# Kuros Biosciences Reports Financial Results for 2016

April 26, 2017

- **Merger successfully completed: Cytos Biotechnology and Kuros Biosurgery Holding combined their businesses to create Kuros Biosciences, a future leader in tissue repair and regeneration**
- **Transition to commercial-stage accelerated: Acquisition of Xpand in January 2017 results in orthobiologics company with commercial-ready products in the European Union (EU) and in the United States of America (US)**
- **Shift towards commercialization realized: Kuros names commercialization veteran Dr. Ivan Cohen-Tanugi new CEO; MagnetOs™ Granules is approved in the EU and the US and Neuroseal (KUR-023) is awaiting CE mark certification.**
- **Financials influenced by IFRS3 accounting: For accounting purposes, the financial figures for 2016 of the combined company are not comparable to the published figures of former Cytos for 2015.**

Kuros Biosciences ("Kuros" announced today the full-year financial results after the merger of Cytos Biotechnology and Kuros Biosurgery. Two one-time non-cash-relevant expense items totaling CHF 12.4 million and the significant expansion of development activities with an associated higher staff number resulted in a net loss of CHF 19.7 Mio. Cash reserves at year-end amounted to CHF 12.4 million and the gross cash burn for operating activities was a monthly average of CHF 0.7 million in 2016. Further, headcount increased to 17 people as per year-end 2016. For accounting purposes in accordance to IFRS 3, the legal acquiree was identified as the acquiring entity. As a consequence, the financial figures for 2016 of the merged company are a continuation of those of Kuros Biosurgery Holding and not comparable to the published figures of former Cytos for 2015.

Schlieren (Zurich), Switzerland, April 26, 2017

"2016 has been year of significant change and progress for Kuros. At the beginning of the year, we combined our businesses in a reverse-merger and created the basis for a future leader in orthobiologics. During the year we continued to make progress with our extensive development activities. And finally, at the end of year, we announced the acquisition of Dutch-based Xpand Biotechnology. This strategic move significantly accelerates Kuros' transition to commercial stage", commented Dr. Ivan Cohen-Tanugi, newly named Chief Executive Officer of Kuros.

"The financial results for 2016 reflect the effects of two non-cash-relevant items. The modifications of share-based payments in connection with the merger and the charges for impairment are both non-operational and have a one-time effect, only. The increase in operating expenses is the result of the expected expansion in development and regulatory activities. For accounting purposes, however, the financial figures for 2016 of the merged company are not comparable to the published figures of former Cytos for the same period in 2015", explained Harry Welten, Chief Financial Officer of Kuros.

**Outlook and news flow**

Focus of management attention is on the commercialization of MagnetOs™ and, eventually, Neuroseal (KUR-123). Kuros recently hired commercialization veteran and life science executive Dr. Ivan Cohen-Tanugi as new Chief Executive Officer to advance and lead the set-up of its commercial organization.

Kuros expects to receive CE mark certification for Neuroseal in the next months. In the second half of 2017, a putty formulation of MagnetOs™ will be submitted for approval in the EU and in the United States of America. In parallel, Kuros is planning a second clinical study to support approval of Neuroseal in the US and continues the preparation for the clinical development of KUR-111 (phase III in tibial plateau fractures) and KUR-113 (phase II in spinal fusion). KUR-112 recently obtained a rare pediatric disease designation from the FDA for the treatment of solitary bone cyst. The designation offers interesting opportunities as the attached priority review voucher has a commercial value by itself as it can be traded with third parties.

**Consolidated financial performance and results of operations**

The reverse merger between Cytos Biotechnology and Kuros Biosurgery Holding closed on January 18, 2016. For accounting purposes in accordance to IFRS 3, the legal acquiree Kuros Biosurgery Holding was identified as the acquiring entity. As a consequence, the financial figures for 2016 of the merged company are a continuation of those of Kuros Biosurgery Holding and not comparable to the published figures of former Cytos for 2015.

**Key figures**

| in TCHF, IFRS | **2016** | **2015** |
|---|---|---|
| Revenue | 1,061 | 144 |
| Research and development | (7,909) | (515) |
| General and administrative | (17,070) | (3,851) |
| Other income | 2,572 | – |
| Net operating costs | (22,407) | (4,222) |
| Net financial result | 1,069 | (1,608) |
| Net loss | (19,744) | (5,784) |
| Cash reserves | 12,369 | 15,940 |
| Number of employees (FTE) | 17 | 4 |

**Financial position and other assets**

Funds available for financing the operations of Kuros Biosurgery Holding amounted to CHF 13.1 million as per December 31, 2016, and included cash and cash equivalents, financial assets and trade and other receivables. This was CHF 3.3 million lower than on December 31, 2015 (CHF 16.1 million) and was primarily driven by a milestone payment received from a collaboration partner and cash spent for development, general and operating costs as well as costs associated with the reverse merger.

**Debt-free balance sheet at year-end**

Following the reverse merger, a purchase price allocation was conducted resulting in an intangible asset of CHF 6.6 million and goodwill of CHF 23.7 million as of December 31, 2016. As a result of the conversion of a convertible loan in the context of the merger, Kuros was free of debt as of year-end 2016.

**Revenues from Checkmate milestone payment**

Revenues amounted to CHF 1.1 million and originated primarily from a milestone payment from Checkmate after a first melanoma patient was dosed in a phase 1b multi-center, open-label study with CMP-001.

**Higher operating costs due to increased activities and staff**

Operating expenses for 2016 amounted to CHF 22.4 million, compared to CHF 4.4 million in the previous year. As expected with an increase in development of assets and a higher number of employees, research and development expenses rose from CHF 0.5 million to CHF 7.9 million, of which CHF 4.0 million was associated with non-cash costs such as depreciation and impairment charges. General and administrative expenses rose from CHF 3.9 million to CHF 17.1 million in 2016 primarily due to significantly

higher non-cash expenses for share based compensation (CHF 8.5 million; 2015: CHF 0.5 million), higher salary expenses due to more staff (CHF 3.4 million; 2015: CHF 1.1 million) and increased other operating expenses such as rent, development and regulatory related costs for pipeline products, legal as well as accounting and audit services costs (CHF 8.6 million; 2015: CHF 2.5 million).

Other income increased from CHF 0 to CHF 2.6 million consisting primarily of payments earned from sublet space. In the previous year, no such other income incurred at the level of Kuros Biosurgery Holding as it was generated by former Cytos.

The full Annual Report 2016 can be downloaded from Kuros' website under Investors/Reports at www.kuros.ch/investors/reports-presentations.html.

***About Kuros Biosciences Ltd***

*Kuros Biosciences is focused on the development of innovative products for tissue repair and regeneration and is located in Schlieren (Zurich), Switzerland. The Company is listed according to the International Financial Reporting Standard on the SIX Swiss Exchange under the symbol KURN. Visit www.kuros.ch for additional information on Kuros, its science and product pipeline.*

***Forward Looking Statements***

*This media release contains certain forward-looking statements that involve risks and uncertainties that could cause actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. You are urged to consider statements that include the words "will" or "expect" or the negative of those words or other similar words to be uncertain and forward-looking. Factors that may cause actual results to differ materially from any future results expressed or implied by any forward-looking statements include scientific, business, economic and financial factors, Against the background of these uncertainties, readers should not rely on forward-looking statements. The Company assumes no responsibility for updating forward-looking statements or adapting them to future events or developments.*

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