2022 *Annual Report*

Kuros Biosciences

Kuros Biosciences

Table of Contents

Highlights of the last 15 months

January 20, 2022	Kuros Biosciences publishes first-in-human clinical data for Fibrin-PTH (KUR-113) in treatment of open tibial shaft fractures
February 3, 2022	Kuros Biosciences' MagnetOs Granules cleared by FDA for expanded spinal indications
March 16, 2022	Kuros Biosciences reports results for the full year 2021
April 21, 2022	Kuros Biosciences' MagnetOs Flex Matrix Cleared by FDA for Spinal Indications
April 27, 2022	Kuros Biosciences continues strong commercial roll-out of MagnetOs bone graft
May 18, 2022	Kuros Biosciences announces commercial launch of MagnetOs Easypack Putty in the U.S.
May 31, 2022	Kuros Biosciences announces favorable preliminary results of MagnetOs as standalone alternative to autograft in first randomized controlled trial
June 2, 2022	Kuros Biosciences: Completion of the acquisition of Checkmate Pharmaceuticals by Regeneron Pharmaceuticals triggers a $5 million milestone payment
June 8, 2022	Annual General Meeting of Kuros Biosciences approves all resolutions
August 9, 2022	Kuros Biosciences reports results for the first six months of 2022
August 23, 2022	Kuros Biosciences' MagnetOs Bone Graft Successfully Achieves Three Key Milestones
September 15, 2022	Kuros Biosciences announces successful CHF 6.0 million private placement
October 3, 2022	Kuros Biosciences Appoints Chris Fair as Chief Operating Officer
October 11, 2022	Kuros Biosciences to present positive clinical data for MagnetOs at NASS 2022 Annual Meeting
October 19, 2022	Kuros Biosciences awarded 2022 Spine Technology Award for MagnetOs Flex Matrix by Orthopedics This Week
November 2, 2022	Kuros Biosciences completes enrolment in Level 1 clinical study of MagnetOs Granules
November 23, 2022	Kuros Biosciences Completes Enrollment of Randomized Stage of Phase 2 Trial for Fibrin-PTH
February 16, 2023	Kuros Biosciences announces changes to Executive Management Team and appoints Daniel Geiger as Chief Financial Officer ad interim
February 21, 2023	Kuros announces publication of supportive osteoimmunology data for MagnetOs

Dates correspond to the official announcements.

Letter to Shareholders

Dear Shareholders,

Kuros Biosciences continued to deliver in 2022 on its mission to provide spinal fusion biologics that ease the burden of back pain. We recorded both impressive sales growth and exciting progress in clinical development, based on the foundation of a solid financial position.

Direct sales of our first commercial product, MagnetOs, grew 75% in 2022. MagnetOs passed the important milestone of 10,000 patients treated, demonstrating its utility in real-world clinical practice as well as in controlled trial environments, having been launched in the UK in 2017, the US in 2019 and Australia and several EU countries in 2021.

We have also moved forward significantly with Project Fusion, which brings scientific, preclinical and clinical studies together to make the process of spine fusions more predictable and reduce the frequency of failures. The aim is to deliver the ideal bone graft.

First data from our five planned randomized controlled trials under Project Fusion, comparing MagnetOs Granules to the gold standard of autograft bone, were positive, showing a fusion rate for MagnetOs of 78%, compared to 42% for autograft. This compares favorably to historical fusion rates of 55-71% reported for other synthetic bone grafts evaluated in similar well-controlled studies of posterolateral fusion. Enrollment in this Level 1 clinical study has now been completed and we look forward to continuing to advance this ambitious program, which aims to significantly improve outcomes and quality of life for patients.

In October, in addition to positive clinical data at the NASS 2022 Annual meeting, we also announced that we had completed a full commercial launch of MagnetOs Flex Matrix. This is a new opportunity for the thousands of spine surgeons, who routinely mix their bone graft of choice with bone marrow aspirate, to reap the benefits of MagnetOs' NeedleGripTM surface technology while continuing with their routine peri-operative practice.

The next candidate in the Kuros pipeline is Fibrin-PTH (KUR-113), the first drug-biologic combination for interbody spinal fusions, which has the potential to address a major commercial opportunity. We completed enrollment in the randomized stage of the STRUCTURE Phase 2 trial, investigating the safety and efficacy of Fibrin-PTH in transforaminal lumbar interbody fusion procedures in patients with degenerative disc disease. Data so far have shown no drug-related severe adverse events and we are excited to see results from the primary endpoint read out of the randomized part of the study in 2023.

In September, Kuros successfully completed a CHF 6.0 million capital increase through a private placement (PIPE). At year-end, Kuros had cash and cash equivalents of CHF 24 million corresponding to a cash runway into the third quarter of 2024 at a minimum. This covers results of the Phase 2 trial of Fibrin-PTH in spinal fusion and enables initiation of preparatory work for the Phase 3 program, as well as supporting continuing clinical development and commercialization of MagnetOs.

Kuros has further built its business in 2022 and laid solid foundations for future success in 2023 and beyond. I would like to thank our employees for their dedication in delivering this commercial, clinical, and financial progress, and our patients and shareholders for their continuing trust and support for our efforts.

Best wishes to you all,

Prof. Dr. Clemens van Blitterswijk

Chairman of the Board

Prof. Dr. Joost de Bruijn

Chief Executive Officer

Our Ambition and Products

Kuros Biosciences Ltd

Kuros Biosciences is a fast-growing leader in the development of spinal fusion biologics that ease the burden of back pain. With locations in the United States, Switzerland and the Netherlands, the company is listed on the SIX Swiss Exchange. The company's first commercial product, MagnetOs, is a unique synthetic bone graft that has already been used successfully across three continents and in over 10,000 spinal fusion surgeries. The next candidate in the Kuros pipeline is Fibrin-PTH – the first drug-biologic combination for interbody spinal fusions, currently undergoing a Phase 2 clinical trial in the US.

Our Mission: Spine-related pain is taking a huge toll on our society: more bed days, more days off work, and at a greater financial cost to westernized healthcare than any other condition. We're on a mission to ease this burden through superior biologics for better spinal fusions.

Our Contribution: We believe that a greater quality and quantity of science holds the key to easing the burden of back surgery. Every day, we put our 150 years' combined research experience to work in achieving this, which includes:

- 8 clinical trials initiated.
- >320 scientific papers published.
- >30 patents granted.
- >10,000 patients successfully treated.

Our Focus: Today, nearly 1 in 5 spinal fusions fail. But, what can we do to change this situation – for the benefit of patients, surgeons and our wider society? This is the question that drives us at Kuros. Every day our team works across three continents to unlock the hidden secrets of bone healing through our research, development & technology program: Project Fusion. To deliver the ideal bone graft, we believe you need the highest quality & quantity of scientific evidence behind it. Which is why Project Fusion brings together an unprecedented blend of scientific, pre-clinical and clinical studies – all aimed at making the unpredictable…predictable.

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

MagnetOs isn't like other bone grafts. It grows bone even in soft tissue thanks to our unique NeedleGrip surface technology which provides traction for our body's vitally important 'pro-healing' immune cells (M2 macrophages). This in turn, unlocks previously untapped potential to stimulate stem cells - and form new bone throughout the graft. The growing body of science behind NeedleGrip is called osteoimmunology. But for surgeons and their patients it means one thing: a more efficient and predictable fusion.

The latest candidate in our pipeline is based on proprietary controlled-release technology that combines the well-established mechanism of the bone growth factor parathyroid hormone (PTH) with the natural healing matrix, known as fibrin. Once implanted, the released PTH promotes spinal fusion by increasing the number and lifespan of bone-forming (osteogenic) cells in the fusion space. Fibrin-PTH is the first ever investigational drug-biologic candidate to be evaluated for spinal fusion; and the first to be compatible with narrow gauge cannulas for truly non-invasive surgical procedures. Fibrin-PTH is undergoing a Phase 2 clinical trial in the US as part of a de-risked pre-market clinical program.

MagnetOs Product Family – *getting a grip on non-unions with NeedleGrip surface technology*

As speed and efficiency are essential in the operating room, MagnetOs is available in various forms to meet the perioperative needs of surgeons across multiple clinical situations. Kuros has market clearance for 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. Two new line extension products were launched in the US during 2022.

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

Fibrin-PTH (KUR-113) – *in pursuit of the first drug-biologic combination for spinal fusion*

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 ($TGplPTH_{1-34}$, 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 – getting a grip on non-unions with NeedleGrip surface technology

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
MagnetOs Granules EU	Orthopaedics & dental			
MagnetOs Putty EU	Orthopaedics & dental			
MagnetOs 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 ($TGplPTH_{1-34}$, 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 endpoints were met with no safety issues observed.

Corporate Governance Report **2022**

Kuros Biosciences

Corporate Governance Report 2022

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, 2022, the total headcount of the Group amounted to 66 employees. The legal domicile of the Company headquarter is Wagistrasse 25, 8952 Schlieren, Switzerland.

The Board of Directors ("Board") approved this Corporate Governance Report on March 14, 2023.

The information published below conforms to the Corporate Governance Directive ("DCG") of the SIX. The numbering of the subsections was made based on the Annex to 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 USA, Inc. (Boston, Massachusetts, USA)
  - Kuros US LLC (Delaware, USA)
  - Kuros US Royalty Fund (US) LLC (Delaware, USA)

Security number - Kuros Biosciences AG	1 102 521
ISIN	CH0325814116
Ticker symbol	KURN
Market capitalization on December 31, 2022	CHF 53.7 million

The Company is a corporation established under Swiss law with its registered office in Schlieren, Switzerland. As of December 31, 2022, the Group consists of the parent company Kuros Biosciences AG and six non-listed subsidiaries:

Name	Share capital (in thousands)
Kuros Biosurgery AG, Schlieren, Switzerland	CHF 435
Kuros Biosciences B.V., Bilthoven, The Netherlands	EUR 18
RevisiOs B.V., Bilthoven, The Netherlands	EUR 22
Kuros Biosciences USA Inc., Boston, USA	USD 1
Kuros US LLC, Delaware, USA	–
Kuros US Royalty Fund (US) LLC, Delaware, USA	–

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, 2022.

Name	Shareholding / Purchase Positions*
Optiverder BV, Delft, The Netherlands	22.7 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	10.0 %
Pegasus Global Opportunity Fund, Ltd.	4.9 %
Banque Pictet & Cie SA, Geneva, Switzerland	4.3 %
Aldabra B.V., Amersfoort , The Netherlands	4.0 %

** The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website as of December 31, 2022. Information on disclosure notifications during the year concerning significant shareholders and financial instruments may be found on the SIX website on: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html*

As of December 31, 2022, the company holds purchase positions of 0.1% (treasury shares) and sale positions of 4.3% (equity-awards). 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, 2022 (DCG 2)

The capital structure of the Company is as per the excerpts below from the articles of association (the "Articles") as of September 14, 2022, valid as of December 31, 2022, available on the Company's website at: *https://kurosbio.com/resources/articles-of-association/*

Capital (DCG 2.1)

"Art. 3a Share Capital and Shares

The share capital of the Company is CHF 3,656,137.80 and fully paid-in. It is divided into 36,561,378 registered shares with a nominal value of CHF 0.10 each."

Conditional capital (DCG 2.2)

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

[1] The share capital of the Company shall be increased by a maximum amount of CHF 90,000.00 through the issue of a maximum of 900,000 registered shares, payable in full, each with a nominal value of CHF 0.10 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).

[2] 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 refinance 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.

[3] 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

[1] The share capital of the Company increases in the nominal value of up to CHF 24,838.90 by issuance of up to 248,389 fully paid-in registered Shares with a nominal value of CHF 0.10 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 374,682.40 by issuance of up to 3,746,824 fully paid-in registered Shares with a nominal value of CHF 0.10 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 equity-awards 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 December 31, 2022 to increase the share capital by a maximum of CHF 90,000.00 through the issuance of a maximum of 900,000 registered shares, to be fully paid up, with a nominal value of CHF 0.10 each. Increases by underwriting, by a subsidiary as well as partial increases are permissible.

[2]The Board of Directors shall be authorized to exclude the subscription right of shareholders (a) if the issue price of the new registered shares is determined by reference to the market price; or (b) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, or for purposes of the participation of strategic partners, or (c) for purposes of granting an overallotment option (Greenshoe) of up to 15% of the number of registered shares offered in a base-tranche in a placement or sale of registered shares to the respective initial purchasers) or underwriter(s); or (d) for raising of capital (including private placements) in a fast and flexible manner which probably could not be reached without the exclusion of the statutory subscription right of the existing shareholders; the Board of Directors shall also be authorized to preserve the subscription rights of the shareholders for the newly issued registered shares which may be granted directly or indirectly (e.g. by an underwritten offering followed by an offer to the then-existing shareholders of the Company), whereby the Board of Directors shall be entitled to publish the subscription price by electronic media including press release and email and to limit the subscription period to one business day; the Board of Directors shall determine the details of the exercise of the subscription rights; subscription rights not exercised or shares for which subscription rights have not been exercised are to be sold at market conditions or may be used in another way in the interest of the Company

[3] 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 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).

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
As of January 1, 2020	**22,470**	**118,160**	**(17)**	**19,146**	**(82,817)**	**913**	**77,855**
Loss for the period	–	–	–	–	(11,520)	–	(11,520)
Other comprehensive income	–	–	–	–	65	207	272
Capital increase, net	10,341	6,901	–	–	–	–	17,242
Share based payment	–	–	–	752	–	–	752
As of December 31, 2020	**32,811**	**125,061**	**(17)**	**19,898**	**(94,272)**	**1,120**	**84,601**
As of January 1, 2021	**32,811**	**125,061**	**(17)**	**19,898**	**(94,272)**	**1,120**	**84,601**
Loss for the period	–	–	–	–	(7,541)	–	(7,541)
Other comprehensive income	–	–	–	–	225	(698)	(473)
Share capital reduction	(29,530)	29,530	–	–	–	–	–
Share based payment	–	–	–	389	–	–	389
As of December 31, 2021	**3,281**	**154,591**	**(17)**	**20,287**	**(101,588)**	**422**	**76,976**
As of January 1, 2022	**3,281**	**154,591**	**(17)**	**20,287**	**(101,588)**	**422**	**76,976**
Loss for the period	–	–	–	–	(14,595)	–	(14,595)
Other comprehensive income	–	–	–	–	349	(841)	(492)
Capital increase, net	375	5,566	–	–	–	–	5,941
Share based payment	–	–	–	1,030	–	–	1,030
As of December 31, 2022	**3,656**	**160,157**	**(17)**	**21,317**	**(115,834)**	**(419)**	**68,860**

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 0.10 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 will 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, options and restricted share units (DCG 2.7)

As of December 31, 2022, the Company has no outstanding convertible loans.

The following table applies to all valid share options and outstanding as of December 31, 2022:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.63	18,792	4.7	-
1.73	882,514	4.6	10,000
1.88	2,500	1.7	2,032
1.9	5,000	4.4	-
1.93	18,362	4.4	18,362
2	272,427	2.9	272,427
2.02	2,494	2.9	2,494
2.03	50,000	4.2	-
2.09	652,002	2.2	483,257
2.27	2,500	1.7	2,500
2.3	14,178	1.7	14,178
2.42	35,845	1.4-1.8	31,471
2.45	18,844	1.1-1.7	18,844
2.76	99,385	1.2	99,385
2.95	140,950	1.8	109,513
3.09	15,000	0.9	15,000
3.12	8,406	1.9	8,406
5	15,000	0.8	15,000
8.2	2,344	0.7	2,344
9.26	45,033	0.5	45,033
10.2	47,500	0.5-1.6	47,500
12.1	90,768	0.1	90,768
Total	**2.439,844**		**1,288,514**

** Includes all options granted within the Group*

The total 2,439,844 outstanding options represent CHF 243,984.10 of nominal capital. Each option entitles the option holder to purchase one share. For further details please see note 20 to the consolidated financial statements.

The following table applies to all restricted share units outstanding as of December 31, 2022:

Share price at grant date (CHF)	RSUs* (number)	Remaining life (years unless stated otherwise)
1.63	43,523	3.7
1.73	446,419	3.7
Total	489,942	

The total 489,942 outstanding options represent CHF 48,994.20 of nominal capital. Each option entitles the option holder to purchase one share. For further details please see note 20 to the consolidated financial statements.

Board of Directors (DCG 3)

Members of the Board of Directors (DCG 3.1/3.4)

Name, Position, Nationality	Year of birth	First elected	Elected until	Compens-ation Committee	Nomination & Corporate Governance Committee	Audit Committee	Research & Development Committee
Clemens van Blitterswijk, PhD Chairman, The Netherlands	1957	2017	2023				✪
Leanna Caron[2], MBA Vice-Chairperson, Canada	1968	2016	2023	✉	✉		
Scott Bruder, MD Member, USA	1962	2018	2023			✪	✉
Oliver Walker, MBA Member, Switzerland	1969	2018	2023	✪	✪	✉	
Chris Fair[1] Member, USA	1970	2021	2022	✪	✉		
Joost de Bruijn, PhD Member, The Netherlands	1966	2018	2023				

[1] stepped down as member of the Board and joined the Executive Committee as of October 3, 2022

[2] stepped- in as the chair of the Corporate Governance Committee as of October 3, 2022

✉ *Chairman*
✪ *Member*

Clemens van Blitterswijk

Professor Clemens van Blitterswijk, PhD, has served Kuros Chairman since June 2018 and has been a member of the Kuros board since June 2017. He is the Department Chair and Professor at MERLN Institute for TechnologyInspired Regenerative Medicine at Maastricht University, The Netherlands. Prof van Blitterswijk has founded nine companies over the years. He is recipient of numerous national and international awards like recently "the most entrepreneurial professor of the Netherlands". He brings over two decades of entrepreneurial science to the Kuros team. Prof van Blitterswijk has authored and co-authored over 500 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. He is Dutch citizen.

Leanna Caron

Leanna Caron, a global business executive, has extensive experience in the pharmaceutical, biotech, and medical devices industries. She is a respected sales, marketing, business development, and overall general management leader with demonstrated effectiveness in corporate governance. Leanna currently holds the following positions: CEO and Board Chair of Nexilis AG, Vice Chair of Kuros Biosciences AG, and Director of Skate Canada.

Previous roles include Executive Vice President and Chief Commercial Officer at Ag-Novos Healthcare, overseeing all aspects of global commercial development, commercialization, and corporate communications; Vice President and General Manager at Sanofi, overseeing the Cell Therapy & Regenerative Medicine business unit. In this capacity, she led the turn-around of a fully integrated global division, rendering it profitable after years of financial losses. She 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.

Leanna completed her degree in Pharmacy at the University of Toronto (Canada) and MBA at Concordia and Cornell Universities.

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. Dr. Bruder is a US citizen.

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. He is the former 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, FBSE (Chief Executive Officer, Professor, Fellow of Biomaterials Science and Engineering) is a serial entrepreneur with more than 25 years of experience in academia and industry. Joost is CEO of Kuros Biosciences AG (SIX: KURN), completed several successful business deals, and raised over $50m in equity financing

in the past 4 years. As a serial entrepreneur, Joost founded Xpand Biotechnology BV (merged with Kuros Biosciences in 2017), Progentix Orthobiology BV (sold to NuVasive Inc. in 2018) and Scinus Cell Expansion BV. Since 2004, Dr. de Bruijn holds the position of Professor of Biomaterials at Queen Mary University of London, UK and was Professor of Regenerative Medicine and Entrepreneurship at Twente University, NL from 2011-2019. Dr. de Bruijn has more than 28 years' experience in academia and the life science industry and has brought several technologies to the clinic. He is author on 187 peer-reviewed publications and inventor of 35 patents and patent families. Dr. de Bruijn is scientific editor of the world's first open-access journal, European Cells and Materials, and reviewer for numerous international biomaterials, tissue engineering and regenerative medicine journals. He received his PhD Cum Laude from Leiden University in 1993 and is a citizen of The Netherlands.

Chris Fair

Mr. Chris Fair joined Kuros as Chief Operating Officer (COO) in October 2022. Prior to his appointment as COO, he was a member of the Kuros Board of Directors from April 2021 to September 2022. Mr. Fair has been a leader in the musculoskeletal and regenerative marketplace for over 25+ years. His expertise in commercialization and scaling operations for both biologics and device companies have made him a sought-after advisor and investor. Mr. Fair was the former EVP & President of ControlRad, an innovative radiation reduction technology company based in Atlanta, GA and Kfar Saba, Israel. Prior to his post in ControlRad, Mr. Fair was the Chief Executive Officer of Spinal Elements, a private equity owned operating company focused in the spinal implant marketplace. Mr. Fair has experience as Founder and CEO of Amniox Medical as well as previously operating the University of Miami Tissue Bank through its transaction to a private company. Earlier in his career, Mr. Fair served in leadership roles at MedShape Solutions, St. Francis Medical Technologies and DePuy Spine.

Mr. Fair currently sits on the Institute for Bioengineering and Bioscience Advisory Board of the Georgia Institute of Technology as well as several privately held medical and regenerative medicine technology companies. Mr. Fair graduated from the University of Richmond Robins School of Business.

1.1.1 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.

1.1.2 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, 2022, it consisted of 5 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.

1.1.3 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 2022.

The Board convened six times in 2022. 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 2022.

Attendance at the Board and committee meetings in 2022:

Name	Board[1]	Compensation Committee[1]	Nomination & Corporate Governance Committee[1]	Audit Committee[1]	R&D Committee[1]
Clemens van Blitterswijk	6				2
Leanna Caron	4	9	3		
Scott Bruder	6			3	2
Oliver Walker	6	9	3	3	
Chris Fair	5	5	2		
Joost de Bruijn	6				

[1] *The majority of conferences were held via telephone*

Compensation Committee

The Compensation Committee meets as often as business requires. In 2022, the Compensation Committee held nine meetings. The chairperson of the Committee reports to the Chairman of the Board after each meeting and informs 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 are 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 2022 the Nomination and Corporate Governance Committee held three meetings. The chairperson of the Committee reports to the Chairman of the Board after each meeting and informs 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 are 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. In 2022, the Audit Committee held 3 meetings. The chairperson of the Committee reports to the Chairman of the Board after each meeting and informs 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 are 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 financial statements 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 meets as often as business requires, but at least once per year. In 2022 the Research and Development Committee held two meetings. The chairperson of the Committee reports to the Chairman of the Board after each meeting and informs 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 are communicated to the Chairman without delay.

The Research and Development Committee has the following duties (excerpt from the Audit Committee Charter of Kuros Biosciences as approved by the Board on March 2, 2020, and available on the Company's website at https://kurosbio.com/resources/rd-committee-charter/

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

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

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 April 19, 2021, 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:

- *k) Any mergers, acquisitions, partnerships, alliances, licensing transaction with a size and/or Project NPV above CHF 2 million;*
- *l) 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;*
- *m) hire or dismiss the members of the Executive Committee;*
- *n) establish principles of employee benefits, employee pension fund, employee insurance;*
- *o) 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);*
- *p) 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;*
- *q) approve the establishment or closure of branches, subsidiaries, agencies, administrative or representation offices, both in Switzerland and abroad;*
- *r) 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;*

s) *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;*
t) *approve the creation of any mortgage, charge, lien, encumbrance or other third party right over any of the Company's IP assets;*
u) *approve and/or ratify all obligations and agreements entered into outside the ordinary course of business;*
v) *determine the compensation of the members of the Board within the frame- work set by the General Meeting;*
w) *adopt and amend a stock option plan; and*
x) *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 2022 to the members of the Board for the periods of the first six 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 is prohibited from trading securities to which such information pertains. Associates 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 expects 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/

The Company has currently no internal audit function.

In 2022, none of the members of the Board, except for Joost de Bruijn (CEO), participated in any meeting of the Executive Committee.

In 2022, 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
Chris Fair[1]	1970	USA	Chief Operating Officer

[1] *stepped down as member of the Board and joined the Executive Comittee as of October 3, 2022*

Joost de Bruijn

Refer to Board of Directors section (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.

Chris Fair

Refer to Board of Directors section (DCG 3).

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 2022 Compensation Report, which is an integral part of the 2022 Annual Report, and the Articles.

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

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 and Restricted Shares Unit 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 are 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 remunerates 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.

Disclosures from issuers not subject to the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (DCG 5.3)

Not applicable, as the Company is subject to the OaEC.

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 2022 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 2022 financial year.

Auditing fees (DCG 8.2)

In 2022, PwC invoiced a total TCHF 436 for auditing the full-year statutory (including existence of the internal control-system) and consolidated financial statements, interim condensed consolidated reports of 2022, capital increase report, compensation report and other agreed audit procedures.

Additional fees (DCG 8.3)

In 2022, PwC earned additional fees of TCHF 7 for technical accounting consultations.

Compensation Report **2022**

Compensation Report 2022

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 2023 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 focus 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 and Restricted Share Units ("RSU") under the Company's Stock Option Plan (henceforth called "Stock Option Plan") and the Restricted Share Unit Plan respectively. The Board or, to the extent delegated to it, the Compensation Committee determines grant, exercise and forfeiture conditions of the options and RSUs issued under the Stock Option Plan and the Restricted Share Unit 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 2022 (audited)

Name	Cash (TCHF)	Options (TCHF)	RSU (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)	RSU (number)
Clemens van Blitterswijk Chairman	62.0	–	–	–	4.7	66.7	–	–
Leanna Caron Vice Chairman	45.0	–	–	–	3.4	48.4	–	–
Scott Bruder Member	57.0	–	–	–	–	57.0	–	–
Chris Fair[1] Member	35.8	–	–	–	–	35.8	–	–
Oliver Walker Member	47.0	–	–	–	3.5	50.5	–	–
Joost de Bruijn Member	359.3	68.0	80.4	129.6	10.8	648.1	82,449	46,461
Total Board of Directors	**606.1**	**68.0**	**80.4**	**129.6**	**22.4**	**906.5**	**82,449**	**46,461**

[1] *until September 30, 2022*

On an accrual basis, the variable bonus for executive committee team member who is also board member amounts to TCHF 134.0.

The Company regularly grants share options to the members of the Board under the Company's Option Plan. The abovementioned options were granted to the Board in 2022. 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	September 16, 2022
Exercise price	CHF 1.73
Fair value (Black-Scholes)	CHF 0.82
Expiry date (100% vesting upon change of control)	September 16, 2027
Joost de Bruijn	82,449 share options granted

In 2022, the Company established a Restricted Share Unit Plan. The abovementioned Restricted Share Units ("RSU") were granted to the Board in 2022. The RSU is subject to a lock-up period. Each RSU automatically converts into one ordinary share on vesting at an exercise price of nil. The fair value of the RSU at grant date was estimated by taking the market price of the company's shares on that date.

Grant date	September 16, 2022
Share price at grant	CHF 1.73
Vesting date	September 16, 2025
Expiry date (100% vesting upon change of control)	September 16, 2026
Joost de Bruijn	46,461 RSUs granted

Compensation for Board of Directors for the year 2021 (audited)

Name	Cash (TCHF)	Options (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)
Clemens van Blitterswijk Chairman	56.6	–	–	4.4	61.0	–
Leanna Caron Vice Chairman	43.3	–	–	3.3	46.6	–
Scott Bruder Member	51.4	–	–	–	51.4	–
Chris Fair[1] Member	35.8	–	–	–	35.8	–
Oliver Walker Member	42.6	–	–	3.3	45.9	–
Joost de Bruijn Member	372.9	–	100.3	10.8	484.0	–
Total Board of Directors	**602.6**	**–**	**100.3**	**21.8**	**724.7**	**–**

[1] *newly elected at the General Meeting on April 19, 2021*

On an accrual basis the variable bonus for executive committee team members who are also board members amounts to TCHF 138.5.

The Company regularly grants share options to the members of the Board under the Company's Option Plan. No share option is granted to the members of the Board in 2021.

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) share-based compensation in the form of stock options or Restricted Share Units ("RSU") under the Stock Option Plan and the Restricted Share Unit Plan respectively. 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 and the RSU. 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 to 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 2022 (audited)

Name	Cash (TCHF)	Options (TCHF)	RSU (TCHF)	Variable bonus (TCHF)	Employer Social Security (TCHF)	Total (TCHF)	Options (number)	RSU (number)
Michael Grau (highest compensated member of Executive Committee)	284.1	33.2	39.2	93.2	47.5	497.2	40,222	22,665
Total Executive Committee	**364.7**	**82.9**	**95.5**	**93.2**	**61.4**	**697.7**	**101,557**	**57,228**

All amounts shown are gross amounts.

As of October 1, 2022, Kuros extended the Executive Committee to include the Chief Operating Officer. The Executive Committee now consists of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer and is identified as the chief operating decision maker.

On an accrual basis, the variable bonus for Michael Grau amounts to TCHF 94.3 (the highest compensated member of the executive committee team) and TCHF 31.0 for the other members of the Executive Committee.

Explanations:

- Individuals acting simultaneously as member of the Board and of the Executive Committee are reported under the Board.
- The bonus year is equal to the calendar year. Therefore, the bonus amount represents the actual bonus paid within a calendar year or during the period which an Executive serves as a member of the Executive Committee.

Kuros regularly grants share options to the Executive Committee under the Company's Option Plan. The abovementioned options were granted to the Executive Committee in 2022. 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	September 16, 2022	October 3, 2022
Exercise price	CHF 1.73	CHF 1.73
Fair value (Black-Scholes)	CHF 0.82	CHF 0.81
Expiry date (100% vesting upon change of control)	September 16, 2027	October 3, 2027
Number of share options granted	40,222	61,335

In 2022, the Company established a Restricted Share Unit Plan. The abovementioned Restricted Share Units ("RSU") were granted to the Executive Committee in 2022. The RSU is subject to a lock-up period. Each RSU automatically converts into one ordinary share on vesting at an exercise price of nil. The fair value of the RSU at grant date was estimated by taking the market price of the company's shares on that date.

Grant date	September 16, 2022	October 3, 2022
Share price at grant	CHF 1.73	CHF 1.63
Vesting date	September 16, 2025	October 3, 2025
Expiry date (100% vesting upon change of control)	September 16, 2026	October 3, 2026
Number of RSUs granted	22,665	34,563

Compensation for Executive Committee for the year 2021 (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)	282.4	–	83.9	64.9	431.2	–
Total Executive Committee	**518.8**	–	**369.7**	**105.4**	**993.9**	–

All amounts shown are gross amounts.

As of April 1, 2021, Kuros reduced the size of the Executive Committee from six to two Executives. The Executive Committee now consists of the Chief Executive Officer and the Chief Financial Officer and is identified as the chief operating decision maker. The new segment report to the chief operating decision maker also reflects this organizational change. The total compensation above includes three-month cash, variable bonus, and social security for those four employees who worked as Executive Committee from January to April 2021. On an accrual basis the variable bonus for Michael Grau amounts to TCHF 93.2 (the highest compensated member of the executive committee team) and TCHF 79.5 for the three-month service period of the four other members previously in the Executive Committee.

Explanations:

- Individuals acting simultaneously as member of the Board and of the Executive Committee are reported under the Board.
- The bonus year is equal to the calendar year. Therefore, the bonus amount represents the actual bonus paid within a calendar year or during the period which an Executive serves as a member of the Executive Committee.
- 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 2021. The fair values were calculated using Black-Scholes method. Each option entitles the holder to buy one share of the Company. Between January 29, 2021, and July 30, 2021, a total of 6,709 options were granted to consultants. The fair value on the grant date ranges between CHF 0.54 and 1.10. The exercise price ranges between CHF 2.02 and CHF 2.45. The options expire between January 29, 2026 and July 30, 2026. No share option is granted to the members of the Board, the members of the Executive Committee and the employees in 2021.

Stock Option and Restricted Share Unit program

Kuros regularly grants share options to the members of the Board, the Executive Committee, the employees and consultants of the Group. In 2022, Kuros established the Restricted Share Unit plan to supplement the existing Stock Option Plan. The purpose of the Company's Stock Option Plan and Restricted Share Unit Plan is to provide the Board of Directors, the Executive Committee, other management members and certain employees with an opportunity to obtain options and Restricted Share Unit ("RSU") 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 and RSU under the Company's Stock Option Plan and Restricted Share Unit 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 as part of the participant's salary or compensation for the purposes of calculating any pension or retirement benefits. The strike price of the option 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. RSU Right are granted for free unless the Grant Notice specifies otherwise. RSU Rights are only exercisable after a lock-up period indicated in the Grant Notice.

From 2020 onwards, the following options and RSU were granted to the members of the Board and Executive Committee:

Year	Options (number)	RSUs (number)
2020	360,500	–
2021	–	–
2022	184,006	103,689

The following table shows the range of conditions and assumptions applied to the share-based compensation granted in 2022.

The exercise price of the granted options 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 2022:

	(a) New Kuros options granted in 2022	(b) New Kuros options granted in 2022
Grant date	September 16, 2022	October 03, 2022
Number of options	122,671	61,335
Exercise price	CHF 1.73	CHF 1.73
Share price at date of grant	CHF 1.73	CHF 1.63
Contractual life	5 years	5 years
Vesting period	30,668 options vest after 1 year, 92,003 options vest quarterly over the following 3 years	15,334 options vest after 1 year, 46,001 options vest quarterly over the following 3 years
Settlement	Shares	Shares
Expected volatility at day of grant	55.26%	60.71%
Expected option life at grant date	until maturity	until maturity
Risk-fee interest rate p.a.	1.01%	0.74%
Expected dividend	Zero	Zero
Estimated fair value of option at grant date	CHF 0.8248	CHF 0.81
Expiry date	September 16, 2027	October 3, 2027
Valuation model	Black Scholes	Black Scholes

Restricted Share Units - conditions, and assumptions

Restricted Share Units granted in 2022:

Grant date	September 16, 2022	October 3, 2022
Share price at grant	CHF 1.73	CHF 1.63
Vesting date	September 16, 2025	October 3, 2025
Expiry date (100% vesting upon change of control)	September 16, 2026	October 3, 2026
Number of RSUs granted	69,126	34,563

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 (audited)

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 2022 or 2021. No consulting fee for services rendered by former members of the Executive Committee has been paid in 2022 and 2021.

Report of the statutory auditor

to the General Meeting of Kuros Biosciences AG

Schlieren

Report on the audit of the Compensation Report

Opinion

We have audited the Compensation Report of Kuros Biosciences AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to articles 14 to 16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Ordinance) contained in the tables labelled 'audited' on pages 34-36, page 38 and page 40 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the accompanying Compensation Report complies with Swiss law and articles 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the Compensation Report' section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the Compensation Report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report 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.

Board of Directors' responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report 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 a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to articles 14 to 16 of the Ordinance is 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 SA-CH 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 this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Thomas Ebinger
Licensed audit expert
Auditor in charge

Manuela Baldisweiler
Licensed audit expert

Basel, 14 March 2023

Financial Report **2022**

Kuros Biosciences

Financial Report 2022

Financial performance and results of operations (IFRS)

General remark – Revenue from product sales increased by 59%

In 2022, Kuros recognized revenues from product sales of CHF 13.3 million (2021: CHF 8.3 million) and increased its revenues by 59% and 56% on a constant currency basis. Revenues from collaborations amounted to CHF 4.7 million (2021: CHF 5.5 million). Cost of goods sold amounted to CHF 7.2 million (2021: CHF 3.7 million) of which CHF 2.2 million (2021: CHF 2.2 million) relate to the amortization of currently marketed products and CHF 3.6 million (2021: CHF nil) to an impairment of goodwill.

Financial position and other asset

Funds available for financing the operations of Kuros amounted to CHF 27.7 million as of December 31, 2022, which included cash and cash equivalents, trade and other receivables. This is a decrease of CHF 3.0 million from CHF 30.7 million as of December 31, 2021. The decrease is mainly driven by a net operating cash outflow.

As of December 31, 2022, total intangible assets amounted to CHF 19.4 million (2021: CHF 22.6 million) and goodwill amounts to CHF 29.3 million (2021: CHF 33.4 million). The impairment of goodwill of CHF 3.6 million was resulting from a time-value effect, upon a re-assessment of the timeline for expected milestones from Checkmate licensing.

Operating loss

Net operating costs amounted to CHF 24.2 million, compared to CHF 18.8 million in the previous year. The increase is primarily driven by sales and marketing costs as a result of the growing commercial activities (see note 7). Research and development costs increased from CHF 5.0 million in 2021 to CHF 5.2 million in 2022. General and administrative costs increased from CHF 6.3 million in 2021 to CHF 6.6 million in 2022. Sales and marketing costs increased from CHF 7.7 million in 2021 to CHF 12.8 million in 2022, mainly due to increased sales force headcount and general sales costs. Other income amounted to CHF 0.4 million (2021: CHF 0.2 million).

Net finance expense

Net finance expenses amounted to CHF 2.5 million (2021: CHF 0.8 million) which is mainly the result of foreign exchange and revaluation of financial liability to XOMA upon receipt of the change of control milestone payment.

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:

Constant Currency (CCY)

Individual financial information of prior period comparatives is presented at historical and constant currency, in order to assess the period over period evolution of financial indicators without the currency impact. Kuros applies current period average exchange rates to prior period numbers, to present comparable figures.

Operating profit/loss

- Definition: Profit/loss before 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, 2022 amounted to TCHF 13,446 (2021: TCHF 8,767)

EBITDA

- Definition: The adjusted operating profit/loss that is disclosed in our financial highlights and our segment disclosures in Note 6 of our consolidated financial statements is provided to assess the underlying financial and operational performance of the Group by segment line excluding the influence of items not directly attributable to operational performance. EBITDA represents the operating income/ loss excluding:
    - Amortization expenses on Intangible Assets and depreciation expenses on Property, Plant and Equipment expenses
    - Impairment expenses on Intangible Assets and Property, Plant and Equipment
    - Impairment expenses on Goodwill

The EBITDA is computed as following:

In TCHF, for the year ended December 31	2022	2021
Operating Loss	**(13,446)**	**(8,767)**
Amortization and depreciation expenses	2,834	2,881
Impairment expenses	3,600	–
EBITDA	**(7,012)**	**(5,886)**

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	2022	2021
Net operating cash-outflow	(7,348)	(5,459)
Reporting period (in months)	12	12
Average Cash burn (per month)	**(612)**	**(454)**

Consolidated Financial Statements **2022**

Consolidated income statement

in TCHF, year ended December 31	Note	2022	2021
Revenue from product sales	6	13,265	8,341
Revenue from collaborations	6	4,721	5,474
Revenue		**17,986**	**13,815**
Cost of goods sold	7	(7,217)	(3,749)
Gross profit		**10,769**	**10,066**
Research and development costs	7	(5,194)	(4,989)
General and administrative costs	7	(6,598)	(6,329)
Sales and marketing costs	7	(12,785)	(7,723)
Other income	7	362	208
Net operating costs		**(24,215)**	**(18,833)**
Operating loss		**(13,446)**	**(8,767)**
Finance income		1,772	596
Finance expense		(4,317)	(1,383)
Net finance expense	**27**	**(2,545)**	**(787)**
Loss before taxes		**(15,991)**	**(9,554)**
Income taxes	9	1,396	2,013
Net loss		**(14,595)**	**(7,541)**
Basic and diluted net loss per share (CHF)	10	(0.43)	(0.23)

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

Consolidated statement of comprehensive income

in TCHF, year ended December 31	Note	2022	2021
Net loss		(14,595)	(7,541)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	21	433	279
Tax effects		(84)	(54)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(970)	(698)
Other comprehensive loss		(621)	(473)
Total comprehensive loss		(15,216)	(8,014)

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

Consolidated balance sheet

in TCHF, as of December 31	Note	2022	2021
Non-current assets:			
Property, plant and equipment	11	707	552
Right-of-use assets	12	1,616	1,895
Intangible assets	13	19,412	22,607
Goodwill	13,14	29,314	33,390
Deferred tax assets	9	504	–
Total non-current assets		**51,553**	**58,444**
Current assets:			
Inventories	15	3,170	1,757
Prepayments and other assets	16	540	465
Trade receivables	17	2,817	1,691
Other receivables	17	801	356
Cash and cash equivalents	18	24,065	28,623
Total current assets		**31,393**	**32,892**
Total assets		**82,946**	**91,336**
Shareholders' equity:			
Share capital	19	3,656	3,281
Share premium		160,157	154,591
Treasury shares	19	(17)	(17)
Other reserves	19	21,317	20,287
Accumulated loss		(116,253)	(101,166)
Total shareholders' equity		**68,860**	**76,976**
Non-current liabilities:			
Pension liabilities	21	–	353
Deferred tax liabilities	9	–	890
Non-current lease liabilities	12	1,497	1,829
Total non-current liabilities		**1,497**	**3,072**
Current liabilities:			
Financial liabilities from collaborations	24	5,812	6,463
Current lease liabilities	12	416	317
Accrued expenses	22	4,958	3,424
Provisions	23	101	238
Trade and other payables		1,302	846
Total current liabilities		**12,589**	**11,288**
Total shareholders' equity and liabilities		**82,946**	**91,336**

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

Consolidated statement of cash flows

in TCHF, year ended December 31	Note	2022	2021
Cash flows from operating activities:			
Loss before tax		(15,991)	(9,554)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization	11,12,13	2,834	2,880
Impairment of goodwill	13,14	3,600	–
Net finance expense	27	909	787
Provisions	23	(131)	250
Share-based payments	20	1,030	389
Changes in retirement benefit obligation	21	80	45
Fair value adjustment to financial liabilities from collaborations	24	1,636	–
Other non-cash items		24	102
Changes in operating assets and liabilities:			
Trade and other receivables		(1,641)	(737)
Current prepayments and accrued income		(86)	73
Current liabilities		2,046	811
Inventories		(1,585)	(340)
Interest received		12	–
Interest paid		(83)	(119)
Income tax refund/ (paid)		(2)	(46)
Net cash used in operating activities		**(7,348)**	**(5,459)**
Cash flows from investing activities:			
Purchase of plant and equipment	11	(394)	(304)
Purchase of intangible assets	13	(6)	(70)
Net cash used in investing activities		**(400)**	**(374)**
Cash flows from financing activities:			
Proceeds from issuance of shares	19	6,000	–
Transaction costs on issuance of shares	19	(59)	–
Principal elements of lease payments	12	(343)	(322)
Proceeds from financing from collaborations	24	–	6,400
Repayment of financial liabilities from collaborations	24	(2,374)	–
Net cash from financing activities		**3,224**	**6,078**
Cash and cash equivalents, at the beginning of the year		28,623	28,388
Net change in cash and cash equivalents		(4,524)	245
Net effect of currency translation on cash		(34)	(10)
Cash and cash equivalents, at the end of the year	**18**	**24,065**	**28,623**

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

Consolidated statement of change in shareholders´ equity

in TCHF,	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	**Total**
January 1, 2021		32,811	125,061	(17)	19,898	(94,272)	1,120	84,601
Loss for the period		–	–	–	–	(7,541)	–	**(7,541)**
Other comprehensive income		–	–	–	–	225	(698)	**(473)**
Share capital reduction	19	(29,530)	29,530	–	–	–	–	–
Share based payment	20	–	–	–	389	–	–	**389**
December 31, 2021		3,281	154,591	(17)	20,287	(101,588)	422	76,976
January 1, 2022		3,281	154,591	(17)	20,287	(101,588)	422	76,976
Loss for the period		–	–	–	–	(14,595)	–	**(14,595)**
Other comprehensive income		–	–	–	–	349	(841)	**(492)**
Capital increase, net	19	375	5,566	–	–	–	–	**5,941**
Share based payment	20	–	–	–	1,030	–	–	**1,030**
December 31, 2022		3,656	160,157	(17)	21,317	(115,834)	(419)	68,860

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 to as "Kuros" or "Group") for the year ended December 31, 2022 were authorized for publication in accordance with a resolution of the Board of Directors ("Board") on March 14, 2023.

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 operates in the commercialization and development of innovative products for tissue repair and bone regeneration (orthobiology).

As of December 31, 2022, Kuros Biosciences AG, the parent company of the Group, owns the following subsidiaries:

Name of entity	Place of business	Ownership held		Share Capital (in thousands)	
		2022	2021	2022	2021
Kuros Biosurgery AG	Schlieren, Switzerland	100%	100%	CHF 435	CHF 435
Kuros Biosciences B.V.	Bilthoven, The Netherlands	100%	100%	EUR 18	EUR 18
RevisOs B.V.	Bilthoven, The Netherlands	100%	100%	EUR 22	EUR 22
Kuros Biosciences USA, Inc	Boston (MA), United States	100%	100%	USD 1	USD 1
Kuros US LLC	Delaware, United States	100%	100%	–	–
Kuros US Royalty Fund (US) LLC	Delaware, United States	100%	100%	–	–

In 2022 no changes occurred in the subsidiaries and ownership percentages. In 2021, Kuros US LLC and Kuros Royalty Fund (US) LLC were incorporated for the special purpose of the royalty purchase agreement with XOMA Corporation. Kuros US LLC is the sole owner of the patents of CYT003 which are part of the license agreement with Checkmate Pharmaceuticals. Kuros US, LLC is the sole owner and transfer (as a contribution in kind) the right to receive all future license payments under the license agreement with Checkmate Pharmaceuticals to Kuros Royalty Fund (US) LLC. Kuros Biosciences AG does not hold shares, as these companies are registered as partnerships.

As of December 31, 2022, the Group employs 66 employees (2021: 58 employees).

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 2022. 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 "*Critical accounting estimates and judgements.*"

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 for the group as a whole, 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 products. 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, increasing 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 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. Therefore, 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, economic, and other factors, many of which are beyond the Group's control. If the Group fails to obtain additional funds on acceptable terms, or at all when needed, it may have to delay, reduce, or terminate certain research and development programs or the production and commercialization of certain products. In addition, the Group's shareholders may have to accept equity financing terms which may significantly dilute their participation.

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

In the past years, the Group has financed its activities primarily by cash originating from (i) revenue from product sales, ii) milestone payments, (iii) proceeds from dilutive equity financing, non-dilutive financings and debt financings as well as (iv) cash 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 can adjust spending according to available financial means, future capital increases may be needed 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 is enrolling patients in a controlled Phase 2a clinical trial for KUR-113 in spinal indications.

Kuros licensed its 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 total USD 6 million (CHF 5.5 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 (CHF 6.4 million). In May 2022, Checkmate Pharmaceutical announced the completion of the acquisition by Regeneron Pharmaceuticals, Inc. In 2022, due to the completion of this acquisition, Kuros has received a milestone payment of USD 5 million (CHF 4.7 million) and has paid USD 2.5 million (CHF 2.4 million) of the milestone payment to XOMA Corporation under the royalty purchase agreement. Kuros has the right to receive up to USD 21.3 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA.

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, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

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, 2022, 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.

Significant events in the current year

The financial reporting and performance of the Group was particularly affected by following events and transactions during the reporting period:

- *Impairment*: The Company recognized a goodwill impairment charge of CHF 3.6 million for the Checkmate license cash generating unit. The impairment of goodwill was resulting from a time-value effect, upon a re-assessment of the timeline for expected milestones from Checkmate licensing. in note 14.

- *Capital increase*: Kuros completed a CHF 6.0 million capital increase through a private placement of 3,750,000 new shares of Kuros with a par value of CHF 0.10 each. The new Shares have been placed at a price of CHF 1.60 each, including nominal value and share premium (the "Subscription Price"). Further information is provided in Note 19.

2. *Summary of significant accounting policies*

Consolidation

Subsidiaries are all entities (including special purpose 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 the consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of Kuros Biosciences AG has appointed an Executive Committee which assesses the financial performance and position of the Group and makes strategic decisions. The Executive Committee, which has been identified as being 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. Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

	2022 Income statement	Balance sheet as of December 31, 2022	2021 Income statement	Balance sheet as of December 31, 2021
EUR	1.02095	0.99384	1.09680	1.04525
USD	0.96304	0.93253	0.92334	0.92053
GBP	1.20095	1.12373	1.26738	1,24685

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities as at fair value are recognized in the other comprehensive income.

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 equity investments measured at fair value through OCI which 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 recognized in 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 and intangible assets with indefinite useful life are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. 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 30-60 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 calculation of the loss allowance are provided in note 26.

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. 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. Costs are assigned to individual items of inventories based on the first-in, first-out (FIFO) principle. Unallocated overheads are expensed in the period in which they are incurred. 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.

Property, plant and equipment

Property, plant 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): 5–10 years
b) Leasehold improvements: 5–10 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 the 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.

Intangible assets

Intangible assets with **infinite** useful lives

(i) 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units are identified at the lowest level at which goodwill is monitored.

(ii) 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 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.

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:

(iii) 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. During 2022, the Group re-assessed the estimated useful live of the licensing agreement (Checkmate) to be 12 years (previously 9 years). The change was applied on a prospective basis.

(iv) 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 recognition criteria (see *ii. IPR&D* above) are met.

Costs that do not meet the recognition 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.

(v) 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 *ii. IPR&D* 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.

Financial liabilities from collaborations

The liability is measured at fair value and represent XOMA's entitlement on future clinical milestones due from Kuros' collaboration agreement with Checkmate Pharmaceuticals. XOMA obtained this entitlement with an initial payment in July 2021. The initial fair value of the liability is measured based on a business plan of milestones due from Checkmate which includes XOMA's participation in such milestone payments. The liability is subsequently measured at fair value and remeasurements are recognized in the financial results.

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 Group recognizes expenses for equity awards based on grant date fair value for each of the long-term incentive plans (Options and RSU's). For equity awards with service conditions, expenses are recognized on a straight-line basis over the requisite service period. Share-based compensation is recognized based on grant date fair value. Kuros accounts for forfeited equity awards, when they occur.

For RSU's the Group uses the fair value of ordinary shares to determine the value of restricted share awards, at grant date. One RSU is equivalent to 1 Kuros-share.

The Black-Scholes option pricing model is used to estimate the fair value of share options, which requires various subjective assumptions. The fair value of each share option grant is estimated on the date of grant using the Black-Scholes model, and assumptions include expected volatility, expected term, risk-free interest rate, and fair value of ordinary shares.

Bonus plans

The Group recognizes an accrual in case there is a contractual obligation or when there is past practice that has created a constructive obligation. The expense for bonuses is based on a formula that takes into consideration the achievement of the Group's goals.

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 along its underlying nature of 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 are shown as a deduction, net of tax, in equity from the proceeds.

Where the Group purchases the Group's 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 main sources of revenue. The first source relates to product sales and the second source 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

Revenue from the sale of goods in the normal course of business is recognized at a point in time when the performance obligation is satisfied and it is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of the consideration to which the company expects to be entitled in exchange for transferring the promised goods to the customer. The Group's contracts for product sales generally include one performance obligation. Revenue for the sale of goods is recognized when control of the good is transferred to the buyer. Transfer of control varies depending on the individual terms of the contract of sale. Generally, control is transferred when the product is shipped and delivered to the customer and title and risk have passed to the customer (depending on the delivery conditions). Examples of delivery conditions are 'Delivery at Place (DAP)' and 'Ex Warehouse (EXW)', where the point of delivery may be the shipping warehouse or any other point of destination as agreed in the contract with the customer and where control is transferred to the customer.

Principal versus agent considerations

The Group has contracts with distributors, where distributors act either as principal or as agent. Based on the contractual agreements, the Group determines whether the distributor acts as a principal, if the distributor bears the inventory risk, credit risk and pricing risk.

(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, In addition, the position includes unallocated costs for production overhead (idle costs) and costs for abnormal amounts of production. Furthermore, cost of goods sold includes amortization and impairment charges of licensing, 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 judgements

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 of 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 in conjunction with the Group's current plans, budgets and forecasts.

The Group is loss making as costs currently exceed revenues, however the Group is expected to generate substantial revenues in the future from product sales or licensing of its intellectual properties. As of the reporting period in the foreseeable future, the consolidated financial statements are prepared on a going concern basis.

Carrying value of Intangible assets for In-Process Research & Development and Goodwill (note 14)

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 13)

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

Deferred taxes (note 9)

Deferred tax assets are recognized only if their future recoverability is probable. The Group assess the recoverability, that future taxable profit can be utilized or whether sufficient suitable deferred tax liabilities are available to offset with tax assets.

Estimations of employee post-employment benefits obligations (note 21)

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. Change in scope of consolidation

In 2022, no change in the scope of consolidation occurred.

In April 2021, Kuros incorporated following limited liability companies as special purpose entities with a tax transparent structure:

- Kuros US LLC
- Kuros US Royalty Fund (US) LLC

These entities will be owner of the CYT003 patents and beneficiaries from licensing agreements with Checkmate Pharmaceuticals and XOMA Corporation.

5. Revenue from contracts with customers

In 2022, Kuros recognized revenues from product sales of CHF 13.3 million (2021: CHF 8.3 million) and increased its revenues by 59% and on a constant currency basis 56%. Revenues from collaborations amounted to CHF 4.7 million (2021: CHF 5.5 million).

6. Segment and geographic information

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of Kuros Biosciences AG has appointed an Executive Committee which assesses the financial performance and position of the group and makes strategic decisions. The Executive Committee, which has been identified as being the chief operating decision maker ("CODM"). The CODM examines the group's performance both from a product and geographic perspective and has identified three separate reportable segments of its business:

- **"Medical devices"** includes products such as 'MagnetOs' and 'Attrax'. Both products are a biphasic calcium phosphate ('BCP') bone graft that mimics the porous, trabecular structure of cancellous bone and are produced in the same facility.
- **"Pharmaceuticals"** includes products such as 'Fibrin-PTH', a drug-biologic combination which promotes targeted and controlled bone formation through the induction of osteoprogenitor cell differentiation, enhancement, of osteoblast proliferation and by increasing the lifespan of bone-forming cells.
- **"Legacy portfolio"** includes all other products (Checkmate licensing and Neuroseal) that do not belong to the Group's core business strategy and can therefore be aggregated to one segment. The intellectual property within the Legacy portfolio has value but is either not yet commercialized or fully developed to be brought to market. Capitalizing on these assets would require a separate commercialization channel and production facility and they are outside the therapeutic focus of the Group, so no resources are allocated to the segment.

"Corporate function" does not represent a separate operating segment but will be presented separately as it is considered useful information for the reader of the financial statements. It carries out support functions including General Management, Quality & Assurance, Human Resource Management, Infrastructure, Legal, and Accounting and Finance. These activities occur to support the consolidated business and the revenue earned is only incidental to the entity's business.

Measurement

The Executive Committee primarily uses a measure of adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) to assess the performance of the operating segments. However, the Executive Committee also receives information about the segments' revenue on a monthly basis but does not review the assets and liabilities of each segment.

EBITDA

in TCHF, year ended December 31, 2022	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	**Total**
Revenue	13,265	–	4,721	–	17,986
Cost of goods sold [1]	(1,303)	–	–	–	(1,303)
Gross profit [1]	**11,962**	–	**4,721**	–	**16,683**
Research and development costs	(574)	(3,473)	(193)	(954)	(5,194)
General and administrative costs [1]	(102)	(8)	(29)	(5,939)	(6,078)
Sales and marketing costs	(12,566)	(1)	(3)	(215)	(12,785)
Other income	172	–	102	88	362
Net operating costs [1]	**(13,070)**	**(3,482)**	**(123)**	**(7,020)**	**(23,695)**
EBITDA	**(1,108)**	**(3,482)**	**4,598**	**(7,020)**	**(7,012)**
Amortization and depreciation expenses	(1,775)	–	(541)	(518)	(2,834)
Impairment expenses	–	–	(3,600)	–	(3,600)
Operating Income/(Loss)	**(2,883)**	**(3,482)**	**457**	**(7,538)**	**(13,446)**

[1] *Amounts are adjusted for depreciation and amortization expenses*

in TCHF, year ended December 31, 2021	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	**Total**
Revenue	8,341	–	5,474	–	13,815
Cost of goods sold [1]	(1,355)	–	–	–	(1,355)
Gross profit [1]	**6,986**	–	**5,474**	–	**12,460**
Research and development costs [1]	(1,266)	(2,494)	(220)	(1,009)	(4,989)
General and administrative costs [1]	(5)	–	(705)	(5,132)	(5,842)
Sales and marketing costs	(7,657)	(7)	(1)	(58)	(7,723)
Other income	–	–-	138	70	208
Net operating costs [1]	**(8,928)**	**(2,501)**	**(788)**	**(6,129)**	**(18,346)**
EBITDA	**(1,942)**	**(2,501)**	**4,686**	**(6,129)**	**(5,886)**
Amortization and depreciation expenses	(1,815)	–	(585)	(481)	(2,881)
Impairment expenses	–	–	–	–	–
Operating Loss	**(3,757)**	**(2,501)**	**4,101**	**(6,610)**	**(8,767)**

[1] *Amounts are adjusted by depreciation and amortization expenses*

Geographic information

The entity is domiciled in Switzerland. The amount of its revenue from customers and collaborations, broken down by location of the customers, is shown in the table below. Revenues from product sales and collaboration agreements are attributable to individual countries and are based on the location of each business partner.

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

in TCHF, year ended December 31	2022	2021
United States of America	17,383	13,215
European Union	429	281
Other	174	319
Total	**17,986**	**13,815**

In 2022, the Group's non-current assets were disaggregated by Switzerland (42%), the Netherlands (58%) and USA (less than 0.1%). In 2021, the Group's non-current assets were disaggregated by Switzerland (44%), the Netherlands (56%) and USA (less than 0.1%).

Major customers

Revenue from product sales is entirely attributable to the medical devices segment and primarily from commercialization of MagnetOs (Putty and Granules) in the United States of America and Europe. Although revenue from product sales is sourced from a diverse customer base, there are three significant customers that represent 24.7% (3,123 TCHF), 12.6% (1,590 TCHF), and 9.6% (1,214 TCHF) of the Group's revenue from product sales respectively, for 2022. In 2021, there were three significant customers that represented 18% (1,504 TCHF), 17.4% (1,447 TCHF), and 17.2% (1,434 TCHF) of the Group's revenue from product sales respectively.

Revenue from collaborations is comprised entirely of payments from the licensing agreement with Checkmate Pharmaceuticals, in which the Group grants technology access to Checkmate, a third party. Payment terms are usually 30-60 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 amount upfront.

7. *Costs by nature*

Cost of goods sold

in TCHF	2022	2021
Depreciation and amortization of assets	(2,314)	(2,394)
Impairment of assets	(3,600)	–
Employee benefits	(70)	(4)
Production costs	(1,233)	(1,351)
Total cost of goods sold	**(7,217)**	**(3,749)**

Research and development costs

in TCHF	2022	2021
Employee benefits	(2,676)	(1,839)
General costs	(2,518)	(3,150)
Total	**(5,194)**	**(4,989)**

General and administrative costs

in TCHF	2022	2021
Depreciation and amortization of assets	(520)	(487)
Employee benefits	(3,009)	(3,260)
General costs	(3,069)	(2,582)
Total	**(6,598)**	**(6,329)**

Sales and marketing costs

in TCHF	2022	2021
Employee benefits	(4,701)	(2,924)
General costs	(8,084)	(4,799)
Total	**(12,785)**	**(7,723)**

Other income

in TCHF	2022	2021
Reimbursed patent costs	102	138
Other income	260	70
Total	**362**	**208**

8. *Employee benefits*

in TCHF	2022	2021
Salaries	(8,451)	(6,041)
Social security costs	(797)	(654)
Pension costs, defined benefit plan (note 22)	(203)	(164)
Share-based compensation (note 20)	(354)	(389)
Other costs related to employees	(651)	(779)
Total	**(10,456)**	**(8,027)**

TCHF 454 (2021: TCHF 527) of employee benefits were capitalized in production costs and released through cost of goods sold, once the inventory items were consumed.

In 2022, Kuros Biosciences B.V. received subsidies from the Dutch government (WBSO tax credit program) and the European Union (cmRNAbone and Interlynk project) in relation to research and development activities, which amounted to TCHF 284 (2021: TCHF 607). These were recognized as a deduction from salaries.

9. *Income taxes*

in TCHF	2022	2021
Current income tax	(2)	(47)
Deferred tax credit	1,398	2,060
Total income tax credit recognized in income statement	**1,396**	**2,013**

Composition of deferred tax assets and liabilities:

in TCHF	Assets		Liabilities		Net	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Intangible assets	–	–	(4,664)	(5,401)	(4,664)	(5,401)
Retirement benefit obligations	–	69	–	–	–	69
Leasing	482	531	(409)	(469)	73	62
Tax losses	5,095	4,380	–	–	5,095	4,380
Deferred tax assets/ (liabilities) prior to offset	**5,577**	**4,980**	**(5,073)**	**(5,870)**	**504**	**(890)**
Offset of deferred tax assets and liabilities	(5,073)	(4,980)	5,073	4,980	–	–
Deferred tax assets/ (liabilities)	**504**	–	–	**(890)**	**504**	**(890)**

Movements in deferred taxes:

in TCHF	Retirement benefit obligation	Tax losses	Intangible assets	Leasing	Total
As of January 1, 2022	**69**	**4,380**	**(5,401)**	**62**	**(890)**
Deferred tax credit/(charge) in the income statement	(153)	950	494	15	1,306
Deferred tax credit/(charge) in other comprehensive income	84	–	–	–	84
Exchange differences	–	(235)	243	(4)	4
As of December 31, 2022	**–**	**5,095**	**(4,664)**	**73**	**504**

in TCHF	Retirement benefit obligation	Tax losses	Intangible assets	Leasing	Total
As of January 1, 2021	**113**	**2,884**	**(5,988)**	**48**	**(2,943)**
Deferred tax credit/(charge) in the income statement	(98)	1,496	588	14	2,000
Deferred tax credit in other comprehensive income	54	–	–	–	54
Exchange differences	–	–	(1)	–	(1)
As of December 31, 2021	**69**	**4,380**	**(5,401)**	**62**	**(890)**

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	2022	2021
Loss before tax	(15,991)	(9,554)
Expected income tax rate (%)	19.4%	19.4%
Expected income tax credit	**3,102**	**1,854**
Expenses not deductible for tax purposes	(977)	(189)
Income not subject to tax	–	389
Effect of deferred tax assets not recognized in the current year	(1,292)	(300)
Effect of utilization of prior year unrecognized tax losses or deductible temporary differences	–	282
Recognition of formerly unrecognized tax assets	–	17
Effect of future applicable changes in income tax rates	242	(257)
Adjustment in respect of current income tax of previous years	14	(352)
Effect of different tax rates in other countries	231	502
Other	76	67
Total income tax credit recognized in income statement	**1,396**	**2,013**

Using Swiss income tax rate, the Group's expected tax rate is 19.4% for 2022 and 19.4% for 2021, 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 2022 and 2021, the effect of changes in future expected tax rates is related to a higher expected income tax rate in the Netherlands, which has been substantively enacted by the Dutch Parliament.

Effect of utilization of prior year unrecognized tax losses in 2022 and 2021 is related to Switzerland.

Tax loss carry-forwards

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

in TCHF	2022	2021
2022	–	2,480
2023	8,230	9,683
2024	12,288	12,288
2025	8,313	8,313
2026	5,989	5,989
2027	4,822	4,822
2028	2,486	2,486
2029	4,420	–
No expiry	–	–
Total	**46,548**	**46,061**

As of December 31, 2022, the Group's total gross operating loss carry-forwards amounted to CHF 46.5 million (2021: CHF 46.1 million), which all relate to Switzerland.

Recognition of the unrecognized tax loss carry-forwards and deductible temporary differences would have led to an increase in deferred tax assets of CHF 8.8 million in 2022 (2021: CHF 8.7 million).

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 2021 and 2022 to the extent that there are suitable taxable temporary differences and expected future profits.

10. Net loss per share

To compute basic earnings per share, the consolidated profit for the period is divided by the weighted average number of shares issued during the same period, after excluding any treasury shares. On the other hand, diluted earnings per share takes into account the impact of potential dilution from equity-settled share-based payment plans and arrangements for ordinary shares. For this calculation, awards granted under such long-term incentive plans are included, as well as their dilutive potential. Awards with only a service condition are included to the extent of their dilutive effect. The dilution effect is mainly driven by the Company's long-term incentive plans. The table below presents the weighted average number of shares outstanding, both before and after adjustments for the effect of dilutive potential shares. For shares issued in 2022 and 2021 please refer to note 20.

Weighted average number of shares used as denominator:

	2022	2021
Issued shares as of January 1,	**32,811,378**	**32,811,378**
Effect of treasury shares held	(17,244)	(17,244)
Effect of shares issued through capital increase	1,106557	–
Weighted average number of ordinary shares	**33,900,691**	**32,794,134**
Effect of share based payment plans (options and RSUs)	–	–
Weighted average number and potential ordinary shares	**33,900,691**	**32,794,134**

Reconciliation of net loss used in calculating net loss per share:

in TCHF	2022	2021
Basic net loss per share	(0.43)	(0.23)
Net loss attributable to the ordinary equity holders from continuing operations (in TCHF)	(14,595)	(7,541)
Diluted net loss per share	(0.43)	(0.23)
Net loss attributable to the ordinary equity holders (in TCHF)	(14,595)	(7,541)

Information concerning the classification of securities

(a) Options

Options granted to employees under the Employee Option Plan are considered as potential ordinary shares. For the year ended December 31, 2022 and December 31, 2021, the options have not been included in the determination of basic and diluted net loss per share as the effect would have been anti-dilutive. These options could potentially dilute basic earnings per share if Kuros reports a profit in the future. Details relating to the options are set out in note 21.

(b) Restricted Share Units

For the year ended December 31, 2022, Restricted Share Units ("RSU") granted to employees under the group's Restricted Share Unit Plan are not included in the calculation of basic and diluted net loss per share as these RSUs would be anti-dilutive. If Kuros reports a profit in the future, the RSUs may have a dilutive effect on the earnings per share and will need to be considered for the purpose of this calculation. Details relating to the RSUs are set out in note 20.

11. *Property, plant and equipment*

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
Cost				
As of January 1, 2022	40	961	220	1,221
Additions	6	351	36	393
Disposals	–	–	(2)	(2)
Exchange differences	(3)	(50)	(3)	(56)
As of December 31, 2022	43	1,262	251	1,556
Accumulated depreciation				
As of January 1, 2022	(30)	(481)	(158)	(669)
Depreciation charge	(8)	(178)	(23)	(209)
Disposals	–	-	2	2
Exchange differences	2	23	2	27
As of December 31, 2022	(36)	(636)	(177)	(849)
Net book value as of December 31, 2022	7	626	74	707

in TCHF	Leasehold Improvement	Machinery and Equipment	Office Equipment, Furniture and Others	Total
Cost				
As of January 1, 2021	42	736	201	979
Additions	–	280	24	304
Disposals	–	(9)	–	(9)
Exchange differences	(2)	(46)	(5)	(53)
As of December 31, 2021	40	961	220	1,221
Accumulated depreciation				
As of January 1, 2021	(23)	(366)	(137)	(526)
Depreciation charge	(8)	(144)	(24)	(176)
Disposals	–	7	–	7
Exchange differences	1	22	3	26
As of December 31, 2021	(30)	(481)	(158)	(669)
Net book value as of December 31, 2021	10	480	62	552

12. Leases

The Group has rental contract (lease) for office and production premises as lessee. The following amounts relating to leases are recognized in the balance sheet as of December 31:

in TCHF	2022	2021
Right-of-use assets for buildings	1,616	1,895
Lease liabilities		
- Current	416	317
- Non-current	1,497	1,829

The Group leases office and production premises which are fully recognized as lease liabilities and right-of-use assets. The rental period entered is for a fixed period of 10 years (ending end of 2027) in the Netherlands and 12 months in the US 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 judgement.

There is an addition to the right-of-use assets and lease liabilities during 2022 amounted to TCHF 175 (2021: TCHF 40) because of additional lease contracts entered into in the Netherlands and US. 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 TCHF 36 in 2022 (2021: TCHF 224).

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

in TCHF	2022	2021
Depreciation of right-of-use assets for buildings	(401)	(380)
Interest expense	(44)	(51)
Expense relating to short-term leases	(67)	(67)
Expenses relating to lease of low-value	(11)	(11)

The total cash outflow for leases in 2022 was TCHF 465 (2021: TCHF 451).

13. *Goodwill and intangible assets*

in TCHF	Goodwill	Licensing	Currently Marketed Products	In-Process Research & Development	Software	Total
Cost						
As of January 1, 2022	33,390	4,730	26,683	611	262	65,676
Reclassification	–	–	611	(611)	–	–
Additions	–	–	–	–	6	6
Exchange differences	(476)	–	(1,334)	–	–	(1,810)
As of December 31, 2022	32,914	4,730	25,960	–	268	63,872
Accumulated amortization						
As of January 1, 2022	–	(3,131)	(6,430)	–	(118)	(9,679)
Amortization charge	–	(527)	(1,610)	–	(87)	(2,224)
Impairment charge	(3,600)	–	–	–	–	(3,600)
Exchange differences	–	–	357	–	–	357
As of December 31, 2022	(3,600)	(3,658)	(7,683)	–	(205)	(15,146)
Net book value as of December 31, 2022	29,314	1,072	18,277	–	63	48,726

in TCHF	Goodwill	Licensing	Currently Marketed Products	In-Process Research & Development	Software	Total
Cost						
As of January 1, 2021	33,847	–	27,934	641	192	62,614
Reclassification from assets classified as held for sale	–	4,730	–	–	–	4,730
Additions	–	–	–	–	70	70
Exchange differences	(457)	–	(1,251)	(30)	–	(1,738)
As of December 31, 2021	33,390	4,730	26,683	611	262	65,676
Accumulated amortization						
As of January 1, 2021	–	–	(5,057)	–	(44)	(5,101)
Reclassification from assets classified as held for sale	–	(2,559)	–	–	–	(2,559)
Amortization charge	–	(572)	(1,678)	–	(74)	(2,324)
Exchange differences	–	–	305	–	–	305
As of December 31, 2021	–	(3,131)	(6,430)	–	(118)	(9,679)
Net book value as of December 31, 2021	33,390	1,599	20,253	611	144	55,997

Reclassification from In-Process Research & Development to Currently Marketed Products

In 2022, the Company had its commercial launch of its latest product Magnetos Flex Matrix. As a result, the capitalized R&D cost were reclassified from In-Process Research & Development to Currently Marketed Products. Additionally, amortization started on the capitalized asset.

Reclassification from assets held for sale

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 (CHF 6.4 million). In addition, Kuros retains the potential to receive up to USD 21.3 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA. This transaction did not result in a de-recognition of the underlying asset, given the structure of the 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 in 2021.

14. 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. One of the external indicators of impairment is the net assets of a company exceeding its market capitalization. As of December 31, 2022, the market capitalization of the Group is below the Group's net assets, indicating a potential impairment of goodwill.

Goodwill is allocated to the CGU or a group of CGUs that is the principal economic beneficiary. The Group's management determined that there are four CGUs, namely MagnetOs, Fibrin-PTH, Neuroseal and Checkmate Licensing. MagnetOs (segment: Medical Devices) and Fibrin-PTH (segment: Pharmaceuticals) CGUs are also operating and reportable segments. Neuroseal and Checkmate Licensing CGUs operate in segment Legacy Portfolio. Neuroseal and Checkmate Licensing are two identifiable groups of assets that generate cash inflows independently from each other. Intangible assets for In-Process Research & Development as well as Goodwill are tested for impairment on the level of the individual CGU.

The recoverable amount of each 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 the financial plan with no terminal value taken into consideration. This forecast model is chosen to reflect the CGU's different commercial status. The forecasting period is based on the useful life of the underlying asset. Additionally, no terminal value was applied as commercial products and product candidates are intellectual property (IP) protected and, a decline in revenues could occur once patent maturity is reached. The weighted-average cost of capital (WACC) is used to determine the applicable pre-tax discount rate.

Carrying amount of goodwill and intangible assets for In-Process Research & Development allocated to each of the CGUs is presented below:

in TCHF	Goodwill	In-Process Research & Development	Total
	2022	2022	2022
MagnetOs	9,197	–	9,197
Fibrin-PTH	–	–	–
Neuroseal	–	–	–
Checkmate Licensing	20,317	–	20,317
Balance as of December 31	**29,314**	–	**29,314**

in TCHF	Goodwill	In-Process Research & Development	Total
	2021	2021	2021
MagnetOs	9,673	611	10,284
Fibrin-PTH	–	–	–
Neuroseal	–	–	–
Checkmate Licensing	23,717	–	23,717
Balance as of December 31	**33,390**	**611**	**34,001**

Key input parameters reflected in 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.
- The corresponding pre-tax WACC amounted to 11.14% (2021: 10.9%) for Checkmate Licensing and 13.53% (2021: 15.0%) for MagnetOs.
- In 2022 and 2021, a country specific tax rate ranging from 19.4 to 29.0% was used.
- Inflation rate of 2.0% reflects the long-term inflation outlook according to third party forecasts (2021: 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 25% and 93% (2021: between 25% and 85%) have been applied to reflect uncertainty timing and extent of cash-flows. The cash-in projections in the underlying business plan are primarily driven by:

- Cash in from product sales:
  - MagnetOs
- Cash in from collaboration agreements:
  - Checkmate Licensing

Key input parameters – cash out:

- Cash out from Magnetos are related to the commercialization activities, production and general & administrative costs
- Cash out from Checkmate Licensing are related to general and administrative costs

Key assumptions in sensitivity to changes

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

- Timing and probability of 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 industry 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.

Significant estimate – Impairment charge

The impairment charge of CHF 3.6 million. is primarily based on an expected time shift of milestone payments from the Checkmate Licensing agreement. The re-assessment was based on public available information and performed upon notification, that Regeneron Pharmaceuticals acquired Checkmate Pharmaceuticals, including the licensing agreement with Kuros. In addition, the Pre-Tax WACC increased by 0.24% to prior year which contributed insignificantly to the impairment charge. The probability of occurrence for future milestones did not change. No

class of asset other than goodwill was impaired. As of December 31, 2022 the recoverable amount matches the carrying amount of the CGU Checkmate Licensing.

Significant estimate – impact of possible changes in key assumptions.

The sensitivity analysis for the CGU was based on a reduction in future cash flows by 10 % or an increase in discount rates by 1 %. The parameters for the sensitivity analysis were chosen based on historic trends and assumed projected volatilities. Therefore, the parameters are considered reasonably possible. In the prior period, the Group did not recognize impairment charges on goodwill or intangible assets. For the current year, the Group concluded that no further impairment charge needs to be recognized on goodwill and intangible assets. The sensitivity analysis determined that Checkmate licensing's carrying amount would be further impaired by CHF 1.2 million if the recoverable amount's WACC would increase by 1%. Further impairment charge would arise of CHF 2.1 million if the recoverable amount's free cash-flow would decrease by 10%. In the prior year, the sensitivity analysis determined that Checkmate licensing's carrying amount would have equated the recoverable amount if the free cash-flow would have decreased by 0.67% or the WACC would have increased by 0.15%. Checkmate licensing's recoverable amount exceeded the present carrying amount by CHF 0.2 million.

15. Inventories

in TCHF	2022	2021
Raw materials	426	370
Work in progress	566	619
Finished goods	2,178	768
As of December 31,	**3,170**	**1,757**

In 2022, an inventory reserve of TCHF 4 (2021: TCHF 172) was recognized.

16. Prepayments and other assets

Prepayments and other assets mainly included prepayments of general liability insurance, subscription to publications and cost of services as of December 31, 2022 and December 31, 2021.

17. Trade and other receivables

in TCHF	2022	2021
Trade receivables:		
Trade receivables – gross carrying amount	2,937	1,741
Loss allowance	(120)	(50)
Trade receivables – net carrying amount	2,817	1,691
Value added taxes (VAT)	271	171
Accrued income	478	100
Other	52	85
As of December 31,	**3,618**	**2,047**
Thereof non-current	–	–

The fair values of trade and other receivables do not differ from the carrying amounts. The Company calculates the loss allowance based on an expected credit loss model. All balances have historically been collected so the assumed

uncollectable percentage in the loss allowance calculation is conservative. 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. In Note 26 the aging for the trade receivables is disclosed.

Trade and other receivables are denominated as follows.:

Trade and other receivables in Thousands	2022	2021
CHF	141	75
USD	2,762	1,288
EUR	905	684

18. Cash and cash equivalents

in TCHF	2022	2021
Cash at bank and on hand	18,065	16,623
Deposits at call	6,000	12,000
Total cash and cash equivalents	**24,065**	**28,623**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of initiation. TCHF 232 is restricted as guarantees for lease agreements (2021: TCHF 246). In 2022 the Group recorded TCHF 12 interest income from cash and cash equivalents (2021: TCHF nil).

19. Shareholders' equity

	Shares (number)	Share capital (in TCHF)	Treasury shares (in TCHF)
January 1, 2021	**32,811,378**	**32,811**	**(17)**
Share capital reduction	–	(29,530)	–
December 31, 2021	**32,811,378**	**3,281**	**(17)**
January 1, 2022	**32,811,378**	**3,281**	**(17)**
Capital increase	3,750,000	375	–
December 31, 2022	**36,561,378**	**3,656**	**(17)**

Number of shares	Issued and fully paid shares	Treasury shares	Total shares
As of December 31, 2021	32,811,378	(17,244)	32,794,134
As of December 31, 2022	36,561,378	(17,244)	36,544,134

Authorized and conditional capital

As stated in articles 3b, 3c and 3d of the articles of association of Kuros Biosciences AG (published on the Company's website)

	2022	2021
Authorized capital as of December 31, in TCHF	90	673
Conditional capital as of December 31, in TCHF	490	2,922
Weighted average number of shares for basic and diluted net loss per share (note 11)	33,900,691	32,794,134

Under the Swiss Code of Obligations ("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 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.

Treasury shares

Treasury shares held by the Group as of December 31, 2022 were created in February 2018 and are as following:

	Number of shares	Weighted average purchase price	in TCHF
As of January 1, 2021	**17,244**	**1.00**	**17,244**
Purchase	–	–	–
Sale	–	–	–
As of December 31, 2021	**17,244**	**1.00**	**17,244**
As of January 1, 2022	**17,244**	**1.00**	**17,244**
Purchase	–	–	–
Sale	–	–	–
As of December 31, 2022	**17,244**	**1.00**	**17,244**

Other reserves

Other reserves reflect the recognition of the value of equity-settled share-based payments provided to the Board, the Executive Committee, employees, and consultants as part of their remuneration. Please refer to Note 20 for further details of these plans.

Options

No options were exercised in 2022 and 2021.

Capital increase

In September 2022, Kuros completed a CHF 6.0 million capital increase through a private placement of 3,750,000 new shares of Kuros with a par value of CHF 0.10 each. The new Shares have been placed at a price of CHF 1.60 each, including nominal value and share premium (the "Subscription Price"). The Subscription Price represents a discount of 10.1% on the closing market price, respectively 5.6% on the 14 days VWAP (Volume Weighted Average Price) of the Company's shares on SIX Swiss Exchange on the last trading day preceding the closing date of the Offering, i.e. CHF 1.78 (market price), respectively 1.69 CHF (14 days VWAP) on September 14, 2022.

As a result of the share capital increase, the nominal share capital of Kuros increased from to CHF 3,281,137.80 to CHF 3,656,137.80 and is divided into 36,561,378 registered common shares with a par value of CHF 0.10 each.

20. Share based payments

In 2022, Kuros extended the long-term incentive plan and issued a restricted share unit (RSU) plan. The Group grants share options and restricted share units (RSU) 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. The fair value of the RSU is based on the share price at date of grant. All stock options and RSUs are issued by the Company.

Total expenses for the share-based compensation deriving from the long-term incentive plans amounted to TCHF 354 (2021: TCHF 389) for granted and forfeited options and RSUs. The expense of forfeited options and RSUs was reversed in 2022.

In addition, the Company recognized TCHF 675 as share-based payment, as a result of the offered discount of 10.1% from the share price at the closing date of the private placement (PIPE). The discount amounted to CHF 0.18 per offered share.

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

	Options (number)	Weighted average exercise price (CHF)
Balance outstanding as of January 1, 2021	**1,887,288**	**7.34**
Granted	6,709	2.22
Exercised	–	–
Forfeited	(72,749)	2.30
Lapsed	(232,029)	29.57
Balance outstanding as of December 31, 2021	**1,589,219**	**4.30**
Balance outstanding as of January 1, 2022	**1,589,219**	**4.30**
Granted	998,162	1.75
Exercised	–	–
Forfeited	(69,821)	2.06
Lapsed	(77,716)	23.1
Balance outstanding as of December 31, 2022	**2,439,844**	**2.73**

The movements in the number of all outstanding RSUs are as follows:

	RSUs (number)	Weighted average share price at grant date (CHF)
Balance outstanding as of January 1, 2022	–	–
Granted	502,893	1.73
Exercised	–	–
Forfeited	(12,951)	1.73
Lapsed	–	–
Balance outstanding as of December 31, 2022	**489,942**	**1.73**

The following table applies to all outstanding share options outstanding as of December 31, 2022:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.63	18,792	4.7	-
1.73	882,514	4.6	10,000
1.88	2,500	1.7	2,032
1.9	5,000	4.4	-
1.93	18,362	4.4	18,362
2	272,427	2.9	272,427
2.02	2,494	2.9	2,494
2.03	50,000	4.2	-
2.09	652,002	2.2	483,257
2.27	2,500	1.7	2,500
2.3	14,178	1.7	14,178
2.42	35,845	1.4-1.8	31,471
2.45	18,844	1.1-1.7	18,844
2.76	99,385	1.2	99,385
2.95	140,950	1.8	109,513
3.09	15,000	0.9	15,000
3.12	8,406	1.9	8,406
5	15,000	0.8	15,000
8.2	2,344	0.7	2,344
9.26	45,033	0.5	45,033
10.2	47,500	0.5-1.6	47,500
12.1	90,768	0.1	90,768
Total	**2.439,844**		**1,288,514**

** Includes all options granted within the Group*

The following table applies to all restricted share units outstanding as of December 31, 2022:

Share price at grant date (CHF)	RSUs* (number)	Remaining life (years unless stated otherwise)
1.63	43,523	3.7
1.73	446,419	3.7
Total	**489,942**	

The following table applies to all outstanding share options outstanding as of December 31, 2021:

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.88	2,500	2.7	1,407
2.00	272,427	3.9	272,427
2.02	2,494	3.9	2,494
2.09	698,751	3.2	327,132
2.27	2,500	3.7	2,500
2.30	14,178	3.7	14,178
2.42	36,625	2.4-2.8	25,377
2.45	13,536	2.1-2.7	13,536
2.76	99,385	2.2	99,385
2.95	144,900	2.8	76,825
3.09	15,000	1.9	15,000
3.12	8,406	2.9	8,406
5.00	15,000	1.8	15,000
8.20	2,500	1.7	2,032
9.26	45,033	1.5	37,352
10.20	47,500	1.5-2.6	42,347
12.10	90,768	1.1	85,095
18.30	66,623	0.5	66,623
52.00	11,093	Up to 0.5	11,093
Total	**1,589,219**		**1,118,209**

** Includes all options granted within the Group*

Fair value and assumptions of options and RSUs granted

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

Options granted in 2022:

	(a) New Kuros options granted	(b) New Kuros options granted	© New Kuros options granted	(d) New Kuros options granted
Grant date	February 15, 2022	April 29, 2022	September 16, 2022	October 03, 2022
Number of options	50,000	28,670	839,365	80,127
Exercise price	CHF 2.03	CHF 1.9 to 2.45	CHF 1.73	1.63 to 1.73
Share price at date of grant	CHF 2.03	CHF 1.9 to 2.45	CHF 1.73	CHF 1.63
Contractual life	5 years	5 years	5 years	5 years
Vesting period	12,500 options vest after 1 year, 37,500 options vest quarterly over the following 3 years	23,670 shares vest upon grant 1,250 options vest after 1 year, 3,750 options vest quarterly over the following 3 years	10,000 shares vest upon grant 207,341 options vest after 1 year, 622,024 options vest quarterly over the following 3 years	20,031 options vest after 1 year, 60,096 options vest quarterly over the following 3 years
Settlement	Shares	Shares	Shares	Shares
Expected volatility at day of grant	49.91%	68.10%	55.26%	60.71%
Expected option life at grant date	until maturity	until maturity	until maturity	until maturity
Risk-fee interest rate p.a.	0.09%	0.36%	1.01%	0.74%
Expected dividend	Zero	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 0.86	CHF 0.95 to 1.0594	CHF 0.8248	CHF 0.81 to CHF 0.8343
Expiry date	February 15, 2027	April 29, 2027	September 16, 2027	October 03, 2027
Valuation model	Black Scholes	Black Scholes	Black Scholes	Black Scholes

RSUs granted in 2022:

	(a) New Kuros RSUs granted	(b) New Kuros RSUs granted
Grant date	September 16, 2022	October 03, 2022
Number of RSUs	459,370	43,523
Share price at date of grant	CHF 1.73	CHF 1.63
Contractual life	4 years	4 years
Vesting period	459,370 RSU's vest over 3 years	43,523 RSU's vest over 3 years
Settlement	Shares	Shares
Expiry date	September 16, 2026	October 03, 2026

Options granted in 2021:

	(a) New Kuros options granted	(b) New Kuros options granted
Grant date	January 29, 2021	July 30, 2021
Number of options	5,704	1,005
Exercise price	CHF 2.02 to 2.30	CHF 2.45
Share price at date of grant	CHF 2.20	CHF 2.57
Contractual life	5 years	5 years
Vesting period	5,704 options vest upon grant date	1,005 options vest upon grant date
Settlement	Shares	Shares
Expected volatility at day of grant	32.10%	31.68%
Expected option life at grant date	until maturity	until maturity
Risk-fee interest rate p.a.	-0.60%	-0.68%
Expected dividend	Zero	Zero
Estimated fair value of option at grant date	CHF 0.54 to 1.1	CHF 0.72
Expiry date	January 29, 2026	July 30, 2026
Valuation model	Black Scholes	Black Scholes

21. Employee 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 a 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 of December 31, 2022, and December 31, 2021, there are no outstanding contribution balances.

During 2022 and 2021 the Company was affiliated with one collective foundation to meet its obligations under Switzerland's mandatory company provided pension:

PKG pension fund

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 Asset-Liability Management (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 employer 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 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 worse 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

Effective in 2022, Kuros amended its pension regulation by including a portion of the bonus payment into the insured salary, which resulted in additional expenses of TCHF 22 for the financial year. In 2021 no plan amendment or settlement was incurred.

Asset ceiling (IFRIC 14)

In 2022, Kuros realized a defined benefit asset of TCHF 243 which was consumed fully in the OCI. Due to the projection that expected employer contributions are exceeding future service costs, Kuros concluded that there is no economic benefit and therefore the defined benefit asset was not recognized in the balance sheet.

Change in benefit obligation:

in TCHF	2022	2021
Balance as of January 1	**(3,576)**	**(3,133)**
Service cost	(178)	(161)
Employee contributions	(123)	(119)
Interest cost	(18)	(5)
Plan amendment	(22)	–
Actuarial (loss)/ gain on benefit obligation	920	(47)
Benefits paid	(90)	(111)
Balance as of December 31	**(3,087)**	**(3,576)**

in TCHF	2022	2021
Actuarial (loss)/ gain arising from plan experience	27	(308)
Actuarial gain arising from demographic assumptions	–	167
Actuarial gain/ (loss) arising from financial assumptions	893	94
Total (loss)/ gain	**920**	**(47)**

Change in plan assets:

in TCHF	2022	2021
Fair value as of January 1	**3,223**	**2,546**
Interest income	17	4
Employer contributions	123	119
Employee contributions	123	119
Benefits paid	90	111
Administrative expense	(2)	(2)
Actuarial gain/ (loss) on plan assets	(244)	326
Fair value as of December 31	**3,330**	**3,223**

Assets breakdown:

December 31, 2022	Quoted market price	Not quoted market price	Total
Cash	–	2%	2%
Bonds	40%	–	40%
Equities	36%	–	36%
Property	20%	–	20%
Other	–	2%	2%
Total value of assets	**96%**	**4%**	**100%**

December 31, 2021	Quoted market price	Not quoted market price	Total
Cash	–	1%	1%
Bonds	41%	–	41%
Equities	34%	–	34%
Property	19%	–	19%
Other	–	5%	5%
Total value of assets	**94%**	**6%**	**100%**

Funded status:

in TCHF	2022	2021
(Un) funded status	243	(353)
Asset ceiling	(243)	–
Net defined benefit asset/(liability) recognized in the balance sheet	–	**(353)**

Defined benefit costs:

in TCHF	2022	2021
Service cost	(178)	(161)
Interest cost	(18)	(5)
Administrative expense	(2)	(2)
Interest income	17	4
Plan amendment	(22)	–
Defined benefit cost for the year recognized in the income statement	**(203)**	**(164)**

The pension expenses are included in the income statement in research and development costs, general and administrative costs and sales and marketing costs. (see note 7).

Net defined benefit asset/(liability):

in TCHF	2022	2021
Pension assets as of December 31	3,330	3,223
Benefit obligation as of December 31	(3,087)	(3,576)
Asset ceiling as of December 31	(243)	–
Net defined benefit asset/(liability) recognized in the balance sheet	–	**(353)**

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

Assumptions:

	2022	2021
Discount rate	2.30%	0.30%
Interest credit rate	2.00%	1.25%
Average future salary increases	1.75%	1.00%
Future pension increases	0.0%	0.0%
Mortality tables used	BVG 2020 GT	BVG 2020 GT
Average retirement age	65/64	65/64
Turn over	BVG 2020	BVG 2020
Capital option	40%	40%
Expected life experience at regular retirement age 65 / 64	22.82/25.59	22.70/25.48

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:

December 31, 2022, in TCHF, (decrease)/increase	DBO
Discount rate +0.25%	(109)
Discount rate –0.25%	115

December 31, 2021, in TCHF, (decrease)/increase	DBO
Discount rate +0.25%	(149)
Discount rate –0.25%	160

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 insured in their entirety.

Future cash flows:

in TCHF	December 31, 2022
Expected annual employee contribution in 2023	105
Expected annual employer contribution in 2023	105

in TCHF	December 31, 2021
Expected annual employee contribution in 2022	96
Expected annual employer contribution in 2022	96

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 166 (2021: TCHF 60).

22. *Accrued expenses*

in TCHF	2022	2021
Accrued payroll and bonuses	1,859	1,527
Other	3,099	1,897
Balance as of December 31	**4,958**	**3,424**

Other accrued expenses mainly included invoices to be received for materials, consumables and services, as well as legal, accounting and consulting fees accrued as of December 31, 2022 and 2021.

23. *Provisions*

Due to organizational changes in 2022, Kuros recognized a provision of TCHF 71 (2021: TCHF 238) relating to personnel expenses and TCHF 30 (2021: TCHF nil) for other items.

in TCHF	Employee related	Other
Balance as of January 1, 2022	**238**	–
Additions	371	30
Utilizations	(406)	–
Unused amounts reversed	(132)	–
Balance as of December 31, 2022	**71**	**30**

The Group has no litigations or claims.

24. *Reconciliation of movements of liabilities to cash flows arising from financing activities*

in TCHF	Note	Leases	Financial liability from collaboration	Total
As of January 1, 2021		**2,340**	–	**2,340**
Proceeds from financial liabilities from collaborations		–	6,400	6,400
Payment of lease liabilities	12	(322)	–	(322)
Remeasurement of lease liabilities	12	188	–	188
New lease liabilities	12	40	–	40
Exchange difference		(100)	63	(37)
As of December 31, 2021		**2,146**	**6,463**	**8,609**
As of January 1, 2022		**2,146**	**6,463**	**8,609**
Changes in fair values		–	1,636	1,636
Repayment of financial liability from collaborations		–	(2,374)	(2,374)
Payment of lease liabilities	12	(343)	–	(343)
Remeasurement of lease liabilities	12	36	–	36
New lease liabilities		175		175
Exchange difference		(102)	87	(15)
As of December 31, 2022		**1,913**	**5,812**	**7,724**

25. *Financial instruments by category*

Financial assets:

in TCHF	2022	2021
Financial assets at amortized costs		
Trade and other receivables	3,618	2,047
Cash and cash equivalents	24,065	28,623
As of December 31	**27,683**	**30,670**

Trade and other receivables reported in 2022 and 2021 include VAT receivables.

Financial liabilities:

in TCHF	2022	2021
Financial liabilities at amortized costs		
Trade and other payables	1,302	846
Accrued expenses	4,958	3,424
Lease liabilities	1,913	2,146
Financial liabilities at fair value through profit or loss		
Financial liabilities from collaborations	5,812	6,463
As of December 31	**13,985**	**12,879**

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as of December 31, 2022 and December 31, 2021 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%.

The financial liability from collaboration represents XOMA's entitlement to future clinical milestones due from Kuros' collaboration agreement with Checkmate Pharmaceuticals. XOMA obtained this entitlement from an initial payment in July 2021. The initial fair value of the liability is measured based on a business plan of milestones due from Checkmate which includes XOMA's participation in such milestone payments. The fair value of the liability is not based on observable market data (Level 3 hierarchy) and is primarily determined based on the probability assumption to recognize future milestone payments. Probability rates of 25% to 30.7% were applied to determine the fair value. The liability is measured at fair value and subsequent remeasurements are recognized in the financial result. The financial liability's sensitivity is dependent on changes in timing and probability of the contractually agreed future cashflows. The movement of financial liability from collaboration recognized in the balance sheet is set out in note 24.

26. 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).

Market risk

The Group is exposed to market risks such as currency, interest rate and other price risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the translation of the subsidiaries with EUR and USD as functional currency. The Group also has transactions in foreign currency and is exposed to foreign currency risks, which are discussed in the accounting policies section "Foreign currency translation and transactions".

As of December 31, 2022, if the Swiss Franc had weakened/strengthened by 5% against the EUR, USD and GBP with all other variables held constant, the net loss for the period would have been TCHF 89 (2021: TCHF 56) lower/higher, mainly as a result of foreign exchange gains/losses on translation of EUR, USD and GBP denominated assets and liabilities. The impact is the same on equity.

Sensitivity analysis:

December 31, 2022 (in TCHF)	Sensitivity	Effect on profit or loss
EUR/CHF	5% / (5%)	17 / (17)
USD/CHF	5% / (5%)	(105) / 105
GBP/CHF	5% / (5%)	(1) / 1

December 31, 2021 (in TCHF)	Sensitivity	Effect on profit or loss
EUR/CHF	5% / (5%)	5/ (5)
USD/CHF	5% / (5%)	51 / (51)
GBP/CHF	5% / (5%)	0 / (0)

Interest rate risk

As of December 31, 2022, 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 (2021: TCHF 0) lower/higher, because of higher/lower interest income. Due to the low interest rate of fixed deposits, the Group has not made any investments in financial assets in 2022 or 2021.

Other price risk

Other price risks are also insignificant as the Group does not hold any investment in equity securities as of December 31, 2022.

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 as of December 31, 2022, 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 of December 31, 2022:

in TCHF (undiscounted amounts)	Within 1 year	Between 1 year and 5 years	Over 5 years
Trade and other payables	1,302	–	–
Financial liabilities from collaborations[1]	5,812	–	–
Accrued expenses	5,028	–	–
Lease liabilities	433	1,611	–
Short-term lease	67	–	–

[1] Amount and timing of the financial liability's repayment is not fixed (no maturity) Financial liabilities from collaborations are disclosed at fair value in the table above

The table below shows the maturities of the liquidity relevant financial liabilities and commitments as of December 31, 2021:

in TCHF (undiscounted amounts)	Within 1 year	Between 1 year and 5 years	Over 5 years
Trade and other payables	846	–	–
Financial liabilities from collaborations[1]	6,463	–	–
Accrued expenses	3,429	–	–
Lease liabilities	317	1,449	380
Short-term lease	67	–	–

[1] Amount and timing of the financial liability's repayment is not fixed (no maturity) Financial liabilities from collaborations are disclosed at fair value in the table above

Credit risk

The Group considers the related credit risk limited to trade receivables for product sales and collaborative agreements, and other receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade 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 no historical credit loss arising from trade receivables. The expected loss rates are based on current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as of December 31, 2022 and December 31, 2021 was determined as follows:

December 31, 2022 (in TCHF)	Current	1-30 days past due	31-60 days past due	> 60 days past due	Total
Trade receivables – gross carrying amount	1,335	939	378	285	2,937
Loss allowance	**(12)**	**(18)**	**(33)**	**(57)**	**(120)**

December 31, 2021 (in TCHF)	Current	1-30 days past due	31-60 days past due	> 60 days past due	Total
Trade receivables – gross carrying amount	1,484	188	66	3	1,741
Loss allowance	**(21)**	**(15)**	**(14)**	**–**	**(50)**

The loss allowances for trade receivables as of December 31 reconcile to the opening loss allowances as follows:

in TCHF	2022	2021
Opening loss allowance as of January 1	(50)	(25)
Increase in loss allowance recognized in profit or loss during the year	(72)	(25)
Exchange differences	2	
Closing allowance as of December 31	(120)	(50)

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 health care providers, leading pharmaceutical companies, and tax authorities.

A 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.

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. Financial liabilities from collaborations are measured at fair value through profit and loss. The maximum exposure at the end of the reporting period is the carrying amount.

27. Net finance expense

Net finance expenses are predominantly comprised from foreign exchange results. In addition, the finance expense included a fair-value adjustment of the financial liability from collaborations of CHF 1.6 million., which is triggered by the repayment to XOMA in the amount of CHF 2.4 million. (please refer to note 24).

28. Licensing, research and development collaborations

In January 2009, RevisiOs and Proventil 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. RevisiOs retains the rights to manufacture products that are covered by the associated patents and therefore NuVasive must source such products from RevisiOs.

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 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 (CHF 6.4 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. In May 2022, Checkmate Pharmaceutical announced the completion of the acquisition by Regeneron Pharmaceuticals, Inc. Due to the completion of this acquisition, Kuros has received in 2022 a milestone payment of USD 5 million and has paid USD 2.5 million of the milestone payment to XOMA Corporation under the royalty purchase agreement.

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. For current updates, please refer to note 30.

In July 2019, Kuros entered into a distribution agreement for the Australian and New Zealand healthcare markets with Surgical Specialties, a subsidiary of the Paragon Care Group (ASX: PGC), a leading provider of medical equipment, devices, and consumables. This agreement transferred to Connexion Surgical on March 1, 2021 following a management buyout from Surgical Specialties. Under the agreement, Kuros will supply Connexion Surgical with its MagnetOs bone graft products and Connexion Surgical will be responsible for their distribution in Australia and New Zealand. In addition, Connexion Surgical is 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.

In May 2021, RevisiOs entered into a distribution agreement with Miron Research and Development in Dentistry LLC for the non-exclusive distribution of OsOpia in the US for dental indications.

29. Related party transactions

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

in TCHF	2022	2021
Short-term employee benefits	(1,194)	(1,591)
Share-based compensation	(327)	–
Post-employment benefits	(84)	(127)
Total	**(1,605)**	**(1,718)**

No other compensation has been paid to the key management in 2022 and 2021.

30. Events occurring after the reporting period

In February 2023, the Group terminated the supply agreement with Seaspine.

The company noted on Friday, March 10, 2023, that funds equal to a low single-digit percentage of total cash were at stake as U.S. financial regulators have decided to take Silicon Valley Bank off the market. On March 12, 2023, the U.S. government announced that all Silicon Valley Bank deposits will be guaranteed. The company will take the appropriate steps to further mitigate the associated financial risks by installing remedies and further reducing the respective counterparty risk.

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 31 December 2022, the consolidated balance sheet as at 31 December 2022, the consolidated statement of cash flows, the consolidated statement of change in shareholders' equity, and notes to the consolidated financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 47 to 100) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 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 Standards on Auditing (SA-CH). 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 360'000

We concluded full scope audit work at two reporting units in Switzerland and one reporting unit in the Netherlands. Our audit scope addressed 36% of the Group's consolidated revenue and 97% 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 64% of the Group's consolidated revenue and 3% of the Group's consolidated assets.

As key audit matters the following areas of focus have been identified:

- Recoverability of goodwill

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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.

Overall Group materiality	CHF 360'000
Benchmark applied	Adjusted Free Cash-Outflow
Rationale for the materiality benchmark applied	We applied the Group's adjusted free cash outflow as benchmark because, in our view, it meets the common information needs of users of the financial statements considering that the Group is now in its current life-cycle phase.

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.

The Group financial statements are a consolidation of five wholly-owned Group companies and two branches located in three countries. We identified three Group companies for which, in our opinion, a full scope audit was necessary because of their size or risk characteristics. For another Group company, specified procedures on selected account balances were performed by the Group engagement team to increase audit comfort.

All subsidiaries of the Group are audited by local PwC firms. To order to exercise appropriate direction and supervision of the work of the component auditor abroad, we issued instructions to the component auditor, conducted conference calls during the various phases of the audit and furthermore obtained a memorandum of examination from our component auditor to assess the results and the impact on the Group's consolidated financial statements.

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.

Recoverability of goodwill

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, the carrying value of goodwill amounted to TCHF 29'314. The recoverable amount of the cash-generating units is calculated on the basis of their value in use, applying discounted cash flow models. The recoverability of goodwill is a key audit matter based on the magnitude of the balances and the significant estimation uncertainty in the 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 Note 1 'General information', Note 3 'Critical accounting estimates and judgements', Note 13 'Goodwill and intangible assets' and Note 14 'Impairment test'.	We assessed whether the cash-generating units (CGUs) as identified by Management are appropriate. With the involvement of our internal valuation experts, we assessed the methodology used by Management to perform the impairment test in accordance with the provisions of IAS 36 and challenged and evaluated Management's value in use calculation for the respective CGUs. This included an assessment of the appropriateness of the model used, as well as challenging the key assumptions made by Management. • We evaluated the reasonableness of the discount rates, as determined by Management, by assessing the cost of capital for the Group and comparable organizations, as well as considering industry and territory specific factors. • We challenged Management's cash flow assumptions and the probability-weightings applied to such cash flows by ensuring consistency based on other internal forward-looking documentation available and by verifying the consistency of the assumptions with the Group's current commercialization plans. • We evaluated the planning accuracy of Management's forecast model by performing look-back procedures and ensured the consistency of Management's cash flow assumptions by comparing them to the Group's business plan as approved by the Board of Directors. We further performed independent sensitivity analyses around the key assumptions to ascertain the extent of changes in those assumptions that either individually or collectively would be required for the goodwill to be impaired. We also critically assessed the market capitalization of the Group in comparison with the higher value of the Group's consolidated equity. As a result of our procedures, we determined that the conclusion reached by Management with regard to the recoverability of the carrying amount of goodwill is reasonable and supportable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' responsibilities 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 SA-CH 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 more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERTsuisse website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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
Licensed audit expert
Auditor in charge

Manuela Baldisweiler
Licensed audit expert

Basel, 14 March 2023

Statutory Financial Statements **2022**

Kuros Biosciences

Statutory financial statements 2022

Income statement

in TCHF, year ended December 31	Note	2022	2021
Revenue from collaborations	2	4,721	5,474
Other income	3	1,198	1,353
Income		**5,919**	**6,827**
Research and development expense		(91)	(251)
Employee expense	20	(1,996)	(2,059)
Other operating expense	4	(2,087)	(2,205)
Depreciation and amortization on fixed assets		(93)	(84)
Net operating costs		**(4,267)**	**(4,599)**
Operating gain		**1,652**	**2,228**
Finance income	21	1,299	523
Finance expense	21	(3,929)	(1,301)
Gain/(Loss) before taxes		**(978)**	**1,450**
Direct taxes		(51)	3
Net gain/(loss)		**(1,029)**	**1,453**

Balance sheet

in TCHF, December 31	Note	2022	2021
Cash and cash equivalents		17,807	27,468
Other current receivables – third parties		105	52
Prepayments		196	242
Total current assets		**18,108**	**27,762**
Intercompany loans - subsidiaries	5	31,547	21,581
Investments	6	25,867	21,717
Property and equipment		8	11
Intangible Assets		62	143
Total non-current assets		**57,484**	**43,452**
Total assets		**75,592**	**71,214**
Trade payables – third parties		197	200
Other payables – third parties		81	97
Other payables – subsidiaries	7	41	188
Accrued expenses	8	996	894
Provisions	9	101	-
Financial liabilities from collaborations	10	5,812	6,463
Total current liabilities		**7,228**	**7,842**
Non-current liabilities – third parties	11	80	-
Total non-current liabilites		**80**	**-**
Share capital	12	3,656	3,281
Legal reserves:			
– Capital contribution reserve	13	100,086	94,521
– Other legal reserves		51,996	51,996
Treasury shares	14	(17)	(17)
Retained loss:			
– Brought forward		(86,409)	(87,862)
– Profit/(loss) for the year		(1,029)	1,453
Total shareholders' equity		**68,284**	**63,372**
Total liabilities and shareholders' equity		**75,592**	**71,214**

Notes to the statutory 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 the Group's continuing pre-clinical and clinical development programs, as well as the commercialization of the Group's product candidates. If the Company 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 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, making 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 the Group's product candidates, increasing 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 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 Company's product candidates.

The cash flows, if any, from the Company's operations, will not be sufficient to fund the Company'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 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 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 Company 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 Company can adjust spending according to available financial means, future capital increases may be needed 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 Company is enrolling patients in a controlled Phase 2a clinical trial for KUR-113 in spinal indications.

Kuros licensed its 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 total USD 6 million (CHF 5.5 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 (CHF 6.4 million). In May 2022, Checkmate Pharmaceutical announced the completion of the acquisition by Regeneron Pharmaceuticals, Inc. In 2022, due to the completion of this acquisition, Kuros has received a milestone payment of USD 5 million (CHF 4.7 million) and has paid USD 2.5 million (CHF 2.4 million) of the milestone payment to XOMA Corporation under the royalty purchase agreement. Kuros has retained the right to receive up to USD 21.5 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA.

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

Trade receivables and other current receivables

Trade receivables and other current receivables are carried at their nominal value. Any loss from un-collectable or non-performing trade receivables are calculated on an individual basis.

Investments

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

Provisions

Provisions recognized at cost, when the occurrence is more likely than not and the costs are projectable.

Financial liabilities from collaborations

Financial liabilities from collaborations are recognized at nominal value at date of the closing of the purchase agreement with XOMA Corporation. The nominal value is denominated in USD. Subsequently the liabilities are measured to the nominal value of expected cash-outflow.

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 and development 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 what the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset (e) 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:

	2022 Income statement	Balance sheet as of December 31, 2022	2021 Income statement	Balance sheet as of December 31, 2021
EUR	1.02095	0.99384	1.09680	1.04525
USD	0.96304	0.93253	0.92053	0.92334
GBP	1.20095	1,12373	1.26738	1,24685

The exchange rates used for balance sheet items are the rates prevailing on December 31, 2022. 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. *Revenue from collaborations*

In 2022, the Company recognized revenues from collaborations of TCHF 4,721 (2021: 5,474 TCHF) originated from the licensing agreement with Checkmate Pharmaceuticals.

3. *Other income*

in TCHF, year ended December 31	2022	2021
Fees of collaboration agreements	102	138
Reimbursement of intragroup services	1,094	1,219
Others	2	(4)
Total	**1,198**	**1,353**

In 2022 and 2021, the Company was reimbursed for intragroup services.

4. *Other operating expense*

in TCHF, year ended December 31	2022	2021
Rental expenses	(71)	(71)
Insurances, public charges	(168)	(65)
Administration and legal fees	(1,177)	(1,535)
Marketing expenses	(351)	(209)
Other expenses	(320)	(325)
Total	**(2,087)**	**(2,205)**

5. Intercompany loans - subsidiaries

in TCHF, as of December 31	2022	2021
Kuro Biosciences B.V.	23,183	18,221
Kuros Biosciences USA, Inc.	4,172	2,489
Kuros Biosurgery AG	4,192	871
Total	**31,547**	**21,581**

Kuros Biosciences B.V.

In 2018, the Company entered into a loan contract with Kuros Biosciences B.V. Additions in 2022 (mainly attributable to receivables) amounted to TCHF 5,325 (2021: TCHF 5,372). Repayments in 2022 amounted to TCHF 363 (2021: TCHF 243).

Kuros Biosciences USA, Inc.

In 2020, the Company entered into a loan contract with Kuros Biosciences USA, Inc.,. Additions in 2022 (mainly attributable to receivables) amounted to TCHF 1,683 (2021: TCHF 1,026). Repayments in 2022 amounted to TCHF 60 (2021: TCHF 63).

Kuros Biosurgery AG

In 2021, the Company entered into a subordinated loan contract with Kuros Biosurgery AG. Additions in 2022 amounted to 3,321 TCHF (2021: 871).

6. *Investments and branches*

Investments of Kuros Biosciences AG:

	December 31, 2022	December 31, 2021
Kuros Biosurgery AG, Schlieren, Switzerland*		
Share capital (TCHF)	435	435
Shareholding (%)	100	100
Kuros Biosciences B.V., Bilthoven, The Netherlands		
Purpose: Provider of research and development services		
Share capital (TEUR)	18	18
Shareholding (%)	100	100
RevisiOs B.V., Bilthoven, The Netherlands		
Purpose: Provider of research and development services		
Share capital (TEUR)	22	22
Shareholding (%)	100	100
Kuros Biosciences USA, Inc., Boston (MA), United States of America		
Purpose: Commercialization of Products		
Share capital (TUSD)	1	1
Shareholding (%)	100	100

In December 2022, Kuros Biosciences AG signed a contribution agreement with Kuros Biosurgery AG of CHF 4.2 million to restructure the subsidiaries' equity balance. The contribution was recognized at-cost in Investments and increased the respective balance by CHF 4.2 million.

Branches of Kuros Biosciences AG:

Name of entity	Place of business	Ownership held	
		2022	2021
Kuros US LLC	Delaware, United States	100%	100%
Kuros US Royalty Fund (US) LLC	Delaware, United States	100%	100%

In 2021, Kuros Royalty Parent, LLC and Kuros US Royalty Fund (US) LLC were incorporated for the special purpose of the royalty purchase agreement with XOMA Corporation. Kuros Royalty Parent, LLC will be the sole owner of the of the patents of CYT003 which are part of the license agreement with Checkmate Pharmaceuticals. Kuros Royalty Parent, LLC will be the sole owner and transfer (as a contribution in kind) the right to receive all future license payments under the license agreement with Checkmate Pharmaceuticals to Kuros US Royalty Fund (US) LLC. Both companies are reported in the manner of branch accounting within the statutory financial reporting of Kuros Biosciences AG. Kuros Biosciences AG does not hold shareholdings, as these companies are registered as partnerships.

7. *Other accounts payable – subsidiaries*

The Company entered into a services agreement with Kuros Biosciences B.V. The payable of TCHF 16 as of December 31, 2022 (2021: TCHF 165) represents the amount due for services provided by Kuros Biosciences B.V. to Kuros Biosciences AG during the financial year. In Addition, the Company has payables to Kuros Biosciences USA, Inc for rendered services as of December 31, 2022 of total TCHF 25 (2021: 22 TCHF)

8. *Accrued expenses*

in TCHF	2022	2021
Accrued payroll and bonuses	432	379
Other	564	515
As of December 31	**996**	**894**

Other accrued expenses mainly included costs of services, and legal, accounting and consulting fees accrued as of December 31, 2022 (2021: costs of services, and legal, accounting and consulting fees).

9. *Provisions*

Due to organizational changes in 2022, Kuros recognized a provision of TCHF 71 (2021: TCHF nil) relating to personnel expenses and TCHF 30 (2021: TCHF nil) for other items.

10. *Financial liabilities from collaborations*

The contingent settlement liability represents XOMA's entitlement on future clinical milestones due from Kuros' collaboration agreement with Checkmate Pharmaceuticals. XOMA gained this entitlement from an initial payment in July 2021. The basis for measuring the liabilities' is the nominal paid from XOMA to the Company. In May 2022, Checkmate Pharmaceutical announced the completion of the acquisition by Regeneron Pharmaceuticals, Inc. Due to the completion of this acquisition, Kuros received a milestone payment of CHF 4.7 million with CHF 2.4 million of the milestone payable to XOMA immediately due upon receival of the milestone payment, under the royalty purchase agreement. Both payments were settled in early July 2022.

11. *Non-current liabilities*

The position consists of liabilities arising due to the company's long-term incentive plan, for members of the executive team and employees. Costs incurred in 2022 amounted to TCHF 80 (2021: CHF nil).

12. *Capital increase*

As of December 31, 2022 the nominal share capital of the parent company of the Group, Kuros Biosciences AG ("Kuros"), amounted to CHF 32,811,378.00 and was divided into 32,811,378 registered common shares with a par value of CHF 1.00.

In September 2022, Kuros completed a CHF 6.0 million capital increase through a private placement of 3,750,000 new shares of Kuros with a par value of CHF 0.10 each. The new Shares have been placed at a price of CHF 1.60 each, including nominal value and share premium (the "Subscription Price"). The Subscription Price represents a discount of 10.1% on the closing market price, respectively 5.6% on the 14 days VWAP (Volume Weighted Average Price) of the Company's shares on SIX Swiss Exchange on the last trading day preceding the closing date of the Offering, i.e. CHF 1.78 (market price), respectively 1.69 CHF (14 days VWAP) on September 14, 2022.

As a result of the share capital increase, the nominal share capital of Kuros increased from CHF 3,281,137.80 to CHF 3,656,137.80 and is divided into 36,561,378 registered common shares with a par value of CHF 0.10 each.

13. Capital contribution and other legal reserves

The Swiss federal tax department confirmed a capital contribution reserve of TCHF 94,521 in accordance with Art. 5 of Swiss Withholding Tax (WHTA) as of December 31, 2021. The contributions or redemptions for 2022 are not yet confirmed by WHTA.

Capital contribution reserve	in TCHF
Starting Balance January 1, 2022	94,521
Contributions/(Redemptions) in 2022	5,565
Ending Balance December 31, 2022	**100,086**

14. Treasury shares

Treasury shares held by the Group as of December 31, 2022, were created in February 2018 and are as following:

	Number of shares	Weighted average purchase price	in TCHF
Starting Balance January 1, 2021	**17,244**	**1.00**	**17**
Purchased	-	-	-
Sold	-	-	-
Ending Balance December 31, 2021	**17,244**	**1.00**	**17**
Starting Balance January 1, 2022	**17,244**	**1.00**	**17**
Purchased	-	-	-
Sold	-	-	-
Ending Balance December 31, 2022	**17,244**	**1.00**	**17**

15. Authorized and conditional capital

in TCHF, as of	December 31, 2022	December 31, 2021
Authorized capital with a nominal value of	90	673
Conditional capital with a nominal value of	490	2,922

16. Main shareholders

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, 2022.

Name	Shareholding / Purchase Positions*
Optiverder BV, Delft, The Netherlands	22.7 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	10.0 %
Pegasus Global Opportunity Fund, Ltd.	4.9 %
Banque Pictet & Cie SA, Geneva, Switzerland	4.3 %
Aldabra B.V., Amersfoort , The Netherlands	4.0 %

** The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website as of December 31, 2022. Information on disclosure notifications during the year under review, concerning significant shareholders and financial instruments may be found on the SIX website on: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html*

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, 2021.

Name	Shareholding / Purchase Positions*
Optiverder BV, Delft, The Netherlands	17.7 %
CS (CH Small Cap Switzerland Equity Fund), Zurich, Switzerland	10.0 %
LSP V Coöperatieve U.A, Amsterdam, The Netherlands	4.6 %
APO Asset Management	4.6 %
Banque Pictet & Cie SA, Geneva, Switzerland	4.3 %
Aldabra B.V., Amersfoort , The Netherlands	4.0 %

** The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website as of December 31, 2021. Information on disclosure notifications during the year under review, concerning significant shareholders and financial instruments may be found on the SIX website on: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html*

17. Shares owned by and options and RSU's granted to Board of Directors and Executive Committee

Options and shares held as of December 31, 2022

As of December 31, 2022	Shares held	Options granted*	Options expiring 2023	2024	2025 or later
Leanna Caron Board Member	-	7,125	2,375	2,375	2,375
Clemens van Blitterswijk Chairman of the Board	-[2]	12,125	3,375	3,375	3,375
Scott Bruder Board member	-	7,125	2,375	2,375	2,375
Chris Fair Chief Operating Officer	-	61,335	-	-	61,335
Oliver Walker Board Member	-	7,125	2,375	2,375	2,375
Michael Grau Chief Financial Officer	-	215,988	101,768	23,998	90,222
Joost de Bruijn Chief Executive Officer and Board Member	1,160,106[1]	223,316	11,000	29,867	182,449

** Options that have been granted and that are not expired as of December 31,2022*

[1] For details please refer to: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TAL1M000B4

[2] The persons shareholdings are below the reportable amount of the SIX and therefore undisclosed. For information on significant shareholdings please refer to: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/

RSU held as of December 31, 2022

As of December 31, 2022	RSU's granted*	RSU's expiring 2023	2024	2025 or later
Leanna Caron Board Member	-	-	-	-
Clemens van Blitterswijk Chairman of the Board	-	-	-	-
Scott Bruder Board member	-	-	-	-
Chris Fair Chief Operating Officer	34,563	-	-	34,563
Oliver Walker Board Member	-	-	-	-
Michael Grau Chief Financial Officer	22,665	-	-	22,665
Joost de Bruijn Chief Executive Officer and Board Member	46,461	-	-	46,461

** RSU's that have been granted and that are not expired as of December 31,2022*

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, 2021	Shares held	Options granted*	Options expiring 2022	2023	2024 or later
Leanna Caron Board Member	-	9,125	2,000	2,375	4,750
Clemens van Blitterswijk Chairman of the Board	-[2]	12,125	2,000	3,375	6,750
Scott Bruder Board member	-	7,125	-	2,375	4,750
Chris Fair Board Member	-	-	-	-	-
Oliver Walker Board Member	-	7,125	-	2,375	4,750
Michael Grau Chief Financial Officer	-	175,766	-	101,768	73,998
Joost de Bruijn Chief Executive Officer and Board Member	1,160,106[1]	140,867	-	11,000	129,867

** Options that have been granted and that are not expired as of December 31,2021*

[1] For details please refer to: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TAL1M000B4

[2] The persons shareholdings are below the reportable amount of the SIX and therefore undisclosed. For information on significant shareholdings please refer to: https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html#/

18. Pledged assets

in TCHF, as of	December 31, 2022	December 31, 2021
Cash and cash equivalents (security for credit card liabilities)	80	80
Total	**80**	**80**

19. Lease commitments not recorded in the balance sheet

in TCHF, as of	December 31, 2022	December 31, 2021
Rent and leasing	6	6

20. Employees

As of December 31, 2022, the Company employed 6 employees (2021: 6).

21. Financial result

In 2022, due to the milestone paid to XOMA of CHF 2.4 million, the contingent settlement liability was re-measured which resulted in a financial expense of CHF 1.6 million.

The remaining financial result is primarily affected by currency fluctuations from cash and cash equivalents as well as long-term interest-bearing receivables.

22. Contingencies

XOMA Purchase agreement

Pursuant to the purchase agreement with XOMA Corporation, the Company has eventually to transfer up to USD 22.7 million to XOMA corporation from potential milestones to be eventually received of up to USD 44 million. In addition, the Company is eventually eligible to receive sales milestones of up to USD 142.5 million from XOMA Corporation.

23. Pension liabilities

As of December 31, 2022, the pension liabilities amount to CHF nil (2021: TCHF nil).

24. Events after balance sheet date

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

Appropriation of the accumulated losses

The Board of Directors proposes to the Annual General Meeting to carry forward retained losses as follows:

In CHF	
Retained loss brought forward from previous year	86,408,681.77
Net loss of the year 2022	1,029,367.10
Attribution from other legal reserves	(50,168,168.60)
Retained loss at the end of the period	**37,269,880.27**
Retained loss to be carried forward	**37,269,880.27**

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 (the Company), which comprise the income statement for the year ended 31 December 2022, balance sheet as at 31 December 2022, and notes to the financial statements (pages 105 to 120), including a summary of significant accounting policies.

In our opinion, the accompanying financial statements 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 Standards on Auditing (SA-CH). 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 Company 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

Overall materiality: CHF 683'000

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 Company, the accounting processes and controls, and the industry in which the Company operates.

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

- Valuation of Investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries

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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 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.

Overall materiality	CHF 683'000
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We applied net assets as the benchmark because it is a relevant and generally accepted measure for materiality considerations relating to a holding company.

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.

Key audit matters

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
As at 31 December 2022, investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries of Kuros Biosciences AG amount to CHF 25.9 million (41.7% of total assets) and CHF 31.6 million (34.2% of total assets) respectively. 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. Please refer to Note 1 - Accounting principles, Note 5 - Long-term receivables from subsidiaries and Note 6 - Investments and branches.	We tested how Management developed the estimate by performing detailed procedures over Managements' valuation of investments and long-term interest-bearing receivables due from subsidiaries, which include the following: 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 of 31 December 2022. 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. • We evaluated the reasonableness of the discount rate, by assessing the cost of capital for the company

and comparable organizations, as well as considering territory and industry specific factors.

- We challenged Management's cash flow assumptions and probability-weightings applied to such cash-flows by ensuring consistency with other internal forward-looking documentation and evaluated the planning accuracy of Management's forecast model by performing look-back procedures.

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.

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 regards to the valuation of investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries are reasonable and supportable.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 more detailed description of our responsibilities for the audit of the financial statements can be found on the EXPERT-suisse website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 carry forward 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.

PricewaterhouseCoopers AG

Thomas Ebinger
Licensed audit expert
Auditor in charge

Manuela Baldisweiler
Licensed audit expert

Basel, 14 March 2023

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.

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