Kuros Biosciences

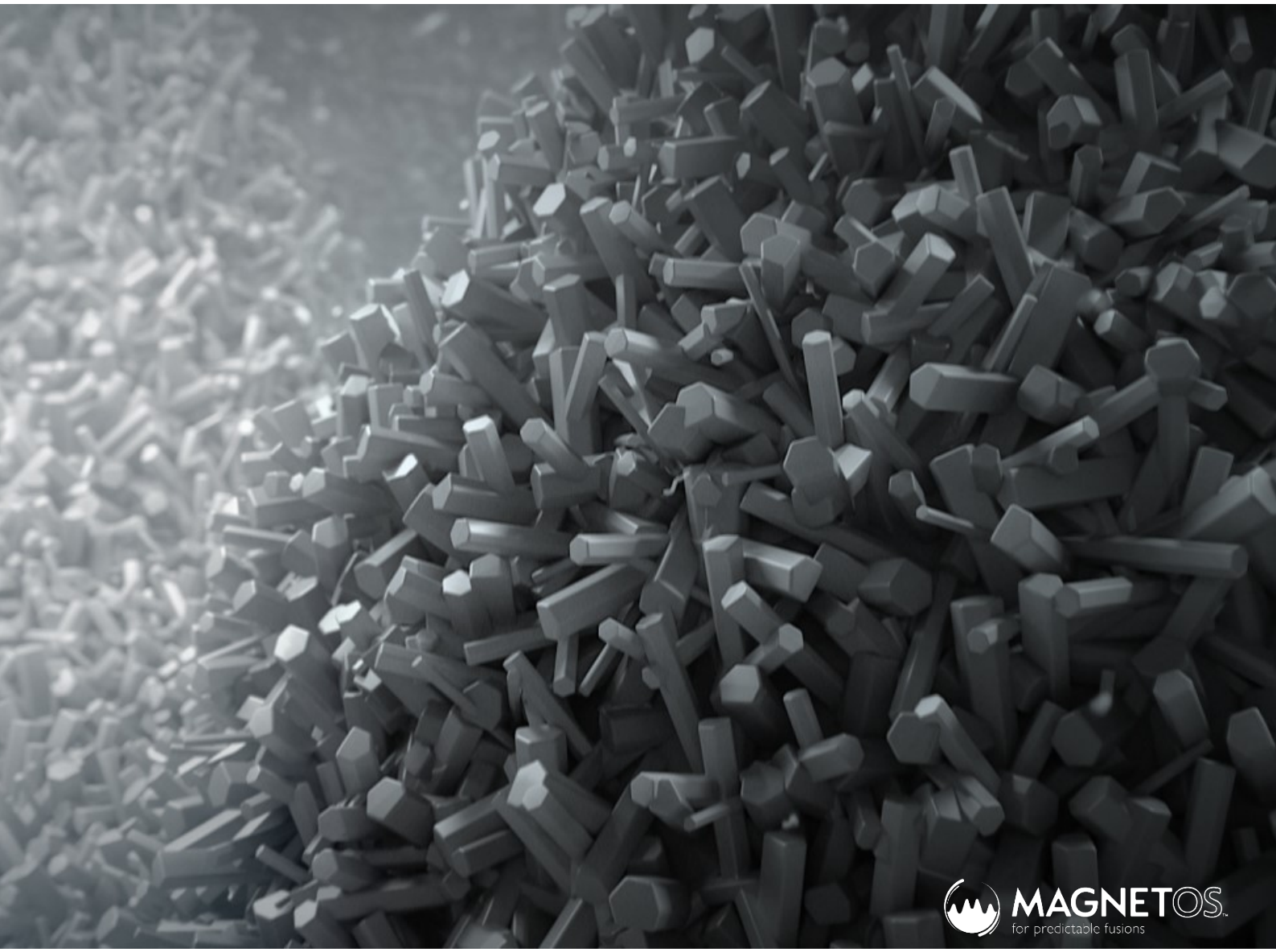

Image: MagnetOs' unique submicron surface topography NeedleGrip™

Interim Report

as of June 30, 2021

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Condensed Interim Consolidated Financial Statements (unaudited)

as of June 30, 2021

Key developments

Kuros Biosciences announces MagnetOs sales and distribution agreements across Northern Europe

Kuros announced on March 2, 2021, that it has signed sales and distribution agreements for MagnetOs bone graft, covering the Netherlands, Switzerland, Austria, and Finland. These add to an existing agreement in the United Kingdom and Ireland.

Kuros received $2 million milestone payment from Checkmate Pharmaceuticals

Kuros announced on April 6, 2021, that it received a milestone payment of $2 million from Checkmate Pharmaceuticals, Inc. related to dosing of the first melanoma patient in a Phase 2 clinical trial with the licensed product candidate vidutolimod (CMP-001), formerly known as CYT003.

Kuros Biosciences announces treatment of first patient in Australia with MagnetOs for spine fusion

Kuros announced on April 8, 2021, that the first patient has been treated for spine fusion with MagnetOs bone graft in Australia, the first patient treated outside Europe and the U.S.

Kuros Biosciences treats first patient in clinical trial of MagnetOs Putty for posterolateral spine fusion

Kuros announced on April 13, 2021, that it has treated the first patient in a prospectively designed, randomized controlled trial in the U.S. named PROOF, comparing MagnetOs Putty to autograft for posterolateral spine fusion.

Kuros received $4 million milestone payment from Checkmate Pharmaceuticals

Kuros Biosciences announced on May 17, 2021, that it received a milestone payment of $4 million from Checkmate Pharmaceuticals, Inc. related to dosing of the first patient in a Phase 2 trial of vidutolimod (CMP-001) in combination with nivolumab for the treatment of patients with anti-PD-1 refractory advanced melanoma, under a license agreement between the companies. Checkmate recently initiated a Phase 2 trial evaluating vidutolimod in combination with nivolumab in patients with first-line metastatic or unresectable melanoma. Together, the data from these trials are intended to support a biologics license application seeking accelerated approval in the U.S. for the treatment of patients with anti-PD-1 refractory advanced melanoma.

Kuros to receive $7 million up front and potentially $166.5 million in future revenues under a royalty purchase agreement with XOMA related to Kuros' license agreement with Checkmate Pharmaceuticals

Kuros announced on July 15, 2021, that it has entered into a royalty purchase agreement with XOMA Corporation (NASDAQ: XOMA) under which XOMA has purchased a proportion of the potential future pre-commercial milestone payments and all the potential royalties due under the existing license agreement between Kuros and Checkmate Pharmaceuticals related to one of Kuros's assets outside of the bone graft field. Kuros will receive an initial payment of $7 million from XOMA. In addition, Kuros retains the potential to receive up to $24 million in pre-commercial milestones from Checkmate and is eligible to receive up to $142.5 million in sales milestones from Xoma.

Results of operations and financial performance (IFRS)

Revenues – Revenues from product sales accelerated by 279% for a growth of 178% to CHF 3.6 million

In the first half 2021, total Revenue amounted to CHF 9.1 million (first half 2020: CHF 1.3 million). Revenue from product sales increased by 279% to CHF 3.6 million (first half 2020: CHF 1.3 million) despite some headwind from COVID-19 (e.g. limitations due to elective surgeries) during the beginning of the year. Revenue from collaborations amounted CHF 5.5 million (first half 2020: CHF 0 million) and resulted from milestone payments of the Checkmate licensing agreement.

Gross profit

Cost of goods sold amounted to CHF 1.9 million for the first half of 2021 (first half 2020: CHF 1.2 million). Cost of goods sold included costs of amortization of capitalized intangible assets of CHF 1.1 million (first half 2020: CHF 0.8 million) and other costs of CHF 0.8 million (first half 2020: CHF 0.4 million) directly attributable to the production. The gross profit increased by CHF 7.1 million to CHF 7.2 million (first half 2020: CHF 0.1 million).

Operating costs

Operating costs amounted to CHF 8.6 million (first half 2020: CHF 6.5 million) and have increased due to the marketing activities for MagnetOs and the clinical development of Fibrin-PTH (KUR-113). Costs for research and development increased to CHF 2.5 million (first half 2020: CHF 2.1 million) which contained costs for the Phase II study (spine indication) of Fibrin PTH, personnel expenses, and other expenses for research and development activities. General and administrative costs increased to CHF 2.8 million (first half 2020: CHF 2.4 million) mainly due to other administrative and personnel costs. General and administrative costs included personnel expenses, depreciation for fixed assets and other expenses for administration. Sales and marketing costs increased to CHF 3.5 million (first half 2020: CHF 2.1 million). The increase is mainly due to the hiring of additional sales personnel in the US and an increase of marketing efforts for MagnetOs. Sales and Marketing costs includes both personnel costs and other marketing costs. Other income amounted to CHF 0.1 million (first half 2020: CHF 0.1 million).

Net loss

The net loss for the six months ended June 30, 2021, amounted to CHF 0.1 million (first half 2020: CHF 5.8 million)

Financial positions and other assets

Funds available for financing the operations as of June 30, 2021, amounted to CHF 29.4 million (December 31, 2020: CHF 29.8 million), which included cash and cash equivalents, trade, and other receivables. Available funds remained unchanged compared to December 31, 2020, mainly because of increased revenues from collaboration agreements.

As of June 30, 2021, total intangible assets amounted to CHF 25.0 million (December 31, 2020: CHF 23.7 million) and goodwill amounts to CHF 34.0 million (December 31, 2020: CHF 33.8 million).

Alternative Key Performance Measurements (APM)

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

Operating loss

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

The operating loss for the six months ended June 30, 2021, amounted to TCHF 1,449 (TCHF 6,372 for the six months ended June 30, 2020). The reduction mainly resulted due to increased revenues from collaboration agreements.

Cash burn

- *Definition:* Net cash-outflow from operating activities
- *Relevance:* The cash burn is used to measure the net cash outflow from operating activities for the defined reporting period

The cash burn derives as follows:

In TCHF, for the six months ended June 30	2021	2020
Net operating cash-flow	(798)	(5,386)
Reporting period (in months)	6	6
Cash burn (per month)	**(133)**	**(898)**

Consolidated income statement

in TCHF, IFRS, six months ended in June 30,	Note	2021	2020
Revenue from product sales	3,4	3,612	1,295
Revenue from collaborations	3,4	5,474	–
Revenue		**9,086**	**1,295**
Cost of goods sold	5	(1,901)	(1,194)
Gross profit		**7,185**	**101**
Research and development costs		(2,505)	(2,084)
General and administrative costs		(2,755)	(2,438)
Sales and marketing costs		(3,492)	(2,069)
Other income		118	120
Net operating costs		**(8,634)**	**(6,473)**
Operating loss		**(1,449)**	**(6,372)**
Finance income	16	449	168
Finance costs	16	(138)	(298)
Net finance result		**311**	**(130)**
Loss before tax		**(1,138)**	**(6,502)**
Income taxes		1,038	662
Net loss		**(100)**	**(5,840)**
Basic and diluted net loss per share (CHF)	7	(0.01)	(0.26)

Consolidated statement of comprehensive income

in TCHF, IFRS, six months ended in June 30,	Note	2021	2020
Net loss		**(100)**	**(5,840)**
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	15	204	48
Tax effects		(40)	(11)
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustments arising during the year		54	(347)
Other comprehensive income/ (loss)		**218**	**(310)**
Total comprehensive income/ (loss)		**118**	**(6,150)**

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

Consolidated balance sheet

in TCHF, IFRS, as of	Note	June 30, 2021	December 31, 2020
Non-current assets:			
Property and equipment	11	553	453
Right-of-use assets	14	2,166	2,135
Intangible assets	12	24,985	23,666
Goodwill	12	33,964	33,847
Deferred tax assets		308	295
Total non-current assets		**61,976**	**60,396**
Current assets:			
Assets classified as held for sale		–	2,171
Inventories		1,379	1,460
Prepayments and other assets		736	547
Trade receivables	10	1,780	1,036
Other receivables		399	366
Cash and cash equivalents	9	27,221	28,388
Total current assets		**31,515**	**33,968**
Total assets		**93,491**	**94,364**
Shareholders' equity:			
Share capital	6	32,811	32,811
Share premium		125,061	125,061
Treasury shares		(17)	(17)
Other reserves		20,134	19,898
Accumulated loss		(93,034)	(93,152)
Total shareholders' equity		**84,955**	**84,601**
Non-current liabilities:			
Pension liabilities	15	410	587
Deferred tax liabilities		2,292	3,238
Non-current lease liabilities	14	2,094	2,062
Total non-current liabilities		**4,796**	**5,887**
Current liabilities:			
Current lease liabilities	14	310	278
Accrued expenses		2,663	2,662
Trade payables		601	699
Other payables		166	237
Total current liabilities		**3,740**	**3,876**
Total shareholders' equity and liabilities		**93,491**	**94,364**

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

Consolidated statement of cash flows

in TCHF, IFRS, six months ended in June 30,	Note	2021	2020
Cash flows from operating activities:			
Loss before tax		(1,138)	(6,502)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization		1,442	1,346
Net finance costs		(309)	130
Changes in provisions		-	-
Share-based compensation	8	236	395
Changes in retirement benefit obligation	15	27	35
Loss on disposals of property and equipment		1	-
Other non-cash items		68	11
Changes in operating assets and liabilities:			
Trade and other receivables		(672)	228
Current prepayments and accrued income		(184)	(18)
Current liabilities		(270)	(648)
Inventories		53	(308)
Interest received		-	28
Interest paid		(70)	(36)
Income tax paid		18	(47)
Net cash used in operating activities		**(798)**	**(5,386)**
Cash flows from investing activities:			
Purchase of plant and equipment		(176)	(29)
Purchase of intangible assets	12	(58)	(146)
Net cash used in investing activities		**(234)**	**(175)**
Cash flows from financing activities:			
Proceeds from borrowings		-	104
Principal elements of lease payments	14	(153)	(134)
Net cash from financing activities		**(153)**	**(30)**
Cash and cash equivalents, at the beginning of the year		28,388	20,802
Net change in cash and cash equivalents		(1,185)	(5,591)
Net effect of currency translation on cash		18	1
Cash and cash equivalents, at the end of the year	**9**	**27'221**	**15,212**

See accompanying notes, which are an integral part of these condensed interim 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 adjustments	Total
January 1, 2020		**22,470**	**118,160**	**(17)**	**19,146**	**(82,817)**	**913**	**77,855**
Loss for the period						(5,840)		(5,840)
Other comprehensive income						37	(347)	(310)
Share based payment	8				395			395
June 30, 2020		**22,470**	**118,160**	**(17)**	**19,541**	**(88,620)**	**566**	**72,100**
December 31, 2020		**32,811**	**125,061**	**(17)**	**19,898**	**(94,272)**	**1,120**	**84,601**
January 1, 2021		**32,811**	**125,061**	**(17)**	**19,898**	**(94,272)**	**1,120**	**84,601**
Loss for the period						(100)		(100)
Other comprehensive income						164	54	218
Share based payment	8				236			236
June 30, 2021		**32,811**	**125,061**	**(17)**	**20,134**	**(94,208)**	**1,174**	**84,955**

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

Notes to Condensed Interim Consolidated Financial Statements

1. General Information

The condensed interim consolidated financial statements of Kuros Biosciences AG (henceforth called "Company") and its subsidiaries (collectively referred as "Kuros" or "Group") for the six months ended June 30, 2021, were authorized for publication in accordance with a resolution of the board of directors on August 10, 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).

The Group structure is as following:

- Kuros Biosciences AG in Schlieren, Switzerland (mother company and 100% shareholder of following subsidiaries)
- Kuros Biosurgery AG (Schlieren, Switzerland)
- Kuros Biosciences B.V. (Bilthoven, the Netherlands) which holds 100% shares of RevisiOs B.V. (Bilthoven, the Netherlands)
- Kuros Biosciences USA, Inc. (Burlington, MA, USA)

As of June 30, 2021, the Group employs 51 people (46 as of December 31, 2020).

1.1 Basis of preparation

This condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). This unaudited interim report should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020, as this interim report do not include all information required for a complete set of IFRS financial statements. However, the interim report does include information relevant to obtaining an understanding of the significant changes in the Group's financial position and performance since the consolidated financial statements for the year ended December 31, 2020.

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

1.2 Uncertainties and ability to continue operations

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

The Group has incurred net operating losses during most fiscal periods since its inception and anticipates that it will continue to incur substantial operating losses for the foreseeable future. The Group may never achieve or sustain profitability.

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

The Group's ability to achieve sustainable profitability will depend, among other things, on attracting sufficient financial

resources, successfully bringing existing or new product candidates through clinical development, obtaining regulatory approvals, making arrangements with third parties, raising sufficient funds to finance its activities and profitably selling its products. No assurance can be given that the Group will be able to achieve and maintain profitability.

To become and remain profitable, the Group, or its partners, must succeed in financing the development of its product candidates, 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 product sales and milestone payments, (ii) proceeds from non-dilutive financings, debt, and equity financings as well as (iii) cash paid within collaborations. Except for Revenue from product sales, none of these cash resources can be considered recurring. The Group is increasing sales from its current product pipeline which could provide a more sustained source of cash. Current plans project sufficient cash resources to pursue a limited number of projects and programs. Although the Group 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 licensed it's product candidate CYT003, and the related VLP technology, to Checkmate Pharmaceuticals, Cambridge, MA, USA under a 2015 license agreement. Checkmate is investigating CMP-001, now known as vidutolimod, an advanced generation Toll-like receptor 9 (TLR9) agonist, delivered as a biologic virus-like particle utilizing a CpG-A oligodeoxynucleotide as a key component, across multiple tumor types in combination with several checkpoint inhibitor immunotherapies. Checkmate is conducting multiple clinical trials, including two phase 2 trials in melanoma, and these have already triggered two milestone payments of USD 2 million and USD 4 million by Checkmate to Kuros in the first half of 2021. Under this license agreement Kuros is eligible for significant pre-commercial milestone payments and royalties on

future sales. In July 2021, XOMA Corporation purchased a proportion of the potential future pre-commercial milestone payments and all the royalties due under this existing license agreement. In exchange, Kuros received an initial payment of USD 7 million, has retained the right to receive up to USD 24 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA (see note *17. Events after the balance sheet date*).

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".

1.3 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with the policies used in the preparation of the Group's annual financial statements for the year ended December 31, 2020. Several new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards.

2. Significant developments during the current reporting period – 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.

The Group remains well placed and could significantly grow its MagnetOs revenues compared to 2020. 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).

In 2020, the Group benefited from governmental protection programs in its subsidiaries of Kuros Biosciences B.V. and Kuros Biosciences USA, Inc. In 2021 the Group did not file for any additional governmental protection programs.

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

3. Revenues from contracts with customers

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

(a) Product sales

The Group's contracts for product sales generally includes one performance obligation under IFRS 15 *Revenue from Contracts with Customers*. The Group has concluded that revenue from product sales should be recognized at the point in time when the control of the asset is transferred to the customer, generally at a point in time of delivery of products. The Group determined the product sales are distinct, as products are sold on a stand-alone basis. Therefore, no significant estimates or judgements are required to determine the timing of revenue recognition for this revenue steam.

(b) Collaboration agreements

The Group's Collaboration agreements contain success and milestone payments for development activities as well as royalty fees on net sales from successfully developed and approved products. Milestone payments are contractually agreed and

based on pre-defined performance goals. The Group provides collaboration partners with the right to use the product as it exists at the point in time at which the access to the product is granted. In these cases, the respective performance obligations are satisfied at a point in time upon execution of the agreement. The accomplishment of milestones by the counterparty cannot be specified upfront, therefore revenue is recognized when the counterparty confirms accomplishment of a milestone. Royalty payments are recognized as revenue at the time that the performance goal for product sales have been met.

in TCHF, for the six months ended June 30	2021	2020
Timing of revenue recognition		
Revenue recognized at a point in time	9,086	1,295
Revenue recognized over time	–	–
Total revenue from contracts with customers	**9,086**	**1,295**

For a detailed information of the split of the Group's revenue from contracts with customers please see Note 4.

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

4. Segment reporting

The Group operates in one segment, focusing on the discovery, development, and prospective commercialization of a new class of biopharmaceutical products 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 in the consolidation process.

Analysis of revenues by country:

in TCHF, for the six months ended June 30	2021	2020
United States of America	8,870	1,251
United Kingdom	39	31
Other	177	12
Total	**9,086**	**1,295**

Analysis of revenues by category:

in TCHF, for the six months ended June 30	2021	2020
Product sales	3,612	1,295
Collaboration agreements	5,474	–
Total	**9,086**	**1,295**

Analysis of revenues by customer:

The Group commercialized MagnetOs (Putty and Granules) in the United States of America and Europe, and sources revenue from multiple customers in each region. The three largest customers represent 33%, 17%, and 17% of total product sales, respectively.

Product sales

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

Revenue from collaborations

The Group may receive milestone and royalty payments with respect to a licensing agreement, where it grants technology access to Checkmate, a third party. Payment terms are usually 30 days, the milestone payments are contractually agreed and are based on pre-defined performance goals.

Geographical segments

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

5. Cost of goods sold

in TCHF, for the six months ended June 30	2021	2020
Amortization of intangible assets	(1,145)	(833)
Other costs of goods sold	(756)	(362)
Total	**(1,901)**	**(1,194)**

Upon re-evaluation of the composition of its 'Cost of goods sold' the Group has corrected - as of December 31, 2020 - an error related to the allocation of certain expenses, 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.

6. Shareholders' equity

Options

For the six months ended June 30, 2021, and 2020, no options were exercised.

Changes in capital structure

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

7. Net loss per share

Basic and diluted net loss per share have been computed based upon the weighted average number of registered shares outstanding. Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase, warrants, and convertible securities. Outstanding options to purchase registered shares were not included in the computation of the dilutive net loss per share as the effect would have been anti-dilutive for the periods presented.

8. Share option plan

The Group regularly grants share options to the members of the Board, the members of the Executive Committee, as well as to employees and consultants of the Group. The share-based compensations are equity-settled, whereof the fair value of the options is determined at the grant date, based on the market price, by applying the Black-Scholes Model.

The total number of options outstanding as of January 01, 2021, amounted to 1,887,288 with various exercise prices and expiry dates. Within the six months ended June 30, 2021, a total of 210,823 options expired, 33,750 options were forfeited, and 5,704 new options were granted. The group has not cancelled any grants due to COVID-19. As a result, the total number of options outstanding as of June 30, 2021, amounts to 1,648,419.

Total expenses for the share-based compensation for employees for the six months ended June 30, 2021 amounted to TCHF 236 (TCHF 395 for the six months ended June 30, 2020).

9. Cash, cash equivalents and financial assets

The Group considers all short-term, highly liquid investments convertible into known amounts of cash with original maturities of three months or less at the date of the purchase to be cash equivalents. The cash flow statement is based on cash and cash equivalents. Due to the current low interest rate of fixed deposits, the Group has not made any investments in financial assets in the six months ended June 30, 2020, and 2021.

in TCHF	June 30, 2021	December 31, 2020
Cash at bank and on hand	12,221	8,388
Deposits at call	15,000	20,000
Total cash and cash equivalents	**27,221**	**28,388**

In the first six months of 2021 and 2020, the Group recorded no interest income.

10. Trade receivables

in TCHF	June 30, 2021	December 31, 2020
Trade receivables – gross carrying amount	1,826	1,061
Loss allowance	(46)	(25)
Trade receivables – net carrying amount	**1,780**	**1,036**

11. Property and equipment

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
Cost				
January 1, 2021	**42**	**736**	**201**	**979**
Additions	–	171	5	176
Disposals	–	(7)	–	(7)
Exchange differences	–	9	2	11
June 30, 2021	**42**	**909**	**208**	**1,159**
Accumulated depreciation				
January 1, 2021	**(23)**	**(366)**	**(137)**	**(526)**
Depreciation charge	(4)	(65)*	(13)	(82)
Disposals	–	7	–	7
Exchange differences	–	(4)	(1)	(5)
June 30, 2021	**(27)**	**(428)**	**(151)**	**(606)**
Net book value as of June 30, 2021	**15**	**481**	**57**	**553**

**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
Cost				
January 1, 2020	**42**	**708**	**170**	**920**
Additions	–	14	15	29
Exchange differences	(1)	(10)	(1)	(12)
June 30, 2020	**41**	**712**	**184**	**937**
Accumulated depreciation				
January 1, 2020	**(14)**	**(252)**	**(109)**	**(375)**
Depreciation charge	(4)	(56)*	(16)	(76)
Exchange differences	–	4	–	4
June 30, 2020	**(18)**	**(304)**	**(125)**	**(447)**
Net book value as of June 30, 2020	**23**	**408**	**59**	**490**

** 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.*

12. Intangible assets and goodwill

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

In December 2020, Kuros decided to enter into negotiations to sell the collaboration agreement with Checkmate to interested parties. Therefore, the licensing agreement with a net carrying value of CHF 2.2 million was reclassified from intangible assets to assets classified as held for sale. In 2021, Kuros entered into a purchase agreement with XOMA Corporation, which did not result in a de-recognition of the underlying asset (see note *17. Events after the balance sheet date*), given the structure of this transaction. Therefore, the Checkmate licensing agreement has been reclassified from assets classified as held for sale to intangible assets with a net book value of CHF 2.2 million.

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

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

in TCHF	Goodwill	Licensing	CMP	IPR&D	Software	Total
Historical, costs January 1, 2021	**33,847**	**–**	**27,934**	**641**	**192**	**62,614**
Additions	–	–	–	–	58	58
Reclassification from assets classified as held for sale	–	4,730	–	–	–	4,730
Exchange differences	117	–	330	6	–	453
June 30, 2021	**33,964**	**4,730**	**28,264**	**647**	**250**	**67,855**
Accumulated amortization January 1, 2021	**–**	**–**	**(5,057)**	**–**	**(44)**	**(5,101)**
Amortization charge	–	(308)	(837)	–	(34)	(1,178)
Reclassification from assets classified as held for sale	–	(2,559)	–	–	–	(2,560)
Exchange differences	–	–	(67)	–	–	(67)
June 30, 2021	**–**	**(2,867)**	**(5,961)**	**–**	**(78)**	**(8,906)**
Net book value as of June 30, 2021	**33,964**	**1,863**	**22,303**	**647**	**172**	**58,949**

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

13. Impairment test

The Group performs impairment tests annually in December and when circumstances indicate that the carrying value of an asset may be impaired. The impairment test for goodwill and intangible assets with indefinite lives is conducted using a value-in-use calculation (discounted cash-flow method). The key assumptions used to determine the value-in-use for the cash generating unit (CGU) were disclosed in the annual consolidated financial statements for the year ended December 31, 2020.

A key consideration for the indication of an impairment is the relation of market capitalization and the CGU's book value. As of June 30, 2021, the market capitalization of the Group is below the book value of its equity, indicating a potential impairment of goodwill. In addition to the Group's review of its financial positions and performance, due to the COVID-19 outbreak the Group considered expected changes and effects on the valuation of the intangibles. As a result, Management performed an impairment test as of June 30, 2021.

The Group's calculated recoverable amount exceeded the carrying amount. To reflect the current state of the Group's business activities, the projected cash flows, WACC and probability assumptions were updated. All other key assumptions are consistent and the sensitivity to changes in assumptions did not indicate significant changes with those disclosed in the annual financial statements for the year ended December 31, 2020. Management concluded that no impairment charge is recognized as the recoverable amount exceeds the carrying value of the CGU.

14. Leases

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

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

in TCHF, first six months ended in	Right-of-use assets	Lease liabilities
Beginning balance as of January 1, 2021	**2,135**	**(2,340)**
Depreciation	(182)	–
Principal elements of lease payments	–	153
Remeasurements	189	(189)
Exchange differences	24	(28)
Ending balance as of June 30, 2021	**2,166**	**(2,404)**

15. Pension Plan

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

Movements in TCHF	2021
Net liability as of January 01, 2021	**(587)**
Service costs and employer contributions	(26)
Net financial result	(1)
Actuarial gain	204
Net liability as of June 30, 2021	**(410)**

16. Net financial result

Finance costs of TCHF 449 (first half 2020: TCHF 298) and Finance income of TCHF 138 (first half 2020: TCHF 168) mainly comprise of the foreign exchange losses/gains on financial positions.

17. Events after balance sheet date

Capital reduction

On July 7, 2021, Kuros' share capital reduction as approved by the general assembly on April 19, 2021 has been registered at the Commercial Register of the Canton Zurich. Share capital paid in new amounts TCHF 3,281 (previously TCHF 32,811) and splits into 32,811,378 shares with a nominal amount of CHF 0.10 (previously CHF 1.00) each. The entire amount of TCHF 29,530 from the capital reduction was allocated to the legal reserve from capital contributions as of July 7, 2021.

Xoma royalty purchase agreement

On July 15, 2021, XOMA Corporation (NASDAQ: XOMA) purchased a proportion of the potential future pre-commercial milestone payments and potential royalties due under the existing license agreement between Kuros and Checkmate Pharmaceuticals. Kuros received an initial payment of USD 7 million. In addition, Kuros retains the potential to receive up to USD 24 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA. Due to the effective date of the above transaction the underlying licensing agreement with Checkmate has been re-classified from *assets classified as held for sale* to *intangible assets* as described in note 12, which is the only impact on these interim financial statements. The financial impact of the transaction for the period after June 30, 2021 is currently being evaluated.

Legal Disclaimer

This Interim Report contains statements that constitute “forward-looking statements”, including but not limited to, statements relating to research and development plans, planned regulatory approvals, research collaborations and estimates and projections of future trends, as well as the anticipated future development and economic performance of the Group and/or its subsidiaries (together “the Group”). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual future results, performance or achievement of the Group, or industry results, to differ materially from any future results, performance or achievement implied by such forward-looking statements. The forward-looking statements are based on the information available to the Group on the date of this Interim Report and on the Group’s current beliefs, forecasts and assumptions regarding a large number of factors affecting its business. Such beliefs and assumptions are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. There can be no assurance that: (i) the Group has correctly measured or identified all the factors affecting its business or the extent of their likely impact, (ii) the publicly available information with respect to these factors on which the Group’s analysis is based is complete or accurate, (iii) the Group’s analysis is correct or (iv) the Group’s strategy, which is based in part on this analysis, will be successful. Factors that affect the Group’s business include, but are not limited to, (i) general market, governmental and regulatory trends, (ii) competitive pressures, (iii) technological developments, (iv) effectiveness and safety of the Group’s technology and therapeutics, (v) uncertainty regarding outcome of clinical trials and regulatory approval processes, (vi) management changes, (vii) changes in the market in which the Group operates and (viii) changes in the financial position or credit-worthiness of the Group’s customers and partners. The Group assumes no liability to update forward-looking statements or to conform them to future events or developments.

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