Kiadis pharma

INTERIM REPORT

For the six months ended 30 June 2016

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FORWARD-LOOKING STATEMENTS

Certain statements, beliefs and opinions in this interim report are forward-looking, which reflect Kiadis Pharma's or, as appropriate, Kiadis Pharma's directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, can cause actual events, performance or results to differ significantly from any anticipated development. Forward-looking statements contained in this interim report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, Kiadis Pharma expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements in this interim report as a result of any change in expectations or any change in events, conditions, assumptions or circumstances on which these forward-looking statements are based. Neither Kiadis Pharma nor its advisers or representatives nor any of its subsidiary undertakings or any such person's officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this interim report or the actual occurrence of the forecasted developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of this interim report.

INTERIM REPORT OF THE MANAGEMENT BOARD for the six months ended 30 June 2016

OPERATING REVIEW

- Positive results reported on the primary endpoint from the single dose Phase II CR-AIR-007 trial with ATIR101.
- Decision to file for marketing authorization with the European Medicines Agency (EMA) for ATIR101 in blood cancers – submission on course for Q1 2017.
- PCT appointed for US manufacture of ATIR101 for Phase III trial.
- Orphan Drug Designation for ATIR101 further expanded to include treatment in a hematopoietic stem cell transplantation.
- Supervisory Board strengthened with appointment of Dr. Robert Soiffer and Mr. Berndt Modig.
- Partnership announced with The Leukemia & Lymphoma Society around the development of ATIR101 in acute lymphoblastic leukemia (ALL) and acute myeloid leukemia (AML) patients.
- Preparations to commence the CR-AIR-009 Phase III trial with ATIR101 ongoing with initiation expected on track by end 2016.
- Second dose CR-AIR-008 Phase II trial with ATIR101 ongoing – safety read-out now expected in Q1 2017.
- Initiation ATIR201 Phase I/II thalassemia trial (CR-BD-001) on track for patient enrollment in Q4 2016.

INTERIM FINANCIAL RESULTS

- In the first six months of 2016, the Company did not generate any revenues. Total operating expenses decreased by EUR6.6 million from EUR11.7 million in the first six months of 2015 to EUR5.1 million in the same period of 2016. This decrease was primarily caused by expenses related to the Company's equity-settled bonus share plan incurred in 2015.
- In the first six months of 2016, net finance costs came at a level of EUR1.4 million compared to net finance income of EUR2.2 million for the same period of 2015. In June 2015 the Company recorded an extinguishment gain of EUR4.6 million related to derivatives which largely accounts for the change in net finance result.
- The net loss for the six months ended 30 June 2016 came at a level of EUR6.4 million compared to a loss of EUR9.6 million for the six months ended 30 June 2015. Expenses and net result for the first six months were in line with management expectations.
- The Company ended the first six months of 2016 with EUR23.7 million in cash and cash equivalents.

UPDATE ON CLINICAL PRODUCT PROGRESS

Ongoing single dose Phase II trial (CR-AIR-007) with ATIR101

In April 2016, the Company presented positive results on the primary endpoint of its single dose Phase II trial with its lead product ATIR101 at the 42nd Annual Meeting of the European Society of Blood and Marrow Transplantation (EBMT) in Valencia, Spain.

The data confirmed that ATIR101 can be safely infused, does not cause grade III-IV Graft-versus-Host-Disease (GVHD) and shows a significant reduction in Transplant Related Mortality (TRM) and a significant improvement in Overall Survival (OS) in comparison to a historical control group of patients undergoing a T-cell depleted haploidentical donor transplantation only.

The trial is ongoing with enrollment having been completed and patients being followed up for 24 months post transplantation in order to collect further long-term outcome data.

Preparations for Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for ATIR101

In June 2016, the Company announced its decision to file for marketing authorization with the EMA for its lead product ATIR101 in blood cancers and Kiadis Pharma has started compiling the dossier for this submission. The submission will be based on the results from the ongoing single dose Phase II trial, and the Company expects to submit the application to EMA in Q1 2017, in line with latest guidance.

Preparations for the Phase III trial (CR-AIR-009) with ATIR101

Haploidentical hematopoietic stem cell transplantation (HSCT) has become a highly dynamic field of great interest and several meetings have been held with regulatory authorities, including the United States Food and Drug Administration (FDA), and with international world-leading Key Opinion Leaders (KOLs) to discuss and optimize the Phase III trial design for testing ATIR101 in patients with blood cancer.

The Phase III study design takes into account the top line data from the single dose Phase II trial, which showed a strong and statistically significant Overall Survival advantage for patients who received ATIR101. This Phase III trial will therefore be based on a single dose treatment of ATIR101 to reflect the previous Phase II enrollment criteria and treatment schedule and, most importantly, to minimize Phase III study risks that often result from design changes made vis-à-vis a Phase II trial.
The Phase III trial will consequently be based on a two arm study randomizing patients to receive a haploidentical HSCT according to either the post-transplant cyclophosphamide approach (the so-called "Baltimore protocol") or the Kiadis Pharma approach using a T-cell depleted haploidentical HSCT with a single dose of ATIR101.

The Company is currently finalizing the clinical protocol for this trial for submission in early Q4 2016 to the national authorities in Canada, Belgium, the United States and Germany. Kiadis Pharma aims to have the first clinical centers open to enroll patients, as previously guided, by the end of 2016.

United States-based ATIR101 manufacturer for the Phase III trial

In June 2016, Kiadis Pharma announced that it had appointed PCT, LLC, a Caladrius Company (PCT), as the Company's contract manufacturing organization (CMO) in the United States for the supply of study medication to the clinical trial sites in the United States and Canada that are expected to participate in the Company's planned Phase III clinical trial. With regards to the manufacture of study medication for the European clinical sites in this Phase III trial, Kiadis Pharma already has a long-running and successful manufacturing collaboration with the German Red Cross Blood Donor Service, Baden-Wuerttemberg-Hessen.

Ongoing second dose Phase II trial (CR-AIR-008) with ATIR101

Whilst progressing on track with the key Phase III trial preparations, the Company continues to evaluate the safety of a second dose of ATIR101 in its ongoing Phase II trial in patients with blood cancer. The second dose trial is enrolling patients with currently nine out of fifteen patients recruited onto the study. Whilst physicians have expressed interest in any additional potential upside and product flexibility in administering a second dose of ATIR101, should it be needed, they are also very keen to start treating patients in the Phase III (CR-AIR-009) trial as swiftly as possibly in order to compare the Kiadis Pharma approach with the Baltimore protocol approach. The Company now anticipates the safety read-out of the trial in Q1 2017, due to slower than anticipated enrollment.

Preparations for Phase I/II trial (CR-BD-001) with ATIR201

As previously guided, the planned Phase I/II trial for ATIR201 for use in children suffering from thalassemia major is on track to start enrolling patients in hospitals in the United Kingdom and Germany in Q4 2016 and the clinical protocol is currently under review by the national authorities.

AUDITOR'S INVOLVEMENT

These condensed consolidated interim financial statements have not been audited.

RISKS AND UNCERTAINTIES

The Company's (financial) risk management and internal control procedures are described on pages 26 to 42 of the Annual Report 2015.

Note 3 to the consolidated financial statements on pages 63 to 65 of the Annual report 2015 describes the Company's critical accounting estimates en judgments.

With reference to the Going Concern Assessment in Note 2 of these condensed consolidated interim financial statements, management is of the opinion that the Company's cash position is sufficient to meet the Company's financial obligations in the twelve months following the date of these interim financial statements.

RESPONSIBILITY STATEMENT

The Management Board of the Company hereby declares that to the best of their knowledge, the condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 (Interim Financial Reporting), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the Interim Report of the Management Board gives a fair view of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Amsterdam, 26 August 2016

Management Board

Manfred Rüdiger, *Chief Executive Officer*

Robbert van Heekeren, *Chief Financial Officer*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in EUR x 1,000)	Note	30 June 2016 Unaudited	31 December 2015 Audited
Assets			
Property, plant and equipment	5	365	333
Intangible assets	6	13,381	12,714
Total non-current assets		**13,746**	**13,047**
Trade and other receivables	7	103	145
Deferred expenses	7	351	418
Cash and cash equivalents	8	23,698	28,666
Total current assets		**24,152**	**29,229**
Total assets		**37,898**	**42,276**
Equity			
Share capital		1,390	1,347
Share premium		102,529	98,137
Translation reserve		301	271
Accumulated deficit		(87,562)	(74,105)
Equity attributable to owners of the Company	9	**16,658**	**25,650**
Liabilities			
Loans and borrowings	10	14,626	13,713
Total non-current liabilities		**14,626**	**13,713**
Loans and borrowings	10	1,360	1,166
Trade and other payables	11	5,254	1,747
Total current liabilities		**6,614**	**2,913**
Total liabilities		**21,240**	**16,626**
Total equity and liabilities		**37,898**	**42,276**

The Notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in EUR x 1,000)	Note	For the six months ended 30 June 2016 Unaudited	For the six months ended 30 June 2015 Unaudited
Revenue		-	-
Other income		-	-
Research and development expenses	*12,13*	(3,803)	(4,700)
General and administrative expenses	*12,13*	(1,252)	(7,032)
Total operating expenses		**(5,055)**	**(11,732)**
Operating loss		**(5,055)**	**(11,732)**
Interest income		25	1
Interest expenses		(754)	(674)
Other net finance income (expenses)		(662)	2,852
Net finance income (expenses)	*14*	**(1,391)**	**2,179**
Loss before tax		**(6,446)**	**(9,553)**
Income tax expense		-	-
Loss for the period		**(6,446)**	**(9,553)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations		30	29
Related tax		-	-
Other comprehensive income for the period, net of tax		**30**	**29**
Total comprehensive income for the period		**(6,416)**	**(9,524)**
Loss attributable to:			
Owners of the Company		(6,446)	(9,553)
Non-controlling interests		-	-
		(6,446)	**(9,553)**
Total comprehensive income attributable to:			
Owners of the Company		(6,416)	(9,524)
Non-controlling interests		-	-
		(6,416)	**(9,524)**
Earnings per share			
Basic earnings per share (EUR)		(0,48)	(0,89)
Diluted earnings per share (EUR)		(0,48)	(0,89)

The Notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated deficit	Total Equity
Balance as at 1 January 2016		**1,347**	**98,137**	**271**	**-**	**(74,105)**	**25,650**
Total comprehensive income							
Loss for the period						(6,446)	(6,446)
Other comprehensive income				30			30
Total comprehensive income for the period		**-**	**-**	**30**	**-**	**(6,446)**	**(6,416)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	*9*	9	905				914
Issue of shares to EPP participants	*9*	34	3,487			(7,011)	(3,490)
Equity-settled share-based payment	*12*					-	-
Balance as at 30 June 2016 (Unaudited)		**1,390**	**102,529**	**301**	**-**	**(87,562)**	**16,658**

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated deficit	Total Equity
Balance as at 1 January 2015		**10,567**	**57,243**	**317**	**2,580**	**(68,042)**	**2,665**
Total comprehensive income							
Loss for the period						(9,553)	(9,553)
Other comprehensive income				29			29
Total comprehensive income for the period		**-**	**-**	**29**	**-**	**(9,553)**	**(9,524)**
Transactions with owners, recorded directly in equity							
Business combinations	*9*	(9,498)	9,498				-
Equity-settled share-based payment	*12*					7,903	7,903
Warrants exercised	*9*		445				445
Balance as at 30 June 2015 (Unaudited)		**1,069**	**67,186**	**346**	**2,580**	**(69,692)**	**1,489**

The Notes on pages13 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OF CASH FLOWS

(Amounts in EUR x 1,000)	Note	For the six months ended 30 June 2016 Unaudited	For the six months ended 30 June 2015 Unaudited
Cash flows from operating activities			
Loss for the period		(6,446)	(9,553)
Adjustments for :			
Depreciation of property, plant & equipment (PP&E)	*5*	73	69
Net interest expenses	*14*	729	673
Equity-settled share-based payment transactions	*12*	-	7,903
Net unrealized foreign exchange (gains) or losses		(801)	(144)
(Gain) or loss from change in fair value of derivatives		-	859
(Gain) or loss from exercise of derivatives		-	(4,589)
(Gain) or loss from restatements of loans	*10*	1,455	1,011
Income tax expense		-	-
Cash used in operating activities before changes in working capital and provisions:		**(4,990)**	**(3,771)**
Trade and other receivables		17	(41)
Deferred expenses		67	(760)
Trade and other payables		(88)	650
Other liabilities		97	295
Total change in working capital		**93**	**144**
Cash used in operating activities		**(4,897)**	**(3,627)**
Interest paid		(357)	-
Income taxes paid		(4)	-
Net cash used in operating activities		**(5,258)**	**(3,627)**
Cash flows from investing activities			
Interest received		49	1
Acquisition of PP&E	*5*	(105)	(22)
Net cash used in investing activities		**(56)**	**(21)**
Cash flows from financing activities			
Proceeds from issue of share capital	*9*	914	-
Proceeds from exercise of warrants	*9*	-	445
Repayment of borrowings	*10*	(583)	-
Net cash from financing activities		**331**	**445**
Net decrease in cash and cash equivalents		**(4,983)**	**(3,203)**
Cash and cash equivalents as at 1 January		28,666	5,674
Effect of exchange rate fluctuations on cash held		15	5
Cash and cash equivalents as at 30 June	*8*	**23,698**	**2,476**

The Notes on pages 13 to 21 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kiadis Pharma N.V. ("the Company" or "Kiadis Pharma") and its subsidiaries (together "the Group") are engaged in the pharmaceutical development cell-based immunotherapy products in the field of diseases of the blood building system.

The Company is a public limited liability company incorporated and domiciled in Amsterdam, The Netherlands. The address of its business office is Entrada 231-234, 1114 AA, Amsterdam-Duivendrecht, The Netherlands.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed financial statements do not contain all information required for an annual report and should therefore be read in conjunction with the Company's Annual Report 2015.

The interim financial statements were authorized for issue by the Management Board and the Supervisory Board of the Company on 25 August 2016.

These condensed consolidated interim financial statements have not been audited.

Going concern assessment

The consolidated financial statements have been prepared on a going concern basis. On 30 June 2016 the Company held EUR23.7 million in cash and cash equivalents. Cash held by the Company on the date these interim financial statements were issued is judged to be sufficient for the Company to meet its financial obligations in the next twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES

There were no significant changes in accounting policies applied by the Group in these condensed consolidated interim financial statements compared to those used in the Annual Report 2015.

Significant accounting estimates and judgments

The preparation of financial statements requires judgments and estimates that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Non-derivative financial liabilities

The Company presented non-current financial liabilities with a carrying value of EUR14.6 million as at 30 June 2016. An amount of EUR8.5 million relates to a loan from Hospira Inc. for which repayment is conditional (see Note 10). This loan has an effective interest rate (EIR) of 11% that was established at initial recognition. At each reporting date the Company makes an assessment of the underlying future cash flows. In the event cash outflows related to repayment of the loan have changed during the period, the Company recalculates the net present value (NPV) of these re-estimated cash outflows using the original EIR. Any difference between the carrying amount and the recalculated NPV at the reporting date, will give rise to a gain or loss to be charged to the statement of income.

4. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Management Board.

As per 30 June 2016, the Group has one product under development being ATIR. This is considered to be the only reportable segment. All corporate activities can be assigned therefore to this segment as well. Therefore, no additional segment analysis is disclosed.

5. PROPERTY, PLANT AND EQUIPMENT

The carrying value of Kiadis Pharma's property, plant and equipment increased from EUR333 thousand at 31 December 2015 to EUR365 thousand at 30 June 2016, an increase of EUR32 thousand.

This increase comes from the investment in equipment for a total amount of EUR105 thousand, of which EUR97 thousand for laboratory equipment, less depreciation charges of EUR73 thousand.

6. INTANGIBLE ASSETS

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
Balance as at 1 January 2016				
Cost	4,022	8,692	80	12,794
Amortization / Impairment	-	-	(80)	(80)
Book value as at 1 January 2016	**4,022**	**8,692**	**-**	**12,714**
Changes in book value				
Effect of changes in foreign exchange rates	211	456	-	667
	211	**456**	**-**	**667**
Balance as at 30 June 2016				
Cost	4,233	9,148	80	13,461
Amortization / Impairment	-	-	(80)	(80)
Book value as at 30 June 2016	**4,233**	**9,148**	**-**	**13,381**

The Company's intangible assets mainly relate to the business combination effected in 2006 in which Kiadis Pharma acquired Montreal, Canada, based Celmed BioSciences Inc. The carrying value of the Company's intangible assets increased from EUR12.7 million at year end 2015 to EUR13.4 million at 30 June 2016. The EUR0.7 million increase is caused by a strengthening of the Canadian dollar against the euro of approximately 5%.

7. TRADE AND OTHER RECEIVABLES

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
VAT receivables	61	80
Deferred expenses	351	418
Interest receivable	23	46
Other amounts receivable	19	19
	454	**563**

Interest and VAT receivables as at 30 June 2016 totalled EUR84 thousand, a decrease of EUR42 thousand compared to year-end 2015. Deferred expenses were also lower at EUR351 thousand, a decrease of EUR67 thousand compared to year-end 2015.

8. CASH POSITION AND CASH FLOWS

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
Cash as at bank and in hand	4,877	9,013
Short-term bank deposits	18,821	19,653
Net Cash as per Cash Flow Statement	**23,698**	**28,666**

All amounts reported as cash or cash equivalents are at the free disposal of the Company with the exception of an amount of EUR73 thousand that is pledged against certain bank guarantees provided as security for the lease of buildings.

The main cash flow items can be summarized as follows:

	For the six months ended	
(Amounts in EUR x 1,000)	30 June 2016	30 June 2015
Net cash used in operating activities	(5,258)	(3,627)
Net cash used in investing activities	(56)	(21)
Net cash from financing activities	331	445
Effect of exchange rate fluctuations on cash held	15	5
Net decrease for the period	**(4,968)**	**(3,198)**
Cash and cash equivalents as at 1 January	28,666	5,674
Cash and cash equivalents as at 30 June	**23,698**	**2,476**

9. EQUITY

In February 2016, the Company entered into a partnership with The Leukemia & Lymphoma Society (LLS) under which LLS funded the Phase II development of lead product ATIR101 through an equity investment of USD1 million. The Company issued 89,308 shares and received a total amount of EUR914 thousand.

In June 2016, the Company issued an aggregate number of 338,239 ordinary shares to participants of the Exit Participation Plan (EPP) incentive scheme that was in place during 2012 to 2016.

As at 30 June 2016, a total number of 13,899,841 ordinary shares were outstanding. Ordinary shares have a nominal value of EUR0.10.

10. LOANS AND BORROWINGS

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
Non-current liabilities		
Government Loan I (RVO NL)	3,317	3,816
Government Loan II (RVO NL)	2,008	2,277
Loan from Hospira Inc.	8,486	6,803
Loan from University of Montreal	815	817
	14,626	**13,713**

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
Current liabilities		
Government Loan I (RVO NL)	891	764
Government Loan II (RVO NL)	469	402
	1,360	**1,166**

The Company has entered into two loan agreements with Rijksdienst voor Ondernemend Nederland (RVO NL), a Dutch governmental agency. The change in the carrying amount reflects interest accrued during the period of EUR366 thousand, interest payments of EUR357 thousand and loan repayments of EUR583 thousand. The Company makes quarterly repayments over the period 2015-2020.

In December 2011, the Company entered into an agreement with Hospira Inc. for which an amount of USD24.5 million had been judged as a loan. The loan bears a contractual interest rate of 1.5% per annum and the conditional payment obligations regarding this loan are as follows:

1. a milestone payment of USD3 million upon the earlier of (i) the execution of a sub-licence on the Theralux platform, or (ii) the first commercial sale of a product derived from the Theralux platform; and
2. a 5% royalty on worldwide net sales of products derived from the Theralux product platform until the loan amount has been fully paid.

At 30 June 2016, the carrying amount of this loan has been adjusted by an amount of EUR1.5 million to reflect changes in the (estimated) underlying future cash flows. This amount has been charged to the income statement (see Note 14).

(Amounts in EUR x 1,000)	RVO NL	Hospira Inc.	University of Montreal
Balance as at 1 January 2016	**7,259**	**6,803**	**817**
Interest accrued during the period	366	374	14
Interest payments	(357)	-	-
Repayments	(583)	-	-
Restatement of carrying amount	-	1,455	-
Effect of changes in foreign exchange rates	-	(146)	(16)
Balance as at 30 June 2016	**6,685**	**8,486**	**815**

11. TRADE AND OTHER PAYABLES

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
Suppliers	545	596
Salaries, bonuses and vacation	164	162
Tax and social premium contributions	3,581	95
Accrued clinical costs	472	479
Accrued manufacturing costs	135	226
Accrued audit fees	62	81
Other	295	108
	5,254	1,747

The overall increase in trade and other payables of EUR3.5 million is mainly due to payroll tax related to the bonus shares issued under the EPP (Exit Participation Plan) incentive scheme. Following the Initial Public Offering (IPO) of the Company's shares on 2 July 2015, EPP participants were eligible to receive bonus shares based on a percentage of the value of the Company. These bonus shares vested on 28 June 2016.

12. EMPLOYEE BENEFITS

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Wages and salaries	1,402	1,033
Compulsory social security contributions	127	93
Contributions to defined contribution plans	55	39
Share-based payment	-	7,903
Company cars	3	2
Other employee benefits	29	18
Total	**1,616**	**9,088**
Number of employees (headcount)		
Research & development positions	25	18
General & administrative positions	6	5
Number of employees (headcount) at end of period	**31**	**23**

Employee benefits excluding share-based payment for the first six months of 2016 increased EUR431 thousand compared to the same period in 2015. This was mainly due to an increase in headcount and, to a lesser extent, increases in salaries and cash bonuses.

13. EXPENSES

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Employee benefits (see Note 12)	1,616	9,088
Depreciation expense	73	69
Facilities	168	171
Consultancy	664	784
Telecom & IT	44	81
Travel	238	127
Insurance	35	31
Clinical costs	264	299
Manufacturing	1,695	980
Other	258	102
Total	**5,055**	**11,732**

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Research and development expenses	3,803	4,700
General and administrative expenses	1,252	7,032
Total	**5,055**	**11,732**

Without the expenses related to the Initial Public Offering and share-based payment incurred in 2015, expenses for the first six months of 2016 can be compared to the same period of 2015 as follows:

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Research and development expenses	3,803	2,491
General and administrative expenses	1,252	767
Total	**5,055**	**3,258**

Research and development expenses increased by EUR1.3 million mainly due to the technology transfer to the US manufacturer lined up for the Phase III trial with ATIR101 in North America and, albeit to a lesser extent, to increased headcount, and regulatory and clinical consultancy expenses. General and administrative expenses increased by EUR0.5 million mainly due to consultancy expenses for business development and investor relations, cash bonuses and audit fees.

14. FINANCIAL INCOME AND EXPENSES

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Finance income		
- Interest income	25	1
- Net foreign exchange gain	793	133
- Gain from exercise of derivatives	-	4,589
	818	**4,723**
Finance expenses		
- Bank borrowings, and other debt	(754)	(674)
- Loss from restatements of loans	(1,455)	(1,011)
- Loss from change in fair value of derivatives	-	(859)
	(2,209)	**(2,544)**

Net foreign exchange gains of EUR793 thousand in the first six months of 2016 include EUR653 thousand of unrealized (non-cash) Canadian dollar/euro exchange rate gains on intra-group loans. This net gain compares to a gain of EUR208 thousand in the same period of 2015.

Due to an increase in the estimated future cash flows underlying the Hospira Inc. loan, the carrying amount of the loan was adjusted upward for EUR1.5 million (see Note 10). This resulted in a charge included in finance expenses of the same amount.

15. FINANCIAL INSTRUMENTS

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. These tables do not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(Amounts in EUR x 1,000)	Carrying amount				Fair value			
	Non-current assets	Current assets						
		Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total
30 June 2016								
Financial assets not measured at fair value								
Trade and other receivables		103		103				
Cash and cash equivalents			23,698	23,698				
		103	**23,698**	**23,801**				
31 December 2015								
Financial assets not measured at fair value								
Trade and other receivables		145		145				
Cash and cash equivalents			28,666	28,666				
		145	**28,666**	**28,811**				

(Amounts in EUR x 1,000)	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities						
	Derivatives	Loans and borrowings	Trade and other payables	Loans and borrowings	Total	Level 1	Level 2	Level 3	Total
30 June 2016									
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		5,325		1,360	6,685		6,685		6,685
Loan from Hospira Inc.		8,486			8,486		8,486		8,486
Loan from University of Montreal, Canada		815			815		815		815
Trade and other payables			5,254		5,254				
	-	**14,626**	**5,254**	**1,360**	**21,240**				
31 December 2015									
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		6,093		1,166	7,259		7,259		7,259
Loan from Hospira Inc.		6,803			6,803		6,803		6,803
Loan from University of Montreal, Canada		817			817		817		817
Trade and other payables			1,747		1,747				
	-	**13,713**	**1,747**	**1,166**	**16,626**				

16. CONTINGENCIES AND COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(Amounts in EUR x 1,000)	30 June 2016	31 December 2015
Less than one year	315	275
Between one and five years	29	57
More than 5 years	-	-
	344	**332**

The operating lease contracts mainly relate to office and laboratory space in Amsterdam. In March 2016, the Company extended the lease terms for its head office and laboratories in Amsterdam with one year.

17. TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties that have a significant influence over the Company during the six months presented in this Interim Report are described below. Other than this, there were no transactions or business activities with related parties.

Management Board

The Management Board included in the table below relates to 2 members (Chief Executive Officer and Chief Financial Officer) that were in office during the first six months of 2016 and 2015.

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Salaries and other short-term employee benefits	376	254
Pensions	7	5
Share-based payment	-	3,856
Social securities	13	13
Other emoluments	4	2
Total	**400**	**4,130**

Supervisory Board

The remuneration of the Supervisory Board members included in the table below relates to the compensation for 4 members in the first quarter (Q1 2015: 3) and 5 members in the second quarter of 2016 (Q2 2015: 4). On 28 June 2016, the Company strengthened its supervisory board by adding 2 new independent board members who were appointed by the Annual General Meeting of shareholders. Only independent board members receive compensation for their services.

(Amounts in EUR x 1,000)	For the six months ended	
	30 June 2016	30 June 2015
Remuneration	4	28
Share-based payment	-	65
Total	**4**	**93**

Transactions of shares in the Company

Kiadis Pharma had an incentive scheme in place (the Exit Participation Plan or EPP) under which participants were eligible to receive a bonus based on a percentage of the value of the Company in case of an IPO or other pre-defined exit event. On 3 July 2015, the Company's shares were successfully listed on the Euronext Amsterdam and Euronext Brussels stock exchanges. On 28 June 2016, the share rewards vested and subsequently shares of the Company were issued to all participants. Mr. Rüdiger, the Company's CEO, received 153,459 shares Kiadis Pharma N.V. and Mr. van Heekeren, the Company's CFO, received 37,737 shares Kiadis Pharma N.V.

18. SUBSEQUENT EVENTS

Early July, the Company strengthened its partnership with The Leukemia & Lymphoma Society (LLS). Following the initial investment by LLS in February 2016, a second funding took place through an equity investment of USD750,000 (EUR677,507) and a total number of 67,020 shares were issued to LLS.

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