administrative body of a legal entity, which is obliged to be registered in the Swiss commercial register or an equivalent foreign register: a) seven mandates for publicly traded companies in the sense art. 727 para. 1 number 1 Code of Obligation (“CO”); b) eight mandates for companies not publicly traded in the sense of art. 727 para. 1 number 2 CO; and c) five mandates for companies which do not fulfill the criteria under a) and b). Mandates held in several legal entities each operating under the same management or same beneficial owner (group) are deemed to be a single mandate. If a legal entity fulfills several of the above-mentioned criteria, it can be freely counted towards any category. Mandates in legal entities which are controlled by the Company or which control the Company and honorary mandates in charitable legal entities are excluded from these restrictions. See article 37 of the Articles for more details.

### Elections and terms of office (DCG 3.4)

The Articles provide in article 20 that the Board must consist of three to nine board members. As of December 31, 2020, it consisted of five members.

Since January 1, 2014, each member of the Board is elected individually for a maximum term of one year and maybe re-elected for a consecutive term at the following General Meeting. The term of office of a Board member is one year as determined by Swiss law.

The Chairman of the Board as well as the members of the Compensation Committee and the independent voting rights representative (“Independent Proxy”) are elected individually by the General Meeting for a one-year term of office.

### Internal organizational structure (DCG 3.5)

The functions of the Chairman of the Board include the following:

- Preparing, calling, and chairing the meeting of the Board and the General Meeting
- Supervision of the implementation of resolutions passed by the Board or the General Meeting
- Representation of the Board to the public, public authorities and the Shareholders.

The Board constitutes itself and appoints its chairman, vice-chairman and the secretary, who needs not to be a member of the Board.

The Board has established four permanent committees to carry out specific duties: the Compensation Committee, the Nomination and Corporate Governance Committee, the Audit Committee as well as the Research & Development Committee, each in general consisting of two or more members of the Board. The Board appoints the members of its committees. Members of the committees were all non-executive directors in 2020.

The Board convened 12 times in 2020. Due to the pandemic all meeting were done by phone. In addition, contacts between meetings are as required. Members of senior management regularly attend meetings of the Board to report on areas of the business within their responsibility and to respond to questions. One part of the meetings always takes place with the Executive Committee. No consultants, with the exception of the Company’s lawyer, participated in Board meetings in 2020.

Attendance at the Board and committee meetings in 2020:

Name	Board <sup>1</sup>	Compensation Committee <sup>1</sup>	Nomination & Corporate Governance Committee <sup>1</sup>	Audit Committee <sup>1</sup>	R&D Committee <sup>1</sup>
Clemens van Blitterswijk	10				1
Leanna Caron	10	2	2		
Scott Bruder	9			4	1
Oliver Walker	9	2	2	4	
Joost de Bruijn	10				

<sup>1</sup> All conferences were held via telephone

## Compensation Committee

The Compensation Committee meets as often as business requires. In 2020, the Compensation Committee held 2 meetings. The chairperson of the Committee shall report to the Chairman of the Board after each meeting and shall inform the Board at its next meeting on the activities as well as decisions taken by the Committee and the considerations that led to such decisions. Urgent matters shall be communicated to the Chairman without delay.

The Compensation Committee has the following duties (excerpt from the Compensation Committee Charter of Kuros Biosciences as approved by the Board on January 18, 2016, and available on the Company's website at <https://kurosbio.com/resources/compensation-committee-charter/>)

### 4.1 Board and Executive Board Compensation Policies

*The Committee shall:*

4.1.1 *prepare and recommend to the Board for approval a compensation policy for the Board (the "Director Compensation Policy"), and thereafter annually review such policy and recommend changes, if any, for approval by the Board;*

4.1.2 *prepare and recommend to the Board for approval a compensation policy for the executive board, and thereafter annually review such policy and recommend changes, if any, for approval by the Board.*

*Such compensation policies shall provide for near- and long-term compensation, including variable compensation for the executive board, that (1) is designed to attract, motivate and retain persons with the necessary skills and character, (2) is consistent with market conditions, and in the case of variable compensation, consistent with the Company's and the individual's performance, and (3) aligns the interests of the members of the Board and the executive board with the interests of the Company.*

### 4.2 General Compensation Policies

*The Committee shall periodically review the Company's compensation policies for its employees who are not members of the executive board.*

### 4.3 Board Compensation

*The Committee shall review and recommend to the Board for approval any compensation and other payments to present and former non-employee directors of the Company to the extent not already provided for in the Director Compensation Policy.*

### 4.4 Executive Board Compensation and Contracts

*The Committee shall:*

4.4.1 *evaluate annually the performance the CEO, and submit such evaluation for review and discussion by the Board, in each case in executive session without the presence of the CEO;*

4.4.2 *review and discuss the annual performance evaluation of the members of the executive board presented by the CEO to the Committee;*

4.4.3 *review and recommend for approval by the Board the annual base salary, incentive compensation and equity compensation of the CEO, and in consultation with the CEO, of the other members of the executive board, and the overall compensation of the CEO and executive board;*

4.4.4 *review and approve any employment contracts, severance contracts, or other agreements that the Company proposes to enter into with any pre- sent, future or former members of the executive board; provided that the key terms of such contracts shall be submitted for approval by the Board.*

### 4.5 Incentive, Equity Compensation and Perquisite Benefits Plans

*The Committee shall:*

4.5.1 *establish an incentive compensation plan providing for variable compensation of the members of the executive board based on the achievement of the Company's corporate goals and the individuals' performance, and approve any changes to such plan as may be proposed by the CEO from time to time;*

4.5.2 approve any incentive compensation plans providing for variable compensation of employees of the Company (other than the members of the executive board) and any changes thereto, as may be proposed by the CEO from time to time;

4.5.3 develop and periodically review equity compensation plans, and submit such plans and any changes to such plans to the Board for approval;

4.5.4 review and approve any perquisite benefits plans proposed by the CEO for the members of the executive board.

#### 4.6 Corporate Goals

The Committee shall:

4.6.1 review the annual corporate goals proposed by the CEO, and recommend such goals as approved by the Committee for approval by the Board;

4.6.2 determine the level of achievement of the corporate goals as approved by the Board upon completion of each calendar year, and apply such achievement level to the determination of the variable compensation of the members of the executive board in accordance with the applicable incentive compensation plan.

#### 4.7 Compensation Report

The Committee shall review and approve the annual compensation report to be published together with the publication of in the Company's annual report, and any other required public disclosure statements on compensation and benefits.

#### 4.8 Annual Committee Performance Review

The Committee shall evaluate its own performance on an annual basis as part of the Board performance assessment process established by the Nomination and Corporate Governance Committee.

#### 4.9 Committee Charter

The Committee shall review this Charter annually and submit any recommended changes to the Board for approval.

### **Nomination and Corporate Governance Committee**

The Nomination and Corporate Governance Committee meets as often as business requires, but at least twice per year. In 2020 the Nomination and Corporate Governance Committee held 2 meetings. The chairperson of the Committee shall report to the Chairman of the Board after each meeting and shall inform the Board at its next meeting on the activities as well as decisions taken by the Committee and the considerations that led to such decisions. Urgent matters shall be communicated to the Chairman without delay.

The Nomination and Corporate Governance Committee has the following duties (excerpt from the Nomination and Corporate Governance Committee Charter of Kuros Biosciences ad approved by the Board on January 18, 2016, and available on the Company's website at <https://kurosbio.com/resources/nomination-corporate-governance-committee/>

#### 4.1 Director Qualifications and Nomination

The Committee shall:

4.1.1 establish and periodically review the qualification criteria for Board candidates, with the goal of achieving a composition of the Board that collectively has the skills and experience needed to determine the strategy of the Company and oversee the management in executing the Company's strategy and achieving its objectives;

4.1.2 conduct the search for Board candidates based on the qualification criteria established by the Committee and any other criteria that the Committee may consider appropriate and recommend suitable candidates to the Board to be nominated for election by the shareholders.

#### 4.2 Board and Committee Governance and Composition

The Committee shall:

4.2.1 periodically review the policies and principles for corporate governance of the Company, including the Internal Regulations, and recommend changes, if any, to the Board for approval;

4.2.2 *make recommendations to the Board on Board and committee compositions, including the Board and committee chairpersons and the size of the Board and the committees, taking into account the independence standards established by applicable laws, regulations, the committee charters and corporate governance principles.*

#### 4.3 *CEO and Executive Board Nominations*

4.3.1 *The Committee shall be responsible for conducting the search for candidates for the position of CEO of the Company, and shall recommend suitable candidates for evaluation and appointment by the Board.*

4.3.2 *The CEO shall be responsible for conducting the search for candidates for executive board positions and shall recommend candidates for evaluation by the Committee. The Committee shall evaluate such candidates and shall recommend suitable candidates for evaluation and appointment by the Board.*

#### 4.4 *Board Performance Review*

*The Committee shall:*

4.4.1 *establish a process for, and conduct an annual review of the performance of the Board, its committees, and individual Board members in their role as members of the Board or a committee of the Board;*

4.4.2 *consider the results of the annual performance review when determining whether or not to recommend the nomination of a director for an additional term on the Board or a committee, and for developing proposals for improving corporate governance policies and effectiveness of the Board and its committees.*

#### 4.5 *Succession Plan*

*The Committee shall prepare and review annually a succession plan for the directors of the Board, the CEO, and the members of the executive board.*

#### 4.6 *Corporate Governance Disclosures*

*The Committee shall review and approve the corporate governance report of the Company for inclusion in the annual report as well as any other written public disclosures on corporate governance matters.*

#### 4.7 *Code of Conduct Review*

*The Committee shall:*

4.7.1 *periodically review the Company's code of conduct (the "Code") and recommend changes to the Board for approval as may be appropriate from time to time;*

4.7.2 *periodically review management's monitoring of the Company's compliance with the Code and ensure that management has the proper system in place to enforce the Code;*

4.7.3 *review potential conflicts of interest of Board members and other matters that may be assigned for review by the Committee in the Code.*

#### 4.8 *Annual Committee Performance Review*

*The Committee shall evaluate its own performance on an annual basis as part of the Board performance assessment process established by the Committee.*

#### 4.9 *Committee Charter*

*The Committee shall review this Charter annually and submit any recommended changes to the Board for approval.*

### **Audit Committee**

The Audit Committee meets as often as business requires, but at least four times year. In 2020, the Audit Committee held 4 meetings. The chairperson of the Committee shall report to the Chairman of the Board after each meeting and shall inform the Board at its next meeting on the activities as well as decisions taken by the Committee and the considerations that led to such decisions. Urgent matters shall be communicated to the Chairman of the Board without delay.

The Audit Committee has the following duties (excerpt from the Audit Committee Charter of Kuros Biosciences as approved by the Board on January 18, 2016, and available on the Company's website at <https://kurosbio.com/resources/audit-committee-charter/>)

#### 4.1 Financial Statements

*The Committee shall:*

- *review and discuss with management and the Auditor the annual and quarterly financial statements and reports intended for publication as well as any other financial statements intended for publication;*
- *approve the quarterly reports for publication;*
- *inform the Board on its assessment of the financial statements and decide whether to recommend the statutory and consolidated financial statements to the Board for approval and presentation to the general shareholders' meeting;*
- *review in cooperation with the Auditor and the management whether the accounting principles applied by the Company and its subsidiaries are appropriate in view of the size and complexity of the Company.*

#### 4.2 Interaction with the Company's External Auditor (the "Auditor")

*The Committee shall:*

- *review and assess the qualifications, independence, performance and effectiveness of the Auditor, and recommend to the Board the nomination of the Auditor for the election by the general assembly of shareholders;*
- *review the scope of the prospective audit by the Auditor, the estimated fees, and any other matters pertaining to such audit as the Committee may deem appropriate;*
- *approve any audit and non-audit services proposed to be provided by the Auditor to the Company to ensure Auditor independence; provided that the chairperson of the Committee may pre-approve such services between scheduled Committee meetings subject to the ratification of such approvals by the Committee at a subsequent meeting;*
- *review and assess the Auditor's report, management letters and take notice of all comments of the Auditor on accounting procedures and systems of control;*
- *review with the Auditors and management the Auditor's reports to the Committee/Board on critical accounting policies and practices used (and any changes therein), on alternative treatments of financial information discussed with management and on other material written communication between the Auditor and management;*
- *review with the Auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the Auditor's activities or on access to requested information, and any significant disagreements with management.*

#### 4.3 Internal Control Over Financial Reporting, Risk Management, Compliance and Contingent Liabilities

*The Committee shall:*

- *at least annually monitor, review and discuss with the Auditor and with management the adequacy and effectiveness of the Company's policies and procedures regarding internal controls over financial reporting and risk assessment, and the Company's compliance therewith;*
- *periodically review the Company's policies and procedures for risk management and assess the effectiveness thereof;*
- *periodically review the Company's policies and procedures designed to ensure compliance with laws, regulations and internal rules and policies;*
- *discuss with management and, if appropriate, the Company's external advisors any legal matters (including the status of pending or threatened litigation) that may have a material impact on the Company's financial statements and any material reports or inquiries from regulatory or governmental agencies which could materially impact the Company's contingent liabilities and risks.*

#### 4.4 Annual Committee Performance Review

*The Committee shall evaluate its own performance on an annual basis as part of the Board performance assessment process established by the Nomination and Corporate Governance Committee.*



#### 4.5 Committee Charter

*The Committee shall review this Charter annually and submit any recommended changes to the Board for approval.*

### **Research and Development Committee Charter of Kuros Biosciences AG**

The Research and Development Committee Charter was approved on March 2, 2020 and is available on the Company's website: <https://kurosbio.com/resources/rd-committee-charter/>

In 2020 the R&D Committee held one meeting.

#### *Adoption of Charter*

*This charter of the Research and Development Committee (the "Charter") was adopted by the board of directors (the "Board") of Kuros Biosciences AG (the "Company") on March 2, 2020 pursuant to article 23 of the Articles of Association and para. 3.2 of the Internal Regulations of the Company.*

#### *Establishment of Committee; Purpose*

*The Research and Development Committee (the "Committee") is established as a permanent committee of the Board. As further described in Section 4, the Committee shall assist the Board in reviewing and evaluating the Company's product pipeline and assessing the progress of the Company's products, and perform such other duties as are assigned to the Committee in this Charter. The Committee may delegate duties to sub-committees comprised of one or more members of the Committee.*

#### *Composition*

*The Committee comprises two or more members of the Board. The Board appoints the members and the chairperson of the Committee, and may remove and replace individual members or the chairperson at any time. The members of the Committee, including the chairperson, shall be independent.<sup>1</sup> The Committee members shall serve until they resign or are removed, or their term as a Board member expires and they are not re-elected for a subsequent term.*

*At least a majority of the members of the Committee must have sufficient scientific and/or medical expertise to review and evaluate the progress of the Company's product pipeline and to fulfill the duties assigned to the Committee in this Charter.*

#### *Duties*

*The Committee has the following duties, and such other duties as may be assigned to the Committee by the Board from time to time:*

*The Committee shall meet with the Company's chief medical officer and chief development officer or any other member of the executive management of the Company that the Committee deems advisable at least twice per year to review the progress of the Company's product pipeline, including a review and analysis of the progress and results of the Company's studies and trials.*

*The Committee shall assess the progress of each of the Company's products against its targets, taking into account the results of the Company's studies and trials.*

*The Committee shall review and pre-approve (prior to public release) the Company's material public disclosures related to its product pipeline, research and development efforts, results of studies and trials, status of drug applications, and communications with public authorities or any other competent body.*

*The Committee shall make a presentation to the Board at least twice per year, together with written documentation, summarizing all significant findings concerning the progress of the Company's product pipeline, including any material information that impacts the Company's public disclosures regarding those products, the results of related studies and trials, the status of the Company's drug applications, and communications with the with public authorities or any other competent body.*

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<sup>1</sup> As defined in the Swiss Code of Best Practice for Corporate Governance, a director is deemed "independent" if he or she is serving in a non-executive role, was not a member of the executive management of the Company during the last three years, and has no or only minor business relations with the Company other than serving as a member of the Board.

*The Committee shall evaluate its own performance on an annual basis as part of the Board performance assessment process established by the Nomination and Corporate Governance Committee.*

*The Committee shall review this Charter annually and submit any recommended changes to the Board for approval.*

#### *Committee Meetings and Procedures*

*The Committee meets as often as business requires, but at least twice per year. Meetings are called by the chairperson but may also be called by any other member of the Committee.*

*The chairperson (or in his or her absence, a committee member designated by the chairperson) shall set the agenda in consultation with the CEO and preside each meeting of the Committee.*

*The chairperson or any other director presiding the meeting in the absence of the chairperson shall designate a secretary to keep the minutes of the meeting, which shall be distributed to the members of the Committee for review and comment and approved at the next meeting. Any member of the Board may receive a copy of the minutes upon request.*

*The chairperson, at his or her discretion, can invite other members of the Board, members of management, or any person whose presence may be desirable or useful for the Committee's deliberations, to attend all or a portion of a meeting. Such persons shall not participate in the discussions or deliberations of the Committee unless invited to do so and shall not be entitled to vote.*

*In discharging its responsibilities, the Committee shall have unrestricted access to the Company's management, employees, books and records, and may consult with outside advisors. The cost of consulting with outside advisors shall be borne by the Company.*

*Decisions of the Committee shall be taken in the same manner as decisions of the Board pursuant to the Internal Regulations.*

*The Committee may establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's Articles of Association, the Internal Regulations, or this Charter.*

#### *Reporting*

*The chairperson of the Committee shall report to the chairperson of the Board after each meeting and shall inform the Board at its next meeting on the activities as well as decisions taken by the Committee and the considerations which led to such decisions. Urgent matters shall be communicated to the chairperson of the Board without delay.*

#### *Amendments*

*This Charter can be modified or amended any time by a resolution of the Board.*

### **Definitions of areas of responsibility (DCG 3.6)**

The Board has the power to make decisions on all matters which are not vested in the General Meeting or delegated to any other corporate body or person by Swiss law, the respective Articles or the internal regulations of the Company ("Internal Regulations"). The Board supervises, monitors and controls the management. The Board enacts guidelines for business policy and is regularly informed about the course of business. The Board is entitled to pass resolutions concerning all matters, which are not reserved or entrusted to the General Meeting or another organ of the corporation by law, the Articles, or Internal Regulations.

All executive functions within the Company not reserved for the Board or the Chairman as defined by Swiss law or stated in the Articles or the Internal Regulations are delegated to the CEO and the Executive Committee. The CEO chairs the Executive Committee and is responsible for its organization.

In accordance with article 716a of the CO and article 23 of the Articles, the Board has the following non-delegable and inalienable duties (excerpt from the Internal Regulations of Kuros Biosciences as approved by the Board on January 18, 2016, and available on the Company's website at <https://kurosbio.com/resources/internal-regulations/>)

#### **3.5 Non-transferable and Irrevocable Duties**

*Pursuant to the Swiss Code of Obligations, the Board has the following non-transferable and inalienable duties:*

- a) overall governance of the Company including formulating the vision, mission, values, strategy and planning priorities and laying down guidelines for corporate policy and issuing the necessary instructions;*
- b) ensuring the appropriate organizational structure and processes to effectively and efficiently execute the agreed*

- upon strategies and financial goals;*
- c) arrange the accounting, financial control and financial planning systems as required for management of the Company;*
  - d) appointing and dismissing the persons responsible for the management and the representation of the Company, and conferring signatory powers;*
  - e) supervision of the persons responsible for the management of the Company, in particular with regard to their compliance with the law and any industry regulations, stock exchange requirements including reporting frameworks and standards, Articles of Association, internal regulations and directives;*
  - f) approving the annual and interim business reports, preparing the General Meeting and implementing its resolutions;*
  - g) approving the strategic plan and the financial medium-term plan as well as annual budget;*
  - h) approving capital increases and amending the Articles of Association;*
  - i) prepare the compensation report and request approval by the General Meeting regarding compensation of the Board and the Executive Committee; and*
  - j) notify the court in the event that the Company is over-indebted.*

### 3.6 Additional Duties and Competences

*The following business transactions (as also specified in Annex 6.1) need the prior approval of the Board:*

- a) Any mergers, acquisitions, partnerships, alliances, licensing transaction with a size and/or Project NPV above CHF 2 million;*
- b) adopt a yearly operating budget and investment budget and any material change to any such budget as amended from time to time (material being a decision leading to a projected increase or decrease of 10% or more on total costs or total revenues) and engage in a transaction which would result in such a material deviation from the budget;*
- c) hire or dismiss the CEO and hire, dismiss or promote any other existing or new C-level executive officer and their compensation;*
- d) establish principles of employee benefits, employee pension fund, employee insurance;*
- e) initiate or pursue legal actions, litigation or other official proceedings of material significance in terms of financial exposure or risk (whereby management may take protective and interim measures regardless of the significance);*
- f) approve any borrowing guarantee or any other form of security provided by the Company for any third party, grant any surety or any indemnity to a third party, in each case exceeding CHF 250,000;*
- g) approve the establishment or closure of branches, subsidiaries, agencies, administrative or representation offices, both in Switzerland and abroad;*
- h) review and approve any arrangement for any joint venture or partnership by the Company or for any acquisition by the Company of any equity interest in another company or undertaking or the acquisition of any business or part thereof from another undertaking exceeding CHF 500,000;*
- i) acquire, encumber and sell real estate and approve any lease for real property with yearly costs for the Company of more than CHF 200,000 or nine years of duration;*
- j) approve the creation of any mortgage, charge, lien, encumbrance or other third party right over any of the Company's IP assets;*
- k) approve and/or ratify all obligations and agreements entered into outside the ordinary course of business;*
- l) determine the compensation of the members of the Board within the framework set by the General Meeting;*
- m) adopt and amend a stock option plan; and*
- n) approve any transactions with a member of the Board, the Executive Committee or a shareholder or a person related thereto.*

### Information and control instruments versus the Executive Committee (DCG 3.7)

The members of the Board regularly receive comprehensive management reports designed to provide them with an update about business activities in general and developments in clinical trials, regulatory development, finance and any other matters of importance. These reports are discussed during Board meetings together with the members of the Executive Committee. In addition, strategic discussions are held. A condensed financial statement, drafted on the same financial principles (IFRS) as the annual report, was distributed in 2020 to the members of the Board for the periods of the first six and nine months.

## Insider Trading Policy

The Company has an Insider Trading Policy to prevent insider trading. Kuros is committed to, and expect its employees, officers and directors (“Associates”) to comply with the provisions to prevent inappropriate insider trading. Specifically, any insider who has knowledge of price-sensitive information shall not trade in securities to which such information pertains. He/She shall not disclose such information to third parties, or encourage any other person to trade in such securities. A violation of this policy may result in disciplinary action, including termination of employment without notice. In addition, a violation may result in criminal prosecution of the insider based on article 142 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA), which prohibits trading or passing on insider information. All Associates are responsible and accountable for complying with the provisions of this Policy as well as with all applicable laws and regulations. The Insider Trading Policy is available on the Company’s website at <https://kurosbio.com/resources/insider-trading-policy/>

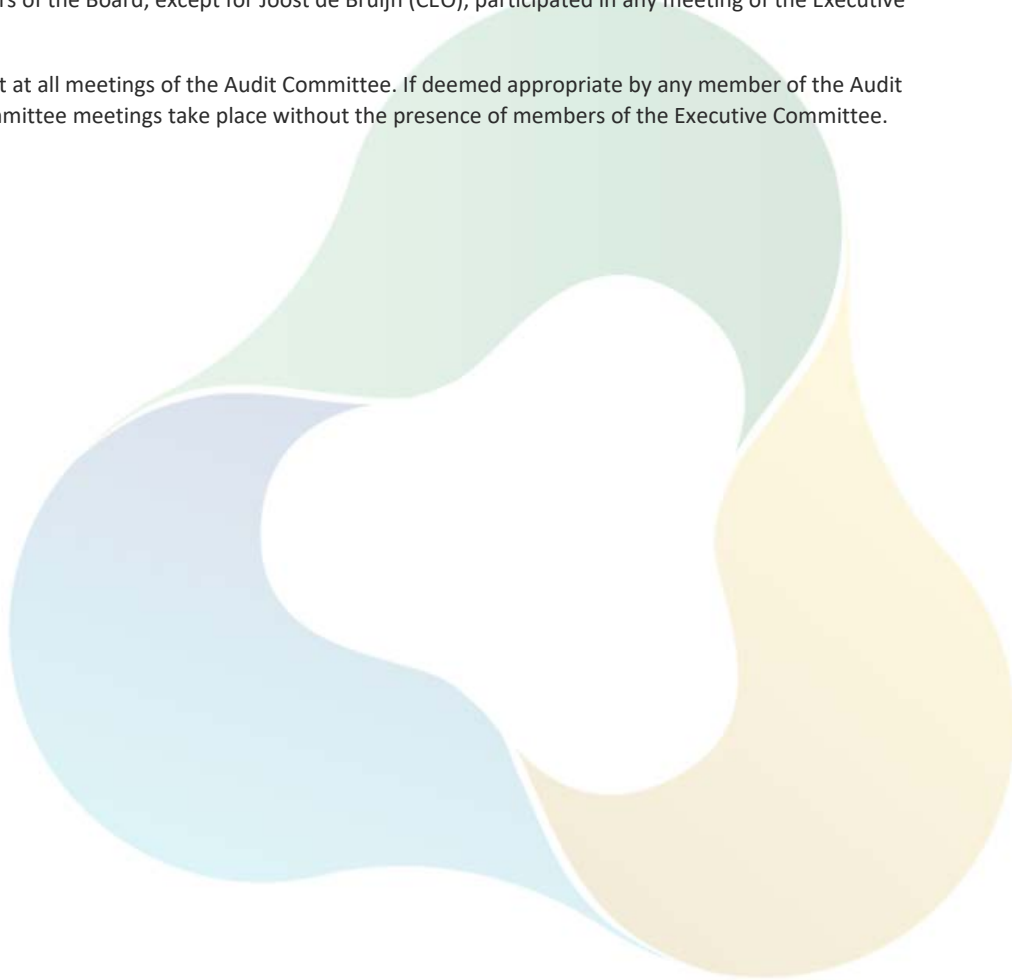
## Code of Conduct

The Company has a Code of Conduct. Kuros is committed to, and expect all its Associates to observe the highest standards of ethical business conduct and to comply with the letter and spirit of all laws and regulations applicable in the countries or regions where the Company engages in business. All Associates are responsible and accountable for complying with the provisions of this Code as well as with all applicable laws and regulations. The Code of Conduct is available on the Company’s website at <https://kurosbio.com/resources/code-of-conduct/>

Due to the size of the Company, it does not have an internal audit function.

In 2020, none of the members of the Board, except for Joost de Bruijn (CEO), participated in any meeting of the Executive Committee.

In 2020, the CFO was present at all meetings of the Audit Committee. If deemed appropriate by any member of the Audit Committee, parts of the committee meetings take place without the presence of members of the Executive Committee.



## Executive Committee (DCG 4)

### Members of the Executive Committee (DCG 4.1)

Name	Year of birth	Nationality	Position
Joost de Bruijn, PhD	1966	The Netherlands	Chief Executive Officer
Michael Grau, MBA	1962	Germany	Chief Financial Officer
Alistair Irvine, PhD	1969	UK	Chief Business Officer
Pascal Longlade, MD	1962	France	Chief Medical Officer
Philippe Saudan, PhD	1967	Switzerland, UK	Chief Development Officer
Frank-Jan van der Velden	1959	The Netherlands	Head of Business Affairs at Kuros Biosciences B.V.

#### Joost de Bruijn

See under Board of Directors (DCG 3).

#### Michael Grau

Michael Grau is Chief Financial Officer (CFO) of Kuros since February 2018. Mr. Grau has a track record of 25 years' experience in corporate finance, controlling, accounting and general management in diverse industries and, since 2001, with a focus on medtech, biotech and pharma. Before he joined Kuros, he served as CFO of Proteros Biostructures, a biotech company focusing on enabling lead discovery, Correvio, a Geneva-based hospital specialty pharma company, and Endosense, another Geneva-based private medtech company. Mr. Grau was responsible for multiple capital market transactions, financing rounds and several merger and acquisition agreements for public and private companies. He started his career working for KPMG Peat Marwick. Mr. Grau holds a BA in European Finance and Accounting from Bremen University, Germany, and Leeds University, U.K., and an executive MBA from Henley Business School at the University of Reading, U.K.

#### Alistair Irvine

Alistair Irvine, PhD, joined Kuros as Director of Business Development in September 2006 following a period working as a technical and commercial consultant to the biotechnology industry. Prior to his work as a consultant, he was Deputy Director of Research and Research Operations Manager at Innovata plc, where in addition to managing research programs in the fields of gene expression, cell culture, polymer science and oncology he also played a major role in business development. He has also held the positions of Head of Biology at ML Laboratories plc, Sub-divisional Head (Research) at Cobra Therapeutics Ltd, Group Leader (Immunotherapy) at Cobra Therapeutics Ltd and Senior Scientist with Therexsys Ltd. He has been working in the biotechnology/medtech industry for over 20 years. Dr. Irvine holds a PhD in Molecular Biology from the University of Sheffield, U.K. and a BSc in biochemistry from the University of Edinburgh, U.K.

#### Pascal Longlade

Dr. Pascal Longlade was appointed Chief Medical Officer (CMO) in September 2018. He has more than 25 years of experience in both pharmaceutical and medical device/biotech companies. His expertise spans Clinical Development, Medical Affairs, Pharmacovigilance/Drug Safety and Regulatory Affairs in various therapeutic areas. Dr. Longlade has also more than 10 years of clinical practice and worked in ER's, ICU's and CCU's in leading hospitals in Paris. In his last position, he served as Director of Medical Affairs, Head of Regulatory Affairs and Director of Pharmacovigilance at D&A Pharma, responsible for filing of the company lead product in EU through a decentralized procedure. Dr. Longlade holds a MD degree from the University of Paris Lariboisiere-St Louis, France.

#### Philippe Saudan

Dr. Philippe Saudan was appointed Chief Development Officer (CDO) in August 2016. He has spent more than 18 years in the pharmaceutical industry and held different management roles in R&D. Dr. Saudan has considerable experience in R&D and international project management of multidisciplinary programs. In his last position, he served as Chief Scientific Officer of Cytos Biotechnology Ltd, where he worked at the interface between pre-clinical research, manufacturing and development of



several clinical projects. Since February 2016, Dr. Saudan was working as Head of Integration of Kuros Biosciences. In this position, he was closely involved in the different development programs in tissue repair and regeneration. Dr. Saudan holds a PhD in biology from the University of Lausanne, Switzerland.

### **Frank-Jan van der Velden**

Frank-Jan van der Velden, MBA, co-founded Xpand Biotechnology B.V. in 2005 (renamed to Kuros Biosciences B.V. in May 2017) and acted as executive since then. Mr. van der Velden was co-founder of several other companies in the field of regenerative medicine, including CellCoTec B.V., Progentix Orthobiology B.V. and Materiomics B.V. Prior to co-founding Xpand Biotechnology B.V., he was a partner at Krüger & Partners management consultants for 10 years after being director of Quote Media Holding B.V. for several years. Currently Mr. van der Velden is chairman of the supervisory board of TIIN Techfund III B.V. (a venture capital firm for technology start-ups). Mr. van der Velden is a graduate of Erasmus University Rotterdam School of Management.

### **Other activities and vested interests (DCG 4.2)**

Other than as described above, none of the members of the Executive Committee has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political mandate.

Each member of the Executive Committee may cumulatively assume not more than the following number of mandates in the board of directors, the superior management or an administrative body of a legal entity, which is obliged to be registered in the Swiss commercial register or an equivalent foreign register: a) 2 mandates for publicly traded companies pursuant to art. 727 para. 1 number 1 CO; b) 3 mandates for companies pursuant to art. 727 para. 1 number 2 CO; and c) 5 mandates for companies which do not fulfill the criteria under a) and b). Mandates held in several legal entities each operating under the same management or same beneficial owner (group) are deemed to be a single mandate. If a legal entity fulfills several of the above-mentioned criteria, it can be freely counted towards any category. Mandates in legal entities which are controlled by the Company or which control the Company and honorary mandates in charitable legal entities are excepted from these restrictions. See article 38 of the Articles.

### **Management contracts (DCG 4.4)**

There are no management contracts.

## **Compensation, Shareholdings and Loans (DCG 5)**

### **Content and method of determining compensation and the shareholding programs (DCG 5.1)**

The compensation of the Board and the Executive Committee is defined and reviewed by the Board and based on the recommendation of the Compensation Committee with the involvement of external consultants on benchmarking as deemed appropriate. As prescribed by law, the approval of the compensation is subject to Shareholders' approval at the General Meeting.

For more details on the compensation policy and the compensation elements for the Board and Executive Committee, see the 2020 Compensation Report, which is an integral part of the 2020 Annual Report, and the Articles.

No severance payments were paid to members of the Board or the Executive Committee.

### **Transparency of compensation, shareholdings and loans to issuers domiciled abroad (DCG 5.2)**

Not applicable, as the Company is domiciled in Switzerland.

### **Principles of the compensation of the members of the Board and Executive Committee (DCG 5.2.1)**

The compensation payable to the members of the Board is subject to and within the bounds of the approval of the total compensation by the General Meeting. It comprises a fixed basic remuneration, fixed committee fee for work in a committee of the Board and a lump sum compensation for expenses. The compensation is payable in cash and options or shares under the Company's Option Plan. The Board or, to the extent delegated to it, the Compensation Committee determines grant,

exercise and forfeiture conditions of the options. Members of the Board receive no performance-related pay. Subject to the approval by the General Meeting, a member of the Board may receive additional remuneration in cash at customary conditions for advisory services rendered outside his/her capacity as member of the Board. The General Meeting may approve an additional bonus in exceptional cases. See articles 32 and 41 of the Articles.

The compensation payable to the members of the Executive Committee is subject to the approval of the total compensation by the General Meeting. It comprises a fix basic remuneration payable in cash; a performance-related remuneration in cash (variable); and a number of options or shares under the Company's Option Plan. The Board or, to the extent delegated to it, the Compensation Committee determines grant, exercise and forfeiture conditions of the options. The performance-related remuneration depends on the Company's business success and the individual performance-based on the achievement of predetermined targets during a business year. Annually at the beginning of each business year, the Board determines the targets and their weighting upon proposal by the Compensation Committee. The amount of the performance-related remuneration is determined by the Board and may not exceed 100% of the respective individual fixed remuneration for the same year. Within the approved total compensation, the Company may make additional payments into the pension funds for the benefit of members of the Executive Committee. In this context, the Company may conclude life insurance policies on behalf of members of the Executive Committee and pay the insurance premiums, either fully or in part. Expenses not covered by the lump sum compensation pursuant to the Company's expense regulations shall be reimbursed upon presentation of the supporting receipts. This additional remuneration is not subject to a separate vote by the General Meeting. See articles 33, 40 and 41 of the Articles for details.

### **Loans, credit facilities and post-employment benefits for members of the Board and Executive Committee (DCG 5.2.2.)**

The members of the Board or the Executive Committee may not be granted loans, credits or securities. Exceptions from this rule are advances for attorney's fees, court and other similar costs required to defend third party liabilities and for tax liabilities, if any, arising in connection with the issuance of shares as resolved by the Shareholder's Meeting on January 6, 2016. The Company shall remunerate members of the Board only in respect of the employer's contributions to social insurance. Members of the Executive Committee participate in the Company's pension plans (the Company's pension fund and the management pension plan). The pension plans conform to the legal requirements (BVG). Upon retirement, the Company may also grant a bridging pension to cover the period between early retirement at 62 and the ordinary age of retirement. See articles 39 and 40 of the Articles for details.

### **Rules on the vote on pay at the General Meeting (DCG 5.2.3.)**

The compensation payable to the members of the Board and Executive Committee is subject to the approval by the General Meeting. In separate votes, Shareholders decide upon the proposed total non-performance-related compensation and options for the members of the Board for the period up to the next General Meeting. In addition, Shareholders vote on the proposed total non-performance-related compensation for the members of the Executive Committee for the period up to the next General Meeting as well as the proposed total variable compensation and options for the calendar year.

## **Shareholders' Participation (DCG 6)**

### **Voting rights restrictions and representation (DCG 6.1)**

All shares have the same voting rights and voting rights may be exercised only after the Board has approved a Shareholder to be recorded in the Company's share register (*Aktienregister*) as a Shareholder with voting rights. Without such registration, the transferee may not vote at or participate in the General Meetings but will still be entitled to dividends and other rights with a financial value.

At the General Meeting, Shareholders can be represented only by way of written proxy. The only voting restriction is the restriction to 3% of the share capital in accordance with article 4 of the Articles applicable for Nominees as described under "Limitations on transferability and nominee registrations" in this Corporate Governance section.

## **Instructions to the independent proxy and electronic participation in the General Meeting (DCG 6.1.6)**

The Independent Proxy may represent each shareholder. The Board determines the requirements regarding proxies and instructions. See article 16 of the Articles.

For the time being, the Company does not intend to open the General Meeting for electronic participation. Accordingly, the Articles contain no relevant rules.

## **Quorums required by the Articles (DCG 6.2)**

There are no provisions in the Articles requiring qualified majorities that differ from the mandatory provisions of Swiss corporate law.

## **Convocation of General Meeting (DCG 6.3)**

There are no provisions in the Articles regarding the convocation of the General Meeting that deviate from the rules of the CO.

## **Inclusion of items on the Agenda (DCG 6.4)**

According to the Articles, Shareholders representing at least 10% of the share capital may request that an item be included on the agenda of the General Meeting. Such inclusion must be requested in writing at least 45 days prior to the meeting and must specify the agenda items and proposals of the respective Shareholder(s).

## **Entries in the share register (DCG 6.5)**

Shareholders entered into the share register as shareholders on a specific qualifying day designated by the Board (record date), which is usually less than five business days before the shareholders' meeting, are entitled to attend such meeting and to exercise their votes.

## **Changes of control and defense measures (DCG 7)**

### **Duty to make an offer (DCG 7.1)**

The Company has neither an opting-out nor an opting-up provision in its Articles. Therefore, the mandatory bid obligation of the Stock Exchange Act applies.

### **Clauses on changes of control (DCG 7.2)**

In light of the reverse merger in January 2016, change of control conditions were triggered for members of the Executive Committee. Specifically, the customary notice period of six months has been extended to twelve months with effect until January 18, 2018.

## Auditors (DCG 8)

### Duration of the mandate and term of office of the auditor in charge (DCG 8.1)

PricewaterhouseCoopers AG (“PwC”) was appointed as Group and statutory auditors and as independent auditors (“Auditors”) at the 2020 General Meeting, having been the Auditors of the Company since 2002 (named Cytos Biotechnology at that time). The appointment is made on an annual basis. Thomas Ebinger is the auditor in charge of the mandate in the 2020 financial year.

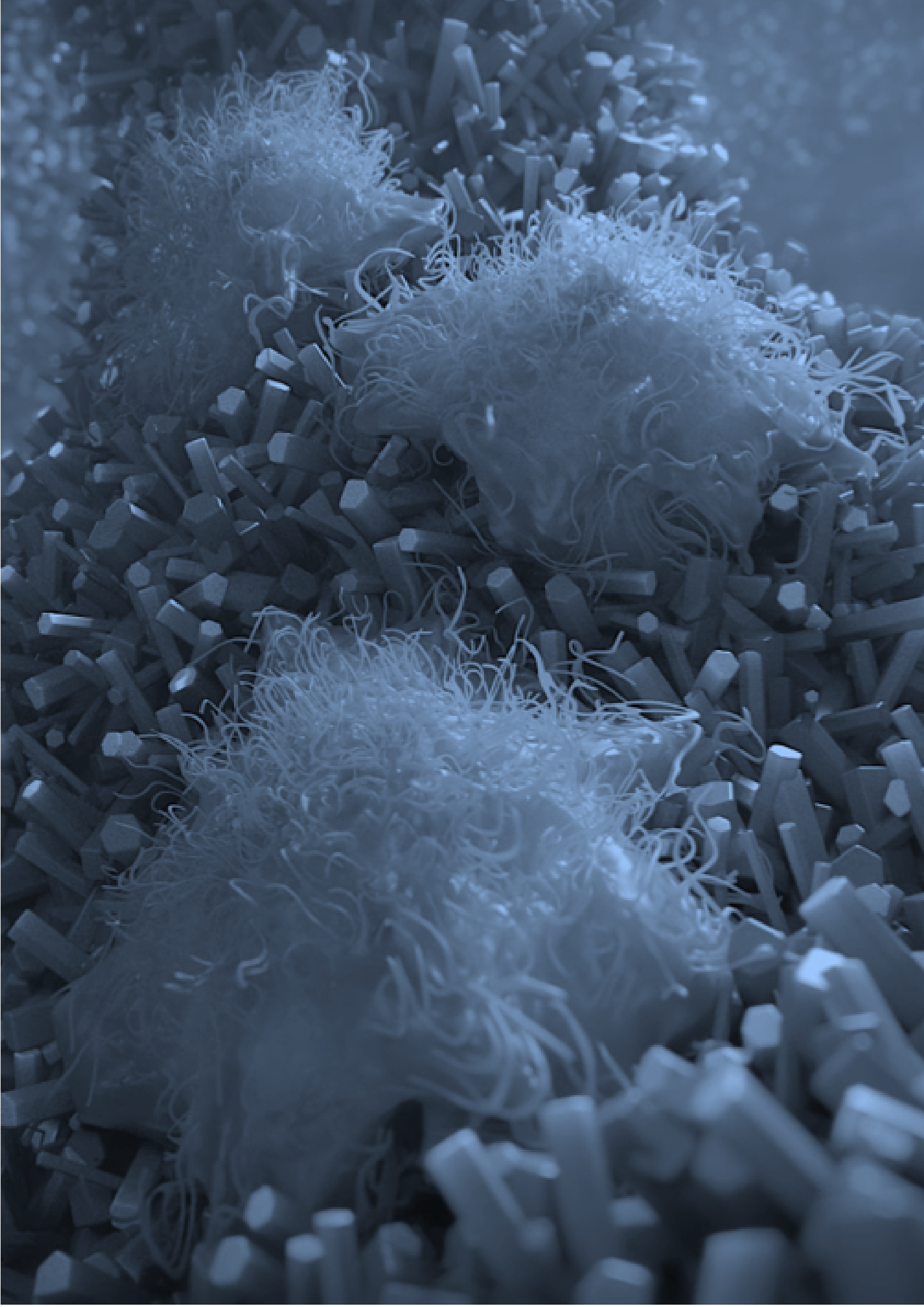
### Auditing fees (DCG 8.2)

In 2020, PwC invoiced a total TCHF 355.1 for auditing the full-year statutory (including existence of the internal control-system) and consolidated financial statements and for reviewing capital increase reports, the issuance of a comfort and bring-down letter, the Interim condensed consolidated report for the six months of 2020 and an interim statutory report for the first-six months of 2020.

### Additional fees (DCG 8.3)

In 2020, PwC earned no additional fees.







# **Compensation Report 2020**



## Overview of the Compensation Report

This Compensation Report provides the information required by the Federal Ordinance against Excessive Compensation in listed companies (“OeEC”), which prevails over article 663c paragraph 3 of the Swiss Code of Obligations. It also includes the information required by section 5 of the Annex to the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance.

The Board of Directors (“Board”) will submit the Compensation Report to a consultative vote at the General Meeting 2021 together with proposals for additional changes to the compensation policy to comply with the new legal framework in the OeEC.

The first part of this report provides Kuros’ compensation principles, and the second part provides details of each of the compensation elements, with compensation details for the Board followed by details for the Executive Committee.

## Compensation policy and philosophy

Kuros’ compensation policy and philosophy are designed to attract, motivate and retain talent to support the achievement of the Company’s strategic goals and to ensure that the total compensation package is fair and competitive. By combining short- and long-term incentive elements, the Board believes that the compensation policy is designed in a way that the interests of the top management are aligned with the interests of the Company and its shareholders. The compensation elements are focused on rewarding outstanding and sustainable results without inappropriate risk-taking. Kuros’ compensation system does not set any unintended enticements or contain any components that could be counterproductive to the objectives of the compensation system.

The Compensation Committee reviews and monitors Kuros’ compensation policy in light of its business strategy, corporate goals and values, to ensure the alignment of employee interests with those of the Company and the shareholders. The Compensation Committee annually reviews the compensation of the members of the Board and of the Executive Committee and, if appropriate, suggests changes to the Board. No members of the Executive Committee are present in the meetings of the Compensation Committee.

## Compensation elements for the Board of Directors and Executive Committee

### Board of Directors

The compensation payable to the members of the Board is subject to and within the bounds of the approval of the total compensation by the General Meeting. It is comprised of a (i) non-performance related cash compensation (fixed basic fee, fixed fee for work in a committee) and (ii) non-cash compensation in the form of stock options under the Company's stock option plan (henceforth called “Stock Option Plan”). The Board or, to the extent delegated to it, the Compensation Committee determines grant, exercise and forfeiture conditions of the options issued under the Stock Option Plan. Subject to the approval by the General Meeting, a member of the Board may receive additional remuneration in cash at customary conditions for advisory services rendered outside his capacity as member of the Board. The General Meeting may approve an additional bonus in exceptional cases. The Company remunerates members of the Board only in respect of the employer's contributions to social insurance.

Compensation for Board of Directors for the year 2020 (audited)

Name	Cash (TCHF)	Options (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)
Clemens van Blitterswijk Chairman	52.5	3.7	–	3.6	59.8	3,375
Leanna Caron Vice Chairman	40.0	2.6	–	2.7	45.3	2,375
Scott Bruder Member	42.5	2.6	–	–	45.1	2,375
Jason Hannon <sup>1</sup> Member	12.5	–	–	0.8	13.3	–
Oliver Walker Member	36.3	2.6	–	2.2	41.1	2,375
Joost de Bruijn Member	293.3	109.0	97.8	10.9	511.0	100,000
<b>Total Board of Directors</b>	<b>477.1</b>	<b>120.5</b>	<b>97.8</b>	<b>20.2</b>	<b>715.6</b>	<b>110,500</b>

<sup>1</sup> until April 21, 2020

On an accrual basis the variable bonus for executive management team members who are also board members amounts to TCHF 98.3.

The Company regularly grants share options to the members of the Board under the Company's Option Plan. The options granted and mentioned above to the board were allocated in 2020, the fair values were calculated using the Black-Scholes method. Each option entitles the holder to buy one share of the Company with an exercise price as mentioned below:

Grant date	March 23, 2020
Exercise price	2.09
Fair value (Black-Scholes)	1.09
Expiry date (100% vesting upon change of control)	March 23, 2025
Leanna Caron	2,375 options granted
Clemens van Blitterswijk	3,375 options granted
Scott Bruder	2,375 options granted
Oliver Walker	2,375 options granted
Joost de Bruijn	100,000 options granted

Compensation for Board of Directors for the year 2019 (audited)

Name	Cash (TCHF)	Options (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)
Clemens van Blitterswijk Chairman	59.5	5.3	–	–	64.8	3,375
Leanna Caron Vice Chairman	43.6	3.7	–	2.9	50.2	2,375
Christian Itin <sup>1</sup> Member	12.5	–	–	0.9	13.4	–
Gerhard Ries, PhD <sup>2</sup> Member	20.6	3.7	–	–	24.3	2,375
Scott Bruder Member	56.1	3.7	–	–	59.8	2,375
Jason Hannon Member	31.1	3.7	–	–	34.8	2,375
Oliver Walker Member	40.0	3.7	–	3.1	46.8	2,375
Giacomo Di Nepi <sup>1</sup> Member	16.3	–	–	0.8	17.1	–
Joost de Bruijn Member	293.8	59.3 <sup>3</sup>	–	12.0	365.1	29,867
<b>Total Board of Directors</b>	<b>573.5</b>	<b>83.1</b>	<b>–</b>	<b>19.7</b>	<b>676.3</b>	<b>45,117</b>

<sup>1</sup> until May 21, 2019

<sup>2</sup> until July 24, 2019, he received a grant of 2,375 options with a value of TCHF 3.7 which forfeited as he left the board prior to the vesting of the options

<sup>3</sup> 24,867 options with a value of TCHF 51.4 were issued to compensate for a variable cash bonus for the financial year 2018.

On an accrual basis the variable bonus for executive management team members who are also board members amounts to CHF 101,834.

The Company regularly grants share options to the members of the Board under the Company's Option Plan. The options granted and mentioned above to the board were allocated in 2019, the fair values were calculated using the Black-Scholes method. Each option entitles the holder to buy one share of the Company with an exercise price as mentioned below:

Grant date	February 25, 2019
Exercise price	CHF 2.76
Fair value (Black-Scholes)	CHF 2.0669
Expiry date (100% vesting upon change of control)	February 25, 2024
Joost de Bruijn	24,867 options granted

<b>Grant date</b>	<b>May 21, 2019</b>
Exercise price	CHF 2.42
Fair value (Black-Scholes)	CHF 1.5779
Expiry date (100% vesting upon change of control)	May 21, 2024
Leanna Caron	2,375 options granted
Clemens van Blitterswijk	3,375 options granted
Scott Bruder	2,375 options granted
Jason Hannon	2,375 options granted
Oliver Walker	2,375 options granted
Gerhard Ries	2,375 options granted

<b>Grant date</b>	<b>October 1, 2019</b>
Exercise price	CHF 2.42
Fair value (Black-Scholes)	CHF 1.5779
Expiry date (100% vesting upon change of control)	October 1, 2024
Joost de Bruijn	5.000 options granted





## Executive Committee

The compensation payable to the members of the Executive Committee is subject to the approval of the total compensation by the General Meeting. It comprises (i) a fix basic remuneration payable in cash, (ii) a performance-related remuneration in cash (variable) and (iii) several options or shares under the Stock Option Plan. The compensation of the members of the Executive Committee also includes certain insurance for death and invalidity. The Board or, to the extent delegated to it, the Compensation Committee determines grant, exercise, and forfeiture conditions of the options. The performance-related remuneration depends on the Company's business success and the individual performance-based on the achievement of predetermined targets during a business year. Annually at the beginning of each business year, the Board determines the targets and their weighting upon proposal by the Compensation Committee. The amount of the performance-related remuneration is determined by the Board and may not exceed 100% of the respective individual fixed remuneration for the same year. Within the approved total compensation, the Company may make additional payments into the pension funds for the benefit of members of the Executive Committee. In this context, the Company may conclude life insurance policies on behalf of members of the Executive Committee and pay the insurance premiums, either fully or in part. Expenses not covered by the lump sum allowance pursuant to the Company's expense regulations shall be reimbursed upon presentation of the supporting receipts. This additional remuneration is not subject to a separate vote by the General Meeting.

The members of the Executive Committee may not be granted loans, credits, or securities. The Company shall remunerate members of the Executive Committee only in respect of the employer's contributions to social insurance. Members of the Executive Committee participate in the Company's pension plans (the Company's pension fund and the management pension plan). The pension plans conform to the legal requirements (BVG). Upon retirement, the Company may also grant a bridging pension to cover the period between early retirement at 62 and the ordinary age of retirement.

Members of the Executive Committee are subject to the standard terms and conditions for Kuros employees. Kuros has no contractual termination payment obligations to members of the Board or the Executive Committee.

### Compensation for Executive Committee for the year 2020 (audited)

Name	Cash (TCHF)	Options (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)
Michael Grau (highest compensated member of Executive Committee)	278.8	54.5	84.7	54.0	472.0	50,000
<b>Total Executive Committee</b>	<b>1,260.7</b>	<b>272.5</b>	<b>344.4</b>	<b>169.1</b>	<b>2,046.7</b>	<b>250,000</b>

On an accrual basis the variable bonus for Michael Grau amounts to TCHF 83.9 (the highest compensated member of the executive management team) and TCHF 283.8 for the other members of the executive team

All amounts are gross amounts.

Explanations:

- Individuals acting simultaneously as member of the Board and of the Executive Committee are reported under Board.
- The bonus year is equal to the calendar year. Therefore, the bonus amount represents the actual bonus paid within a calendar year.
- Kuros regularly grants share options to the members of the Board, the members of the Executive Committee the employees and from time to time to consultants. Two option grants were allocated in 2020; the fair values were calculated using Black-Scholes method. Each option entitles the holder to buy one share of the Company. Between January 31, 2020 and August 13, 2020, a total of 796,688 options were granted to the Board of Directors (110,500) to members of the Executive Committee (250,000) to employees (403,000) and to consultants (33,188). The fair value on the grant date ranges between CHF 1.09 and 1.59. The exercise price ranges between CHF 2.09 and CHF 3.12 expiring between January 31, 2025 and August 13, 2025.

## Compensation for Executive Committee for the year 2019 (audited)

Name	Cash (TCHF)	Options <sup>1</sup> (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)
Michael Grau (highest compensated member of Executive Committee)	277.8	47.2	-	54.0	379.0	23,998
<b>Total Executive Committee</b>	<b>1,210.2</b>	<b>185.6</b>	<b>-</b>	<b>161.5</b>	<b>1,560.9</b>	<b>94,518</b>

<sup>1</sup> 18,998 options with a value with a value of TCHF 39.3 were issued to compensate for Michael Grau for a variable cash bonus for the financial year 2018. 55,520 options with a value of TCHF 114.8 were issued to compensate for cash bonus of the other members of the executive team.

On an accrual basis the variable bonus amounts for Michael Grau to CHF 84,714 (the highest compensated member of the executive management team) and CHF 264,775 for the other members of the executive team

All amounts are gross amounts.

Explanations:

- Individuals acting simultaneously as member of the Board and of the Executive Committee are reported under Board.
- The bonus year is equal to the calendar year. Therefore, the bonus amount represents the actual bonus paid within a calendar year; The variable bonus for the executive team and executive board member for the calendar year 2018 has been compensated with options instead of a cash-settlement.
- Kuros regularly grants share options to the members of the Board, the members of the Executive Committee the employees and from time to time to consultants. Six option grants were allocated in 2019; the fair values were calculated using Black-Scholes method. Each option entitles the holder to buy one share of the Company. Between February 1, 2019 and November 30, 2019 a total of 314,852 options were granted to the Board of Directors (45,117) to members of the Executive Committee (94,518) to employees (174,000) and to consultants (1,217). The fair value on the grant date ranges between CHF 2.65 and 0.79. The exercise price ranges between CHF 3.12 and CHF 1.88 expiring between February 2024 and November 2024.
- In 2017, Kuros announced certain changes in management, whereof the composition of the executive committee changed in 2018 and 2019. Kuros underwent these changes as part of its transition to a clinical and commercial-stage biotech company. As an effect of the transformation the Executive Committee decreased in the number of Executives and the total compensation for the Committee compared to 2018.

## Stock option program

The purpose of the Company's Stock Option Plan is to provide the Board of Directors, the Executive Committee, other management members and certain employees with an opportunity to obtain options and to benefit from the appreciation thereof, thus providing an increased incentive for participants to contribute to the future success and prosperity of the Company, enhancing the value of the shares for the benefit of the shareholders of the Company and increasing the ability of the Company to attract and retain individuals of exceptional skill. The grant of any option under the Company's Stock Option Plan is wholly discretionary. Key factors considered by the Board are the amount of approved conditional capital by the General Meeting, the maximum number of options approved by the General Meeting and the dilution of Kuros shares. Any value, income or other benefit derived from any option is not considered part of the participant's salary or compensation for the purposes of calculating any pension or retirement benefits. The strike price is determined by the Board and is generally based on the closing price of the Kuros shares on the SIX Swiss Exchange on the grant date.

From 2018 onwards, the following options were granted:

- a) In 2018, a total of 168,268 options were granted to members of the Board and management.
- b) In 2019, a total of 139,635 options were granted to members of the Board and management.
- c) In 2020 a total of 360,500 options were granted to members of the board and management.

The following table shows the range of conditions as well as the range of assumptions applied to the share-based payment arrangements for 2020.

The exercise price of the granted options (a) to (c) is equal to the market price of the shares of Kuros Biosciences AG on the grant date. The volatility is based on the historical volatility where available. The risk-free interest rate is based on the CHF swap rate for the expected life of the options.

## Share options, conditions and assumptions

Options granted in 2020:

<b>(a) New Kuros options granted in 2020</b>	
Grant date	March 23, 2020
Number of options	360,500
Exercise price	CHF 2.09
Share price at date of grant	CHF 2.09
Contractual life	5 years
Vesting period	98,000 options vests after 1 year. 262,500 options Vest quarterly over the following 3 years
Settlement	Shares
Expected volatility at day of grant	64.07%
Expected option life at grant date	until maturity
Risk-free interest rate p.a.	(0.48%)
Expected dividend	Zero
Estimated fair value of option at grant date	CHF 1.09
Expiry date	March 23, 2025
Valuation model	Black Scholes

Options granted in 2019:

	(a) New Kuros options granted in 2019	(b) New Kuros options granted in 2019	(c) New Kuros options granted in 2019
Grant date	February 25, 2019	May 21, 2019	October 1, 2019
Number of options	99,385	15,250	25,000
Exercise price	CHF 2.76	CHF 2.42	CHF 2.42
Share price at date of grant	CHF 2.76	CHF 2.42	CHF 2.95
Contractual life	5 years	5 years	5 years
Vesting period	99,385 options vest upon grant	15,250 options vest after 1 year	6,250 options vest after 1 year, 18'750 options vest quarterly over the following three years
Settlement	Shares	Shares	Shares
Expected volatility at day of grant	103.42%	84.47%	84.47%
Expected option life at grant date	until maturity	until maturity	until maturity
Risk-free interest rate p.a.	(0.57%)	(0.35%)	(0.35%)
Expected dividend	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 2.07	CHF 1.58	CHF 1.58
Expiry date	February 25, 2024	May 21, 2024	October 1, 2024
Valuation model	Black Scholes	Black Scholes	Black Scholes

## Indirect benefits

The Company contributes to the pension plan and maintains certain insurance for death and invalidity for the members of the Executive Committee.

## Loans and credits

The Company has not granted any loans, credits or guarantees to current or past members of the Board, of the Executive Committee, or to related persons in 2020 or 2019. No consulting fee for services rendered by former members of the Executive Committee has been paid in 2020 and 2019.

# Report of the statutory auditor

## to the General Meeting of Kuros Biosciences AG

### Schlieren

We have audited the compensation report of Kuros Biosciences AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on page 35, page 36, page 38 and page 39 of the compensation report.

#### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the compensation report of Kuros Biosciences AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Alexandra Bär  
Audit expert

Basel, 17 March 2021

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# **Financial Report 2020**



## Financial performance and results of operations (IFRS)

### General remark

In 2020, Kuros recognized revenues from product sales of CHF 4.0 million (2019: CHF 2.6 million) and increased its revenues by 58% despite some headwind from COVID-19 (e.g. certain elective surgeries were put on hold). Additionally, Kuros raised gross proceeds of CHF 18.6 million (2019: CHF 12.5 million) from a rights-offering in October 2020, to advance the commercialization of its products and further development of Kuros' product candidates.

### Financial position and other assets

Funds available for financing the operations of Kuros amounted to CHF 29.8 million as at December 31, 2020, which included cash and cash equivalents, trade and other receivables. This is an increase of CHF 7.9 million from CHF 21.9 million as at December 31, 2019. The increase is mainly driven by a capital increase, which has more than offset the net operating cash outflow.

As at December 31, 2020 total intangible assets amounted to CHF 23.7 million and goodwill amounts to CHF 33.8 million. The licensing agreement with Checkmate has been classified as available for sale and was reclassified in the balance sheet from intangible assets to assets classified as held for sale of CHF 2.2 million.

### Revenues from product sales exceeding CHF 4 million

In 2020, Kuros recorded revenues from product sales of CHF 4.0 million (2019: CHF 2.6 million). Cost of goods sold amounted to CHF 2.4 million (2019: CHF 2.2 million) of which CHF 1.7 million (2019: 1.7 million) is depreciation from currently marketed products.

### Operating costs

Operating costs amounted to CHF 13.4 million, compared to CHF 11.5 million in the previous year. The increase is primarily driven by sales and marketing costs as a result of the growing commercial activities. Research and development costs decreased from CHF 4.6 million in 2019 to CHF 4.0 million in 2020. General and administrative costs increased from CHF 5.0 million in 2019 to CHF 5.4 million in 2020. Sales and marketing costs increased from CHF 2.3 million in 2019 to CHF 4.3 million in 2020. Other income amounted to CHF 0.3 million (2019: CHF 0.3 million) and are primarily reimbursements of collaboration costs.

### Net finance cost

Finance costs amounted to CHF 0.4 million (2019: CHF 0.4 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 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 in the IFRS framework. 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 profit/loss generated by the operating activities
- The operating loss for the year ended December 31, 2020 amounted to TCHF 11,679 (2019: TCHF 11,392)

### 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 year ended December 31	2020	2019
Net operating cash-outflow	(9,239)	(10,849)
Reporting period (in months)	12	12
<b>Average Cash burn (per month)</b>	<b>(770)</b>	<b>(904)</b>

# **Consolidated Financial Statements 2020**

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## Consolidated income statement

in TCHF, IFRS, year ended December 31	Note	2020	2019
Revenue from product sales	6,7	4,039	2,561
<b>Revenue</b>		<b>4,039</b>	<b>2,561</b>
Cost of goods sold	8	(2,368)	(2,220)
<b>Gross profit</b>		<b>1,671</b>	<b>341</b>
Research and development costs	9	(4,005)	(4,739)
General and administrative costs	9	(5,392)	(4,970)
Sales and marketing costs	9	(4,263)	(2,304)
Other income	9	310	280
<b>Net operating costs</b>		<b>(13,350)</b>	<b>(11,733)</b>
<b>Operating loss</b>		<b>(11,679)</b>	<b>(11,392)</b>
Finance income		433	220
Finance costs		(848)	(651)
<b>Net finance costs</b>		<b>(415)</b>	<b>(431)</b>
<b>Loss before tax</b>		<b>(12,094)</b>	<b>(11,823)</b>
Income taxes	11	574	571
<b>Net loss</b>		<b>(11,520)</b>	<b>(11,252)</b>
Basic and diluted net loss per share (CHF)	12	(0.47)	(0.71)

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

## Consolidated statement of comprehensive income

in TCHF, IFRS, year ended December 31	Note	2020	2019
<b>Net loss</b>		<b>(11,520)</b>	<b>(11,252)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of post-employment benefit obligations	24	80	(230)
Tax effects		(15)	51
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising during the year		207	(957)
<b>Other comprehensive income/ (loss)</b>		<b>272</b>	<b>(1,136)</b>
<b>Total comprehensive loss</b>		<b>(11,248)</b>	<b>(12,388)</b>

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

## Consolidated balance sheet

in TCHF, IFRS, as at December 31	Note	2020	2019
<b>Non-current assets:</b>			
Property and equipment	13	453	545
Right-of-use assets	14	2,135	2,237
Intangible assets	15	23,666	27,920
Goodwill	15,16	33,847	33,860
Deferred tax assets	11	295	–
<b>Total non-current assets</b>		<b>60,396</b>	<b>64,562</b>
<b>Current assets:</b>			
Assets classified as held for sale	17	2,171	–
Inventories	18	1,460	954
Prepayments and other assets	19	547	459
Trade receivables	20	1,036	759
Other receivables	20	366	316
Cash and cash equivalents	21	28,388	20,802
<b>Total current assets</b>		<b>33,968</b>	<b>23,290</b>
<b>Total assets</b>		<b>94,364</b>	<b>87,852</b>
<b>Shareholders' equity:</b>			
Share capital	22	32,811	22,470
Share premium		125,061	118,160
Treasury shares	22	(17)	(17)
Other reserves		19,898	19,146
Accumulated loss		(93,152)	(81,904)
<b>Total shareholders' equity</b>		<b>84,601</b>	<b>77,855</b>
<b>Non-current liabilities:</b>			
Pension liabilities	24	587	727
Deferred tax liabilities	11	3,238	3,488
Non-current lease liabilities	14	2,062	2,142
<b>Total non-current liabilities</b>		<b>5,887</b>	<b>6,357</b>
<b>Current liabilities:</b>			
Current lease liabilities	14	278	246
Accrued expenses	25	2,662	2,335
Trade and other payables		936	1,059
<b>Total current liabilities</b>		<b>3,876</b>	<b>3,640</b>
<b>Total shareholders' equity and liabilities</b>		<b>94,364</b>	<b>87,852</b>

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

## Consolidated statement of cash flows

in TCHF, IFRS, year ended December 31	Note	2020	2019
<b>Cash flows from operating activities:</b>			
Loss before tax		(12,094)	(11,823)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization	13,14,15	2,669	2,714
Net finance costs		415	431
Provisions		–	(292)
Share-based compensation	23	752	498
Changes in retirement benefit obligation	24	(60)	(464)
Other non-cash items		(141)	(414)
<b>Changes in operating assets and liabilities:</b>			
Trade and other receivables		(375)	(476)
Current prepayments and accrued income		(87)	(141)
Current liabilities		248	(306)
Inventories		(516)	(469)
Interest received		29	–
Interest paid		(78)	(17)
Income tax paid		(1)	(90)
<b>Net cash used in operating activities</b>		<b>(9,239)</b>	<b>(10,849)</b>
<b>Cash flows from investing activities:</b>			
Purchase of plant and equipment	13	(61)	(85)
Purchase of intangible assets	15	(159)	(33)
<b>Net cash used in investing activities</b>		<b>(220)</b>	<b>(118)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of shares	22	18,615	14,303
Transaction costs on issuance of shares	22	(1,372)	(957)
Principal elements of lease payments	14	(270)	(220)
Proceeds from borrowings	26	104	–
<b>Net cash from financing activities</b>		<b>17,077</b>	<b>13,126</b>
Cash and cash equivalents, at the beginning of the year		20,802	18,334
Net change in cash and cash equivalents		7,618	2,159
Net effect of currency translation on cash		(32)	309
<b>Cash and cash equivalents, at the end of the year</b>	<b>21</b>	<b>28,388</b>	<b>20,802</b>

See accompanying notes, which are an integral part of these 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
<b>At January 1, 2019</b>		<b>15,059</b>	<b>112,226</b>	<b>(17)</b>	<b>18,648</b>	<b>(71,386)</b>	<b>1,870</b>	<b>76,400</b>
Loss for the period						(11,252)		(11,252)
Other comprehensive income						(179)	(957)	(1,136)
Capital increases, net	22	7,411	5,934					13,345
Share based payment	23				498			498
<b>At December 31, 2019</b>		<b>22,470</b>	<b>118,160</b>	<b>(17)</b>	<b>19,146</b>	<b>(82,817)</b>	<b>913</b>	<b>77,855</b>
<b>At January 1, 2020</b>		<b>22,470</b>	<b>118,160</b>	<b>(17)</b>	<b>19,146</b>	<b>(82,817)</b>	<b>913</b>	<b>77,855</b>
Loss for the period						(11,520)		(11,520)
Other comprehensive income						65	207	272
Capital increases, net	22	10,341	6,901					17,242
Share based payment	23				752			725
<b>At December 31, 2020</b>		<b>32,811</b>	<b>125,061</b>	<b>(17)</b>	<b>19,898</b>	<b>(94,272)</b>	<b>1,120</b>	<b>84,601</b>

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

## Notes

### 1. General information

The consolidated financial statements of Kuros Biosciences AG (henceforth called "Company") and its subsidiaries (collectively referred as "Kuros" or "Group") for the year ended December 31, 2020 were authorized for publication in accordance with a resolution of the Board of Directors ("Board") on March 17, 2021.

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).

As at December 31, 2020, Kuros Biosciences AG, the parent company of the Group, owns the following subsidiaries:

Name of entity	Place of business	Ownership held		Share Capital (in TCHF)	
		2020	2019	2020	2019
Kuros Biosurgery Holding AG	Schlieren, Switzerland	–	100%	–	1,446
Kuros Biosurgery AG	Schlieren, Switzerland	100%	100%	435	435
Kuros Biosciences B.V.	Bilthoven, The Netherlands	100%	100%	18	18
RevisOs B.V.	Bilthoven, The Netherlands	100%	100%	22	22
Kuros Biosciences USA, Inc.	Burlington (MA), United States	100%	100%	1	1

Kuros Biosurgery Holding AG, with its registered office in Schlieren, Switzerland and a share capital of CHF 1,446,005 and participation capital of CHF 19,267 has merged via reverse merger with Kuros Biosurgery AG as of January 1, 2020 (date of transaction). Kuros Biosurgery Holding AG has been deregistered from the trade register as of June 17, 2020. All assets and liabilities have been transferred to Kuros Biosurgery AG on 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 financial statements.

As at December 31, 2020, the Group employs 46 people (2019: 42 people).

### Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and effective for 2020. The accounting policies set forth below have been consistently applied to all years presented.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 "Critical accounting estimates and judgments".

The consolidated financial statements are presented in Swiss Francs (CHF) and values are rounded to the nearest thousand (TCHF), except when otherwise indicated.

### 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 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, 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 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 has started enrolling patients in a controlled Phase 2a clinical trial for KUR-113 in spinal indications.

Kuros is currently continuing its existing partnership 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 will be developed 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 completed its phase I clinical trial and is ready to enter a phase II clinical trial. Most recently the FDA has granted a Fast-Track designation for CMP-001. In addition, Kuros is currently in negotiations to sell the collaboration agreement with Checkmate to interested parties partially or in full.

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".

## New accounting standards and IFRIC interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Amendments to Conceptual Framework
- COVID-19 related rent concessions (June 1, 2020)

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

## Standards issued but not applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2. Summary of significant accounting policies

### Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of a subsidiary. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Costs directly attributable to acquisitions are directly expensed. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement.

All intercompany balances, transactions and unrealized gains on transactions are eliminated in consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 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.

### Foreign currency translation and transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss Francs ("CHF"), which is Kuros Biosciences AG's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or an average rate as an approximation. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Assets and liabilities of companies whose functional currency is other than CHF are included in the consolidation by translating the assets and liabilities into the presentation currency at the exchange rates applicable at the end of the reporting period. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of transaction, in which case income and expenses are translated at the dates of the transaction). All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and from borrowings are brought into shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

For the consolidated financial statements, the applicable exchange rates are based on the exchange rates published by the Swiss Federal Tax Association (ESTV).

### **Impairment of non-financial assets**

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. The Group estimates the asset's recoverable amount, when an annual impairment test is required or if there is a triggering event or existing indication for impairment. The recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Unless an asset or CGU is largely dependent on other (group of) asset's generated cash-flows, the recoverable amount is determined for the smallest aggregation of asset. An impairment and corresponding write-down of asset occur to the recoverable amount, when the carrying value exceeds the recoverable amount.

The value in use is estimated by the present value of discounted future cash flows, using a pre-tax discount rate that is based on current market conditions (including risks and time value of money). Recent market transactions are considered, when determining the fair value less costs of disposal. In case that no such transactions have been taken place, an appropriate valuation model is used (multiples, quoted share prices or other available financial modelling tools). The Group's impairment model is based on budgets and financial forecasts.

Previous impairments for assets excluding goodwill are determined at reporting date, whether the previous impairment losses remain valid and shall be reversed or further impairment loss is necessary. Basis for the reversal or increasing of impairment losses is the recoverable amount. Previously recognized impairment losses are reversed only when there are significant changes in the assumptions and estimates for the underlying recoverable amount since the recognition of an impairment loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. A yearly impairment test on CGU level applies to intangible assets with indefinite useful lives. An impairment is recognized in case that the recoverable amount of a CGU is lower than its carrying value. Impairment losses on goodwill are restricted for reversal in future periods.

### **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.

### **Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 20.

## Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventories on the basis of first-in, first-out (FIFO) principle. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

Non-current assets are not depreciated or amortized while they are classified as held for sale. Additionally, non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

## Property and equipment

Property and equipment are stated at historical costs less accumulated depreciation and any impairment. Historical costs include expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis over the expected useful lives of the individual assets or asset categories.

The applicable estimated useful lives are as follows:

- a) Research and development fixtures (incl. clean room): 8–10 years
- b) Leasehold improvements: 8–10 years
- c) Machinery and equipment: 5–10 years
- d) Office equipment, furniture, and others: 3–10 years

Leasehold improvements and research and development fixtures (incl. clean room) are depreciated over the estimated useful life. If the lease term is shorter than the useful life the lease term can be used instead. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

Cost and accumulated depreciation related to assets retired or otherwise disposed are removed from the accounts at the time of retirement or disposal and any resulting gain or loss is included in the income statement in the period of disposition.

## Leases

The Group assesses relevant contracts whether a contract is a lease or contains leases, which is determined by the right to control the use of an identified asset for a period of time in exchange for consideration. The assessment to identify if a contract inheres a leasing, the Group assesses whether:

- the contract inheres the use of an identified asset
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use

- the Group has the right to direct the use of the asset

#### *As a lessee*

The Group recognizes a right-of-use asset and a lease liability at date the underlying contract is effective. Initially the right-of-use asset is measured at cost and subsequently depreciated using the straight-line method from beginning to the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses -if applicable- and adjusted for remeasurements of the lease liability.

The lease liability is initially measured at the value of discounted lease payments. The applicable discount rate is represented by a weighted average incremental borrowing rate determined by the Group, if not stated in the contract. Lease payments included in the lease liability are following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rate
- amounts expected to be payable under a residually value guarantee; and
- if the Group is reasonably certain, the exercise price or payments in relation to a purchase or renewal option and penalties for early termination.

Subsequently the lease liability is measured at amortized cost using the effective interest method and subject to a remeasurement when future lease payments change due to a change in index or rate, as well if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of underlying contractual components (e.g. purchase, extension, or termination). In case of a remeasurement of the lease liability, the corresponding right-of-use asset changes simultaneously in its carrying value. Changes of the lease liability are recognized in profit and loss, for the amount that exceeds the right-of-use asset's carrying value.

The Group does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes expenses from short-term or low value leases on a straight-line basis over the lease term.

#### *As a lessor*

When the Group enters a lease contract as lessor, the Group determines whether each lease is a finance lease or an operating lease. The determination of each lease classification is derived from, whether the lease transfers substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset, to the lessee. In case substantial risk and reward passes to the counterparty, the Group recognizes the contract as finance lease and as operating lease if the contrary is the case.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, it classifies the sub-lease as an operating lease. The Group recognizes income from operating leases on a straight-line basis over the lease term.

## **Intangible assets**

Intangible assets with **infinite** useful lives

#### *Goodwill*

Goodwill is initially measured at historical costs from a business combinations' excess of the purchase price over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but tested for impairment annually, or more frequently if triggering- events indicate that it might be impaired.

#### *In-process Research & development*

Product candidates which are in-process Research & development ("IPR&D") are initially measured at historical cost. IPR&D acquired in a business combination are recognized at fair value at the acquisition date. Costs associated with research & development that are directly attributable to a product enhancement are recognized as intangible assets, if applicable



recognition criteria (see “currently marketed products” below) are met. Subsequently, IPR&D is not amortized but it is tested for impairment annually, or more frequently if triggering- events indicate that it might be impaired.

Intangible assets with **finite** useful lives:

#### *Licensing agreements*

Licensing agreements are initially measured at historical cost. Licensing agreements acquired in a business combination are recognized at fair value at the acquisition date and have a finite useful life. Subsequently, licensing agreements are measured at cost less accumulated amortization and/or impairment charges. Amortization and/or impairment charges are recognized as Research and Development costs. The amortization is calculated using the straight-line method based on the useful life of the intangible asset. The estimated useful live for the licensing agreement (Checkmate) is 9 years.

#### *Currently marketed products*

Currently marketed products (“CMP”) are initially measured at historical cost. CMP acquired in a business combination are recognized at fair value at the acquisition date. Costs associated with research & development that are directly attributable to a product enhancement are recognized as intangible assets, if following recognition criteria are met:

- The technical feasibility of completing the asset so that it will be available for use or sale;
- The intention to complete the asset and use or sell it;
- The ability to use or sell the asset;
- The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the asset if it is to be used internally;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell it; and
- The ability to measure reliably the expenditure attributable to the intangible asset.

Costs that do not meet the above criteria are recognized as research and development costs. Subsequently, CMP are measured at cost less accumulated amortization and/or impairment charges. Amortization and/or impairment charges are recognized as cost of goods sold (COGS). The amortization is calculated using the straight-line method based on the useful life of the intangible asset. The estimated useful lives for CMP are based on the patent lifetime.

#### *Software*

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets if the recognition criteria (see “currently marketed products” above) are met. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use using the straight-line method. Amortization costs are recognized as general and administrative costs. The estimated useful live for software is three years.

## **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost.

## **Income taxes**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred income

tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in the Group's subsidiary and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### **Pension liabilities**

The Group provides retirement benefits to its employees. The net defined asset/liability of the performance-oriented pension plans as recognized in the balance sheet comprises of the present value of the defined pension obligation less the fair value of plan assets at the reporting date. In respect of defined benefit plans, liabilities and service costs are determined by management annually, based on actuarial valuation techniques, using the projected unit credit method and related assumptions. The pension obligation is the actuarially computed present value of the estimated future net cash outflow, using interest rate assumptions in line with high quality corporate bonds. Regarding the pension costs, they correspond with the sum of current service costs inclusive net interest expenses on the defined benefit liabilities at the beginning of the period. In case of events leading to a settlement, the related gains and losses are added to the yearly pension costs when the settlement occurs. In case of events leading to a past service cost, the related costs are immediately added to the yearly pension costs. The actuarial gains and remeasurements, the differences between the return on plan assets are recognized in other comprehensive income.

### **Share-based compensation**

The share-based compensation plans qualify as equity settled plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. For equity-settled plans, the fair value is determined at the grant date. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity. In the year the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and additional paid-in capital.

### **Bonus plans**

The Group recognizes an accrual where contractually obliged or where there is past practice that has created a constructive obligation. The expense for bonuses is based on a formula that takes into consideration the Group's goals reached.

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is more likely than not that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as other operating expense.

### **Shareholders' equity**

All shares of the Group are registered shares and classified as part of shareholders' equity.

Incremental costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds.

Where the Group purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from total shareholders' equity as treasury shares until the shares are cancelled, reissued, or disposed of. Where such shares are subsequently sold or reissued, any consideration

received, net of any directly attributable incremental transaction costs and the related tax effect is included in shareholders' equity.

The Group has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future.

## Revenue 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 with distributors for product sales generally include 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. Generally, the expected revenue and not the invoiced amount is recognized. Therefore, the Group assesses for which products the performance obligation has been met to recognize revenue and anticipates the amounts which are collectable.

Any changes in the transaction price subsequent to contract inception are allocated to the performance conditions on the same basis as at contract inception. Amounts that are allocated to performance obligation which has already been satisfied are recognized as revenue in the period in which the transaction price changes. This approach ensures that changes in estimates of variable consideration that are included in (or excluded from) the transaction price will be allocated to the performance obligation to which the variable consideration relates.

### (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.

## Cost of goods sold

Cost of goods sold includes direct materials, direct labor and all direct production overheads including depreciation and impairment of property, plant and equipment and indirect overheads that can reasonably be allocated to the production function, as well as unallocated production overheads and abnormal amounts of production costs of inventories. Furthermore, cost of goods sold includes amortization charge of currently marketed products and inventory write-downs.

## Research and development costs

Research and development ("R&D") costs consist primarily of compensation and other expenses related to functions of R&D and Quality & Assurance personnel; costs associated with pre-clinical testing and clinical trials of the Group's product candidates, including the costs of manufacturing the product candidates; expenses for research and services under collaboration agreements; outsourced R&D at research institutions, and relevant facility expenses. R&D expenses are fully charged to the income statement as incurred. Kuros considers that regulatory and other uncertainties inherent in the development of its key new products preclude it from capitalizing development costs under IFRS. Development costs are capitalized when the following criteria are met: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) its intention to complete the intangible asset and use or sell it; (c) its ability to use or sell the intangible asset; (d) the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development. That means that projects which have achieved technical feasibility, usually signified by a market approval from the US Food and Drug Administration or the European Medicines Agency or a comparable regulatory authority, would be capitalized because it is probable that the costs will give rise to future economic benefits.

### 3. Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent liabilities as at the reporting date. Although these estimates and assumptions are made based on all available information and in greatest diligence, the actual results may differ. This applies primarily to estimates and assumptions made with regard to the items set out below.

#### Going concern (note 1)

In accordance with IAS 1, Kuros has performed an assessment of its ability to continue as a going concern. The Group considers liquidity and capital taking into account the Group's current plans, budgets and forecasts.

The Group is loss making as the costs exceed the revenues. In the future, the Group is expected to generate substantial revenues either via direct product sales or licensing of its intellectual properties. Therefore, the Group has prepared its consolidated financial statements on a going concern basis.

#### Revenue from contracts with customers (note 6 and 7)

Derived from the Group's two revenue streams the Group applied following estimates and judgements.

##### (a) Product sales

The Group's contracts with distributors 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 that product sales are distinct, as the products are sold on a stand-alone basis. Therefore, no significant estimates or judgement inhere the timing of product sales.

##### (1) Variable consideration

Some distribution contracts for product sales provide distributors with volume rebates. Under IFRS 15, rights of return and volume discounts give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In the distribution agreements, the Group provides retrospective volume discounts on the product sales. In the reporting period such discounts were not applied yet for product sales as the targeted volumes will not be reached. Therefore, the Group did not estimate the expected volume rebates in this reporting.

##### (2) Warranty obligations

The Group generally provides warranties for defect products. The warranties are assurance-type warranties under IFRS 15, which the Group will account for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In the current year, the Group has not identified any need for provisions, contingent liabilities or assets with respect to warranty obligations.

##### (3) Principal versus agent considerations

The Group has entered into distribution contracts, where the distributors act as a principal or agent selling products to customers. In these contracts the Group is primarily responsible for fulfilling the promise to provide the specified product in a given time and volume. The Group does not bear inventory risks after the specified products have been transferred to the customer. The Group generally has no discretion in establishing the price for the specified product. However, the Group's consideration in these contracts is determined in accordance with the maximum purchase price by the end-customer. The Group bears credit risks for cost of goods sold.

##### (b) Collaborative agreements

As outlined in the accounting policies the general performance obligation of the Group's collaborative agreement is satisfied at a point-in time. No significant judgments or estimates apply for such agreements as the performance obligation is based on predefined performance goals.

## **Carrying value of Intangible assets for In-Process Research & Development and Goodwill (note 15)**

Intangible assets for In-Process Research & Development as well as Goodwill are tested for impairment at least once a year. This involves estimating the value in use of the cash-generating unit (CGU) to which intangible assets for In-Process Research & Development and Goodwill are allocated. It also requires a forecast of expected future cash flows as well as the application of an appropriate discount rate to calculate the present value of these cash flows. Future cash inflows from revenues are subject to a certain degree of uncertainty as they depend on future events beyond control of Kuros such as the achievement of pre-defined milestones which in turn depend, among others, on regulatory approvals.

## **Useful live of intangible assets subject to amortization (note 15)**

To determine the amortization charges the Group estimates the useful live of the intangible assets subject to amortization. Judgment is exercised in determining the period over which an asset is expected to generate future economic benefits.

## **Deferred taxes (note 11)**

Deferred tax assets are recognized only if their future realization is probable. The Group has therefore to exercise judgment in determining if it is probable that future taxable profit will be available against which the temporary difference can be utilized or whether sufficient suitable deferred tax liabilities are available.

## **Estimations of employee post-employment benefits obligations (note 24)**

The costs of the employee benefit plans, and the related obligations recognized in the balance sheet, representing the present value of the defined benefit obligation, are calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions applicable to the Group vary according to the prevailing economic and social conditions.

## **4. 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 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 governmental protection programs in its subsidiary Kuros Biosciences B.V. that were recognized as expense reduction in the profit and loss statement (see note 10). In addition, the subsidiary Kuros Biosciences USA, Inc. received borrowings from the Paycheck Protection Program Flexibility Act of 2020 which was shown in financing activities (see note 26). In December 2020, the borrowing was forgiven by the government and recorded as other income (see note 9). Kuros Biosciences AG did not receive borrowings from the Swiss government's 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.

## **5. Change in scope of consolidation**

### **Reverse merger of Kuros Biosurgery Holding AG in 2020**

As at January 01, 2020, Kuros dissolved Kuros Biosurgery Holding AG in a reverse-merger with Kuros Biosurgery AG. Since this transaction took place between two wholly owned group companies the intra-group merger did not have an impact on the consolidated financial statements.



## Liquidation of Proteome Therapeutics B.V, Co. KG in 2019

As at October 31, 2019, Kuros liquidated Proteome Therapeutics B.V. Co. KG (formerly Proteome Therapeutics GmbH). As a result, the Company incurred a loss of TCHF 3 for the liquidation of the entity.

### 6. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

in TCHF, year ended December 31	2020	2019
Timing of revenue recognition		
Revenue recognized at a point in time	4,039	2,561
Revenue recognized over time	–	–
<b>Total revenue from contracts with customers</b>	<b>4,039</b>	<b>2,561</b>

For detailed information of the breakdown of the Group's revenue from contracts with customers please see note 7.

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

### 7. Segment and geographic information

#### 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, year ended December 31	2020	2019
United States of America	3,946	2,461
United Kingdom	66	78
Other	27	22
<b>Total</b>	<b>4,039</b>	<b>2,561</b>

Analysis of revenues by category:

in TCHF, year ended December 31	2020	2019
Product sales	4,039	2,561
Revenue from collaborations	–	–
<b>Total</b>	<b>4,039</b>	<b>2,561</b>

As noted above, revenue is sourced from diverse customers, as the Group started commercialization of MagnetOs (Putty and Granules) in the United States of America and Europe. There are three significant customers that represent each 37%, 23% and 8% of the Group's Products Sales respectively.

## Product sales

The product sales originate from the distribution agreements 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 and respective amortization charges. Payment terms for product sales are generally 30 days and in certain contracts with customers up to 60 days.

## Revenue from collaborations

The Group receives 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 financial statements. Payment terms are usually 30 days, the milestone payments are contractually agreed and are based on pre-defined performance goals.

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. In addition, Kuros is currently searching for interested parties to sell the asset partially or in full.

## 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 the entities in Switzerland and the Netherlands contributed almost all material assets and liabilities. The US entity contributed less than 6% of the Group's assets and liabilities.

## 8. Cost of goods sold

The composition of cost of goods sold is as following:

in TCHF, year ended December 31	2020	2019
Production costs	700	482
Amortization of intangible assets	1,668	1,738
<b>Total cost of goods sold</b>	<b>2,368</b>	<b>2,220</b>

Upon re-evaluation of the composition of its 'Cost of goods sold' the Group has corrected an error related to the allocation of the amortization charges of the intangible assets from 'Currently Marketed Products' (see note 15), which were previously included in the research and development costs. Comparative figures have been corrected and re-stated in this respect. There was no impact on previously reported shareholder's equity, net loss or cash flows.

## 9. Costs by nature

### Research and development costs

in TCHF	2020	2019
Depreciation and amortization of assets	(483)	(829)
Employee benefits	(1,997)	(1,749)
Materials, consumables and services	(1,208)	(1,756)
Consulting, legal and other services	(283)	(289)
Other expenses	(34)	(116)
<b>Total</b>	<b>(4,005)</b>	<b>(4,739)</b>

## General and administrative costs

in TCHF	2020	2019
Depreciation and amortization of assets	(404)	(147)
Employee benefits	(2,553)	(2,202)
Consulting, legal and other services	(1,559)	(1,502)
Other expenses	(876)	(1,119)
<b>Total</b>	<b>(5,392)</b>	<b>(4,970)</b>

## Sales and marketing costs

in TCHF	2020	2019
Employee benefits	(2,003)	(936)
Consulting, legal, and other services	(701)	(342)
Other expenses	(1,559)	(1,026)
<b>Total</b>	<b>(4,263)</b>	<b>(2,304)</b>

## Other income

in TCHF	2020	2019
Reimbursed patent costs	123	184
Forgiveness of borrowings	108	–
Other income	79	96
<b>Total</b>	<b>310</b>	<b>280</b>

## 10. Employee benefits

in TCHF	2020	2019
Salaries	(4,880)	(4,114)
Social security costs	(420)	(242)
Pension costs, defined benefit plan (note 24)	(41)	331
Share-based compensation	(752)	(498)
Other costs related to employees	(538)	(363)
<b>Total</b>	<b>(6,631)</b>	<b>(4,886)</b>

In 2020, Kuros Biosciences BV benefited from a governmental COVID-19 protection program of which TCHF 306 were recognized as expense reduction from salaries and social security costs. Furthermore, Kuros Biosciences BV received subsidies from the Dutch government (WBSO program) and the European Union (cmRNAbone project) in relation to research and development activities, which amounted to TCHF 252. These were recognized as a deduction from salaries.

In 2019, the Group received subsidies (WBSO program and cmRNAbone project) for salaries in relation to social security charges totaling TCHF 242, which is recognized as a deduction from social security expenses.

## 11. Income taxes

in TCHF	2020	2019
Current income tax charge	(1)	(90)
Deferred tax credit	575	661
<b>Total income tax credit recognized in income statement</b>	<b>574</b>	<b>571</b>

In 2020, capital tax expenses in the amount of TCHF 108 (2019: TCHF 48) are included in the net operating costs.

Composition of deferred tax assets and liabilities:

in TCHF	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Intangible assets	–	–	(5,988)	(5,525)	(5,988)	(5,525)
Retirement benefit obligations	113	132	–	–	113	132
Leasing	535	459	(487)	(459)	48	–
Tax losses	2,884	1,905	–	–	2,884	1,905
<b>Deferred tax assets/(liabilities) prior to offset</b>	<b>3,532</b>	<b>2,496</b>	<b>(6,475)</b>	<b>(5,984)</b>	<b>(2,943)</b>	<b>(3,488)</b>
Offset of deferred tax assets and liabilities	(3,237)	(2,496)	3,237	2,496	–	–
<b>Deferred tax assets/(liabilities)</b>	<b>295</b>	<b>–</b>	<b>(3,238)</b>	<b>(3,488)</b>	<b>(2,943)</b>	<b>(3,488)</b>

Movements in deferred taxes:

in TCHF	Retirement benefit obligation	Tax losses	Intangible assets	Leasing	Total
<b>Balance as at January 1, 2020</b>	<b>132</b>	<b>1,905</b>	<b>(5,525)</b>	<b>–</b>	<b>(3,488)</b>
Deferred tax credit/(charge) in the income statement	(34)	979	(464)	48	529
Deferred tax credit in other comprehensive income	15	–	–	–	15
Exchange differences	–	–	1	–	1
<b>Balance as at December 31, 2020</b>	<b>113</b>	<b>2,884</b>	<b>(5,988)</b>	<b>48</b>	<b>(2,943)</b>

in TCHF	Retirement benefit obligation	Tax losses	Intangible assets	Total
<b>Balance as at January 1, 2019</b>	<b>211</b>	<b>1,607</b>	<b>(6,155)</b>	<b>(4,337)</b>
Deferred tax credit/(charge) in the income statement	(130)	298	457	624
Deferred tax credit in other comprehensive income	51	–	–	51
Exchange differences	–	–	174	174
<b>Balance as at December 31, 2019</b>	<b>132</b>	<b>1,905</b>	<b>(5,525)</b>	<b>(3,488)</b>

The deferred tax credit of TCHF 15 (2019: charge of TCHF 51) in the statement of other comprehensive income was arising from the actuarial gains and losses on defined benefit schemes.

The Group's income tax expense differed from the amount computed by applying the statutory Swiss income tax rate as summarized in the following table:

in TCHF	2020	2019
Loss before tax	(12,094)	(11,823)
Expected income tax rate (%)	21%	22%
<b>Expected income tax credit</b>	<b>2,519</b>	<b>2,601</b>
Expenses not deductible for tax purposes	(249)	(130)
Income not subject to tax	4	–
Effect of deferred tax assets not recognized in the current year	(1,193)	(1,725)
Recognition of formerly unrecognized tax assets	277	–
Effect of future applicable changes in income tax rates	(989)	–
Effect of different tax rates in other countries	189	(139)
Other	16	(36)
<b>Total income tax credit recognized in income statement</b>	<b>574</b>	<b>571</b>

The Group's expected tax rate is 21% for 2020 and 22.0% for 2019, which is the statutory tax rate of the holding company.

Expenses not deductible for tax purposes mainly related to share-based payment expenses recognized in the respective period. Deferred tax assets not recognized mainly consisted of tax losses in Switzerland.

In 2020, the effect of changes in future expected tax rates is related to a higher expected income tax rate in the Netherlands, which has been published by the Dutch Ministry of Finance.

### Tax loss carry-forwards

Tax loss carry-forwards, which are not recognized, are summarized by year of expiry as follows:

in CHF million	2020	2019
2020	–	57,919
2021	24,166	38,036
2022	2,520	6,154
2023	9,764	14,946
2024	12,405	15,420
2025	8,346	10,619
2026	5,902	6,937
2027	4,822	–
No expiry	–	594
<b>Total</b>	<b>67,925</b>	<b>150,625</b>

As at December 31, 2020, the Group's total gross operating loss carry-forwards amounted to CHF 69 million (2019: CHF 151 million), of which CHF 69 million (2019: CHF 150 million) related to Switzerland with an expected income tax rate of 19% for 2020 (2019: 18%).

The unrecognized tax loss carry-forwards and deductible temporary differences would have led to an increase in deferred tax assets of CHF 13.2 million and CHF 27.1 million in 2020 and 2019 respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Group partially recognized deferred tax assets relating to tax loss carry-forwards and deductible temporary differences in 2019 and 2020 to the extent that there are suitable taxable temporary differences and expected future profits.

## 12. 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 loss per share excludes any dilutive effects of options, shares subject to repurchase, and convertible loans. 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.

### a) Basic net loss per share:

in CHF	2020	2019
Total basic net loss attributable to the ordinary equity holders	(0.47)	(0.71)

### b) Diluted net loss per share:

in CHF	2020	2019
Total diluted net loss attributable to the ordinary equity holders	(0.47)	(0.71)

### c) Reconciliation of net loss used in calculating net loss per share:

in TCHF	2020	2019
Basic net loss per share	(0.47)	(0.71)
Net loss attributable to the ordinary equity holders from continuing operations	(11,520)	(11,252)
Diluted net loss per share	(0.47)	(0.71)
Net loss attributable to the ordinary equity holders	(11,520)	(11,252)

### d) Weighted average number of shares used as denominator:

	2020	2019
Weighted average number of ordinary shares	24,317,550	15,822,646
Adjustments: options	–	–
Weighted average number and potential ordinary shares	24,317,550	15,822,646

### e) Information concerning the classification of securities

Options granted to employees under the Employee Option Plan are considered as potential ordinary shares. They have been included in the determination of diluted net loss per share if the exercise price is lower than the average price of the ordinary shares for the period and to the extent to which they are dilutive. The options have not been included in the determination of basic net loss per share as the effect would have been anti-dilutive. Details relating to the options are set out in note 23. These options could potentially dilute basic net loss per share in the future.



### 13. Property and equipment

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
<b>Cost</b>				
At January 1, 2020	42	708	170	920
Additions	–	30	31	61
Exchange differences	–	(2)	–	(2)
<b>At December 31, 2020</b>	<b>42</b>	<b>736</b>	<b>201</b>	<b>979</b>
<b>Accumulated depreciation</b>				
At January 1, 2020	(14)	(252)	(109)	(375)
Depreciation charge	(9)	(113)*	(30)	(152)
Exchange differences	–	(1)	2	1
<b>At December 31, 2020</b>	<b>(23)</b>	<b>(366)</b>	<b>(137)</b>	<b>(526)</b>
<b>Net book value at December 31, 2020</b>	<b>19</b>	<b>370</b>	<b>64</b>	<b>453</b>

\*Depreciation on machinery and equipment used in the production of inventory is allocated as part of the production overheads and forms part of the costs of conversion. Unallocated overheads are expensed in the period in which they are incurred.

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
<b>Cost</b>				
At January 1, 2019	43	677	145	865
Additions	–	56	29	85
Disposals	–	–	(2)	(2)
Exchange differences	(1)	(25)	(2)	(28)
<b>At December 31, 2019</b>	<b>42</b>	<b>708</b>	<b>170</b>	<b>920</b>
<b>Accumulated depreciation</b>				
At January 1, 2019	(6)	(151)	(75)	(232)
Depreciation charge	(8)	(110)*	(37)	(155)
Disposals	–	–	2	2
Exchange differences	–	9	1	10
<b>At December 31, 2019</b>	<b>(14)</b>	<b>(252)</b>	<b>(109)</b>	<b>(375)</b>
<b>Net book value at December 31, 2019</b>	<b>28</b>	<b>456</b>	<b>61</b>	<b>545</b>

\*Depreciation on machinery and equipment used in the production of inventory is allocated as part of the production overheads and forms part of the costs of conversion. Unallocated overheads are expensed in the period in which they are incurred.

## 14. Leases

The Group has one rental contract (lease) for a building as lessee. The following amounts relating to leases are recognized in the balance sheet as at December 31:

in TCHF	2020	2019
Right-of-use assets for buildings	2,135	2,237
Lease liabilities		
- Current	278	246
- Non-current	2,062	2,142

Due to a remeasurement as a result of a change of price index during the year, the right-of-use assets and lease liability increased by 224 TCHF in 2020.

The statement of profit and loss shows the following amounts of lease expenses:

in TCHF	2020	2019
Depreciation of right-of-use assets for buildings	(323)	(293)
Interest expense	(52)	(80)
Expense relating to short-term leases	(69)	(35)
Expenses relating to lease of low-value	(10)	(13)

The total cash outflow for leases in 2020 was TCHF 270 (2019: TCHF 220).

The Group leases office and production premises which are fully recognized as lease liabilities and right-of-use assets. The rental period entered into is for a fixed period of 10 years 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.

## 15. Goodwill and intangible assets

in TCHF	Goodwill	Licensing	Currently Marketed Products	In-Process Research & Development	Software	Total
<b>Historical Cost</b>						
<b>At January 1, 2020</b>	<b>33,860</b>	<b>8,025</b>	<b>27,968</b>	<b>642</b>	<b>33</b>	<b>70,528</b>
Additions	–	–	–	–	159	159
Reclassification to assets classified as held for sale	–	(4,730)	–	–	–	(4,730)
Derecognition	–	(3,295)	–	–	–	(3,295)
Exchange differences	(13)	–	(34)	(1)	–	(48)
<b>At December 31, 2020</b>	<b>33,847</b>	<b>–</b>	<b>27,934</b>	<b>641</b>	<b>192</b>	<b>62,614</b>
<b>Accumulated amortization</b>						
<b>At January 1, 2020</b>	<b>–</b>	<b>(5,371)</b>	<b>(3,376)</b>	<b>–</b>	<b>(1)</b>	<b>(8,748)</b>
Amortization charge*	–	(483)	(1,668)	–	(43)	(2,194)
Reclassification to assets classified as held for sale	–	2,559	–	–	–	2,559
Derecognition	–	3,295	–	–	–	3,295
Exchange differences	–	–	(13)	–	–	(13)
<b>At December 31, 2020</b>	<b>–</b>	<b>–</b>	<b>(5,057)</b>	<b>–</b>	<b>(44)</b>	<b>(5,101)</b>
<b>Net book value at December 31, 2020</b>	<b>33,847</b>	<b>–</b>	<b>22,877</b>	<b>641</b>	<b>148</b>	<b>57,513</b>

\* Amortization charges are included in the cost of goods sold, research and development costs and general and administrative costs of the consolidated income statement.

in TCHF	Goodwill	Licensing	Currently Marketed Products	In-Process Research & Development	Software	Total
<b>Cost</b>						
<b>At January 1, 2019</b>	<b>34,241</b>	<b>8,025</b>	<b>29,016</b>	<b>666</b>	<b>–</b>	<b>71,948</b>
Additions	–	–	–	–	33	33
Exchange differences	(381)	–	(1,048)	(24)	–	(1,453)
<b>At December 31, 2019</b>	<b>33,860</b>	<b>8,025</b>	<b>27,968</b>	<b>642</b>	<b>33</b>	<b>70,528</b>
<b>Accumulated amortization</b>						
<b>At January 1, 2019</b>	<b>–</b>	<b>(4,844)</b>	<b>(1,750)</b>	<b>–</b>	<b>–</b>	<b>(6,594)</b>
Amortization charge*	–	(527)	(1,738)	–	(1)	(2,266)
Exchange differences	–	–	112	–	–	112
<b>At December 31, 2019</b>	<b>–</b>	<b>(5,371)</b>	<b>(3,376)</b>	<b>–</b>	<b>(1)</b>	<b>(8,748)</b>
<b>Net book value at December 31, 2019</b>	<b>33,860</b>	<b>2,654</b>	<b>24,592</b>	<b>642</b>	<b>32</b>	<b>61,780</b>

\* Amortization charges are included in the cost of goods sold, research and development costs and general and administrative costs of the consolidated income statement.

## Reclassification of licensing agreement

In December 2020, Kuros decided to enter into negotiations to sell the collaboration agreement with Checkmate to interested parties partially or in full. The licensing agreement with a net carrying value of TCHF 2,171 is reclassified from intangible assets to assets classified as held for sale (see note 17).

## 16. Impairment test

Intangible assets for In-Process Research & Development as well as Goodwill are subject to an impairment test once a year or more frequently if there are indications of impairment. A key element for the indication of an impairment is the relation of market capitalization and the CGU's net identifiable assets. The current movement of the market capitalization of the Group is below the CGU's net identifiable assets, 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 and as at December 31, 2020.

Goodwill is allocated to the CGU or group of CGUs that is the principal economic beneficiary. The Group's management determined that there is only one CGU, which is equal to the sole reportable segment. Management monitors the goodwill at the sole reportable segment level. Intangible assets for In-Process Research & Development as well as Goodwill are tested for impairment on the level of the one CGU identified.

The recoverable amount of the CGU is determined based on a value-in-use calculation, which requires the use of assumptions. The impairment test is based on a discounted cash flow model, which includes comprehensive data with no terminal value taken into consideration. This forecast period was chosen as Kuros currently does not incur substantial revenues from product sales and therefore historical information is not available. No terminal value was applied as the products being commercialized are intellectual property (IP) protected and, after the maturity of such IP protection, a decline in revenues could be possible. The weighted-average cost of capital (WACC) is used to determine the applicable pre-tax discount rate. The Group operates in one segment and identified one CGU to allocate the carrying amount of Goodwill and intangible assets to.

## Key input parameters into the discounted cash flow model

### General key assumptions:

- The underlying business plan assumes that the company can obtain the relevant funding in line with its planned timeframe. As a result, it is assumed that the necessary steps of the business plan can be reached and executed within the planned timeframe. An impairment could be triggered in case of significant changes to or delays in the current business plan or in case specific milestones are not met.
- WACC of 12.1% reflects the advanced stage of the Company. Further, certain probabilities for revenues and costs are assumed (2019: WACC 12.2%). The corresponding pre-tax WACC amounts to 14.7% (2019: 14.9%).
- Tax rate of 24.0%, which represents a weighted average of the entities' corporate income tax rates (2019: 22%).
- Inflation rate of 2.0% reflects the currently low inflation environment as well as the expected increase of inflation according to third party forecasts (2019: 2.0%).
- The applied forecast period is based on the product life cycle of the underlying products driven by the duration of their patent protection. Whilst the Group has a broad portfolio of currently granted patents for its products in place it has also considered currently pending patent extensions. The model reflects management's estimate of the probability of such patent extensions being granted. No terminal value is applied after the expiry of pending patent extensions.
- For the extrapolation of cash flow projections beyond the period covered by the most recent business plan no growth rate (i.e. 0%) is applied. Also, no growth rate is used for the products, industries, or countries in which the Group operates, or for markets to which the Group is dedicated. The cash flow projections are, however, adjusted for inflation for the extrapolated period.

### Key input parameters – cash in:

Revenue projections are derived applying (i) a bottom-up assessment of market, market potential and market penetration, (ii) peer comparison of products in a similar space and (iii) assumptions made by external parties. In addition, revenue probabilities between 0% and 70% (2019: between 0% and 60%) have been applied to reflect uncertainty on market approvals and timing of cash-flows. The cash-in projections in the underlying business plan are primarily driven by:

- Cash in from product sales:
  - Fibrin-PTH spinal fusion (KUR-113)
  - MagnetOs product family (including OEM agreements)

### Key input parameters – cash out:

- Cash out from Fibrin-PTH spinal fusion including (i) general and administrative costs, (ii) clinical and nonclinical costs for product candidates, and (iii) costs associated with the preparation and conduct of commercialization activities.
- Cash out from MagnetOs products are related to the commercialization activities, production and general & administrative costs

## Key assumptions in sensitivity to changes

The valuation of value in use for the CGU is most sensitive to the following assumptions:

- Future cash flows
- Discount rate

Future cash flows are the net amount of cash and cash equivalents being transferred into or from a CGU. The CGU's ability to create future cash flows is substantial to distinct the value in use of the underlying assets. Furthermore, future cash flows relate to the direct refinancing possibilities of a CGU and determine (future) liquidity needs. Therefore, changes in the assumptions of future cash flows can materially impact the value in use and the refinancing possibilities of a CGU.

Discount rate is derived from the current market assessment of the risks specific to a CGU, considering the present value of future cash flows and individual risks of the underlying assets that are not addressed in the cash flow estimates. Basis for the discount rate is the weighted average cost of capital (WACC), which estimates the individual financing costs for debt and equity financing. The cost of equity is derived from the shareholder return expectations. The cost of debt is derived from interest-bearing payables the Group is or would be obliged to service. By applying additional beta factors, the WACC incorporates branch specific risks. The beta factor is evaluated on basis on publicly available data of a selected peer group.

The cash flow projections were based upon financial plans approved by the key decision makers of the Group. The overall assumptions used in the calculations are consistent with the assumptions for the segment served by the Group.

The sensitivity analysis for the CGU to which the goodwill is allocated was based on a reduction in future cash flows by 10 % or an increase in discount rates by 1 %. The Group concluded that no impairment loss needs to be recognized on intangible assets and goodwill. The parameters for the sensitivity analysis were chosen based on historic variations experienced and assumed projected volatilities and are therefore considered reasonably possible.

## 17. Assets classified as held for sale

In December 2020, the licensing agreement has been reclassified from intangible assets to assets as held for sale, as the Board has decided to sell the licensing agreement with Checkmate, partially or in full. There is an interest in the market to purchase the agreement, and a sale is highly probable to be completed throughout 2021.

The licensing agreement with Checkmate was measured with its carrying value at the time of recognition as asset classified held for sale. The carrying value is not exceeding the fair value less costs to sell at the time of the reclassification and is therefore fully recoverable (and not subject to a write-down).

## 18. Inventories

in TCHF	2020	2019
Raw materials (at cost)	85	106
Work in progress (at cost)	519	415
Finished goods (at lower of cost and net realizable value)	856	433
<b>Balance as at December 31</b>	<b>1,460</b>	<b>954</b>

In 2020, a write-down of inventory to a net realizable value of TCHF 66 (2019: TCHF 178) was recognized.

## 19. Prepayments and other assets

Prepayments and other assets mainly included prepayments of general liability insurance, subscription to publications and cost of services as at December 31, 2020 and December 31, 2019.

## 20. Trade and other receivables

in TCHF	2020	2019
Trade receivables		
Trade receivables – gross carrying amount	1,061	783
Loss allowance	(25)	(24)
Trade receivables – net carrying amount	1,036	759
Value added taxes (VAT)	207	293
Other	159	23
<b>Balance as at December 31</b>	<b>1,402</b>	<b>1,075</b>
Thereof non-current	–	–

The fair values of trade and other receivables do not differ from the carrying amounts. Trade and other receivables are denominated in CHF (TCHF 200; 2019: TCHF 196), EUR (TCHF 650; 2019: TCHF 476), USD (TCHF 548; 2019: TCHF 385) and GBP (TCHF 5; 2019: TCHF 18) and are not considered impaired as they are fully performing. The maximum exposure to credit risk at the reporting date is the net carrying amount of trade and other receivables mentioned above. The Group does not hold any collateral as security. The credit quality of the Group's debtors is high, since they are composed of tax authorities, leading pharmaceutical companies, and health care providers.

## 21. Cash and cash equivalents

in TCHF	2020	2019
Cash at bank and on hand	8,388	20,802
Deposits at call	20,000	–
<b>Total cash and cash equivalents</b>	<b>28,388</b>	<b>20,802</b>

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

In 2020 and 2019, the Group recorded no interest income.



## 22. Shareholders' equity

	Shares (number)	Share capital (in TCHF)	Treasury shares (in TCHF)
<b>At January 1, 2019</b>	<b>15,058,611</b>	<b>15,059</b>	<b>(17)</b>
Capital increases	7,411,335	7,411	–
<b>At December 31, 2019</b>	<b>22,469,946</b>	<b>22,470</b>	<b>(17)</b>
<b>At January 1, 2020</b>	<b>22,469,946</b>	<b>22,470</b>	<b>(17)</b>
Capital increases	10,341,432	10,341	–
<b>At December 31, 2020</b>	<b>32,811,378</b>	<b>32,811</b>	<b>(17)</b>

Number of shares	Issued and fully paid shares	Treasury shares	Total shares
At December 31, 2019	22,469,946	(17,244)	22,452,702
At December 31, 2020	32,811,378	(17,244)	32,794,134

### Authorized and conditional capital

See articles 3b, 3c and 3d of the articles of association of Kuros Biosciences AG

	2020	2019
Authorized capital as at December 31, in TCHF	673	4,000
Conditional capital as at December 31, in TCHF	2,922	5,843
Weighted average number of shares for basic and diluted net loss per share (note 12)	24,317,550	15,822,646

Under CO, new share capital can be created by way of ordinary, authorized or conditional capital increase, which is defined as follows:

#### Ordinary capital (art. 650 CO)

Shareholders resolve on terms of capital increase and instruct the Board to increase capital within three months from shareholders' resolution.

#### Authorized capital (art. 651 CO)

Shareholders amend the articles of association to include authorized capital (up to 50% of existing share capital) and authorize the Board to issue a maximum number of shares. Authorized capital is valid for two years from shareholders' resolution.

#### Conditional capital (art. 653 CO)

Shareholders create unissued share capital for equity-linked debt, bonds with warrants, or employee stock options by amending the articles of association. New share capital will be created upon conversion/exercise of options.

#### Legal reserves

The legal reserves are built in line with Swiss Law and can only be used for compensating losses carried forward. The legal reserves cannot be used for distribution to shareholders.

#### Additional paid-in capital

The additional paid-in capital resulted from several capital increases.

## Treasury shares

Treasury shares held by the Group as at December 31, 2020 were created in February 2018 and are as following:

	Number of shares	Weighted average purchase price	in TCHF
<b>Balance as at January 1, 2019</b>	<b>17,244</b>	<b>1.00</b>	<b>17,244</b>
Purchase	–	–	–
Sale	–	–	–
<b>Balance as at December 31, 2019</b>	<b>17,244</b>	<b>1.00</b>	<b>17,244</b>
<b>Balance as at January 1, 2020</b>	<b>17,244</b>	<b>1.00</b>	<b>17,244</b>
Purchase	–	–	–
Sale	–	–	–
<b>Balance as at December 31, 2020</b>	<b>17,244</b>	<b>1.00</b>	<b>17,244</b>

## Options

No options were exercised in 2020 and 2019.

## Change in capital structure

As at January 1, 2020 the nominal share capital of the ultimate parent company of the Group, Kuros Biosciences AG (“Kuros”), amounted to CHF 22,469,946.00 and was divided into 22,469,946 registered common shares with a par value of CHF 1.00.

The changes in capital structure for 2020 are incurred as following:

## Capital increase from shares and rights offering

In October 2020, the final number of Offered Shares and gross proceeds from the Rights Offering and Share Offering, first announced on October 5, 2020 in which a total of 10,341,432 newly registered shares of Kuros with a nominal value of CHF 1.00 each were placed at an Offer Price of CHF 1.80 per share. In the Share Placement, 4,192,530 newly registered shares for which subscription rights were not exercised were placed to eligible institutional investors or others. Combined with the 4,233,699 newly registered shares, which were validly subscribed for in the rights offering and 1,915,203 additional newly registered shares -as supplement to the Rights Offering-, the total number of new registered shares placed at the offer price of CHF 1.80 per share amounts to 10,341,432. Total gross proceeds raised in the capital increase amount to CHF 18.6 million. Transaction costs arising from capital increase in the amount of TCHF 1,372 have been recognized directly in equity.

As a result of the capital increase, Kuros’ share capital will increase from CHF 22,469,946.00 to CHF 32,811,378.00, divided into 32,811,378 registered shares with a nominal value of CHF 1.00 each.

## 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  $V_n/0.98$  where  $V_n$  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 2019, Kuros has drawn eight tranches totaling gross proceeds TCHF 1,811 of which all have been converted to shares by Nice & Green. In total 1,006,313 shares have been converted from conditional capital to share capital for effectuating

conversion of convertible notes. Transactions costs arising from convertible bond financing in the amount of TCHF 111 have been recognized directly in equity.

In 2020, no transaction was placed in relation to the Nice & Green agreement.

### SEDA Financing

In November 2017, Kuros announced entering into a Standby Equity Distribution Agreement (“SEDA”) with a fund managed by Yorkville Advisors Global, LLC (“Yorkville”). In November 2020, the SEDA expired and was not renewed.

In 2020 and 2019, no transaction was placed in relation to the SEDA-Financing agreement.

## 23. Share options

The Group regularly grants share options to the members of the Board, the members of the Executive Committee, as well as to employees and consultants of the Company. The fair value of the options is determined at the grant date, based on the market price, by using the Black-Scholes model. All stock options are issued by the Company.

Total expenses for the share-based compensation amount to TCHF 752 (2019: TCHF 498) for granted and forfeited options.

In 2020, a total of 796,688 options were granted (2019: 314,852 options) and 23,317 options (2019: 10,624 options) were forfeited due to the terminations of employees. The expense of forfeited options is reversed in 2020.

The movements in the number of all valid share options are as follows:

	Options (number)	Weighted average exercise price (CHF)
<b>Balance outstanding at January 1, 2019</b>	<b>969,844</b>	<b>29.88</b>
Granted	314,852	2.81
Exercised	–	–
Forfeited	(10,624)	7.96
Lapsed	(45,168)	254.71
<b>Balance outstanding at December 31, 2019</b>	<b>1,228,904</b>	<b>14.87</b>
<b>Balance outstanding at January 1, 2020</b>	<b>1,228,904</b>	<b>14.87</b>
Granted	796,688	2.11
Exercised	–	–
Forfeited	(23,317)	3.49
Lapsed	(114,987)	52.38
<b>Balance outstanding at December 31, 2020</b>	<b>1,887,288</b>	<b>7.34</b>

The following table applies to all valid share options outstanding as at December 31, 2020:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.88	2,500	3.7	782
2.00	272,427	4.9	272,427
2.09	756,500	4.2	–
2.27	2,500	4.7	2,500
2.30	10,968	4.7	10,968
2.42	37,875	3.4-3.8	19,125
2.45	12,531	4.1-4.7	12,531
2.76	99,385	3.2	99,385
2.95	158,150	3.8	39,537
3.09	15,000	2.9	15,000
3.12	8,406	3.9	8,406
5.00	15,000	2.8	15,000
8.2	2,500	2.7	1,408
9.26	45,533	2.5	24,050
10.2	47,500	2.5-3.6	35,473
12.1	90,768	2.1	39,711
18.3	66,623	1.5	66,623
24.00	110,200	0.4	110,200
26.00	15,000	0.1	15,000
27.75	20,000	0.6	20,000
33.00	46,845	0.5	46,845
42.00	25,000	0.2	25,000
45.00	14,984	Up to 0.7	14,984
52.00	11,093	Up to 1.5	11,093
<b>Total</b>	<b>1,887,288</b>		<b>906,048</b>

\* Includes all options granted within the Group

The following table applies to all valid share options outstanding as at December 31, 2019:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.88	2,500	4.7	–
2.00	272,427	5.9	272,427
2.42	37,875	4.4-4.8	–
2.76	99,385	4.2	99,385
2.95	171,500	4.8	–
3.09	15,000	3.9	15,000
3.12	1,217	4.9	1,217
5.00	15,000	3.8	15,000
8.20	2,500	3.7	782
9.26	48,500	3.5	15,633
10.20	47,500	3.5–3.6	28,597
12.10	90,768	3.1	39,711
18.30	66,623	2.5	66,623
24.00	110,200	1.4	110,200
25.00	20,400	0.5	20,400
26.00	15,000	1.1	15,000
27.75	20,000	1.6	20,000
33.00	46,845	1.5	46,845
42.00	25,000	1.2	25,000
45.00	14,984	Up to 1.7	14,984
52.00	11,093	Up to 2.5	11,093
56.00	40,587	Up to 0.9	40,587
60.00	54,000	0.5	54,000
<b>Total</b>	<b>1,228,904</b>		<b>912,484</b>

\* Includes all options granted within the Group

## Fair value and assumptions of options granted

The following table shows the range of conditions as well as the range of assumptions applied to the share-based payment arrangements:

Options granted in 2020:

	(a) New Kuros options granted in 2020	(b) New Kuros options granted in 2020	(c) New Kuros options granted in 2020
Grant date	January 31, 2020	March 23, 2020	June 3, 2020
Number of options	8,559	763,500	5,440
Exercise price	CHF 2.45	CHF 2.09	CHF 2.45 to 3.12
Share price at date of grant	CHF 3.06	CHF 2.09	CHF 1.93
Contractual life	5 years	5 years	5 years
Vesting period	8,559 options vest upon grant date	198,750 options vest after 1 year, 564,750 options vest quarterly over the following three years	5,440 options vest upon grant date
Settlement	Shares	Shares	Shares
Expected volatility at day of grant	54.24%	64.07%	67.30%
Expected option life at grant date	until maturity	until maturity	until maturity
Risk-free interest rate p.a.	-0.80%	-0.48%	-0.57%
Expected dividend	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 1.55	CHF 1.09	CHF 0.94 to 0.83
Expiry date	January 31, 2025	March 23, 2025	June 3, 2025
Valuation model	Black Scholes	Black Scholes	Black Scholes



**(d) New Kuros options  
granted in 2020**

Grant date	August 13, 2020
Number of options	19,089
Exercise price	CHF 2.27 to 3.12
Share price at date of grant	CHF 2.27
Contractual life	5 years
Vesting period	19,089 options vest upon grant date
Settlement	Shares
Expected volatility at day of grant	67.11%
Expected option life at grant date	until maturity
Risk-free interest rate p.a.	-0.62%
Expected dividend	Zero
Estimated fair value of option at grant date	CHF 1.23 to 1.07
Expiry date	August 13, 2025
Valuation model	Black Scholes



Options granted in 2019:

	(a) New Kuros options granted in 2019	(b) New Kuros options granted in 2019	(c) New Kuros options granted in 2019
Grant date	February 25, 2019	May 21, 2019	July 2, 2019
Number of options	99,385	15,250	2,500
Exercise price	CHF 2.76	CHF 2.42	1.88
Share price at date of grant	CHF 2.76	CHF 2.42	CHF 1.88
Contractual life	5 years	5 years	5 years
Vesting period	99,385 options vest upon grant date	15,250 options vest after 1 year	625 options vest after 1 year, 1,875 options vest quarterly over the following three years
Settlement	Shares	Shares	Shares
Expected volatility at day of grant	103.42%	84.47%	50.88%
Expected option life at grant date	until maturity	until maturity	until maturity
Risk-free interest rate p.a.	(0.57%)	(0.35%)	(0.87%)
Expected dividend	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 2.07	CHF 1.58	CHF 0.79
Expiry date	February 25, 2024	May 21, 2024	July 2, 2024
Valuation model	Black Scholes	Black Scholes	Black Scholes

	<b>(d) New Kuros options granted in 2019</b>	<b>(e) New Kuros options granted in 2019</b>	<b>(f) New Kuros options granted in 2019</b>
Grant date	October 1, 2019	October 1, 2019	November 29, 2019
Number of options	25,000	171,500	1,217
Exercise price	CHF 2.42	CHF 2.95	CHF 3.12
Share price at date of grant	CHF 2.95	CHF 2.95	CHF 2.38
Contractual life	5 years	5 years	5 years
Vesting period	6,250 options vest after 1 year, 18,750 options vest quarterly over the following three years	42,875 options vest after 1 year, 128,625 options vest quarterly over the following three years	1,217 options vest upon grant date
Settlement	Shares	Shares	Shares
Expected volatility at day of grant	84.47%	147.15%	149.64%
Expected option life at grant date	until maturity	until maturity	until maturity
Risk-free interest rate p.a.	(0.35%)	(0.86%)	(0.74%)
Expected dividend	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 1.58	CHF 2.65	CHF 2.12
Expiry date	October 1, 2024	October 1, 2024	November 29, 2024
Valuation model	Black Scholes	Black Scholes	Black Scholes

## 24. Benefit plans

The Company maintains a retirement plan (the "Plan") covering employees, including the Executive Committee. In addition to retirement benefits, the Plan provides death or long-term disability benefit to its employees. Benefits under the Plan are principally based on contributions, computed as a percentage of salary, adjusted for the age of the employee. Under the agreements, both the Group and the employee share the costs, including contributions, 50/50. To minimize the risk associated with a pension obligation, the Company has entered into term agreement with a third-party insurance company.

The Group also operates a couple of defined contribution plans in the Netherlands and the United States of America which received fixed contributions from group companies. The group's legal or constructive obligation for these plans is limited to the contributions. As at December 31, 2020 there are no outstanding contribution balances (2019: 0 CHF).

During 2020 and 2019 the Company was affiliated with one collective foundation to meet its obligations under Switzerland's mandatory company provided pension:

### **PKG Pensionskasse**

This pension scheme provides benefits in case of disability, death, old age and termination. The risk benefits are defined in relation to the pensionable salary. The retirement pension is calculated based on the projected savings capital with interest and a conversion rate.

### **Responsibilities of the Board of Trustees (and/or the employer on the Board of Trustees)**

The highest corporate body of the Foundation is the Board of Trustees. It handles the general management of the pension scheme, ensures compliance with the statutory requirements, defines the strategic objectives and policies of the pension scheme, and identifies the resources for their implementation.

It determines the objectives and principles of the asset management and the implementation and monitoring of the investment process. All ALM considerations are based on the statutory welfare provisions.

Kuros is responsible for ensuring that a pension fund commission with an equal number of employee and employer representatives is set up. The main task of the commission is to safeguard the interests of the insured persons vis-à-vis the Foundation and the employer. In addition, it issues pension-specific provisions within the context of the pension plan.

### **Special situations**

Pursuant to local law, in the case of excess coverage there are only limited possibilities for the highest corporate body and/or the pension fund commission to grant benefits to the beneficiaries from the "disposable assets". According to the regulations, however, if there is a coverage shortage, additional contributions (re-financing contributions) can be requested from the insured and the employers until financial stability is once again restored. The Collective Foundation currently has excess coverage according to the regulations.

### **Financing agreements for future contributions**

The law (Swiss Federal Law on Occupational Retirement, Survivors, and Disability Pension Plans and its associated ordinances) provides for minimum pension benefits and also a minimum amount for the savings contributions. The amount of the contributions to be paid by the employer and the employee is determined by the highest corporate body and/or the pension fund commission. These can exceed the statutory minimum. The employer contribution must be at least as high as the employee contributions. The contributions are age dependent and based on the pensionable salary. They are determined in the pension plan/regulations. In addition, an employer can make one-off deposits or advance payments to the pension scheme and/or pension fund. They are available for the employer to use in the settlement of future employer contributions (employer contribution reserve). These contributions must not be repaid to the employer.

If an insured person changes employer before he/she has reached retirement age, a vested benefit (accrued savings capital that is guaranteed to a certain amount) becomes due. The vested benefit is transferred to the new employer's pension scheme.

In the event of the liquidation of the employer or the pension scheme and/or pension fund, the employer has no entitlement to any excess coverage from the pension scheme and/or pension fund. This is distributed amongst the insured and the pension recipients.

## General risks

As well as the risk of having to provide additional financing for past service years, Kuros also bears the risk that its assets will be affected by the bad investment performance of the pension scheme and/or pension fund or the adjustment of valuation assumptions.

The treatment of so-called “fully insured” BVG plans under IAS 19 has been thoroughly analyzed by the Swiss Auditing Chamber’s Auditing Practice Committee. As a result of these consultations, the Swiss Auditing Chamber and its Accounting Practice Subcommittee have concluded that for IAS 19 purposes “fully insured” BVG plans shall be considered as defined benefit plans. The reasons are as follows:

- Benefits can be continued under the same conditions;
- The valuation of employee benefits obligations in accordance with international accounting standards is carried out regardless of the legal configuration of the pension plans and employee benefits institutions. The standards influence solely the financial result of the company and not that of the employee benefits institution. These results are not relevant for an actuarial assessment in accordance with Article 52e, BVG.

## Plan amendment/Settlement

On November 25, 2020, the Board of Trustees of the pension fund PKG has decided a further decrease of the conversion rate until 2026. Kuros already considered the applicable reduction of the conversion rate until 2022 to 5.40%. Until 2026, the conversion rate will further decrease to 5.00% (0.10% step each year). The impact of this plan amendment is an income of TCHF 131 recognized in the profit and loss statement.

Change in benefit obligation:

in TCHF	2020	2019
<b>Balance as at January 1</b>	<b>(3,692)</b>	<b>(4,901)</b>
Service cost	(169)	(211)
Employee contributions	(101)	(133)
Interest cost	(9)	(27)
Plan amendment	131	–
Curtailments/Settlements	–	549
Actuarial gain/(loss) on benefit obligation	113	(603)
Benefits paid	594	1,634
<b>Balance as at December 31</b>	<b>(3,133)</b>	<b>(3,692)</b>

in TCHF	2020	2019
Actuarial gain/(loss) arising from plan experience	174	(167)
Actuarial loss arising from financial assumptions	(61)	(436)
<b>Total gain/(loss)</b>	<b>113</b>	<b>(603)</b>

Change in plan assets:

in TCHF	2020	2019
<b>Fair value as at January 1</b>	<b>2,965</b>	<b>3,940</b>
Interest income	8	22
Employer contributions	101	133
Employee contributions	101	133
Benefits paid	(594)	(1,634)
Administrative expense	(2)	(2)
Actuarial (loss)/ gain on plan assets	(33)	373
<b>Fair value as at December 31</b>	<b>2,546</b>	<b>2,965</b>

in TCHF	2020	2019
Actuarial gain/(loss) arising from financial assumptions	–	–
Actuarial (loss)/gain arising from plan experience	(33)*	373*
<b>Total (loss)/gain</b>	<b>(33)</b>	<b>373</b>

\* Until the reverse merger in 2016, Kuros Biosciences' participants were insured in two different pension solutions. The smaller portion of employees was in the current pension plan and the larger portion of employees was in a fully reinsured pension plan. A fully reinsured solution is never overfunded. In the case of an autonomous collective foundation, however, the affiliated company benefits (e.g. the risk of underfunding is lower and therefore any obligation to make additional contributions is smaller; higher interest on savings capital, etc.) from an excess coverage ratio of over 100% as long as the company remains in the collective foundation. If the affiliation contract is terminated, only 100% is given. Since there is no intention of terminating the affiliation contract in the near future, we estimated the asset claim using a continuation approach from 2019 onwards (taking into account the degree of coverage; assets = savings capital x degree of coverage). This led to a fairer assessment and amounted to an actuarial gain of TCHF 373 in 2019 and an actuarial loss of TCHF 33 in 2020.

Assets breakdown:

At December 31, 2020	Quoted market price	Not quoted market price	Total
Cash	–	1%	1%
Bonds	46%	–	46%
Equities	30%	–	30%
Property	19%	–	19%
Other	–	4%	4%
<b>Total value of assets</b>	<b>95%</b>	<b>5%</b>	<b>100%</b>

At December 31, 2019	Quoted market price	Not quoted market price	Total
Cash	–	1%	1%
Bonds	45%	–	45%
Equities	31%	–	31%
Property	19%	–	19%
Other	–	4%	4%
<b>Total value of assets</b>	<b>95%</b>	<b>5%</b>	<b>100%</b>

Funded status:

in TCHF	2020	2019
(Un) funded status	(587)	(727)
<b>Net defined benefit liability recognized in the balance sheet</b>	<b>(587)</b>	<b>(727)</b>



Defined benefit costs:

in TCHF	2020	2019
Service cost	(169)	(211)
Interest cost	(9)	(27)
Administrative expense	(2)	(2)
Interest income	8	22
Curtailment/settlement, gain/(loss)	131	549
<b>Defined benefit cost for the year recognized in the income statement</b>	<b>(41)</b>	<b>331</b>

The pension expense is included in the income statement in general and administrative costs and research and development costs (see note 10).

Net defined benefit assets/(liabilities):

in TCHF	2020	2019
Pension assets as at December 31	2,546	2,965
Benefit obligation as at December 31	(3,133)	(3,692)
<b>Net defined benefit liability recognized in the balance sheet</b>	<b>(587)</b>	<b>(727)</b>

The table below provides the weighted average assumptions (as at December 31) used to develop net periodic benefit cost and the actuarial present value of projected benefit obligations:

Assumptions:

	2020	2019
Discount rate	0.15%	0.25%
Interest credit rate	1.25%	1.25%
Average future salary increases	1.00%	1.00%
Future pension increases	0.0%	0.0%
Mortality tables used	BVG 2015 GT	BVG 2015 GT
Average retirement age	65/64	65/64
Turn over	BVG 2015	BVG 2015
Capital option	40%	40%
Expected life experience at regular retirement age 65 / 64	22.83/25.85	22.72/25.75

## Sensitivity analysis

The sensitivity analysis was performed by recalculating the defined benefit obligation (DBO) and the service cost with the following assumption, which was deemed to be the key assumptions used in the actuarial calculation. Reasonably possible changes at the reporting date to the discount rate, holding all other assumptions constant, would have affected the DBO by the amounts shown below:

At December 31, 2020, in TCHF, (decrease)/increase	DBO
Discount rate +0.25%	(144)
Discount rate -0.25%	154

At December 31, 2019, in TCHF, (decrease)/increase	DBO
Discount rate +0.25%	(175)
Discount rate -0.25%	188

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

### Asset liability strategy

Kuros outsources the asset liability management strategy and asset allocation to the pension provider. The risks of disability, death and longevity are reinsured in their entirety.

Future cash flows:

in TCHF	At December 31, 2020
Expected annual employee contribution in 2021	99
Expected annual employer contribution in 2021	99

in TCHF	At December 31, 2019
Expected annual employee contribution in 2020	133
Expected annual employer contribution in 2020	133

### Defined contribution retirement plan

The Group also operates a defined contribution plan. The Group's legal or constructive obligation for this plan is limited to the contributions. The expense recognized in the current period in relation to these contributions was TCHF 62 (2019: TCHF 53).

## 25. Accrued expenses

in TCHF	2020	2019
Accrued payroll and bonuses	1,308	996
Other	1,354	1,339
<b>Balance as at December 31</b>	<b>2,662</b>	<b>2,335</b>

Other accrued expenses mainly included costs of materials, consumables and services, deferred income from grants, and legal, accounting and consulting fees accrued as at December 31, 2020 (2019: costs of materials, consumables and services, and legal, accounting and consulting fees).

## 26. Reconciliation of movements of liabilities to cash flows arising from financing activities

in TCHF	Note	Convertible loan	Short-term borrowings	Leases	Total
<b>At January 1, 2019</b>		–	–	<b>2,692</b>	<b>2,692</b>
Proceeds from issue of convertible loan	22	1,811	–	–	1,811
Conversion of convertible loan to equity	22	(1,811)	–	–	(1,811)
Payment of lease liabilities	14	–	–	(220)	(220)
Remeasurement of lease liabilities	14	–	–	8	8
Exchange difference		–	–	(92)	(92)
<b>At December 31, 2019</b>		–	–	<b>2,388</b>	<b>2,388</b>
<b>At January 1, 2020</b>		–	–	<b>2,388</b>	<b>2,388</b>
Proceeds from short-term borrowings		–	104	–	104
Forgiveness of short-term borrowings		–	(104)	–	(104)
Payment of lease liabilities	14	–	–	(270)	(270)
Remeasurement of lease liabilities	14	–	–	225	225
Exchange difference		–	–	(3)	(3)
<b>At December 31, 2020</b>		–	–	<b>2,340</b>	<b>2,340</b>

In April 2020, the Group entered into a loan facility within the Paycheck Protection Program of the US. There are no payments of the loan facility in 2020. 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 are granted in December 2020 as the forgiveness criteria are met by the Group.

## 27. Financial instruments by category

Financial assets at amortized cost:

in TCHF	2020	2019
Trade and other receivables	1,194	781
Cash and cash equivalents	28,388	20,802
<b>Balance as at December 31</b>	<b>29,582</b>	<b>21,583</b>

Financial liabilities at amortized cost:

in TCHF	2020	2019
Trade and other payables	936	1,059
Accrued expenses	2,662	2,335
Lease liabilities	2,340	2,389
<b>Balance as at December 31</b>	<b>5,938</b>	<b>5,783</b>

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2020 and December 31, 2019 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%.

## 28. Financial risk management

The Group is subject to risks common to companies in the biotechnology industry, including, but not limited to, uncertainties regarding the effectiveness and safety of new drugs, new and unproven technologies, the development process and outcome of clinical trials, rigorous governmental regulation and uncertainty regarding regulatory approvals, long product development cycles, continuing capital requirements to fund research and development, history of operating losses and uncertainty of future profitability, uncertainty regarding commercial success and acceptance, third party reimbursements, uncertainties regarding patents and legally protected products or technologies, uncertainty regarding third party intellectual property rights, dependence on third parties, dependence on publicly available scientific findings and research data, dependence on third party manufacturers and service providers, competition, concentration of operations, product liability, dependence on important employees, the environment, health, data protection and safety, lack of experience in marketing and sales, litigation, currency fluctuation risks and other financial risks, volatility of market value, as well as limited liquidity and shares eligible for future sale.

Risk management is carried out centrally under policies approved by the Board of Directors. Furthermore, management controls financial risks, specifically the liquidity risk (refer also to “capital risk management” disclosure).

The Group is exposed to market risks such as currency, interest rate and other price risks. The currency risk mainly results in foreign exchange risks due to the translation of the subsidiaries with Euro and USD as functional currency. The interest rate risks as well as market price risks are insignificant as the Group has no borrowings, loans, convertible bonds or convertible loan notes outstanding as at December 31, 2020.

### Liquidity risk

The Group manages its liquidity by planning and closely monitoring cash burn, investing in fixed-term time deposits and projecting revenues on an ongoing basis to ensure sufficient liquidity and appropriate interest income. The Group’s financial status at December 31, 2020, provides funds to continue operations, taking into account further revenue streams.

The table below shows the maturities of the liquidity relevant financial liabilities and commitments as at December 31, 2020:

in TCHF (undiscounted amounts)	Within 1 year	Between 1 year and 5 years	Over 5 years
Trade accounts and other payable	936	–	–
Accrued expenses	2,662	–	–
Lease liabilities	278	974	1,088
Short-term lease	69	–	–

The table below shows the maturities of the liquidity relevant financial liabilities and commitments as at December 31, 2019:

in TCHF (undiscounted amounts)	Within 1 year	Between 1 year and 5 years	Over 5 years
Trade accounts and other payables	1,059	–	–
Accrued expenses	2,335	–	–
Lease liabilities	246	508	1,634
Short-term lease	48	–	–

### Foreign exchange risk

The Group has investments in foreign entities and is exposed to exchange risks, which are discussed in the accounting policies section “Foreign currency translation and transactions”. The Group is currently potentially subject to foreign currency transactions.

As at December 31, 2020, if the Swiss Franc had weakened/strengthened by 5% against the Euro, USD and GBP with all other variables held constant, the net loss for the period would have been TCHF 31 (2019: TCHF 6) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro denominated assets and liabilities. The impact is the same on equity.

## Sensitivity analysis:

December 31, 2020 (in TCHF)	Sensitivity	Effect on profit or loss
EUR/CHF	5% / (5%)	17 / (17)
USD/CHF	5% / (5%)	14 / (14)
GBP/CHF	5% / (5%)	0 / (0)

December 31, 2019 (in TCHF)	Sensitivity	Effect on profit or loss
EUR/CHF	5% / (5%)	(16) / 16
USD/CHF	5% / (5%)	10 / (10)
GBP/CHF	5% / (5%)	1 / (1)

## Credit risk

The Group considers the related credit risk limited to trade receivables for product sales and from the collaborative agreements and other receivables. Trade and other receivables are not past due and not impaired and contain only existing customers with no defaults in the past. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade and other receivables are a reasonable approximation of the loss rates for the contract assets. On that basis, the Group determined that there is no impact of the loss allowance for trade and other receivables as at December 31, 2020 and December 31, 2019.

The significant share of cash and cash equivalents and the financial assets are held, with financial institutions with at least an "A" rating (Standard & Poor's) equivalent or financial institutions which deposits are generally backed by local government. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9; however, no impairment loss has been identified.

The maximum exposure to credit risk at the reporting date is the carrying amount of trade and other receivables mentioned above. The Group does not hold any collateral as security. The credit quality of the Group's debtors is high, since they are primarily composed of tax authorities, leading pharmaceutical companies, and health care providers currently.

## Interest rate risk

As at December 31, 2020, no loans, convertible bonds, or convertible bond notes were outstanding. As a result, the Group is not exposed to changes in interest rates except for rental adjustments. If interest rates on time deposits had been 50 basis points higher/lower with all other variables held constant, the net loss for the period would have been TCHF 0 (2019: TCHF 0) lower/higher, because of higher/lower interest income. Due to the current low interest rate of fixed deposits, the Group has not made any investments in financial assets in 2020 or 2019.

## Capital risk management

The Group is not regulated and not subject to specific capital requirements. It aims to maintain the specific needs of the Swiss Code of Obligations ("CO"). To ensure that statutory capital requirements remain intact, the Group monitors capital periodically on an interim and annual basis. From time to time the Group may take appropriate measures or propose capital increases to the shareholders in the General Meeting or the Extraordinary General Meeting to ensure the necessary capital remains intact. Shareholders' equity is included as capital.

## Fair value estimation

The fair value of financial assets and liabilities at amortized costs are assumed to be approximate their carrying amounts due to the short-term nature of these financial instruments.

## 29. Licensing, research and development collaborations

In January 2009, RevisiOs and Progentix Orthobiology have entered into an exclusive license agreement that gives RevisiOs an exclusive, worldwide, perpetual royalty-free, fully paid right, with the right to grant sublicenses, to use, market and sell in the field of cranio-maxillofacial applications, products based on current patents and improvements of these patents, owned by Progentix Orthobiology.

In January 2009, RevisiOs and NuVasive have entered into a license agreement that gives NuVasive an exclusive, worldwide, perpetual royalty-free, fully paid right to use, market and sell in the field of spinal applications products based on current and improvements of these patents, owned by RevisiOs. If NuVasive wants to sell products based on these patents, conditions, including pricing, have to be negotiated between the parties.

In August 2015, Kuros and Checkmate Pharmaceuticals LLC, Cambridge, MA, USA (Checkmate), entered into an exclusive license agreement in the field of oncology granting Checkmate exclusive access to Kuros' clinically validated product candidate CYT003 as well as its VLP platform and to technology related to oligonucleotide synthesis. Kuros received license fees of USD 1 million (USD 0.5 million in September 2015 and USD 0.5 million in February 2016). Kuros may receive up to USD 90 million in development milestone payments and may receive up to double-digit royalties on net sales from successfully developed products. In April 2016, Kuros was informed by Checkmate that the first melanoma patient had been dosed in a Phase 1b clinical trial with CMP-001, formerly known as CYT003. Kuros received a milestone payment of USD 1 million from Checkmate for achieving this milestone in the license agreement. In January 2018, this license agreement was extended to cover all indications and the range of product candidates covered was also broadened. Most recently the FDA has granted a Fast-Track designation for CMP-001. In addition, Kuros is currently assessing the present value of the collaboration agreement and searching for interested parties to sell the asset partially or in full.

In February 2019, Kuros entered into a private label Original Equipment Manufacturer (OEM) agreement with SeaSpine Holdings Corporation (NASDAQ: SPNE), a global medical technology company focused on surgical solutions for the treatment of spinal disorders. Under the agreement Kuros will supply the bone graft in various forms and SeaSpine will market the products under the brand names Current and OsteoCurrent in the U.S. and other select markets in Europe, South America and the Middle East providing the necessary regulatory approvals are achieved. Initial sales in the U.S. were recognized in the first six months of 2019. Terms of the agreement were not disclosed.

In July 2019, Kuros entered into a distribution agreement for the Australian and New Zealand healthcare markets with Surgical Specialties (now called Connexion Surgical after a management buyout), a subsidiary of the Paragon Care Group (ASX: PGC), a leading provider of medical equipment, devices and consumables. Under the agreement, Kuros will supply Surgical Specialties with its MagnetOs bone graft products and Surgical Specialties will be responsible for their distribution in Australia and New Zealand. In addition, Surgical Specialties will be responsible for the application and maintenance of the regulatory and reimbursement approvals in Australia and New Zealand. Further terms of the agreement were not disclosed.

## 30. Related party transactions

Key management (including the Board and the Executive Committee) personnel compensation of the Group is as follows:

in TCHF	2020	2019
Short-term employee benefits	(2,179)	(1,784)
Share-based compensation	(393)	(269)
Post-employment benefits	(188)	(185)
<b>Total</b>	<b>(2,760)</b>	<b>(2,238)</b>

No other compensation has been paid to the key management in 2020 and 2019.



### 31. Contingencies

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments as well as various other risks. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings are not predictable.

### 32. Events occurring after the reporting period

Kuros signed exclusive stocking distributor agreements for Switzerland and Austria with Orthocontor AG (effective January 01, 2021) and Amacord GmbH (effective January 31, 2021), respectively.



# Report of the statutory auditor to the General Meeting of Kuros Biosciences AG

## Schlieren

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Kuros Biosciences AG and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 2020, consolidated balance sheet as at 31 December 2020, consolidated statement of cash flows and consolidated statement of change in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 48 to 93) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview



Overall Group materiality: CHF 330'000

We concluded full scope audit work at two reporting units in Switzerland and one reporting unit in the Netherlands. Our audit scope addressed 26.0% of the Group's consolidated revenue and 98.4% of the Group's consolidated assets. In addition, specified procedures were performed on a reporting unit in the United States of America representing a further 73.6% of the Group's consolidated revenue and 0.9% of the Group's consolidated assets.

As key audit matter the following area of focus has been identified:

Carrying value of Goodwill and IPR&D intangible assets

## Context of our audit 2020

During the year, the Group expanded the commercialisation of its product and sought financing from shareholders through a sale of additional shares on the SIX Swiss Exchange in October.

## Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	CHF 330'000
<b>How we determined it</b>	3.5% of the Group's free cash outflow
<b>Rationale for the materiality benchmark applied</b>	We chose the Group's free cash outflow as the benchmark because, in our view, it is the benchmark against which the performance of the Group, which is now in its commercialisation phase, is most commonly measured.

## Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Carrying value of Goodwill and IPR&D intangible assets

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
As per 31 December 2020, the carrying value of Goodwill amounted to TCHF 33'847, and the carrying value of intangible assets for In-Process Research & Development (IPR&D) which are not yet amortised amounted to TCHF 641. Both balances resulted from past business combination transactions.	We tested how management developed the estimate by performing detailed procedures over management's valuation of Goodwill and the intangible assets for IPR&D which include the following:
The valuation of Goodwill and the intangible assets for IPR&D is a key audit matter based on the magnitude of the	

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balances and the significant estimation uncertainty in the respective model and assumptions used as part of management's impairment assessment.

Specifically, the assumptions related to timing and magnitude of future cash flows and the determination of the respective discount rate require a significant level of judgement by management.

Refer to page 52 (Note 1 'General information'), page 61 (Note 3 'Critical accounting estimates and judgments'), page 71 (Note 15 'Goodwill and intangible assets') and page 72 (Note 16 'Impairment test').

We assessed management's determination of the sole cash-generating unit (CGU), representing the Group's single reportable segment by evaluating internal documentation.

With the involvement of internal valuation experts, we challenged and evaluated management's value in use calculation. This included an assessment of the appropriateness of the model used, as well as challenging the key assumptions made by management, such as the discount rate and the cash flow forecasts.

- We evaluated the reasonableness of the discount rate, by assessing the cost of capital for the company and comparable organisations, as well as considering territory specific factors.
- We challenged management's cash flow assumptions and the probability-weightings applied to such cash flows by ensuring consistency with other internal forward-looking documentation available and by verifying consistency of the assumptions with the Group's current commercialisation plans.

In addition, for the intangible assets for IPR&D specifically, we independently evaluated the main value contributing assumptions within the overall model and assessed internal and external impairment indicators for triggering events.

We further performed independent sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the Goodwill and the intangible assets for IPR&D to be impaired.

We critically assessed management's explanation of the difference between the Group's market capitalisation and the higher value of consolidated equity.

Due to the significant estimation uncertainty in the cash flow assumptions, we sought additional evidence by comparing management's valuation and assumptions used therein to the most recent analyst coverage.

As a result of our procedures, as discussed with the Audit Committee and the Board of Directors, we determined that the conclusions reached by management with regard to the carrying value of Goodwill and the In-Process Research & Development intangible assets were reasonable and supportable.

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### Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Kuros Biosciences AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Alexandra Bär  
Audit expert

Basel, 17 March 2021

## **Statutory financial statements 2020**





## Income statement

in TCHF, year ended December 31	Note	2020	2019
Other income	3	1,097	980
Research expenses		(113)	(137)
Employee expenses		(1,808)	(1,808)
Other operating expenses	4	(1,944)	(2,276)
Depreciation and amortization on fixed assets		(61)	(30)
<b>Total operating expenses</b>		<b>(3,926)</b>	<b>(4,251)</b>
<b>Loss before interest and taxes</b>		<b>(2,829)</b>	<b>(3,271)</b>
Financial income		180	105
Financial expenses		(234)	(411)
<b>Loss before taxes</b>		<b>(2,883)</b>	<b>(3,577)</b>
Direct taxes		(108)	(97)
<b>Loss for the year</b>		<b>(2,991)</b>	<b>(3,674)</b>

## Balance sheet

in TCHF, as at December 31	Note	2020	2019
Cash and cash equivalents		26,336	16,647
Other current receivables – third parties		169	134
Other current receivables – subsidiaries		251	1,403
Accrued income and prepaid expenses		234	194
<b>Total current assets</b>		<b>26,990</b>	<b>18,378</b>
Long-term interest-bearing receivables - subsidiaries	5	14,618	9,269
Investments	6	21,717	21,717
Fixed Assets		17	28
Intangible Assets		148	32
<b>Total non-current assets</b>		<b>36,500</b>	<b>31,046</b>
<b>Total assets</b>		<b>63,490</b>	<b>49,424</b>
Trade accounts payable – third parties		305	120
Other accounts payable – third parties		256	216
Other accounts payable – subsidiaries	7	105	220
Accrued expenses and deferred income	8	905	1,200
<b>Total current liabilities</b>		<b>1,571</b>	<b>1,756</b>
Share capital	9	32,811	22,470
Legal reserves:			
– Capital contribution reserve	10	64,990	58,089
– Other legal reserves		51,996	51,996
– Treasury shares	11	(17)	(17)
Retained loss:			
– Brought forward		(84,870)	(81,196)
– Profit/(loss) for the year		(2,991)	(3,674)
<b>Total shareholders' equity</b>		<b>61,919</b>	<b>47,668</b>
<b>Total liabilities and shareholders' equity</b>		<b>63,490</b>	<b>49,424</b>

## Notes to the financial statements

### 1. Accounting principles applied in the preparation of the financial statements

Kuros Biosciences AG, Schlieren, Switzerland (the “Company”) is the parent company of the Group. Its stand-alone financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (“CO”). As Kuros Biosciences AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest bearing liabilities and audit fees in the Notes as well as a cash flow statement in accordance with the law (Art. 961d Para. 1 CO).

Group companies are all companies which are directly or indirectly controlled by the Company.

### Uncertainties and ability to continue operations

The Company 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 Company 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 Company may never achieve or sustain profitability.

The Company 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 Company 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 Company'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 Company will be able to achieve and maintain profitability.

To become and remain profitable, the Company, 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 Company, or its partners, may not succeed in these activities, and the Company may never generate revenues from product sales that are significant enough to achieve profitability. Even if the Company achieves profitability, it may not be able to sustain profitability in subsequent periods. The Company's failure to become or remain profitable could have a material adverse effect on the Company's business, financial condition, results of operations and prospects, as well as its share price.

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

The cash flows, if any, from the Company's operations, will not be sufficient to fund the Company'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 Company 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 Company can obtain sufficient funding when needed. The Company's ability to raise additional funds will depend on financial, economic, and other factors, many of which are beyond the Company's control. If the Company 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 Company'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 Company's business, financial condition, results of operations and prospects, as well as its share price.

In the past years, the Company has financed the Group's 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, as the Company 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 Company could 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 has started enrolling patients in a controlled Phase 2a clinical trial for KUR-113 in spinal indications.

Kuros is currently continuing 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 will be developed 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 completed its phase I clinical trial and is ready to enter a phase II clinical trial. Most recently the FDA has granted a Fast-Track designation for CMP-001. In addition, Kuros is currently assessing the present value of the collaboration agreement and searching for interested parties to sell the asset partially or in full.

The Board and the Executive Committee believe that it is appropriate to prepare these financial statements on a going concern basis.

### **Trade receivables**

Trade receivables and other short-term receivables are carried at their nominal value. Impairment charges are calculated for these assets on an individual basis.

### **Investments**

Investments are initially recognized at cost. Investments in subsidiaries are assessed annually and adjusted to their recoverable amount.

### **Treasury shares**

Own shares (treasury shares) are recognized at cost. Any gains or losses upon disposal are recognized in equity. Own shares directly held by the Company are deducted from equity.

### **Revenue recognition**

Revenues under collaborative long-term research and development agreements, i.e. royalties/licenses and technology transfer fees are recognized when earned based upon the substance of the relevant agreements or on the basis of the progress of the project in accordance with the percentage of completion method, respectively. For revenue arrangements with separately identifiable components the revenue recognition criteria are applied separately. The consideration received is allocated among the separate components based on their respective fair values and the applicable revenue recognition criteria are applied to each of the separate components.

### **Research expense**

Research (R&D) expenses consist primarily of compensation and other expenses related to R&D personnel; costs associated with pre-clinical testing and clinical trials of the Company's product candidates, including the costs of manufacturing the product candidates; expenses for research and services under collaboration agreements; outsourced R&D at research institutions, and relevant facility expenses. R&D expenses are fully charged to the income statement as incurred. Kuros considers that regulatory and other uncertainties inherent in the development of its key new products preclude it from capitalizing development costs. Development costs are capitalized when the following criteria are met: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) its intention to complete the

intangible asset and use or sell it; (c) its ability to use or sell the intangible asset; (d) the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development. That means that projects which have achieved technical feasibility, usually signified by a market approval from the US Food and Drug Administration or the European Medicines Agency or a comparable regulatory authority, would be capitalized because it is probable that the costs will give rise to future economic benefits.

## Foreign currencies

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

	2020 Income statement	Balance sheet as of December 31, 2020	2019 Income statement	Balance sheet as of December 31, 2019
EUR	1.08252	1.09464	1.12758	1.09596
USD	0.95813	0.89082	1.00436	0.97778
GBP	1.22595	1.21301	1.27920	1.28353

The exchange rates used for balance sheet items are the rates prevailing on December 31, 2020. The exchange rates used for transactions conducted during the year and for items in the income statement are average rates for the financial year.

## 2. 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 Kuros' business, the Company has reviewed its performance and financial positions and continuously monitors the situation and performs risk mitigating measures if required. The Company 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.

## 3. Other income

in TCHF, year ended December 31	2020	2019
Rent	-	46
Fees of collaboration agreements	123	183
Reimbursement of intragroup services	954	746
Others	20	5
<b>Total</b>	<b>1,097</b>	<b>980</b>

In 2020 and 2019, the Company was reimbursed for intragroup services.

#### 4. Other operating expenses

<b>in TCHF, year ended December 31</b>	<b>2020</b>	<b>2019</b>
Rental expenses	(73)	(94)
Insurances, public charges	(105)	(112)
Administration and legal fees	(1,302)	(1,469)
Marketing expenses	(271)	(310)
Other expenses	(193)	(291)
<b>Total</b>	<b>(1,944)</b>	<b>(2,276)</b>

#### 5. Long-term receivables from subsidiaries

<b>Long-term interest bearing contracts</b>	<b>In TCHF</b>
<b>Starting Balance as at January 1, 2020</b>	<b>9,269</b>
Additions: (mainly attributable to receivables)	
- <i>Kuro Biosciences B.V.</i>	4,224
- <i>Kuros Biosciences USA, Inc.</i>	1,526
Repayments:	
- <i>Kuro Biosciences B.V.</i>	(401)
- <i>Kuros Biosciences USA, Inc.</i>	-
<b>Ending Balance as at December 31, 2020</b>	<b>14,618</b>

##### **Kuros Biosciences B.V.**

In 2018, the Company entered into a long-term interest-bearing contract with Kuros Biosciences B.V., whereof all receivables from the subsidiary as of January 01, 2018 have been entered as well.

##### **Kuros Biosciences USA, Inc.**

In 2020, the Company entered into a long-term interest-bearing contract with Kuros Biosciences USA, Inc., whereof all receivables from the subsidiary as of June 01, 2020 have been entered.



## 6. Investments

As of	December 31, 2020	December 31, 2019
<b>Kuros Biosurgery Holding AG, Schlieren, Switzerland*</b>		
Share capital (TCHF)	-	1,446
Shareholding (%)	-	100
<b>Kuros Biosurgery AG, Schlieren, Switzerland*</b>		
Share capital (TCHF)	435	435
Shareholding (%)	100	100
<b>Kuros Biosciences B.V., Bilthoven, The Netherlands</b>		
Purpose: Provider of research and development services		
Share capital (TEUR)	18	18
Shareholding (%)	100	100
<b>RevisiOs B.V., Bilthoven, The Netherlands</b>		
Purpose: Provider of research and development services		
Share capital (TEUR)	22	22
Shareholding (%)	100	100
<b>Kuros Biosciences USA, Inc., Burlington (MA), United States of America</b>		
Purpose: Commercialization of Products		
Share capital (TUSD)	1	1
Shareholding (%)	100	100

\* 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). Kuros Biosurgery Holding AG 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 financial statements.

## 7. Other accounts payable – subsidiaries

The Company entered into a services agreement with Kuros Biosciences B.V. The payable of TCHF 105 as at December 31, 2020 (2019: TCHF 220) represents the amount due for services provided by Kuros Biosciences B.V. to Kuros Biosciences AG during the financial year.

## 8. Accrued expenses

in TCHF	2020	2019
Accrued payroll and bonuses	336	466
Other	569	734
<b>Balance as at December 31</b>	<b>905</b>	<b>1,200</b>

Other accrued expenses mainly included costs of services, and legal, accounting and consulting fees accrued as at December 31, 2020 (2019: costs of services, and legal, accounting and consulting fees).

## 9. Changes in capital structure

As at January 1, 2020 the nominal share capital of the ultimate parent company of the Group, Kuros Biosciences AG (“Kuros”), amounted to CHF 22,469,946.00 and was divided into 22,469,946 registered common shares with a par value of CHF 1.00.

The changes in capital structure for 2020 are incurred as following:

### Capital increase from shares and rights offering

In October 2020, the final number of Offered Shares and gross proceeds from the Rights Offering and Share Offering, first announced on October 5, 2020 in which a total of 10,341,432 newly registered shares of Kuros with a nominal value of CHF 1.00 each were placed at an Offer Price of CHF 1.80 per share. In the Share Placement, 4,192,530 newly registered shares for which subscription rights were not exercised were placed to eligible institutional investors or others. Combined with the 4,233,699 newly registered shares, which were validly subscribed for in the rights offering and 1,915,203 additional newly registered shares -as supplement to the Rights Offering-, the total number of new registered shares placed at the offer price of CHF 1.80 per share amounts to 10,341,432. Total gross proceeds raised in the capital increase amount to CHF 18.6 million. Transaction costs arising from capital increase in the amount of TCHF 1,372 have been recognized directly in equity.

As a result of the capital increase, Kuros’ share capital will increase from CHF 22,469,946.00 to CHF 32,811,378.00, divided into 32,811,378 registered shares with a nominal value of CHF 1.00 each.

### 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  $V_n/0.98$  where  $V_n$  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 2019, Kuros has drawn eight tranches totaling gross proceeds TCHF 1,811 of which all have been converted to shares by Nice & Green. In total 1,006,313 shares have been converted from conditional capital to share capital for effectuating conversion of convertible notes. Transactions costs arising from convertible bond financing in the amount of TCHF 111 have been recognized directly in equity.

In 2020, no transaction was placed in relation to the Nice & Green agreement.

### SEDA Financing

In November 2017, Kuros announced entering into a Standby Equity Distribution Agreement (“SEDA”) with a fund managed by Yorkville Advisors Global, LLC (“Yorkville”). In November 2020, the SEDA expired and was not renewed.

In 2020 and 2019, no transaction was placed in relation to the SEDA-Financing agreement.

## 10. Capital contribution and other legal reserves

The Swiss federal tax department confirmed a capital contribution reserve of TCHF 58,089 in accordance with Art. 5 of Swiss Withholding Tax Act (WHTA) as of December 31, 2019.

<b>Capital contribution reserve</b>	<b>in TCHF</b>
Starting Balance as at January 1, 2020	58,089
Contributions/(Redemptions) in 2020	6,901
<b>Ending Balance as at December 31, 2020</b>	<b>64,990</b>

## 11. Treasury shares

	<b>Number of shares</b>	<b>Weighted average purchase price</b>	<b>in TCHF</b>
<b>Balance as of January 1, 2019</b>	<b>17,244</b>	<b>1.00</b>	<b>17</b>
Purchased*	-	-	-
Sold	-	-	-
<b>Balance as of December 31, 2019</b>	<b>17,244</b>	<b>1.00</b>	<b>17</b>
<b>Balance as of January 1, 2020</b>	<b>17,244</b>	<b>1.00</b>	<b>17</b>
Purchased*	-	-	-
Sold	-	-	-
<b>Balance as of December 31, 2020</b>	<b>17,244</b>	<b>1.00</b>	<b>17</b>

## 12. Authorized and conditional capital

<b>in TCHF, as of</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Authorized capital with a nominal value of	673	4,000
Conditional capital with a nominal value of	2,922	5,843

### 13. Main shareholders

According to disclosure notifications filed by the Company with the SIX, the following Shareholders hold more than 3% of the share capital of the Company as of December 31, 2020.

Name	Shareholding/Purchase Positions*
Incubation B.V., Bilthoven, the Netherlands / Aldabra B.V., Amersfoort, The Netherlands/ Optiverder BV, Delft, The Netherlands***	25.6 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	11.6 %
APO Asset Management	4.6 %
LSP V Coöperatieve U.A, Amsterdam, The Netherlands	4.6 %
Banque Pictet & Cie SA, Geneva, Switzerland	4.3 %

According to disclosure notifications filed with the Company to the SIX, the following Shareholders hold more than 3% of the share capital of the Company as of December 31, 2019.

Name	Shareholding/Purchase Positions*
YA II PN, Ltd., George Town, Cayman Island**	71.5 %
Incubation B.V., Bilthoven, the Netherlands / Aldabra B.V., Amersfoort, The Netherlands/ Optiverder BV, Delft, The Netherlands***	25.3 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	11.6 %
Banque Pictet & Cie SA, Geneva, Switzerland	8.9 %
LSP V Coöperatieve U.A., Amsterdam, The Netherlands	4.6 %
Eckenstein-Geigy-Stiftung, Binningen, Switzerland	4.3 %
Venture Incubator AG, 8852 Altendorf, Switzerland/ VI Partner AG, 8852 Altendorf, Switzerland	3.2 %

\* The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website (as indicated below).

\*\* YA II PN, Ltd. has committed under a standby equity agreement to provide up to US\$ 30 million to Kuros in exchange for shares in Kuros at the Company's discretion. The percentage of this purchase position is depending on the relevant share price for the issuance of the shares.

\*\*\* Incubation B.V., (3.4%) Aldabra B.V.(3.5%), Optiverder B.V.(17.6%) and one other person(1.1%) formed a lock-up as of December 31, 2020.

Information on disclosure notifications during the year under review, concerning the significant shareholders and the financial instruments in particular may be found on the SIX website on:

[www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html)

As of December 31, 2020, the company holds purchase positions of 0.1% and sale positions of 6.5%.

The Company has not entered into any agreement with any Shareholder regarding the voting or holding of shares.

To the knowledge of the Company, no Shareholders are linked by any shareholder agreement.

## 14. Shares owned by and options granted to Board of Directors and Executive Committee

The following numbers of participations were held by or granted to members of the Board of Directors or the Executive Committee (including parties closely related to these members):

As of December 31, 2020	Shares held	Options granted*	Options expiring		
			2021	2022	2023 or later
Leanna Caron Board Member	-	11,125	2,000	2,000	7,125
Clemens van Blitterswijk Chairman of the Board	8,409,866 <sup>1</sup>	12,125	-	2,000	10,125
Scott Bruder Board member	-	7,125	-	-	7,125
Jason Hannon Board Member	-	4,750	-	-	4,750
Oliver Walker Board Member	-	7,125	-	-	7,125
Frank-Jan van der Velden Head of Business Affairs	8,409,866 <sup>1</sup>	83,144	-	-	83,144
Philippe Saudan Chief Development Officer	-	119,134	40,000	-	79,134
Alistair Irvine Chief Business Officer	-	146,308	1,206	-	145,102
Pascal Longlade Chief Medical Officer	-	59,746	-	-	59,746
Michael Grau Chief Financial Officer	-	175,766	-	-	175,766
Joost de Bruijn Chief Executive Officer and Board Member	8,409,866 <sup>1</sup>	140,867	-	-	140,867

\* Options that have been granted and that are not expired as of December 31, 2020

<sup>1</sup> As of October 28, 2020 the shareholders are part of a Lock-up Group that holds all shares of each participant. The total shares held by the Group amount to 8,409,866 shares. For details please refer to:

<https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TBKAQ00040>

As of December 31, 2019	Shares held	Options granted*	Options expiring		
			2020	2021	2022 or later
Leanna Caron Board Member	-	8,750	-	2,000	6,750
Clemens van Blitterswijk Chairman of the Board	5,437,644 <sup>1</sup>	8,750	-	-	8,750
Scott Bruder Board member	-	4,750	-	-	4,750
Jason Hannon Board Member	-	4,750	-	-	4,750
Oliver Walker Board Member	-	4,750	-	-	4,750
Frank-Jan van der Velden Head of Business Affairs and Finance	5,437,644 <sup>1</sup>	33,144	-	-	33,144
Philippe Saudan Chief Development Officer	-	84,434	15'300	40,000	29,134
Alistair Irvine Chief Business Officer	-	98,720	2,412	1,206	95,102
Pascal Longlade Chief Medical Officer	-	9,746	-	-	9,746
Michael Grau Chief Financial Officer	-	125,766	-	-	125,766
Joost de Bruijn Chief Executive Officer and Board Member	5,437,644 <sup>1</sup>	40,867	-	-	40,867

\* Options that have been granted and that are not expired as of December 31, 2019

<sup>1</sup> As of December 9, 2019 the shareholders are part of a Lock-up Group that holds all shares of each participant. The total shares held by the Group amount to 5,437,644 shares. For details please refer to:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html#notificationId=TBJC200013>

## 15. Pledged assets

in TCHF, as of	December 31, 2020	December 31, 2019
Cash and cash equivalents (security for credit card liabilities)	80	80
<b>Total</b>	<b>80</b>	<b>80</b>

## 16. Lease commitments not recorded in the balance sheet

in TCHF, as of	December 31, 2020	December 31, 2019
Rent and leasing	6	49

## 17. Employees

As of December 31, 2020, the Company employed 5 employees (2019: 6).



## 18. Pension liabilities

As of December 31, 2020, the pension liabilities amount to CHF 0 (2019: TCHF 0).

## 19. Events after balance sheet date

None



## Appropriation of the accumulated losses

The Board of Directors proposes that the net loss of the year 2020 in the amount of CHF 2,991,494.07 is applied against the loss brought forward of CHF 84,870,110.67 resulting in a new balance of the loss brought forward of CHF 87,861,604.74 to be carried forward to the new accounts.



# Report of the statutory auditor

## to the General Meeting of Kuros Biosciences AG

Schlieren

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Kuros Biosciences AG, which comprise the income statement for the year ended 2020, balance sheet as at 31 December 2020 and notes for the year then ended, including a summary of significant accounting policies.


In our opinion, the financial statements (pages 99 to 111) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

Overview	
	<p>Overall materiality: CHF 619'000</p> <p>We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.</p> <p>As key audit matter the following area of focus has been identified:</p> <p>Valuation of Investments in Subsidiaries and Long-term interest-bearing Receivables due from Subsidiaries</p>

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 619'000
<b>How we determined it</b>	1% of net assets
<b>Rationale for the materiality benchmark applied</b>	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured and is a generally accepted benchmark.

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of Investments in Subsidiaries and Long-term interest-bearing Receivables due from Subsidiaries

Key audit matter	How our audit addressed the key audit matter
<p>As of 31 December 2020, investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries of Kuros Biosciences AG amounted to TCHF 21'717 (about 34% of total assets) and TCHF 14'618 (about 23% of total assets).</p> <p>Due to the significance of these assets in the financial statements and because of the significant estimation uncertainty involved in the valuation of these investments and receivables, we consider the impairment assessment of the investments in subsidiaries and the long-term interest-bearing receivables due from subsidiaries as a key audit matter.</p> <p>Please refer to page 101 (Note 1 'Accounting principles'), page 104 (Note 5 'Long-term receivables from subsidiaries') and page 105 (Note 6 'Investments').</p>	<p>We tested how management developed the estimate by performing detailed procedures over managements' valuation of the investments and long-term interest-bearing receivables due from subsidiaries, which include the following:</p> <p>With involvement of internal valuation experts, we challenged and evaluated management's value in use calculation which was the basis to support the carrying value of the investments and long-term interest-bearing receivables due from subsidiaries as per 31 December 2020. This included an assessment of the appropriateness of the model used, as well as challenging of the key assumptions made by management, such as the discount rate and the cash flow forecasts.</p> <ul style="list-style-type: none"> <li>• We evaluated the reasonableness of the discount rate, by assessing the cost of capital for the company and comparable organisations, as well as considering territory specific factors.</li> <li>• We challenged management's cash flow assumptions and probability-weightings applied to such cash flows by</li> </ul>

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ensuring consistency with other internal forward-looking documentation available.

We further performed independent sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries to be impaired.

We critically assessed management's explanation of the difference between the Group's market capitalisation and the higher value of statutory equity.

Due to the significant estimation uncertainty in the cash flow assumptions, we sought additional evidence from comparing management's valuation and assumptions used therein to the most recent available analyst coverage.

As a result of our procedures, as discussed with the Audit Committee and the Board of Directors, we determined that the conclusions reached by management with regard to valuation of investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries are reasonable and supportable.

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### **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of the accumulated losses complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers AG

Thomas Ebinger  
Audit expert  
Auditor in charge

Alexandra Bär  
Audit expert

Basel, 17 March 2021



## Legal Disclaimer / Forward-looking Statements

This Annual 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 Annual 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.

### Concept, content and published by:

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