2021 Annual Report Kuros Biosciences

Kuros Biosciences

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* Please note the pages 118 and 119 were replaced by the final version signed by PricewaterhouseCoopers AG, which include a figure of CHF 633'000 concerning the overall materiality. The previous version of this annual report uploaded on March 16, 2022 included a pre-final version of the audit opinion and stated an overall materiality of CHF 390'000.

Highlights of the last 15 months

March 2, 2021	Kuros Biosciences announces MagnetOs sales and distribution agreements across Northern Europe
March 10, 2021	Kuros Biosciences to present at upcoming clinical and investor conferences
March 18, 2021	Kuros Biosciences reports results for the full year 2020
March 29, 2021	Kuros Biosciences publishes invitation to the Annual General Meeting 2021
April 6, 2021	Kuros to receive $2 million milestone payment from Checkmate Pharmaceuticals
April 8, 2021	Kuros Biosciences announces treatment of first patient in Australia with MagnetOs for spine fusion
April 13, 2021	Kuros Biosciences treats first patient in clinical trial of MagnetOs Putty for posterolateral spine fusion
April 19, 2021	Annual General Meeting of Kuros Biosciences approves majority of resolutions
May 5, 2021	Kuros Biosciences strengthens its patent position on use of Fibrin-PTH in spinal fusion
May 17, 2021	Kuros to receive $4 million milestone payment from Checkmate Pharmaceuticals
June 2, 2021	Kuros Biosciences's commercial roll-out of MagnetOs bone graft exceeds expectations
June 17, 2021	Kuros Biosciences to present at upcoming U.S. spine conferences
June 22, 2021	Kuros Biosciences announces publication of data on MagnetOs in eCM Journal linking MOA to enhanced predictable bone regeneration
July 15, 2021	Kuros to receive $7 million up front and potentially $166.5 million in future revenues under a royalty purchase agreement with XOMA related to Kuros's license agreement with Checkmate Pharmaceuticals
August 11, 2021	Kuros Biosciences Reports Results for First Half 2021
September 9, 2021	Kuros Biosciences Announces FDA 510(k) Clearance for MagnetOs Easypack Putty
September 28, 2021	Kuros Biosciences to showcase new MagnetOs products at NASS 2021 Annual Meeting
October 26, 2021	Kuros Biosciences reports continued increase in MagnetOs U.S. sales
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's MagnetOs Granules cleared by FDA for expanded spinal indications

Dates correspond to the official announcements.

Letter to Shareholders

Dear Shareholders,

Due to careful planning and a strong portfolio, Kuros continued its robust growth in 2021. Despite the continuing disruptions to society caused by COVID-19, our revenues from product sales were CHF 8.3m in FY 2021, which is an increase of 107% compared to 2020. We are pleased by the continued resilience and dedication of our employees, who have shown outstanding flexibility in getting used to the 'new normal' of the remote work environment, while simultaneously continuing to deliver results. With the revolution towards a clinical and commercial-stage biotech company, we remain focused on our two core pillars – the commercial product MagnetOs™ and our spinal fusion clinical development, Fibrin-PTH (KUR-113) – and are continually reinforcing our position as leaders in our field of orthobiologics.

Early in 2021, the first distribution agreement for MagnetOs was signed in northern Europe and the first patient treated with MagnetOs was in Australia. With our international presence, we are committed to growing the business within our main US market, as well as globally. In addition to our MagnetOs milestones, we also began a new level 1 clinical trial.

We are persistently providing the highest level of clinical evidence of using MagnetOs in posterolateral spinal fusions. Our work reflects our commitment to translating benchtop and preclinical data into proof in humans. We have presented data on MagnetOs and Fibrin-PTH at numerous scientific and clinical meetings, including the North American Spine Society (NASS), the largest annual meeting of spine surgeons. We have published numerous scientific data on the mechanism of action regarding MagnetOs bone graft on eCM, a well-respected and peer reviewed open access journal. Complementary to all our progress throughout the year, towards the end of 2021, we received US FDA 510(k) clearance on a new formulation of MagnetOs (Easypack Putty), thus further strengthening our position in the market with an increasing portfolio of products.

Our second pillar, Fibrin-PTH, represents a major commercial opportunity. Despite the headwinds experienced regarding reduced elective surgeries due to COVID-19, we continued the enrollment of patients in the STRUCTURE Phase 2 spinal fusion trial with Fibrin-PTH. We also strengthened our Fibrin-PTH intellectual property position with the grant of a patent related to spinal fusion.

We have received several milestone payments (totaling $6m; with potential $166.5m in future revenues) from Checkmate Pharmaceuticals and signed an upfront $7m royalty purchase agreement with XOMA. We had cash of CHF 28.6 million at year-end, which allowed for further growth of the commercial organization, as well as continual clinical development of Fibrin-PTH.

Kuros has had a successful year of commercial, clinical, and financial progress putting us in a strong position. We look forward to 2022 with confidence and are deeply grateful to our talented employees, our patients, and our shareholders for their trust and support.

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 5,000 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.
- >5,000 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 will be 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 **2021**

Kuros Biosciences

Corporate Governance Report 2021

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, 2021, the total headcount of the Group amounted to 58 employees. The legal domicile of the Company headquarter is Wagistrasse 25, 8952 Schlieren, Switzerland.

The Board of Directors ("Board") approved this Corporate Governance Reporton March 14, 2022.

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, 2021	CHF 77.3 million

The Company is a corporation established under Swiss law with its registered office in Schlieren, Switzerland. As of December 31, 2021, 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, 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 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, 2021, the company holds purchase positions of 0.1% and sale positions of 6.5%. The Company has not entered into any agreement with any Shareholder regarding the voting or holding of shares. To the knowledge of the Company, no Shareholders are linked by any shareholder agreement.

Cross-shareholdings (DCG 1.3)

There are no cross-shareholdings.

Capital Structure as of December 31, 2021 (DCG 2)

The capital structure of the Company is as per the excerpts below from the articles of association (the "Articles") as of July 8, 2021, valid as of December 31, 2021, 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 3,281,137.80 and fully paid-in. It is divided into 32,811,378 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 67,346.20 through the issue of a maximum of 673,462 registered shares, payable in full, each with a nominal value of CHF 1 through the exercise of conversion and/or option rights granted in connection with bonds or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments. The maximum number of registered shares that may be issued pursuant to this paragraph 1 shall be reduced to such extent as the Board of Directors issues registered shares pursuant to Art. 3d para. 1 (Authorized Share Capital).

[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 200,000.00 by issuance of up to 2,000,000 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 the options rights under this article shall be subject to the restrictions of Article 4 of these Articles of Association."

Authorized capital (DCG 2.2)

"Art. 3d Authorized Share Capital

[1] The Board of Directors is authorized, at any time until July 16, 2021, to increase the share capital by a maximum of CHF 67,346.20 through the issuance of a maximum of 673,462 registered shares, to be fully paid up, with a nominal value of CHF 0.10 each. Increases by underwriting as well as partial increases are permissible. The issue price, the time of dividend entitlement, and the type of contribution will be determined by the Board of Directors. Upon acquisition, the new shares will be subject to the transfer restrictions pursuant to Art. 4 of the Articles of Association. The contribution may also be made by conversion of available reserves (including also the amount of the capital contribution reserve exceeding the legal requirements of the Swiss Code of Obligations for legal reserves) into share capital, provided that an audited statutory balance sheet evidences the availability of such reserves and is not older than six months at the time of the completion of the capital increase; the amount, which may be converted from the reserves into share capital for the purpose of an authorized capital increase, may not exceed CHF 400,000.00. The maximum number of registered shares that may be issued pursuant to this paragraph 1 shall be reduced to such extent as the Board of Directors issues registered shares pursuant to Art. 3b para. 1 (Conditional Capital Increase for Bonds or Similar Debt Instruments).

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

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

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

Changes in capital (DCG 2.3)

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

in TCHF, IFRS	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	Total
As of January 1, 2019	**15,059**	**112,226**	**(17)**	**18,648**	**(71,386)**	**1,870**	**76,400**
Loss for the period					(11,252)		(11,252)
Other comprehensive income					(179)	(957)	(1,136)
Capital increases, net	7,411	5,934					13,345
Share based payment				498			498
As of December 31, 2019	**22,470**	**118,160**	**(17)**	**19,146**	**(82,817)**	**913**	**77,855**
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 increases, 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**

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 and options (DCG 2.7)

As of December 31, 2021, the Company has no outstanding convertible loans.

The following table applies to all valid 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*

The total 1,589,219 outstanding options represent CHF 158,921.90 of nominal capital. Each option entitles the option holder to purchase one share. For further details please see note 21 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	2022				✪
Leanna Caron, MBA Vice-Chairperson, Canada	1968	2016	2022	✉	✪		
Scott Bruder, MD Member, USA	1962	2018	2022			✪	✉
Oliver Walker, MBA Member, Switzerland	1969	2018	2022	✪	✪	✉	
Chris Fair[1] Member, USA	1970	2021	2022	✪	✉		
Joost de Bruijn, PhD Member, The Netherlands	1966	2018	2022				

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

✉ *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 Technology-Inspired 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 350 scientific papers and is inventor on more than 100 patents. He has published three books as an editor and contributed to many more as a contributing author. Prof van Blitterswijk is a biologist by training and has a PhD in Medicine from Leiden University, The Netherlands. 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 AgNovos 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.

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 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

Chris 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 currently is EVP & President, ControlRad, an innovative radiation reduction technology company based in Atlanta, GA and Kfar Saba, Israel. Prior to his current post, 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, 2021, it consisted of six 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 2021.

The Board convened seven times in 2021. 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 2021.

Attendance at the Board and committee meetings in 2021:

Name	Board[1]	Compensation Committee[1]	Nomination & Corporate Governance Committee[1]	Audit Committee[1]	R&D Committee[1]
Clemens van Blitterswijk	7				1
Leanna Caron	6	4	4		
Scott Bruder	6			3	1
Oliver Walker	7	4	4	3	
Chris Fair	6	4	4		
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 2021, the Compensation Committee held 4 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 2021 the Nomination and Corporate Governance Committee held 4 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 2021, 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 quarterly reports for publication;*
- *inform the Board on its assessment of the financial statements and decide whether to recommend the statutory and consolidated financial statements to the Board for approval and presentation to the general shareholders' meeting;*
- *review in cooperation with the Auditor and the management whether the ac- counting 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 effective- ness 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 2021 the Research and Development Committee held one meeting. 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 2021 to the members of the Board for the periods of the first six and nine months.

Insider Trading Policy

The Company has an Insider Trading Policy to prevent insider trading. Kuros is committed to, and expect its employees, officers, and directors ("Associates") to comply with the provisions to prevent inappropriate insider trading. Specifically, any insider who has knowledge of price-sensitive information 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/

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

In 2021, none of the members of the Board, except for Joost de Bruijn (CEO), participated in any meeting of the Executive Committee.

In 2021, 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

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.

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 2021 Compensation Report, which is an integral part of the 2021 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 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 2021 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 2021 financial year.

Auditing fees (DCG 8.2)

In 2021, PwC invoiced a total TCHF 269 for auditing the full-year statutory (including existence of the internal control-system) and consolidated financial statements, for reviewing a capital decrease report, and the Interim condensed consolidated report for the six months of 2021.

Additional fees (DCG 8.3)

In 2021, PwC earned additional fees of TCHF 37.7 for technical accounting consultations related to changes in segment reporting and the XOMA agreement.

Compensation Report **2021**

Compensation Report 2021

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 2022 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 under the Company's stock option plan (henceforth called "Stock Option Plan"). The Board or, to the extent delegated to it, the Compensation Committee determines grant, exercise and forfeiture conditions of the options issued under the Stock Option Plan. Subject to the approval by the General Meeting, a member of the Board may receive additional remuneration in cash at customary conditions for advisory services rendered outside his capacity as member of the Board. The General Meeting may approve an additional bonus in exceptional cases. The Company remunerates members of the Board only in respect of the employer's contributions to social insurance.

Compensation for Board of Directors for the year 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.

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

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

[1] *until April 21, 2020*

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

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

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

Executive Committee

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

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

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

Compensation for Executive Committee for the year 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.

Compensation for Executive Committee for the year 2020 (audited)

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

All amounts are gross amounts.

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

Explanations:

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

Stock option program

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

From 2019 onwards, the following options were granted:

a) In 2019, a total of 139,635 options were granted to members of the Board and management
b) In 2020 a total of 360,500 options were granted to members of the Board and management.
c) In 2021, no option was granted to members of the Board and management

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

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

Share options, conditions, and assumptions

Options granted in 2020:

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

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 2021 or 2020. No consulting fee for services rendered by former members of the Executive Committee has been paid in 2021 and 2020.

Report of the statutory auditor

to the General Meeting of Kuros Biosciences AG

Schlieren

We have audited the compensation report of Kuros Biosciences AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on page 34, page 36, page 37 and page 38 of the compensation report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report of Kuros Biosciences AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Ebinger

Audit expert
Auditor in charge

Manuela Baldisweiler

Audit expert

Basel, 15 March 2022

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Financial Report **2021**

Kuros Biosciences

Financial Report 2021

Financial performance and results of operations (IFRS)

General remark – Revenue from product sales increased by 107%

In 2021, Kuros recognized revenues from product sales of CHF 8.3 million (2020: CHF 4.0 million) and increased its revenues by 107% or 112% on a constant currency basis. Revenues from collaborations amounted to CHF 5.5 million (2020: CHF 0.0 million). Additionally, Kuros received a settlement payment of CHF 6.4 million from an agreement with XOMA corporation recognized as financial liabilities from collaborations. XOMA purchased a portion of future pre-commercial milestone payments and potential royalties due under the existing license agreement between Kuros and Checkmate Pharmaceuticals.

Financial position and other asset

The Group was able to sustain its Cash and cash equivalents balance without share-dilutive measurements (e.g. equity financing) of CHF 28.6 million as of December 31, 2021 (2020: CHF 28.4 million).

Funds available for financing the operations of Kuros amounted to CHF 30.7 million as of December 31, 2021, which included cash and cash equivalents, trade and other receivables. This is an increase of CHF 0.9 million from CHF 29.8 million as of December 31, 2020. The increase is mainly driven by milestone income from the Checkmate agreement and the purchase agreement with XOMA Corporation.

As of December 31, 2021, total intangible assets amounted to CHF 22.6 million (2020: CHF 23.7 million) and goodwill amounts to CHF 33.4 million (2020: CHF 33.9 million).

Revenues from product sales exceeding CHF 8 million

In 2021, Kuros recognized revenues from product sales of CHF 8.3 million (2020: CHF 4.0 million) and revenues from collaborations of CHF 5.5 million (2020: CHF 0.0 million). Cost of goods sold amounted to CHF 3.7 million (2020: CHF 2.4 million) of which CHF 2.2 million (2020: 1.7 million) is the amortization from currently marketed products.

Operating costs

Operating costs amounted to CHF 18.8 million, compared to CHF 13.4 million in the previous year. The increase is primarily driven by sales and marketing costs as a result of the growing commercial activities. Research and development costs increased from CHF 4.0 million in 2020 to CHF 5.0 million in 2021, primarily through the ongoing clinical phase 2 trial of Fibrin-PTH. General and administrative costs increased from CHF 5.4 million in 2020 to CHF 6.3 million in 2021. Sales and marketing costs increased from CHF 4.3 million in 2020 to CHF 7.7 million in 2021. Other income amounted to CHF 0.2 million (2020: CHF 0.3 million) and are primarily reimbursements of collaboration costs.

Net finance cost

Finance costs amounted to CHF 0.8 million (2020: CHF 0.4 million).

Alternative Key Performance Measurements (APM)

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

Constant Currency (CCY)

Individual financial information of prior period comparatives are 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, 2021 amounted to TCHF 8,767 (2020: TCHF 11,679)

EBITDA

- Definition: The adjusted operating profit/loss that is disclosed in our financial highlights and our segment disclosures in Note 7 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	2021	2020
Operating Loss	**(8,767)**	**(11,679)**
Amortization and depreciation expenses	2,881	2,668
Impairment expenses	–	–
EBITDA	**(5,886)**	**(9,011)**

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	2021	2020
Net operating cash-outflow	(5,453)	(9,239)
Reporting period (in months)	12	12
Average Cash burn (per month)	**(454)**	**(770)**

Consolidated Financial Statements **2021**

Consolidated income statement

in TCHF, IFRS, year ended December 31	Note	2021	2020
Revenue from product sales	6,7	8,341	4,039
Revenue from collaborations	6	5,474	–
Revenue		**13,815**	**4,039**
Cost of goods sold	8	(3,749)	(2,368)
Gross profit		**10,066**	**1,671**
Research and development costs	8	(4,989)	(4,005)
General and administrative costs	8	(6,329)	(5,392)
Sales and marketing costs	8	(7,723)	(4,263)
Other income	8	208	310
Net operating costs		**(18,833)**	**(13,350)**
Operating loss		**(8,767)**	**(11,679)**
Finance income		596	433
Finance costs		(1,383)	(848)
Net finance costs		**(787)**	**(415)**
Loss before tax		**(9,554)**	**(12,094)**
Income taxes	10	2,013	574
Net loss		**(7,541)**	**(11,520)**
Basic and diluted net loss per share (CHF)	11	(0.23)	(0.47)

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

Consolidated statement of comprehensive income

in TCHF, IFRS, year ended December 31	Note	2021	2020
Net loss		(7,541)	(11,520)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	22	279	80
Tax effects		(54)	(15)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(698)	207
Other comprehensive (loss)/ income		(473)	272
Total comprehensive loss		(8,014)	(11,248)

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

Consolidated balance sheet

in TCHF, IFRS, as of December 31	Note	2021	2020
Non-current assets:			
Property and equipment	12	552	453
Right-of-use assets	13	1,895	2,135
Intangible assets	14	22,607	23,666
Goodwill	14,15	33,390	33,847
Deferred tax assets	10	–	295
Total non-current assets		**58,444**	**60,396**
Current assets:			
Assets classified as held for sale	14	–	2,171
Inventories	16	1,757	1,460
Prepayments and other assets	17	465	547
Trade receivables	18	1,691	1,036
Other receivables	18	356	366
Cash and cash equivalents	19	28,623	28,388
Total current assets		**32,892**	**33,968**
Total assets		**91,336**	**94,364**
Shareholders' equity:			
Share capital	20	3,281	32,811
Share premium		154,591	125,061
Treasury shares	20	(17)	(17)
Other reserves	20	20,287	19,898
Accumulated loss		(101,166)	(93,152)
Total shareholders' equity		**76,976**	**84,601**
Non-current liabilities:			
Pension liabilities	22	353	587
Deferred tax liabilities	10	890	3,238
Non-current lease liabilities	13	1,829	2,062
Total non-current liabilities		**3,072**	**5,887**
Current liabilities:			
Financial liabilities from collaborations	25	6,463	–
Current lease liabilities	13	317	278
Accrued expenses	23	3,424	2,662
Provisions	24	238	–
Trade and other payables		846	936
Total current liabilities		**11,288**	**3,876**
Total shareholders' equity and liabilities		**91,336**	**94,364**

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

Consolidated statement of cash flows

in TCHF, IFRS, year ended December 31	Note	2021	2020
Cash flows from operating activities:			
Loss before tax		(9,554)	(12,094)
Adjustments to reconcile loss before tax to net cash used in operating activities:			
Depreciation and amortization	12, 13, 14	2,880	2,669
Net finance costs		787	415
Provisions		250	–
Share-based compensation	21	389	752
Changes in retirement benefit obligation	22	45	(60)
Other non-cash items		102	(141)
Changes in operating assets and liabilities:			
Trade and other receivables		(737)	(375)
Current prepayments and accrued income		73	(87)
Current liabilities		817	248
Inventories		(340)	(516)
Interest received		–	29
Interest paid		(119)	(78)
Income tax paid		(46)	(1)
Net cash used in operating activities		**(5,453)**	**(9,239)**
Cash flows from investing activities:			
Purchase of plant and equipment	12	(304)	(61)
Purchase of intangible assets	14	(70)	(159)
Net cash used in investing activities		**(374)**	**(220)**
Cash flows from financing activities:			
Proceeds from issuance of shares		–	18,615
Transaction costs on issuance of shares		–	(1,372)
Principal elements of lease payments	13	(322)	(270)
Proceeds from borrowings	25	–	104
Proceeds from financing from collaborations	25	6,400	–
Net cash from financing activities		**6,078**	**17,077**
Cash and cash equivalents, at the beginning of the year		28,388	20,802
Net change in cash and cash equivalents		251	7,618
Net effect of currency translation on cash		(10)	(32)
Cash and cash equivalents, at the end of the year	**19**	**28,629**	**28,388**

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

Consolidated statement of change in shareholders' equity

in TCHF, IFRS	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Translation Differences	Total
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 increases, net	20	10,341	6,901	–	–	–	–	17,242
Share based payment	21	–	–	–	752	–	–	752
December 31, 2020		32,811	125,061	(17)	19,898	(94,272)	1,120	84,601
January 1, 2021		32,811	125,061	(17)	19,898	(94,272)	1,120	84,601
Loss for the period		–	–	–	–	(7,541)	–	(7,541)
Other comprehensive income		–	–	–	–	225	(698)	(473)
Share capital reduction	20	(29,530)	29,530	–	–	–	–	–
Share based payment	21	–	–	–	389	–	–	389
December 31, 2021		3,281	154,591	(17)	20,287	(101,588)	422	76,976

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, 2021 were authorized for publication in accordance with a resolution of the Board of Directors ("Board") on March 14, 2022.

The company is a stock corporation, incorporated and domiciled in Switzerland, whose shares are publicly traded at the SIX Swiss Exchange ("SIX") with valor symbol: KURN. The registered office is located at Wagistrasse 25, 8952 Schlieren, Switzerland. The Group is engaged in the commercialization and development of innovative products for tissue repair and bone regeneration (orthobiology).

As of December 31, 2021, 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)	
		2021	2020	2021	2020
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%	–	–	–
Kuros US Royalty Fund (US) LLC	Delaware, United States	100%	–	–	–

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 will be the sole owner of the patents of CYT003 which are part of the license agreement with Checkmate Pharmaceuticals. Kuros US, 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 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.

As of December 31, 2021, the Group employs 58 employees (2020: 46 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 2021. The accounting policies set forth below have been consistently applied to all years presented.

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

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

Uncertainties and ability to continue operations

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

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

The Group expects that it will incur significant operating losses in the foreseeable future, primarily due to its continuing pre-clinical and clinical development programs, as well as the commercialization of its 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 and milestone payments, (ii) proceeds from non-dilutive financings, debt, and equity financings as well as (iii) cash paid within collaborations. Except for Revenue from product sales, none of these cash resources can be considered recurring. The Group is increasing sales from its current product pipeline which could provide a more sustained source of cash. Current plans project sufficient cash resources to pursue a limited number of projects and programs. Although the Group 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), 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.

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, 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

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, 2021, 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 changes in the current year

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

- The purchase agreement with XOMA, which resulted in a settlement payment of CHF 6.4 mio, recognized as financial liabilities from collaborations (see note 25)
- The CODM changed the examination of the Group's performance and has identified three separate reportable segments (see note 7) and four Cash-Generating Units (see note 15)

2. Summary of significant accounting policies

Consolidation

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

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

All intercompany balances, transactions and unrealized gains on transactions are eliminated in 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, consists of the chief executive officer and the chief financial officer.

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:

	2021 Income statement	Balance sheet as of December 31, 2021	2020 Income statement	Balance sheet as of December 31, 2020
EUR	1.09680	1.04525	1.08252	1.09464
USD	0.92334	0.92053	0.95813	0.89082
GBP	1.26738	1,24685	1.22595	1.21301

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the income statement as part of the fair value gain or loss. Translation differences on

non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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

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

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

Impairment of non-financial assets

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

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

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

Goodwill 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 impairment policies and the calculation of the loss allowance are provided in note 27.

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.

Assets classified as held for sale

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

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

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

Property and equipment

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

The applicable estimated useful lives are as follows:

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

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

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

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

Leases

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

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

As a lessee

The Group recognizes a right-of-use asset and a lease liability at 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. The estimated useful live for the licensing agreement (Checkmate) is 9 years.

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

Bonus plans

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

Shareholders' equity

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

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

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

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

Revenue from contracts with customers

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

(a) Product sales

The Group's contracts with distributors for product sales generally include one performance obligation. The Group has concluded that revenue from product sales should be recognized at the point in time when the control of the asset is transferred to the customer, generally at a point in time of delivery of products. Generally, the expected revenue and not the invoiced amount is recognized. Therefore, the Group assesses for which products the performance obligation has been met to recognize revenue and anticipates the amounts which are collectable.

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

(b) Collaborative agreements

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

Cost of goods sold

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

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent liabilities as 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 direct product sales or licensing of its intellectual properties. The consolidated financial statements a prepared on a going concern basis, as the Group has sufficient liquidity.

Revenue from contracts with customers (notes 6)

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

Product sales

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

(1) Variable consideration

Some distribution contracts for product sales provide distributors with volume rebates. Under IFRS 15, rights of return and volume discounts give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In the distribution agreements, the Group provides retrospective volume discounts on the product sales. In the reporting period such discounts were for product sales as the targeted volumes were reached.

(2) Principal versus agent considerations

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

Revenue from collaborations

The performance obligations of the Group's revenue from product sales and revenue from collaborations agreement are satisfied at a point-in time. No significant judgments or estimates apply to the Collaboration agreement as the performance obligation is based on predefined performance goals. For information of the disaggregation of the Group's revenue by segment, by geographical area, and by customer, please refer to note 7.

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 14)

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

Deferred taxes (note 10)

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

Estimations of employee post-employment benefits obligations (note 22)

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

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

With the ongoing health emergency due to COVID-19 and its impact on the development of Kuros' business, the Group has reviewed its performance and financial positions and continuously monitors the situation and performs risk mitigating measures if required. The Group assessed the valuation of its assets (especially its investments and intergroup receivables) and concludes that the impact of COVID-19 does not require an adjustment to the financial positions, as of now.

The Group remains well placed despite these headwinds and significantly grew its MagnetOs revenues in 2021 despite fewer elective surgeries than pre-pandemic levels. The impact of COVID-19 on the Group's commercialization progress has been significantly lower than expected since the beginning of COVID-19 outbreak. Additionally, the Group's manufacturing of MagnetOs continued to be operational to facilitate future product sales. However, the pandemic has led to a delay in the phase II study in spinal fusion of Fibrin-PTH (KUR-113).

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

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

5. Change in scope of consolidation

Incorporation of Kuros US LLC and Kuros US Royalty Fund (US) LLC

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.

Reverse merger of Kuros Biosurgery Holding AG in 2020

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

6. Revenue from contracts with customers

In 2021, Kuros recognized revenues from product sales of CHF 8.3 million (2020: CHF 4.0 million) and increased its revenues by 107% and 112% on a constant currency basis. Revenues from collaborations amounted to CHF 5.5 million (2020: CHF 0.0 million).

7. 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"), consists of the chief executive officer and the chief financial officer. The CODM previously reviewed the group's performance as one segment. From 2021 onwards, 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 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.

Revenue

in TCHF, year ended December 31	2021	2020 *
Medical devices	8,341	4,039
Pharmaceuticals	–	–
Legacy portfolio	5,474	–
Corporate function	–	–
Total revenue	**13,815**	**4,039**

** Due to the change in approach in segment report in 2021, prior year segment information has been adjusted accordingly*

EBITDA

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

in TCHF, year ended December 31, 2020 *	Medical Devices	Pharmaceuticals	Legacy Portfolio	Corporate function	Total
Revenue	4,039	–	–	–	4,039
Cost of goods sold [1]	(587)	–	–	–	(587)
Gross profit [1]	**3,452**	–	–	–	**3,452**
Research and development costs [1]	(1,058)	(1,609)	(162)	(694)	(3,523)
General and administrative costs [1]	(170)	(16)	(16)	(4,785)	(4,987)
Sales and marketing costs	(4,261)	(4)	(4)	6	(4,263)
Other income	–	–	123	187	310
Net operating costs [1]	**(5,489)**	**(1,629)**	**(59)**	**(5,286)**	**(12,463)**
EBITDA	**(2,037)**	**(1,629)**	**(59)**	**(5,286)**	**(9,011)**
Amortization and depreciation expenses	(1,760)	–	(504)	(404)	(2,668)
Impairment expenses	–	–	–	–	–
Operating Loss	**(3,797)**	**(1,629)**	**(563)**	**(5,690)**	**(11,679)**

** Due to the change in approach in segment report in 2021, prior year segment information has been adjusted accordingly*

[1] Amounts are adjusted by depreciation and amortization expenses

Revenue by geographical areas

The entity is domiciled in Switzerland. The amount of its product revenue from external customers, 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, while the entities in Switzerland and the Netherlands contributed almost all material assets and liabilities. The US entity contributed less than 8% of the Group's assets and liabilities.

in TCHF, year ended December 31	2021	2020
United States of America	13,215	3,946
European Union	281	27
Other	319	66
Total	**13,815**	**4,039**

Major customers

Revenue from product sales is entirely attributable to the medical devices segment 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 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. There is no additional impact which is not reflected in these financial statements. 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.

8. Costs by nature

Cost of goods sold

in TCHF	2021	2020
Depreciation and amortization of assets	(2,394)	(1,781)
Employee benefits	(4)	(78)
Production costs	(1,351)	(509)
Total cost of goods sold	**(3,749)**	**(2,368)**

Research and development costs

in TCHF	2021	2020
Depreciation and amortization of assets	–	(482)
Employee benefits	(1,839)	(1,997)
Materials, consumables and services	(2,657)	(1,208)
General costs	(493)	(318)
Total	**(4,989)**	**(4,005)**

General and administrative costs

in TCHF	2021	2020
Depreciation and amortization of assets	(487)	(405)
Employee benefits	(3,260)	(2,553)
General costs	(2,582)	(2,434)
Total	**(6,329)**	**(5,392)**

Sales and marketing costs

in TCHF	2021	2020
Employee benefits	(2,924)	(2,003)
General costs	(4,799)	(2,260)
Total	**(7,723)**	**(4,263)**

Other income

in TCHF	2021	2020
Reimbursed patent costs	138	123
Forgiveness of borrowings	–	108
Other income	70	79
Total	**208**	**310**

9. Employee benefits

in TCHF	2021	2020
Salaries	(6,041)	(4,880)
Social security costs	(654)	(420)
Pension costs, defined benefit plan (note 22)	(164)	(41)
Share-based compensation	(389)	(752)
Other costs related to employees	(779)	(538)
Total	**(8,027)**	**(6,631)**

As part of the production costs for finished goods, a total of TCHF 527 (2020: TCHF 392) employee benefits from cost of goods sold were capitalized and recognized as a deduction from salaries.

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

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

10. Income taxes

in TCHF	2021	2020
Current income tax charge	(47)	(1)
Deferred tax credit	2,060	575
Total income tax credit recognized in income statement	**2,013**	**574**

In 2021, capital tax debit of TCHF 9 (2020: capital tax credit of TCHF 108) are included in the net operating costs.

Composition of deferred tax assets and liabilities:

in TCHF	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Intangible assets	–	–	(5,401)	(5,988)	(5,401)	(5,988)
Retirement benefit obligations	69	113	–	–	69	113
Leasing	531	535	(469)	(487)	62	48
Tax losses	4,380	2,884	–	–	4,380	2,884
Deferred tax assets/ (liabilities) prior to offset	**4,980**	**3,532**	**(5,870)**	**(6,475)**	**(890)**	**(2,943)**
Offset of deferred tax assets and liabilities	(4,980)	(3,237)	4,980	3,237	–	–
Deferred tax assets/ (liabilities)	–	**295**	**(890)**	**(3,238)**	**(890)**	**(2,943)**

Movements in deferred taxes:

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)**

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

The deferred tax credit of TCHF 54 (2020: TCHF 15) in the statement of other comprehensive income was arising from the actuarial gains and losses on defined benefit schemes.

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

in TCHF	2021	2020
Loss before tax	(9,554)	(12,094)
Expected income tax rate (%)	19.4%	21%
Expected income tax credit	**1,854**	**2,519**
Expenses not deductible for tax purposes	(189)	(249)
Income not subject to tax	389	4
Effect of deferred tax assets not recognized in the current year	(300)	(1,193)
Effect of utilization of prior year unrecognized tax losses or deductible temporary differences	282	–
Recognition of formerly unrecognized tax assets	17	277
Effect of future applicable changes in income tax rates	(257)	(989)
Adjustment in respect of current income tax of previous years	(352)	–
Effect of different tax rates in other countries	502	189
Other	67	16
Total income tax credit recognized in income statement	**2,013**	**574**

Using Swiss Income Tax rate, the Group's expected tax rate is 19.4% for 2021 and 21.0% for 2020, 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 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 enacted by the Dutch Ministry of Finance.

Income not subject to tax in 2021 and adjustment in respect of current income tax of previous years are primarily related to a utilization of prior years tax-loss carryforwards in the US that were offset with adjusted tax reportings of prior year.

Effect of utilization of prior year unrecognized tax losses in 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	2021	2020
2021	–	24,166
2022	2,480	2,520
2023	9,683	9,764
2024	12,288	12,405
2025	8,313	8,346
2026	5,989	5,902
2027	4,822	4,822
2028	2,486	–
No expiry	–	–
Total	**46,061**	**67,925**

As of December 31, 2021, the Group's total gross operating loss carry-forwards amounted to CHF 46 million (2020: CHF 69 million), of which CHF 46 million (2020: CHF 69 million) related to Switzerland with an expected income tax rate of 19.4% for 2021 (2020: 19.4%).

The unrecognized tax loss carry-forwards and deductible temporary differences would have led to an increase in deferred tax assets of CHF 9 million and CHF 13.2 million in 2021 and 2020 respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The Group partially recognized deferred tax assets relating to tax loss carry-forwards and deductible temporary differences in 2020 and 2021 to the extent that there are suitable taxable temporary differences and expected future profits.

11. Net loss per share

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

Basic and diluted net loss per share:

in CHF	2021	2020
Total basic and diluted net loss attributable to the ordinary equity holders	(0.23)	(0.47)

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

in TCHF	2021	2020
Basic net loss per share	(0.23)	(0.47)
Net loss attributable to the ordinary equity holders from continuing operations	(7,541)	(11,520)
Diluted net loss per share	(0.23)	(0.47)
Net loss attributable to the ordinary equity holders	(7,541)	(11,520)

Weighted average number of shares used as denominator:

	2021	2020
Weighted average number of ordinary shares	32,794,134	24,317,550
Adjustments: options	–	–
Weighted average number and potential ordinary shares	32,794,134	24,317,550

Information concerning the classification of securities

Options granted to employees under the Employee Option Plan are considered as potential ordinary shares. They have been included in the determination of diluted net loss per share if the exercise price is lower than the average price of the ordinary shares for the period and to the extent to which they are dilutive. The options have not been included in the determination of basic net loss per share as the effect would have been anti-dilutive. Details relating to the options are set out in note 21. These options could potentially dilute basic net loss per share in the future.

12. Property and equipment

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

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

13. Leases

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

in TCHF	2021	2020
Right-of-use assets for buildings	1,895	2,135
Lease liabilities		
- Current	317	278
- Non-current	1,829	2,062

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 188 in 2021 (2020: TCHF 224). There is an addition to the right-of-use assets during 2021 amounted to TCHF 40 (2020: nil) because of a new lease contract entered in the US.

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

in TCHF	2021	2020
Depreciation of right-of-use assets for buildings	(380)	(323)
Interest expense	(51)	(52)
Expense relating to short-term leases	(67)	(69)
Expenses relating to lease of low-value	(11)	(10)

The total cash outflow for leases in 2021 was TCHF 322 (2020: TCHF 270).

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 in the Netherlands and 1 year 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 judgment.

14. Goodwill and intangible assets

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

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

Reclassification from assets held for sale

In December 2020, Kuros decided to enter into negotiations to sell the collaboration agreement with Checkmate to interested parties. Therefore, the licensing agreement with a net carrying value of CHF 2.2 million was reclassified from intangible assets to assets classified as held for sale. The licensing agreement with Checkmate was measured at its carrying value at the time of recognition as asset classified as held for sale. The carrying value was not exceeding the fair value less costs to sell at the time of the reclassification and is therefore fully recoverable (and not subject to a write-down) as of December 31, 2020.

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 24 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.

15. 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, 2021, the market capitalization of the Group is below the Group's net assets, indicating a potential impairment of goodwill. In addition to the Group's review of its financial positions and performance, due to the COVID-19 outbreak the Group considered expected changes and effects on the valuation of the intangibles. As a result, the management performed an impairment test as of June 30, 2021, and as of December 31, 2021.

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 comprehensive data with no terminal value taken into consideration. This forecast model is chosen to reflect the CGU's different commercial status and limited historical data to substantiate a terminal value. 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
	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**

As of December 31, 2020, Kuros identified one segment which reported a goodwill and intangible assets for In-Process Research & Development of TCHF 33,847 and TCHF 641 respectively.

Key input parameters into the discounted cash flow model

General key assumptions:

- The underlying business plan assumes that the company can obtain the relevant funding in line with its planned timeframe. As a result, it is assumed that the necessary steps of the business plan can be reached and executed within the planned timeframe. An impairment could be triggered in case of significant changes to or delays in the current business plan or in case specific milestones are not met.
- The corresponding pre-tax WACC amounted to 10.9% for Checkmate Licensing and 15.0% for MagnetOs (2020: one CGU: 14.7%)
- In 2021, a country specific tax rate ranging from 19.4 to 29.0% was used. In 2020, a weighted average of the entities' corporate income tax rates of 24% was used.
- Inflation rate of 2.0% reflects the long-term inflation outlook according to third party forecasts (2020: 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 85% (2020: between 0% and 70%) have been applied to reflect uncertainty on market approvals and timing of cash-flows. The cash-in projections in the underlying business plan are primarily driven by:

- Cash in from product sales:
    - 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 valuation 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.

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 prior periods, the Group did not recognize impairment charges on goodwill or intangible assets, that are reported as of December 31, 2021. For the current year, the Group concluded that no impairment loss needs to be recognized on goodwill and intangible assets. The sensitivity analysis determined that Checkmate licensing's carrying amount would equate the recoverable amount if the free cash-flow would decrease by 0.67% or the WACC would increase by 0.15%. Checkmate licensing's recoverable amount exceeds the present carrying amount by CHF 0.2 million. In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted an impairment write-down.

16. Inventories

in TCHF	2021	2020
Raw materials	370	85
Work in progress	619	519
Finished goods	768	856
As of December 31,	**1,757**	**1,460**

In 2021, a write-down of inventory to a net realizable value of TCHF 172 (2020: TCHF 66) was recognized.

17. 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, 2021 and December 31, 2020.

18. Trade and other receivables

in TCHF	2021	2020
Trade receivables:		
Trade receivables – gross carrying amount	1,741	1,061
Loss allowance	(50)	(25)
Trade receivables – net carrying amount	1,691	1,036
Value added taxes (VAT)	171	207
Other	185	159
As of December 31,	**2,047**	**1,402**
Thereof non-current	–	–

The fair values of trade and other receivables do not differ from the carrying amounts. Trade and other receivables are denominated in CHF (2021: TCHF 75; 2020: TCHF 200), EUR (2021: TCHF 684; 2020: TCHF 650), USD (2021: TCHF 1,288; 2020: TCHF 548) and GBP (2021: TCHF 0; 2020: TCHF 5) and are not considered impaired. 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.

19. Cash and cash equivalents

in TCHF	2021	2020
Cash at bank and on hand	16,623	8,388
Deposits at call	12,000	20,000
Total cash and cash equivalents	**28,623**	**28,388**

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

In 2021 and 2020, the Group recorded no interest income from cash and cash equivalents.

20. Shareholders' equity

	Shares (number)	Share capital (in TCHF)	Treasury shares (in TCHF)
January 1, 2020	**22,469,946**	**22,470**	**(17)**
Capital increases	10,341,432	10,341	–
December 31, 2020	**32,811,378**	**32,811**	**(17)**
January 1, 2021	**32,811,378**	**32,811**	**(17)**
Share capital reduction	–	(29,530)	–
December 31, 2021	**32,811,378**	**3,281**	**(17)**

Number of shares	Issued and fully paid shares	Treasury shares	Total shares
As of December 31, 2020	32,811,378	(17,244)	32,794,134
As of December 31, 2021	32,811,378	(17,244)	32,794,134

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)

	2021	2020
Authorized capital as of December 31, in TCHF	673	673
Conditional capital as of December 31, in TCHF	2,922	2,922
Weighted average number of shares for basic and diluted net loss per share (note 11)	32,794,134	24,317,550

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

Treasury shares

Treasury shares held by the Group as of December 31, 2021 were created in February 2018 and are as following:

	Number of shares	Weighted average purchase price	in TCHF
As of January 1, 2020	17,244	1.00	17,244
Purchase	–	–	–
Sale	–	–	–
As of December 31, 2020	17,244	1.00	17,244
As of January 1, 2021	17,244	1.00	17,244
Purchase	–	–	–
Sale	–	–	–
As of December 31, 2021	17,244	1.00	17,244

Other reserves

Other reserves are used to recognize 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 21 for further details of these plans.

Options

No options were exercised in 2021 and 2020.

Change in capital structure

As of January 1, 2021 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.

The capital structure for 2021 has developed as follows:

Share capital reduction

In April 2021, the general assembly authorized the Board of Directors to proceed with a share capital reduction by reducing the nominal value of all shares from CHF 1.00 to CHF 0.10 per share. The resulting amount of TCHF 29,530 was allocated to the Company's capital reserves. This capital reduction was not related to a disbursement or dividend to shareholders, but a transfer within equity. Shareholders' rights were not affected, neither financial nor participation rights. The number of shares and the total equity balance remained unchanged from this share capital reduction.

As a result of the share capital reduction, the nominal share capital of Kuros decreased from CHF 32,811,378.00 to CHF 3,281,137.80 and is divided into 32,811,378 registered common shares with a par value of CHF 0.10 each.

21. Share options

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

Total expenses for the share-based compensation amount to TCHF 389 (2020: TCHF 752) for granted and forfeited options.

In 2021, a total of 6,709 options were granted (2020: 796,688 options) and 72,749 options (2020: 23,317 options) were forfeited due to the terminations of employees. The expense of forfeited options was reversed in 2021.

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

	Options (number)	Weighted average exercise price (CHF)
Balance outstanding as of January 1, 2020	**1,228,904**	**14.87**
Granted	796,688	2.11
Exercised	–	–
Forfeited	(23,317)	3.49
Lapsed	(114,987)	52.38
Balance outstanding as of December 31, 2020	**1,887,288**	**7.34**
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**

The following table applies to all valid 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*

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

Exercise price (CHF)	Options* (number)	Remaining life (years unless stated otherwise)	Exercisable options (number)
1.88	2,500	3.7	782
2.00	272,427	4.9	272,427
2.09	756,500	4.2	–
2.27	2,500	4.7	2,500
2.30	10,968	4.7	10,968
2.42	37,875	3.4-3.8	19,125
2.45	12,531	4.1-4.7	12,531
2.76	99,385	3.2	99,385
2.95	158,150	3.8	39,537
3.09	15,000	2.9	15,000
3.12	8,406	3.9	8,406
5.00	15,000	2.8	15,000
8.20	2,500	2.7	1,408
9.26	45,533	2.5	24,050
10.20	47,500	2.5-3.6	35,473
12.10	90,768	2.1	39,711
18.30	66,623	1.5	66,623
24.00	110,200	0.4	110,200
26.00	15,000	0.1	15,000
27.75	20,000	0.6	20,000
33.00	46,845	0.5	46,845
42.00	25,000	0.2	25,000
45.00	14,984	Up to 0.7	14,984
52.00	11,093	Up to 1.5	11,093
Total	1,887,288		906,048

** Includes all options granted within the Group*

Fair value and assumptions of options granted

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

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

Options granted in 2020:

	(a) New Kuros options granted	(b) New Kuros options granted	(c) New Kuros options granted	(d) New Kuros options granted
Grant date	January 31, 2020	March 23, 2020	June 3, 2020	August 13, 2020
Number of options	8,559	763,500	5,540	19,089
Exercise price	CHF 2.45	CHF 2.09	CHF 2.45 to 3.12	CHF 2.27 to 3.12
Share price at date of grant	CHF 3.06	CHF 2.09	CHF 1.93	CHF 2.27
Contractual life	5 years	5 years	5 years	5 years
Vesting period	8,559 options vest upon grant date	198,750 options vest after 1 year, 564,750 options vest quarterly over the following three years	5,540 options vest upon grant date	19,089 options vest upon grant date
Settlement	Shares	Shares	Shares	Shares
Expected volatility at day of grant	54.24%	64.07%	67.30%	67.11%
Expected option life at grant date	until maturity	until maturity	until maturity	until maturity
Risk-fee interest rate p.a.	-0.80%	-0.48%	-0.57%	-0.62%
Expected dividend	Zero	Zero	Zero	Zero
Estimated fair value of option at grant date	CHF 1.55	CHF 1.09	CHF 0.94 to 0.83	CHF 1.23 to 1.07
Expiry date	January 31, 2025	March 23, 2025	June 3, 2025	August 13, 2025
Valuation model	Black Scholes	Black Scholes	Black Scholes	Black Scholes

22. 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, 2021 and December 31, 2020, there are no outstanding contribution balances.

During 2021 and 2020 the Company was affiliated with one collective foundation to meet its obligations under Switzerland's mandatory company provided pension:

PKG Pensionskasse

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

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

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

It determines the objectives and principles of the asset management and the implementation and monitoring of the investment process. All 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 bad investment performance of the pension scheme and/or pension fund or the adjustment of valuation assumptions.

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

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

Plan amendment/Settlement

In 2021, no plan amendment or settlement was incurred. On November 25, 2020, the Board of Trustees of the pension fund PKG has decided a further decrease of the conversion rate until 2026. Kuros already considered the applicable reduction of the conversion rate until 2022 to 5.40%. Until 2026, the conversion rate will further decrease to 5.00% (0.10% step each year). The impact of this plan amendment is an income of TCHF 131 recognized in the profit and loss statement 2020.

Change in benefit obligation:

in TCHF	2021	2020
Balance as of January 1	**(3,133)**	**(3,692)**
Service cost	(161)	(169)
Employee contributions	(119)	(101)
Interest cost	(5)	(9)
Plan amendment	–	131
Actuarial (loss)/ gain on benefit obligation	(47)	113
Benefits paid	(111)	594
Balance as of December 31	**(3,576)**	**(3,133)**

in TCHF	2021	2020
Actuarial (loss)/ gain arising from plan experience	(308)	174
Actuarial gain arising from demographic assumptions	167	–
Actuarial gain/ (loss) arising from financial assumptions	94	(61)
Total (loss)/ gain	**(47)**	**113**

Change in plan assets:

in TCHF	2021	2020
Fair value as of January 1	**2,546**	**2,965**
Interest income	4	8
Employer contributions	119	101
Employee contributions	119	101
Benefits paid	111	(594)
Administrative expense	(2)	(2)
Actuarial gain/ (loss) on plan assets	326	(33)
Fair value as of December 31	**3,223**	**2,546**

The actuarial gain on plan assets resulted to TCHF 326 (2020: actuarial loss of TCHF 33).

Assets breakdown:

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%**

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

Funded status:

in TCHF	2021	2020
(Un) funded status	(353)	(587)
Net defined benefit liability recognized in the balance sheet	**(353)**	**(587)**

Defined benefit costs:

in TCHF	2021	2020
Service cost	(161)	(169)
Interest cost	(5)	(9)
Administrative expense	(2)	(2)
Interest income	4	8
Curtailment/settlement, gain	–	131
Defined benefit cost for the year recognized in the income statement	**(164)**	**(41)**

The pension expense is included in the income statement in research and development costs, general and administrative costs and sales and marketing costs. (2020: research and development costs and general and administrative costs) (see note 9).

Net defined benefit assets/(liabilities):

in TCHF	2021	2020
Pension assets as of December 31	3,223	2,546
Benefit obligation as of December 31	(3,576)	(3,133)
Net defined benefit liability recognized in the balance sheet	**(353)**	**(587)**

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:

	2021	2020
Discount rate	0.30%	0.15%
Interest credit rate	1.25%	1.25%
Average future salary increases	1.00%	1.00%
Future pension increases	0.0%	0.0%
Mortality tables used	BVG 2020 GT	BVG 2015 GT
Average retirement age	65/64	65/64
Turn over	BVG 2020	BVG 2015
Capital option	40%	40%
Expected life experience at regular retirement age 65 / 64	22.70/25.48	22.83/25.85

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

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

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

Asset liability strategy

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

Future cash flows:

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

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

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 60 (2020: TCHF 62).

23. Accrued expenses

in TCHF	2021	2020
Accrued payroll and bonuses	1,527	1,308
Other	1,897	1,354
Balance as of December 31	**3,424**	**2,662**

Other accrued expenses mainly included costs of materials, consumables and services, as well as legal, accounting and consulting fees accrued as of December 31, 2021 and 2020.

24. Provisions

Personnel changes

Due to personnel changes in 2021, Kuros recorded a provision of TCHF 238 (2020: TCHF 0) which only consisted of personnel related expenses.

Litigation and claims

There is currently a formal opposition procedure against the trademark registration of "MagnetOs" in the United States. Management believes that there is limited business risk posed by this action because the challenger is not a competitor and does not operate or have products in Kuros' field of operation. The oppositions proceedings are ongoing, as are negotiations with the challenger. Kuros did not recognize a provision for this formal opposition procedure, as this matter is unlikely to occur in a future cash-outflow from Kuros.

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

in TCHF	Note	Convertible loan	Short-term borrowings	Leases	Financial liability from collaboration	Total
As of January 1, 2020		–	–	**2,388**	–	**2,388**
Proceeds from short-term borrowings		–	104	–	–	104
Forgiveness of short-term borrowings		–	(104)	–	–	(104)
Payment of lease liabilities	13	–	–	(270)	–	(270)
Remeasurement of lease liabilities	13	–	–	225	–	225
Exchange difference		–	–	(3)	–	(3)
As of December 31, 2020		–	–	**2,340**	–	**2,340**
As of January 1, 2021		–	–	**2,340**	–	**2,340**
Proceeds from financial liabilities from collaborations		–	–	–	6,400	6,400
Payment of lease liabilities	13	–	–	(322)	–	(322)
Remeasurement of lease liabilities	13	–	–	188	–	188
New lease liabilities	13	–	–	40	–	40
Exchange difference		–	–	(100)	63	(37)
As of December 31, 2021		–	–	**2,146**	**6,463**	**8,609**

In April 2020, the Group entered into a loan facility within the Paycheck Protection Program of the US. The loan and interest charges were fully forgiven in December 2020 as the Group met the forgiveness criteria for such loans.

The financial liability from collaboration represents XOMA's entitlement on 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 30.5% 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 to changes in timing and probability of the contractually agreed future cashflows.

26. Financial instruments by category

Financial assets:

in TCHF	2021	2020
Trade and other receivables at amortized costs	2,047	1,402
Cash and cash equivalents at amortized costs	28,623	28,388
As of December 31	**30,670**	**29,790**

Trade and other receivables are now reported in 2021 and 2020 including VAT receivables.

Financial liabilities:

in TCHF	2021	2020
Trade and other payables at amortized costs	846	936
Accrued expenses at amortized costs	3,424	2,662
Lease liabilities at amortized costs	2,146	2,340
Financial liabilities from collaborations (FVtPL)	6,463	–
As of December 31	**12,879**	**5,938**

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, 2021 and December 31, 2020 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%.

27. Financial risk management

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

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

The Group is exposed to market risks such as currency, interest rate and other price risks. The currency risk mainly results in foreign exchange risks due to the translation of the subsidiaries with Euro and USD as functional currency. The interest rate risks as well as market price risks are insignificant as the Group has no borrowings, loans, convertible bonds or convertible loan notes outstanding as of December 31, 2021.

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, 2021, 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, 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	6,463	–	–
Accrued expenses	3,429	–	–
Lease liabilities	317	1,449	380
Short-term lease	67	–	–

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

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

Foreign exchange risk

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

As of December 31, 2021, if the Swiss Franc had weakened/strengthened by 5% against the Euro, USD and GBP with all other variables held constant, the net loss for the period would have been TCHF 56 (2020: TCHF 31) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Euro and USD denominated assets and liabilities. The impact is the same on equity.

Sensitivity analysis:

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)

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

Credit risk

The Group considers the related credit risk limited to trade receivables for product sales and the 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 and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has no historical credit loss arising from trade and other 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, 2021 and December 31, 2020 was determined as follows:

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)**

December 31, 2020 (in TCHF)	Current	1-30 days past due	31-60 days past due	> 60 days past due	Total
Trade receivables – gross carrying amount	908	142	11	–	1,061
Loss allowance	**(7)**	**(16)**	**(2)**	–	**(25)**

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

in TCHF	2021	2020
Opening loss allowance as of January 1	(25)	–
Increase in loss allowance recognized in profit or loss during the year	(25)	(25)
Closing allowance as of December 31	**(50)**	**(25)**

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.

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

Interest rate risk

As of December 31, 2021, 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 (2020: TCHF 0) lower/higher, because of higher/lower interest income. Due to the current low interest rate of fixed deposits, the Group has not made any investments in financial assets in 2021 or 2020.

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.

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. On July 14, 2021, XOMA Corporation (NASDAQ: XOMA) purchased a proportion of the potential future pre-commercial milestone payments and potential royalties due under the existing license agreement between Kuros and Checkmate Pharmaceuticals. Kuros received an initial payment of USD 7 million. In addition, Kuros retains the potential to receive up to USD 24 million in pre-commercial milestones from Checkmate and is eligible to receive up to USD 142.5 million in sales milestones from XOMA.

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

In July 2019, Kuros entered into a distribution agreement for the Australian and New Zealand healthcare markets with Surgical Specialties, 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	2021	2020
Short-term employee benefits	(1,591)	(2,179)
Share-based compensation	–	(393)
Post-employment benefits	(127)	(188)
Total	**(1,718)**	**(2,760)**

No other compensation has been paid to the key management in 2021 and 2020.

30. Events occurring after the reporting period

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

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 2021, consolidated balance sheet as at 31 December 2021, consolidated statement of cash flows and consolidated statement of change in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 44 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview

Overall Group materiality: CHF 392'000

We concluded full scope audit work at two reporting units in Switzerland and one reporting unit in the Netherlands. Our audit scope addressed 22.4% of the Group's consolidated revenue and 97.1% 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 75.5% of the Group's consolidated revenue and 1.8% of the Group's consolidated assets.

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

- Recoverability of Goodwill and In-Process Research & Development (IPR&D)
- Accounting and disclosure of the XOMA royalty purchase agreement

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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 392'000
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 and IPR&D intangible assets

Key audit matter	How our audit addressed the key audit matter
As per 31 December 2021, the carrying value of Goodwill amounted to TCHF 33'390, and the carrying value of intangible assets for In-Process Research & Development (IPR&D) which are not yet amortized amounted to TCHF 611. Both balances resulted from past business combination transactions. The recoverability of Goodwill and the intangible assets for IPR&D is a key audit matter due to the magnitude of the balances and the significant estimation uncertainty in the respective model and assumptions used as part of Management's impairment assessment. Specifically, the assumptions related to timing and magnitude of future cash-flows and the determination of the respective discount rate require a significant level of judgement by Management. Refer to Note 1 'General information', Note 3 'Critical accounting estimates and judgments', Note 14 'Goodwill and intangible assets' and Note 15 'Impairment test'.	We tested how Management developed the estimate by performing detailed procedures over Management's valuation of Goodwill and the intangible assets for IPR&D which include the following: We reviewed the accounting memo prepared by Management on the determination of the Group's cash-generating units (CGUs) to ensure compliance with IAS 36 and consistency with internal documentation. We further audited the reasonable allocation of Goodwill and intangible assets for IPR&D to each of the respective CGU's. With the involvement of internal valuation experts, we 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 Management's key assumptions, such as the discount rates and the cash-flow forecasts. • We evaluated the reasonableness of the discount rates, by assessing the cost of capital for the Group and comparable organisations, 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 with other internal forward-looking documentation and by verifying consistency of the assumptions with the Group's current commercialisation plans. We further performed independent sensitivity analyses around the key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for the Goodwill and the intangible assets for IPR&D to be impaired. We critically assessed Management's explanation of the difference between the Group's market capitalisation and the higher value of consolidated equity. As a result of our procedures, we determined Management's approach to assess the recoverability of Goodwill and the intangible assets for In-Process Research & Development being reasonable.

Accounting and disclosure of the XOMA royalty purchase agreement

Key audit matter	How our audit addressed the key audit matter
In 2015, the Group licensed its product candidate CYT003, and the related VLP technology, to Checkmate Pharmaceuticals (USA). Under this license agreement, the Group is eligible for pre-commercial milestone payments as well as royalties on future sales. In July 2021, the Group entered in a royalty purchase agreement under which XOMA purchased a proportion of the potential future pre-commercial milestone payments and potential royalties due under the existing license agreement. In exchange, Kuros received an initial payment of USD 7 million (CHF 6.4 million). The Group 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. The accounting and disclosure of the XOMA royalty purchase agreement is a key audit matter based on its inherent complexity with respect to the determination of the appropriate accounting treatment under IFRS and the magnitude of the transaction. Refer to Note 1 'General information', Note 2 'Summary of significant accounting policies', Note 3 'Critical accounting estimates and judgments', Note 6 'Revenue from contracts with customers', and Note 25 'Reconciliation of movements of liabilities to cash flows arising from financing activities'.	With the involvement of our internal IFRS specialists, we challenged and evaluated Management's proposed accounting treatment. We further audited the amount recognized at initial recognition as well as the remeasurement at the period end. We also audited the respective presentation and disclosures in the annual consolidated financial statements with the help of our IFRS disclosure checklist. As a result of our procedures, Management's accounting and disclosure of the XOMA royalty purchase agreement is reasonable.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Thomas Ebinger

Audit expert
Auditor in charge

Manuela Baldisweiler

Audit expert

Basel, 15 March 2022

Statutory Financial Statements **2021**

Kuros Biosciences

Statutory financial statements 2021

Income statement

in TCHF, year ended December 31	Note	2021	2020
Revenue from collaborations	3	5,474	-
Other income	4	1,353	1,097
Total income		**6,827**	**1,097**
Research expenses		(251)	(113)
Employee expenses	19	(2,059)	(1,808)
Other operating expenses	5	(2,205)	(1,944)
Depreciation and amortization on fixed assets		(84)	(61)
Total operating expenses		**(4,599)**	**(3,926)**
Gain/(Loss) before interest and taxes		**2,228**	**(2,829)**
Financial income	20	523	180
Financial expenses	20	(1,301)	(234)
Gain/(Loss) before taxes		**1,450**	**(2,883)**
Direct taxes		3	(108)
Gain/(Loss) for the year		**1,453**	**(2,991)**

Balance sheet

in TCHF, December 31	Note	2021	2020
Cash and cash equivalents		27,468	26,336
Other current receivables – third parties		52	169
Other current receivables – subsidiaries		-	251
Accrued income and prepaid expenses		242	234
Total current assets		**27,762**	**26,990**
Long-term interest-bearing receivables - subsidiaries	6	21,581	14,618
Investments	7	21,717	21,717
Fixed Assets		11	17
Intangible Assets		143	148
Total non-current assets		**43,452**	**36,500**
Total assets		**71,214**	**63,490**
Trade accounts payable – third parties		200	305
Other accounts payable – third parties		97	256
Other accounts payable – subsidiaries	8	188	105
Accrued expenses and deferred income	9	894	905
Financial liabilities from collaboration	10	6,463	-
Total current liabilities		**7,842**	**1,571**
Share capital	11	3,281	32,811
Legal reserves:			
– Capital contribution reserve	12	94,521	64,990
– Other legal reserves		51,996	51,996
Retained loss:			
– Brought forward		(87,862)	(84,870)
– Profit/(loss) for the year		1,453	(2,991)
Treasury shares	13	(17)	(17)
Total shareholders' equity		**63,372**	**61,919**
Total liabilities and shareholders' equity		**71,214**	**63,490**

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), 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.

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

Trade receivables

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

Investments

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

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 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:

	2021 Income statement	Balance sheet as of December 31, 2021	2020 Income statement	Balance sheet as of December 31, 2020
EUR	1.09680	1.04525	1.08252	1.09464
USD	0.92053	0.92334	0.95813	0.89082
GBP	1.26738	1,24685	1.22595	1.21301

The exchange rates used for balance sheet items are the rates prevailing on December 31, 2021. The exchange rates used for transactions conducted during the year and for items in the income statement are average rates for the financial year.

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

With the ongoing health emergency due to COVID-19 outbreak its impact on the development of Kuros' business, the Company has reviewed its performance and financial positions and continuously monitors the situation and performs risk mitigating measures if required. The Company assessed the valuation of its assets (especially its investments and intergroup receivables) and concludes that the impact of COVID-19 does not require an adjustment to the financial positions, as of now.

3. Revenue from collaborations

In 2021, the Company recognized revenues from collaborations of TCHF 5'474 (2020: 0 TCHF) originated from the licensing agreement with Checkmate Pharmaceuticals.

4. Other income

in TCHF, year ended December 31	2021	2020
Fees of collaboration agreements	138	123
Reimbursement of intragroup services	1,219	954
Others	(4)	20
Total	**1,353**	**1,097**

In 2021 and 2020, the Company was reimbursed for intragroup services.

5. Other operating expenses

in TCHF, year ended December 31	2021	2020
Rental expenses	(71)	(73)
Insurances, public charges	(65)	(105)
Administration and legal fees	(1,535)	(1,302)
Marketing expenses	(209)	(271)
Other expenses	(325)	(193)
Total	**(2,205)**	**(1,944)**

6. Long-term receivables from subsidiaries

Long-term interest bearing contracts, in TCHF, as of December 31	2021	2020
Kuro Biosciences B.V.	18,221	13,092
Kuros Biosciences USA, Inc.	2,489	1,526
Kuros Biosurgery AG	871	-
Total	**21,581**	**14,618**

Kuros Biosciences B.V.

In 2018, the Company entered into a long-term interest-bearing contract with Kuros Biosciences B.V., whereof all receivables from the subsidiary as of January 01, 2018 have been entered as well. Additions in 2021 (mainly attributable to receivables) amounted to TCHF 5,372 (2020: TCHF 4,224). Repayments in 2021 amounted to TCHF 243 (2020: TCHF 401).

Kuros Biosciences USA, Inc.

In 2020, the Company entered into a long-term interest-bearing contract with Kuros Biosciences USA, Inc., whereof all receivables from the subsidiary as of June 01, 2020 have been entered. Additions in 2021 (mainly attributable to receivables) amounted to TCHF 1,026 (2020: TCHF 1,526). Repayments in 2021 amounted to TCHF 63 (2020: TCHF 0).

Kuros Biosurgery AG

In 2021, the Company entered into a subordinated long-term interest-bearing contract with Kuros Biosurgery AG, whereof all receivables from the subsidiary as of December 31, 2021 have been entered.

7. Investments and branches

Investments of Kuros Biosciences AG:

	December 31, 2021	December 31, 2020
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

Branches of Kuros Biosciences AG:

Name of entity	Place of business	Ownership held	
		2021	2020
Kuros US LLC	Delaware, United States	100%	–
Kuros US Royalty Fund (US) LLC	Delaware, United States	100%	–

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.

8. Other accounts payable – subsidiaries

The Company entered into a services agreement with Kuros Biosciences B.V. The payable of TCHF 165 as of December 31, 2021 (2020: TCHF 105) 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, 2021 of total TCHF 22 (2020: 0 TCHF)

9. Accrued expenses

in TCHF	2021	2020
Accrued payroll and bonuses	379	336
Other	515	569
As of December 31	**894**	**905**

Other accrued expenses mainly included costs of services, and legal, accounting and consulting fees accrued as of December 31, 2021 (2020: costs of services, and legal, accounting and consulting fees).

10. Contingent settlement liability

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.

11. Changes in capital structure

As of January 1, 2021 the nominal share capital of the ultimate 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 April 2021, the general assembly meeting authorized the Board of Directors to proceed with a share capital reduction by reducing the nominal value of all shares from CHF 1.00 to CHF 0.10 per share. The resulting amount of CHF 29,530,240.20 was allocated to the Company's capital reserves. This capital reduction was not amounted to a disbursement or dividend to shareholders, but is a technical step, a transfer within equity. Shareholders' rights were not affected, neither financial nor participation rights. The number of shares and the total equity balance remained unchanged from this share capital reduction.

As a result of the share capital reduction, Kuros' share capital decreased from CHF 32,811,378.00 to CHF 3,281,137.80 divided into 32,811,378 registered shares with a nominal value of CHF 0.10 each.

12. Capital contribution and other legal reserves

The Swiss federal tax department confirmed a capital contribution reserve of TCHF 64,990 in accordance with Art. 5 of Swiss Withholding Tax (WHTA) as of December 31, 2020. The contributions or redemptions for 2021 are not yet confirmed by WHTA.

Capital contribution reserve	in TCHF
Starting Balance January 1, 2021	64,990
Contributions/(Redemptions) in 2021	29,531
Ending Balance December 31, 2021	**94,521**

13. Treasury shares

Treasury shares held by the Group as of December 31, 2021 were created in February 2018 and are as following:

	Number of shares	Weighted average purchase price	in TCHF
Starting Balance January 1, 2020	**17,244**	**1.00**	**17**
Purchased	-	-	-
Sold	-	-	-
Ending Balance December 31, 2020	**17,244**	**1.00**	**17**
Starting Balance January 1, 2021	**17,244**	**1.00**	**17**
Purchased	-	-	-
Sold	-	-	-
Ending Balance December 31, 2021	**17,244**	**1.00**	**17**

14. Authorized and conditional capital

in TCHF, as of	December 31, 2021	December 31, 2020
Authorized capital with a nominal value of	673	673
Conditional capital with a nominal value of	2,922	2,922

15. 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, 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*

As of December 31, 2021, the company holds purchase positions of 0.1% and sale positions of 6.5%. The Company has not entered into any agreement with any Shareholder regarding the voting or holding of shares. To the knowledge of the Company, no Shareholders are linked by any shareholder agreement.

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

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

** The shareholdings or purchase positions indicated in this table correspond to the amounts as disclosed on the SIX website (as indicated below). ** YA II PN, Ltd. has committed under a standby equity agreement to provide up to US$ 30 million to Kuros in exchange for shares in Kuros at the Company's discretion. The percentage of this purchase position is depending on the relevant share price for the issuance of the shares. *** Incubation B.V., (3.4%) Aldabra B.V.(3.5%), Optiverder B.V.(17.6%) and one other person(1.1%) formed a lock-up as of December 31, 2020. Information on disclosure notifications during the year under review, concerning the significant shareholders and the financial instruments in particular may be found on the SIX website on: www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html*

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

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

As of December 31, 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#/

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

** Options that have been granted and that are not expired as of December 31,2020 [1] As of October 28, 2020 the shareholders are part of a Lock-up Group that holds all shares of each participant. The total shares held by the Group amount to 8,409,866 shares. For details please refer to:* https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/shareholder-details/TBKAQ00040

17. Pledged assets

in TCHF, as of	December 31, 2021	December 31, 2020
Cash and cash equivalents (security for credit card liabilities)	80	80
Total	**80**	**80**

18. Lease commitments not recorded in the balance sheet

in TCHF, as of	December 31, 2021	December 31, 2020
Rent and leasing	6	6

19. Employees

As of December 31, 2021, the Company employed 6 employees (2020: 5).

20. Financial result

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

21. Contingencies

Intercompany Financing agreements

To support the going concern of Kuros' subsidiaries, the Company granted a financing commitment to cover budgeted expenses for 2022. The financing commitment will be re-evaluated for renewal in late December 2022, approximately. The Company granted financing support to Kuros Biosciences BV of EUR 8.7 million (CHF 9.09 million as of December 31, 2021) and Kuros Biosurgery AG of CHF 4.2 million. The funds are available upon request of the subsidiaries.

XOMA Purchase agreement

Pursuant to the purchase agreement with XOMA Corporation, the Company has eventually to transfer up to USD 25.2 million to XOMA corporation from potential milestones to be eventually received of up to USD 49 million. In addition, the Company is eventually eligible to receive sales milestones of up to USD 142.5 million from XOMA Corporation.

22. Pension liabilities

As of December 31, 2021, the pension liabilities amount to CHF 0 (2020: TCHF 0).

23. 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 that the net gain of the year 2021 in the amount of CHF 1,452,922.97 is applied against the loss brought forward of CHF 87,861,604.74 resulting in a new balance of the loss brought forward of CHF 86,408,681.77 to be carried forward to the new accounts.

Report of the statutory auditor

to the General Meeting of Kuros Biosciences AG

Schlieren

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kuros Biosciences AG, which comprise the income statement for the year ended 2021, balance sheet as at 31 December 2021 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 102 to 116) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 633'000

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 entity, the accounting processes and controls, and the industry in which the entity 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

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 633'000
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We applied net assets as benchmark as based on our analysis it meets the common information needs of users of the financial statements, and as it is further a generally accepted benchmark.

Audit scope

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
As of 31 December 2021, investments in subsidiaries and long-term interest-bearing receivables due from subsidiaries of Kuros Biosciences AG amount to MCHF 21.7 (about 30.5% of total assets) and MCHF 21.6 (about 30.3% 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 6 'Long-term receivables from subsidiaries' and Note 7 'Investments'.	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 per 31 December 2021. 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.

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

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

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.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers AG

Thomas Ebinger

Audit expert
Auditor in charge

Manuela Baldisweiler

Audit expert

Basel, 15 March 2022

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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