Annual Report 2014

Kiadis Pharma B.V.

Contents

DIRECTORS' REPORT

Overview

We are a pharmaceutical development company focused on the clinical development and commercialization of cell-based immunotherapy products for treatment of blood cancer and inherited blood disorders. Our products address limitations and complications in stem cell transplantation procedures. We believe our products have the potential to address significant unmet medical needs and selected orphan indications, by targeting patients for whom current treatments have not been effective.

ATIR, our lead product, is being developed as a cell based product and is allowing end- stage blood cancer patients to receive allogeneic stem cell transplants from mismatched donors by facilitating early immune reconstitution without inducing acute GvHD. As a result, ATIR has the potential to reduce transplant related mortality associated with allogeneic transplantations. ATIR is derived from the Theralux product platform, which is based on our proprietary compound TH9402, which selectively targets and eliminates rapidly dividing cells such as cancer cells and immune reactive cells after activation by light using a proprietary illumination device.

In 2013 we commenced our CR-AIR-007 Phase II multi-center clinical study for our product ATIR. A total of 23 leukemia patients with acute myeloid leukemia (AML), acute lymphoblastic leukemia (ALL) and myelodysplastic syndrome (MDS) will be treated. The study successfully reached its formal pre-specified interim analysis at the end of September 2014, when the first ten treated patients had been followed up for a minimum of six months for transplant related mortality (TRM), the primary endpoint of the study. The data are in line with the safety and efficacy findings from a previous study and confirm that ATIR is very efficiently depleted of those T-cells that would cause GvHD, while the patients seem to benefit from the immune-protection against many infections and against residual tumor cells provided by the retained donor T-cells in ATIR. As the interim study results are within the expected range, the Independent Data Monitoring Committee has recommended continuation of the study. Recruitment rates were however slower than anticipated, and reaching the primary endpoint of the study is now expected around end 2015. Due to this fact we decided to raise additional funding for the program and raised EUR 5 million in a Series BB round in November 2014.

On the manufacturing side, we completed in 2014 an additional technology transfer into a US East Coast based facility of a potential future contract manufacturer for ATIR. Furthermore, we established an additional layer of protection for ATIR with an Orphan Drug Designation (ODD) for the treatment of AML, granted by EMA in November 2014. At this point in time we have protected ATIR by four different ODDs in the EU and the US.

Since our inception, we have not generated any revenues from sales of our products, which are in clinical development and have not yet been approved for marketing. To date, we have relied principally on the issuance and sale of equity and debt securities and a grant of regional exclusive license rights to commercialize ATIR to finance our operations. Based on our current operating plans, we believe that we will be able to continue our operations. We have incurred significant losses, as we have devoted a significant amount of resources to clinical research and development. We expect to continue to incur substantial operating losses in the future. We will not receive any revenues or net cash flows from sales of our products unless they have been approved, if at all, by the European Medicines Agency, the United States Food and Drug Administration, the Canadian Therapeutic Products Directorate or comparable regulatory authorities in other countries and commercialized successfully.

Overview of Results of Operations

Research and Development Expenses

We are focused on the clinical development of our products, with particular emphasis on ATIR. We anticipate that research and development expenses will continue to increase as we advance the clinical development of our products. We believe that our research and development expenses may be expected to comprise the following:

- the costs of conducting and managing our sponsored clinical trials, including payments to medical investigators, payments of patient costs, and payments to a contract research organization;
- salary and benefit costs allocated to research and development employees;
- regulatory activities, including testing and collecting data, preparing and submitting filings, communicating with regulatory authorities and reviewing the design and conduct of clinical trials for compliance with applicable requirements;
- depreciation of laboratory and other equipment;
- payments of reasonable costs in connection with physician-initiated clinical trials;
- payments to suppliers of active pharmaceutical ingredients and manufacturers of the products used in our clinical trials and research and development activities.

In 2014 the R&D cost came to a level of €4,692 thousand, compared to €3,548 thousand in 2013. There is a risk that any clinical development or product discovery program may not result in marketing approval. To the extent that we fail to obtain approval to market any of our products in a timely manner and have to continue clinical trials over a longer period of time, our R&D expenses may further increase.

Profit or Loss for the Period

The loss for the year ended 31 December 2014 was €7,813 thousand, compared to a loss of €6,885 thousand for the year ended 31 December 2013. The cash used in operations was €6,075 thousand in 2014 compared to €4,397 thousand in 2013.

Liquidity and Capital Resources

We are making losses since our establishment. Our cash and cash equivalents on hand are currently not sufficient to meet our working capital requirements through the 12 months following the date of the Directors` Report. However, we believe that sufficient additional capital can be raised by means of the capital markets, non-dilutive financing or strategic transactions to have a continuation of the development program. See also Note 2.1 to the consolidated financial statements under ‘Going concern assessment’.

Employees

At the end of 2014 the company employed 21 employees (2013: 20), all located in Amsterdam, The Netherlands.

Qualitative Disclosure about Market Risk

As a result of our operating and financing activities, we are exposed to market risks that may affect our financial position and results of operations. Market risk is the potential to incur economic losses on risk sensitive instruments arising from adverse changes in factors such as foreign exchange rate fluctuations.

Our senior management is responsible for implementing and evaluating policies which govern our funding, investments and any use of derivative financial instruments. Management monitors risk exposure on an ongoing basis.

Foreign Currency Risk

We use the euro as our reporting currency. As a result, we are exposed to foreign currency exchange movements, primarily in North American currencies. We do not enter into contracts that reflect the changes in the value of foreign currency exchange rates to preserve the value of assets, commitments and anticipated transactions. Therefore, fluctuations in exchange rates may distort year-to-year comparisons of financial performance.

Net investments in subsidiaries in foreign countries are long-term investments. Their book value changes through movements of foreign currency exchange rates. We do not hedge the net investments in foreign subsidiaries.

11 June 2015
Manfred Rüdiger, Chief Executive Officer
Robbert van Heekeren, Chief Financial Officer

KIADIS PHARMA B.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts in euro x 1,000)

	Note	As at 31 December 2014	As at 31 December 2013
Assets			
Property, plant and equipment	5	413	280
Intangible assets	6	13,687	13,148
Total non-current assets		**14,100**	**13,428**
Trade and other receivables	7	196	51
Deferred expenses	7	242	227
Cash and cash equivalents	8	5,674	6,482
Total current assets		**6,112**	**6,760**
Total assets		**20,212**	**20,188**
Equity			
Share capital		10,567	10,896
Share premium		57,243	51,863
Translation reserve		317	249
Warrant reserve		2,580	2,580
Accumulated deficit		(68,042)	(60,229)
Equity attributable to owners of the Company	9	**2,665**	**5,359**
Liabilities			
Loans and borrowings	11	5,090	10,021
Derivatives	12	3,730	3,189
Total non-current liabilities		**8,820**	**13,210**
Loans and borrowings	11	7,129	384
Trade and other payables	13	1,598	1,235
Total current liabilities		**8,727**	**1,619**
Total liabilities		**17,547**	**14,829**
Total equity and liabilities		**20,212**	**20,188**

KIADIS PHARMA B.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in euro x 1,000)

	Note	For the year ended 31 December 2014	2013
Revenue	14	-	-
Other income	15	-	-
Research and development expenses	16,17	(4,692)	(3,548)
General and administrative expenses	16,17	(1,476)	(1,444)
Total expenses		**(6,168)**	**(4,992)**
Operating loss		**(6,168)**	**(4,992)**
Interest income		28	89
Interest expenses		(1,073)	(920)
Other net finance expenses		(598)	(1,062)
Net finance expenses	18	**(1,643)**	**(1,893)**
Loss before tax		**(7,811)**	**(6,885)**
Income tax expense	19	(2)	-
Loss for the period		**(7,813)**	**(6,885)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations		68	(270)
Related tax		-	-
		68	(270)
Other comprehensive income for the period, net of tax		**68**	**(270)**
Total comprehensive income for the period		**(7,745)**	**(7,155)**
Loss attributable to:			
Owners of the company		(7,813)	(6,885)
		(7,813)	**(6,885)**
Total comprehensive income attributable to:			
Owners of the company		(7,745)	(7,155)
		(7,745)	**(7,155)**
Earnings per share	20		
Basic earnings per share (euro)		(0.75)	(0.63)

KIADIS PHARMA B.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in euro x 1,000)

	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2013		**10,896**	**51,850**	**529**	**2,580**	**(53,341)**	**12,514**
Loss for the period						(6,885)	(6,885)
Other comprehensive income				(270)			(270)
Total comprehensive income		**-**	**-**	**(270)**	**-**	**(6,885)**	**(7,155)**
Transactions with owners, recorded directly in equity							
Issue of shares	9	-					-
Other		-	13	(10)		(3)	-
Equity-settled share-based payments	16					-	-
Balance as at 31 December 2013		**10,896**	**51,863**	**249**	**2,580**	**(60,229)**	**5,359**
Balance as at 1 January 2014		**10,896**	**51,863**	**249**	**2,580**	**(60,229)**	**5,359**
Loss for the period						(7,813)	(7,813)
Other comprehensive income				68			68
Total comprehensive income		**-**	**-**	**68**	**-**	**(7,813)**	**(7,745)**
Transactions with owners, recorded directly in equity							
Issue of shares	9	593	4,458				5,051
Cancellation of ordinary shares	9	(922)	922				-
Equity-settled share-based payments	16					-	-
Balance as at 31 December 2014		**10,567**	**57,243**	**317**	**2,580**	**(68,042)**	**2,665**

KIADIS PHARMA B.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in euro x 1,000)

	Note	For the year ended 31 December 2014	2013
Cash flows from operating activities			
Loss for the period		**(7,813)**	**(6,885)**
Adjustments for :			
Depreciation of property, plant & equipment (PPE)	5	126	102
Impairment losses on intangible assets	6	-	80
Net interest expenses	18	1,045	831
Net unrealized foreign exchange (gains) or losses		(361)	1,238
(Gain) or loss from change in fair value of derivatives	12	541	-
(Gain) or loss from restatements of loans	11	387	(178)
Income tax expense	19	2	-
Cash used in operating activities before changes in working capital and provisions:		**(6,073)**	**(4,812)**
Trade and other receivables		(143)	286
Deferred expenses		(16)	(88)
Trade and other payables		256	(167)
Other liabilities		(86)	412
Total change in working capital		**11**	**443**
Provisions		-	-
Cash used in operating activities		**(6,062)**	**(4,369)**
Interest paid		(13)	(28)
Income taxes paid		-	-
Net cash used in operating activities		**(6,075)**	**(4,397)**
Cash flows from investing activities			
Interest received		28	89
Acquisition of PP&E	5	(259)	(102)
Net cash used in investing activities		**(231)**	**(13)**
Cash flows from financing activities			
Proceeds from issue of shares	9	5,051	-
Proceeds from government loans	11	889	1,317
Repayment of borrowings	11	(450)	(300)
Net cash used in financing activities		**5,490**	**1,017**
Net decrease in cash and cash equivalents		**(816)**	**(3,393)**
Cash and cash equivalents as at 1 January		6,482	9,900
Effect of exchange rate fluctuations on cash held		8	(25)
Cash and cash equivalents as at 31 December	8	**5,674**	**6,482**

1. General Information

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

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

These financial statements were authorized for issue by the Management Board and Supervisory Board of the Company on 11 June 2015. The financial statements as presented in this report are subject to approval by the General Meeting of Shareholders.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Certain comparative amounts in the consolidated statement of financial position, the income statement, and statement of comprehensive income have been reclassified to conform to this year's presentation.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS", hereafter also referred to as "IFRS").

The consolidated financial statements have been prepared under the historical cost convention except when otherwise stated. All financial information presented in euro has been rounded to the nearest thousands, except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies, that have the most significant effect on the amounts recognized in the financial statements, are described on pages 22 – 25.

Going concern assessment

The consolidated financial statements have been prepared on a going concern basis, although based on the current operating plan cash and cash equivalents are currently not sufficient to meet the Company's working capital requirements through the 12 months following the date of these financial statements. The above circumstance indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. However, the Company believes that sufficient additional funds can be raised by means of equity financing, non-dilutive financing or strategic transactions. As subsequent event, the Company started to prepare for an Initial Public Offering (IPO). Based on its operating plans, and assuming the IPO will generate net proceeds of at least €18 million, management believes that the Company will be able to meet its financing needs up to the end of 2016. Based on the above, management believes that the Company will be able to meet its financial obligations in the twelve months following the date of these financial statements. Therefore, management is of the opinion that the going concern assumption is justified.

2.2 New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014, which Kiadis Pharma has not applied in preparing these consolidated financial statements.

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective on or after 1 January 2018, with early adoption permitted.

Kiadis Pharma is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9 and IFRS 15. The Company is not planning to early adopt these standards.

The following new or amended standards are not expected to have a significant impact on Kiadis Pharma consolidated financial statements:

- Classification of Acceptable Methods of Depreciation and Amortization (amendments to IAS 16 and IAS 38)
- Defined Benefit Plans: Employee Contributions (amendments to IAS 19)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

2.3 Consolidation

The Company is the holding company of a group of companies. The legal entities forming the Group are as follows:

Legal Entity	Country of Incorporation	Ownership
Kiadis Pharma Netherlands N.V.	The Netherlands	100.00%
Kiadis Pharma Intellectual Property N.V.	The Netherlands	100.00%
Kiadis Pharma Germany GmbH	Germany	100.00%
Kiadis Pharma Canada Inc. (*)	Canada	100.00%
Celmed Oncology (USA) Inc.	USA	100.00%

(*) Celmed BioSciences Inc. merged with Kiadis Pharma Canada Inc. on December 11, 2006, with Kiadis Pharma Canada Inc. as the surviving company.

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. 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 31 December 2014, the Group has one lead 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.

2.5 Foreign Currency Translation

(a) Functional and presentation currency

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 euro, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2.6 Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash disclosed in the cash flow statement is comprised of cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows denominated in foreign currencies have been translated at the exchange rate prevailing at the transaction date. Exchange rate differences affecting cash items are shown separately in the Cash flow statement.

Interest paid and income taxes are included in Cash from operating activities.

2.7 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognized directly in the income statement.

Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Patents (licenses, trademarks)

Patents can be acquired separately or as part of a business combination. Patents that are acquired as part of a business combination are valued at fair value. Patents that are acquired separately by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. A patent is recognized as intangible asset when:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

The probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset. The probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination.

Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives. Amortization begins when an asset is available for use.

(c1) In-process research and development acquired in a business combination

In-process research and development acquired in a business combination is capitalized as intangible assets if the assets acquired meet the definition of an intangible asset. I.e., an intangible asset lacks physical substance; is identifiable; is non-monetary; and is controlled by the entity and expected to provide future economic benefits. Intangible assets acquired in a business combination that meet the following criteria are recognized at fair value: it is probable that future economic benefits that are attributable will flow to the entity; and the fair value of the asset can be measured reliably. These intangible assets are amortized from the moment these assets are available for use, being the commencement of the commercial introduction of the product on a straight-line basis over the term of its expected benefit.

(c2) Research and development expenses

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(c3) Capitalized in-process research and development

Capitalized in-process research and development costs with a finite useful life are stated at cost less accumulated amortization and impairment losses. These costs are amortized on a straight-line basis over the term of its expected benefit from the moment these assets are available for use, being the commencement of the commercial introduction of the product.

This intangible 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 (also refer to 2.9).

(d) Subsequent expenditure

Subsequent expenditure of intangibles is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates and is amortized over the estimated useful life of the respective intangible. All other expenditure, including expenditure on internally generated goodwill, is recognized in profit or loss when incurred.

2.8 Property, Plant and Equipment

(a) Property, plant and equipment

Property, plant and equipment comprise laboratory equipment, hardware, furniture and leaseholds improvements. All property, plant and equipment are measured at historical

cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) Subsequent costs

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(c) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Laboratory equipment and furniture: 5 years

Hardware: 5 years

Leaseholds Improvements: Lease term

Depreciation methods, useful lives and residual values are reassessed at the reporting 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 (also refer to 2.9).

Gains and losses on the sale of property, plant and equipment are included in the consolidated financial statement of income.

(d) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "finance lease liabilities". The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each term. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.9 Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.10 Financial Instruments

(a) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Investments are measured at fair value through profit and loss if held for trading purposes or designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit and loss when incurred. Financial instruments at fair value through profit and loss are measured at fair value, and changes therein are recognized in profit and loss.

Trade receivables are recognized at amortized cost less impairment losses.

Cash and cash equivalents includes cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities on the statement of financial position. Bank overdrafts that are

repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and borrowings are recognized at fair value at initial recognition and subsequently stated at amortized cost.

Loans and borrowings are classified as "current liabilities" and "non-current liabilities" to reflect the Group's obligations to repay the loan. The portion that is due for payment within 12 months is classified as "current liabilities" while the remainder is classified as "non-current liabilities".

Trade and other payables are stated at amortized cost.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Accounting for finance income and expense is discussed in Note 2.15.

(b) Derivative financial instruments

Derivatives that qualify as financial liabilities are accounted for at fair value through profit and loss. At each reporting date, the fair value of derivatives is remeasured and changes are recognized in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

2.11 Equity

(a) Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

(b) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss.

(c) Own shares

Own shares held are presented as a deduction from shareholders' equity. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity.

2.12 Employee Benefits

(a) Share-based payments

For equity-settled option and bonus plans the accounting treatment is as follows: the grant date fair value of options or rights to bonus shares granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to these options or rights. The amount recognized as an expense is adjusted to reflect the latest estimate of the number of rights that will vest.

For cash-settled bonus plans the expense and corresponding financial liability incurred are measured at the fair value of the liability. These cash-settled awards are subsequently re-measured at each reporting date.

(b) Pension obligations

The Group has a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Profit-sharing and bonus plans

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.13 Research & Development and General & Administrative Expenses

Research expenditures, and development expenditures that do not meet the asset recognition criteria, are recognized as expenses as incurred and comprise allocated employee costs, collaboration costs, allocated office costs, license costs, amortization costs, depreciation costs, and the cost of laboratory consumables.

General and administrative expenses comprise allocated employee costs, allocated office costs, consultancy costs, and other general and administrative costs.

2.14 Operating Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

2.15 Finance Income and Expenses

Finance income comprises interest income on funds invested, and foreign currency gains. Interest income is recognized as it accrues, using the effective interest method.

Finance expenses comprise interest expense on loans and borrowings and foreign currency losses.

2.16 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, with a risk influenced by the individual

characteristics of each customer, and investment securities. The Group limits its exposure to credit risk by maintaining its bank accounts and short term deposits with well-established banks.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group limits its exposure to credit risk by maintaining its bank accounts and short term deposits with well established bank institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(c) Market risk

As a result of its operating and financing activities, the Group is exposed to market risks that may affect its financial position and results of operations. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will potentially incur economic losses.

Senior management is responsible for implementing and evaluating policies which govern the Group's funding, investments and any use of derivative financial instruments. Management monitors risk exposure on an ongoing basis.

Foreign currency risk

The Group's functional currency is the euro. It operates via its Dutch entities, but it also conduct business in North America. The Group has therefore expenses denominated in the Canadian dollar and the US dollar in connection with, among other things, its sponsored trials, process development, loans, and the maintenance of its intellectual property portfolio. The Group also has intercompany financing between Group companies and has US dollar loans.

Upon preparing consolidated financial statements, the Group's euro-denominated consolidated reported financial results can be affected by changes in the relative values of the Canadian dollar and the US dollar against the euro. Fluctuations in currency values

also distort period-to-period comparisons of financial performance. Also given the high volatility of currency exchange rates, there can be no assurance that the Group will be able to effectively manage its currency risk to minimize its impact on its business. The Group's exposure to foreign currency translation gains and losses may change over time if it expands its operations and could have a material adverse effect on the Group's business, results of operations or financial condition. The Group does not currently engage in any hedging activities to limit its exposure to exchange rate fluctuations. Refer to Note 21 for a sensitivity analysis of how exchange rate fluctuations may impact the Group's equity and profit.

Interest rate risk

The Group is exposed to changes in interest rates on borrowings as some of the interest rates are variable, for details refer to Note 21.

4. Critical accounting estimates and judgments

The Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. The preparation of financial statements requires senior management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the Group's financial statements, and the reported amounts of revenues and expenses for the relevant accounting periods. The Group bases these estimates on historical experience and assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Management evaluates these estimates on an ongoing basis

Critical accounting estimates and assumptions

The Group has identified the following critical accounting policies as requiring management to make the most significant estimates and judgments in the preparation of its consolidated financial statements. The Group considers an accounting policy to be critical if it requires management to make an accounting estimate based on assumptions about matters that are highly uncertain at the time the estimate is made, and if the reasonable use of different estimates in the current period or changes in the accounting estimate that are reasonably likely to occur from period to period would have a material impact on its financial presentation. When reviewing the Group's financial statements, investors should consider the effect of estimates on its critical accounting policies, the judgments and other uncertainties affecting application of these policies and the sensitivity of the Group's reported financial results to changes in conditions and assumptions. The Group's actual results may differ materially from these estimates under different assumptions.

Critical judgments in applying the Company's accounting policies

(a) Impairment of Goodwill, Patents and In-process R&D acquired in a business combination

The Group reviews long-lived assets for impairment when events or circumstances indicate that carrying amounts may not be recoverable. In determining impairments of intangible assets and tangible fixed assets, management must make significant judgments and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgments and estimates that have been included in the Group's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, in general the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill and intangibles that are not yet amortized are evaluated at least annually for impairment and written down to its recoverable amount, in the case of impairment. The determination of such implied value involves significant judgment and estimates from management.

Changes in assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements.

(b) Income Tax Expense

The Group exercises judgment in determining the extent of the realization of the net operating losses based upon estimates of future taxable income in the various jurisdictions in which these net operating losses exist. Where there is an expectation that on the balance of probabilities there will not be sufficient taxable profits to utilize these net operating losses, these net operating losses have not been recognized as a deferred tax asset. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes could materially impact the Group's financial position and results of operations.

At 31 December 2014, Kiadis Pharma B.V. had deferred tax assets in respect of gross cumulative tax losses of €43.3 million in the Netherlands, CN$18.2 million in Canada and US$32.0 million in the United States. These deferred tax assets have been recognized to the extent they are used to offset the deferred tax liabilities which the Group has recognized.

(c) Share-based payments

The amount recognized as an expense for equity-settled share-based payments reflects the latest estimate of the number of rights that will vest. At each balance date, the Group revises its estimates of the number of rights which are expected to vest. The Group recognizes the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity.

The amount recognized as an expense for cash-settled share-based payments reflects the estimated change in fair value of the corresponding liability at the reporting date.

(d) Derivatives

The Group exercises judgment in determining the estimated value of derivatives. For derivatives that are level 3 financial liabilities this means that management has to make assumptions about significant unobservable inputs used to calculate fair values, based on binomial option pricing

(e) Loans and borrowings

The Group exercises judgment in determining which financial liabilities qualify as loans and subsequently exercises judgment in determining the estimated value of these loans. For level 2 financial liabilities, management has to make significant judgments and estimates about future cash flows.

Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The fair value of in-process research and development acquired in a business combination is based on the discounted cash flow method for product-related technologies (by calculating the present value of future cash flows resulting from each asset). Discount rates of 12% to 14% had been used for a risk-adjusted NPV model.

(b) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(c) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Share-based payments

Measurement inputs to calculate the fair value of employee stock options include the (estimated) share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service

and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Measurement inputs to calculate the fair value of employee rights to equity-settled share-based payments include the estimated share price on the grant date, exercise price and the estimated vesting schedule. For cash-settled share-based payments the estimated share price at the reporting date is used as an input to calculate the fair value of the liability.

(e) Derivatives

The estimated fair value of derivatives of level 3 is based on a binomial model. Measurement inputs to calculate the fair value include estimated share prices, probabilities that certain scenarios will occur, discount rates, and the exercise price of the instrument.

(f) Loan from Hospira Inc.

The Group exercises judgment in determining the estimated value of the financial liability towards Hospira Inc. that has been judged as a loan. For this financial liability, management has to make significant judgments and estimates about future cash flows towards Hospira Inc.

5. Property, Plant and Equipment

	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	Total
Balance as at 1 January 2013				
Cost of acquisition	504	379	41	924
Depreciation / impairment	(285)	(318)	(41)	(644)
Book value as at 1 january 2013	**219**	**61**	**-**	**280**
Changes in book value 2013				
Additions	64	38		102
Acquisitions through business combinations (*)				-
Retirements & Disposals				-
Depreciation	(71)	(31)		(102)
Effect of movement in foreign exchange rates				-
Total changes in book value 2013	**(7)**	**7**	**-**	**-**
Balance as at 31 December 2013				
Cost of acquisition	568	295	41	904
Depreciation / impairment	(356)	(227)	(41)	(624)
Book value as at 31 December 2013	**212**	**68**	**-**	**280**
Changes in book value 2014				
Additions	250	9		259
Acquisitions through business combinations (*)				-
Retirements & Disposals				-
Depreciation	(96)	(30)		(126)
Effect of movement in foreign exchange rates				-
Total changes in book value 2014	**154**	**(21)**	**-**	**133**
Balance as at 31 December 2014				
Cost of acquisition	818	304	41	1,163
Depreciation / impairment	(452)	(257)	(41)	(750)
Book value as at 31 December 2014	**366**	**47**	**-**	**413**

6. Intangible Assets

	Goodwill	In-process Research & Development	Patents	Total
Balance as at 1 January 2013				
Cost	4,645	10,037	80	14,762
Amortization / Impairment	-	-	-	-
Book value as at 1 january 2013	**4,645**	**10,037**	**80**	**14,762**
Changes in book value 2013				
Additions	-	-	-	-
Impairment loss	-	-	(80)	(80)
Effect of movement in foreign exchange rates	(485)	(1,049)	-	(1,534)
Total changes in book value 2013	**(485)**	**(1,049)**	**(80)**	**(1,614)**
Balance as at 31 December 2013				
Cost	4,160	8,988	80	13,228
Amortization / Impairment	-	-	(80)	(80)
Book value as at 31 December 2013	**4,160**	**8,988**	**-**	**13,148**
Changes in book value 2014				
Additions	-	-	-	-
Impairment loss	-	-	-	-
Effect of movement in foreign exchange rates	170	369	-	539
Total changes in book value 2014	**170**	**369**	**-**	**539**
Balance as at 31 December 2014				
Cost	4,330	9,357	80	13,767
Amortization / Impairment	-	-	(80)	(80)
Book value as at 31 December 2014	**4,330**	**9,357**	**-**	**13,687**

Goodwill

Goodwill recognized relates to the acquisition of Celmed BioSciences Inc.

In-process research and development acquired in a business combination

The business combination effected in 2006 (acquisition of Celmed BioSciences Inc.) has been accounted for in accordance with IFRS 3, Business Combinations. Based on IFRS 3, the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. These intangible assets are amortized from the commencement of the commercial production of the product on a straight-line basis over the term of its expected benefit. The useful live is estimated to be 10 years at minimum from the date of market introduction.

Patents

In December 2006, the Company acquired certain intangible assets related to the Wnt Pathway from Hybrigenics SA and from one of its subsidiaries for an amount of €80 thousand. In 2013, it has been estimated, based on the life span of the patents concerned, that these acquired IP rights have no value anymore and an impairment charge has been taken for the total value of €80 thousand. The Company is no longer working on any of these assets.

Impairment test of goodwill and in-process research and development

For the purpose of the impairment testing, goodwill and in-process research and development have been allocated to the total Group because no lower cash-generating units can be identified which generate cash inflows that are largely independent of those from other assets. The recoverable amount is determined based on a value-in-use calculation (i.e. the present value of the future cash flows expected to be derived from the products, of which positive cash flows are not expected till the development period has successfully completed and a product has been launched, the commencement of the commercial sale of the product). The calculation is executed by applying an income approach which involves calculating the present value of future cash flows (over an estimable period) resulting from each asset. Estimated risk-adjusted future net cash flows are used, which are a.o. based on probabilities of reaching the market with an estimated potential product introduction date (estimated 2017-2020), possible revenues resulting from estimated market shares and product pricing, estimated gross margins and estimated operating expenditures. A discount rate of 12% had been used for a risk-adjusted NPV model. Reasonable possible changes in key assumptions will not lead to a materially different outcome. However, a scenario of not being able to reach commercialization of the related products will probably result in impairment.

7. Trade, Other Receivables and Deferred Expenses

	2014	2013
Trade receivables	-	-
VAT receivables	122	27
Deferred expenses	242	227
Deposits (lease of buildings)	58	2
Other amounts receivable	16	22
	438	**278**

8. Cash and Cash Equivalents

	2014	2013
Cash at bank and in hand	5,643	724
Short-term bank deposits	31	5,758
Cash and cash equivalents	**5,674**	**6,482**
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	**5,674**	**6,482**

All amounts reported as cash or cash equivalents are at the free disposal of the company with the exception of a call deposit having a carrying value of €31 thousand that is pledged against certain bank guarantees provided as security for the lease of buildings.

9. Shareholders' equity

	Number of Issued Shares		
	Ordinary Shares	Preference Shares Class AA	Preference Shares Class BB
Balance as at 1 January 2013	**9,706,917**	**1,188,841**	**-**
New shares issued for cash	-	-	-
Cancellation of ordinary shares	-	-	-
Balance as at 31 December 2013	**9,706,917**	**1,188,841**	**-**
New shares issued for cash	-	-	593,577
Cancellation of ordinary shares	(921,998)	-	-
Balance as at 31 December 2014	**8,784,919**	**1,188,841**	**593,577**

	Issued Share Capital			
	Ordinary Shares	Preference Shares Class AA	Preference Shares Class BB	Total
Balance as at 1 January 2013	**9,707**	**1,189**	**-**	**10,896**
New shares issued for cash	-	-	-	-
Conversion to ordinary shares	-	-	-	-
Balance as at 31 December 2013	**9,707**	**1,189**	**-**	**10,896**
New shares issued for cash	-	-	593	593
Cancellation of ordinary shares	(922)	-	-	(922)
Balance as at 31 December 2014	**8,785**	**1,189**	**593**	**10,567**

In 2014, the Company issued an aggregate number of 593,577 preference BB shares at a price of €8.51 per share to existing shareholders.

Shares issued:

On December 31, 2014, the total number of ordinary shares issued by the Company was 8,784,919 (2013: 9,706,917) with a nominal value of €1.00 per share.

On December 31, 2014, the total number of preference shares AA issued by the Company was 1,188,841 (2013: 1,188,841) with a nominal value of €1.00 per share.

On December 31, 2014, the total number of preference shares BB issued by the Company was 593,577 (2013: nil) with a nominal value of €1.00 per share.

Ordinary and preference shares hold the right to one vote per share. In case of an exit event (e.g. IPO or trade sale) or liquidation of the Company, preference AA shares have a twenty-five time liquidation preference and preference BB shares have a 3 time liquidation preference. On the closing of an IPO, all outstanding preferred shares will be converted into ordinary shares on a one-to-one ratio. However, the shareholders of the company have agreed that depending on the valuation of the company in such an IPO, the preferred shareholders will be entitled to receive more ordinary shares than the number of preferred shares held by them immediately prior to conversion. Any such additional ordinary shares that preferred shareholders are entitled to, will be delivered by the current holders of ordinary shares. The conversion of the preferred shares into ordinary shares upon an IPO will therefore effectively constitute a redistribution of the share capital of the company among the shareholders.

Own shares held

At December 31, 2014 the Group did not hold any of its own shares (2013: 921,998). On June 2, 2014, the Company cancelled all ordinary shares it previously held.

Share premium

	2014	2013
Balance as at 1 January	**51,863**	**51,850**
Paid-in surplus on new shares issued	4,458	-
Cancellation of ordinary shares	922	-
Other	-	13
Balance as at 31 December	**57,243**	**51,863**

Translation reserve

The translation reserve comprises all foreign currency differences arising from translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Warrant reserve

The Company has issued an aggregate number of 1,224,140 warrants on ordinary shares. In 2009, the Company issued 961,186 warrants with an expiry date of 31 December 2015; and in 2010 the Company issued 262,954 warrants with an expiry date of 31 December 2016.

10. Deferred Tax Assets and Liabilities

2014	Net balance at 1 January	Recognized in profit or loss	Recognized in OCI	Recognized directly in equity	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
Intangible assets	(2,876)			(118)	(2,994)	-	(2,994)
Derivatives	797	136			933	933	-
Loans and borrowings	900	196			1,096	1,096	-
Tax value of accumulated losses	21,592	2,596			24,188	24,188	-
Tax assets (liabilities) before set-off	**20,413**	**2,928**	**-**	**(118)**	**23,223**	**26,217**	**(2,994)**
Set-off of tax	-				-	(2,994)	2,994
Tax assets (liabilities)	**20,413**	**2,928**	**-**	**(118)**	**23,223**	**23,223**	**-**
Losses for which no deferred tax asset is recognized	(20,413)	(2,928)	-	118	(23,223)	(23,223)	-
Deferred tax assets (liabilities)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2013	Net balance at 1 January	Recognized in profit or loss	Recognized in OCI	Recognized directly in equity	Balance at 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
Intangible assets	(3,212)			336	(2,876)	-	(2,876)
Derivatives	797	-			797	797	-
Loans and borrowings	851	49			900	900	-
Tax value of accumulated losses	21,979	(387)			21,592	21,592	-
Tax assets (liabilities) before set-off	**20,415**	**(338)**	**-**	**336**	**20,413**	**23,289**	**(2,876)**
Set-off of tax	-				-	(2,876)	2,876
Tax assets (liabilities)	**20,415**	**(338)**	**-**	**336**	**20,413**	**20,413**	**-**
Losses for which no deferred tax asset is recognized	(20,415)	338	-	(336)	(20,413)	(20,413)	-
Deferred tax assets (liabilities)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Since future taxable profits cannot be estimated reliably, it is uncertain how the Company may recover or settle the carrying amount of its deferred tax assets and liabilities. Therefore, the Company has recognized its deferred tax assets only to the extent that they may be used to offset deferred tax liabilities.

The deferred tax liabilities relate to the fair value of purchase price adjustments in respect of the acquisition of Celmed BioSciences Inc. Deferred tax assets mainly relate to temporary differences regarding license fees recognized as taxable income in 2010 and

2011 which will be offset by future royalty payments that are tax deductible, and the carry forwards of losses.

Accumulated tax losses

	2014	2013	Expiry period
Kiadis Pharma B.V. (*)	43,317	38,507	2015-2023
Kiadis Pharma Germany GmbH	-	2	
Kiadis Pharma Canada Inc. (**)	12,926	12,013	2024-2034
Celmed Oncology (USA) Inc. (***)	26,351	23,201	2017-2034
	82,594	**73,723**	

(*) The tax loss carry forwards in The Netherlands can only be utilized if the business carried on after the change of control is similar to the business carried on before the change in control.

(**) The tax loss carry forwards in Canada can only be utilized to the extent that the business carried on prior to the change of control is carried on after the change in control with a reasonable expectation of profit and only to the extent of the profit of that business or a similar business.

(***) The tax loss carry forwards in the USA available to be used by a purchaser are limited to the market value of the US Company multiplied by the Federal long term rate. Business enterprises must be continued or the losses available will be zero in any post-change year.

11. Loans and Borrowings

	2014	2013
Non current liabilities		
Government loans (RVO NL)	-	5,596
Government loans (Industry Canada)	-	72
Secured bank loans	-	150
Loan from Hospira Inc.	4,382	3,599
Loan from University of Montreal	708	604
	5,090	**10,021**

	2014	2013
Current liabilities		
Government loans (RVO NL)	7,129	-
Government loans (Industry Canada)	-	82
Secured bank loans	-	302
	7,129	**384**

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Carrying amount	
			2014	2013
Government Loan I (RVO NL)	11.40%	2015	4,693	4,213
Government Loan II (RVO NL)	10.00%	2015	2,436	1,383
Government loans (Industry Canada)	0.00%	2012-2014	-	154
Secured bank loan I	4.75%	2010-2014	-	301
Secured bank loan II	4.75%	2010-2014	-	151
Loan from Hospira Inc.	1.50%	undefined	4,382	3,599
Loan from University of Montreal	3.50%	undefined	708	604
			12,219	**10,405**

The secured bank loan I and II relate to credit facilities arranged by Deutsche Bank with an original term of 8 years amounting €1.5 million in total, a €1.0 million government-guaranteed loan ("Borgstellingskrediet") and a €0.5 million loan. Both loans had in 2014 an effective interest rate of 4.8% (2013: 4.8%).

Loan from RVO NL

In 2014 an additional amount of €0.9 million was received as a partial payment on government loan II (bearing an annually compounded interest rate of 10%) from Rijksdienst voor Ondernemend Nederland (RVO NL), a Dutch governmental agency. These types of loans have as purpose to stimulate innovation.

Loan from Hospira Inc.

In December 2011, the Company entered into an agreement with Hospira Inc. for which an amount of US$24.5 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:

(a) a milestone payment of US$3 million upon the earlier of (i) the execution of a sub-license on the Theralux platform, or (ii) the first commercial sale of a product derived from the Theralux platform; and

(b) a 5% royalty on worldwide net-sales of products derived from the Theralux product platform until the loan amount has been fully paid.

After initial recognition at fair value, the carrying amount of the loan is restated at each reporting date, should there have been a change in the (estimated) underlying cash flows. In such cases, the carrying amount of the loan is restated to the net present value of the (re-estimated) underlying cash flows discounted at the original effective interest rate of 11%.

Covenants

The Company is not subject to any debt covenants.

12. Derivatives

	2014	2013
Balance as at 1 January	**3,189**	**3,189**
Loss included in 'finance expenses' :		
- Net change in fair value (unrealised)	541	-
Balance as at 31 December	**3,730**	**3,189**

Warrants have been issued towards third party Kreos Ltd. These warrants have an exercise period up till November 2020 and entitle the holder to buy shares of any existing or future class of shares of the Group. At the time of issuance, the number of warrants was not fixed. As a result, the warrants do not meet the criteria of an equity instrument and are classified as a liability (see also Note 21). The fair value of these warrants has been determined by making use of binomial option pricing, taking into account potential scenarios of exercising or lapsing in the period up till November 2020. Input parameters that have been used are amongst others potential future equity values at moment of exercise and probabilities of occurring of these equity values. A risk-adjusted discount rate of 12% has been used in these calculations.

13. Trade and Other Payables

	2014	2013
Suppliers	396	182
Salaries, bonuses and vacation	119	139
Tax and social premium contributions	107	51
Accrued clinical costs	249	460
Accrued manufacturing costs	79	178
Accrued audit fees	58	66
Accrued R&D contracts	441	-
Tax credits	-	44
Other	149	115
	1,598	1,235

14. Revenues

No revenues were recorded in 2014 and 2013.

15. Other Income

No other income was recorded in 2014 and 2013.

16. Employee Benefits

	2014	2013
Wages and salaries	1,855	1,883
Compulsory social security contributions	176	159
Contributions to defined contribution plans	81	84
Share-based payments	-	-
Company cars	18	17
Other employee benefits	27	21
Total	**2,157**	**2,164**

Number of employees (headcount) as at 31 December		
Research & development positions	16	15
General & administrative positions	5	5
	21	**20**

Share-based payments

The Group has a share option program that entitles key management personnel and senior employees to purchase shares in the Company. Under the Kiadis stock option plan, 382,137 stock options were issued and still outstanding at December 31, 2014. Of these options 382,137 were vested and exercisable.

The option rights granted give entitlement to one ordinary share. Option rights granted are conditional on the employee completing a pre-defined number of years of service ("the vesting period"). Each installment of the Company's graded vesting awards is treated as a separate share option grant. Consequently, the vesting periods for the individual installments of the Company's graded vesting awards vary between 0 and 2 years for options granted after January 1, 2008. The options are exercisable from the vesting date. Option rights forfeit if the employee ceases to be employed with the Company or lapse after a maximum of 10 years after granting the option rights.

The fair value of these option rights is accounted for under wages and salaries in the income statement, with addition of the same amount to other reserves. Since the

Company is not listed, the share price was not readily available at the valuation date of the share options.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price (€ per share)	Number of options	Average exercise price (€ per share)	Number of options
At 1 January	**0.98**	**404,637**	**0.99**	**929,637**
Granted	1.00	-	1.00	-
Forfeited	1.00	-	1.00	-
Exercised	1.00	-	1.00	-
Lapsed	1.00	(22,500)	1.00	(525,000)
At 31 December	**0.98**	**382,137**	**0.98**	**404,637**

Share options outstanding at the end of the year have the following expiry year and exercise prices:

	Exercise price (€ per share)	Number of options	
		2014	2013
2016	0.60	17,804	17,804
2017	1.00	35,000	35,000
2018	1.00	187,000	187,000
2019	1.00	101,000	113,500
2020	1.00	41,333	51,333
	0.98	**382,137**	**404,637**

In 2014 (and in 2013), the Company did not incur any expenses for options granted.

17. Expenses

The research and development expenses comprise allocated employee costs, clinical development costs, collaboration costs, laboratory supplies, consumables costs and allocated depreciation costs. General and administrative expenses comprise allocated employee costs, office costs and other administrative costs.

The research and development and general and administrative expenses can be summarized as follows:

	2014	2013
Employee benefits (see Note 16)	2,157	2,164
Depreciation expense	126	102
Facilities	314	272
Consultancy	594	500
Telecom & IT	73	87
Travel	230	183
Insurance	62	59
Clinical costs	545	697
Manufacturing	1,794	698
Other	273	230
Total	**6,168**	**4,992**

	2014	2013
Research and development expenses	4,692	3,548
General and administrative expenses	1,476	1,444
Total	**6,168**	**4,992**

18. Finance Income and Expenses

	2014	2013
Finance income		
- Interest income	28	89
- Net foreign exchange gain	330	-
- Gain from restatements of loans	-	178
	358	**267**

	2014	2013
Finance expenses		
- Bank borrowings, and other debt	(1,073)	(920)
- Net foreign exchange loss	-	(1,240)
- Loss from restatements of loans	(387)	-
- Loss from change in fair value of derivatives	(541)	-
	(2,001)	**(2,160)**

Finance expenses for bank borrowings and other debt include interest on third party loans for €418 thousand (2013: €395 thousand), interest on government loans for €644 thousand (2013: €497 thousand), and interest on secured bank loans for €11 thousand (2013: €27 thousand).

19. Income Tax Expense in the Income Statement

	2014	2013
Tax expense for the period	2	-
Deferred tax expense	-	-
Income tax expense	**2**	**-**

Reconciliation of effective tax rate		
Loss before income taxes	(7,813)	(6,885)
Income tax (expense) income using domestic rates (25.0% for all years)	1,953	1,721
Effect of tax rates in foreign jurisdictions	38	37
Tax exempt income	128	206
Non-deductible expenses	(880)	(694)
Tax loss for which no deferred tax asset is recognized	(1,237)	(1,270)
Income tax expense	**2**	**-**

20. Earnings per Share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2014 is based on the loss attributable to owners of the Company of €7,813 thousand and a weighted average number of shares outstanding during the year of 10,471 thousand.

Shares have been included in the weighted average number of shares from their issuance date.

	2014	2013
Loss attributable to owners of the Company	(7,813)	(6,885)
Weighted average number of ordinary shares	9,171,400	9,706,917
Weighted average number of preference shares AA	1,188,841	1,188,841
Weighted average number of preference shares BB	110,458	-
	10,470,699	10,895,758
Basic earnings per share (euro)	(0.75)	(0.63)

21. Financial Instruments

Capital management

The Company does not have an explicit return on capital policy. There have been no changes in the capital management policies during the year. Capital is considered by the Company to be equity and debt as shown in the statement of financial position.

Liquidity risk analysis

A debt repayment schedule is included in Note 11. Also refer to the Going concern assessment in Note 2.1 for an explanation of how the Company assessed its short-term obligations.

Fair values

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value. It does 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.

	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
31 December 2014									
Financial liabilities measured at fair value									
Derivatives	3,730				3,730			3,730	3,730
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		-		7,129	7,129		7,129		7,129
Government Loans (Industry Canada)		-		-	-		-		-
Secured bank loans		-		-	-		-		-
Loan from Hospira Inc.		4,382			4,382		4,382		4,382
Loan from University of Montreal		708			708		708		708
Trade and other payables			1,598		1,598				
	3,730	**5,090**	**1,598**	**7,129**	**17,547**				
31 December 2013									
Financial liabilities measured at fair value									
Derivatives	3,189				3,189			3,189	3,189
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		5,596		-	5,596		5,596		5,596
Government Loans (Industry Canada)		72		82	154		154		154
Secured bank loans		150		302	452		452		452
Loan from Hospira Inc.		3,599			3,599		3,599		3,599
Loan from University of Montreal		604			604		604		604
Trade and other payables			1,235		1,235				
	3,189	**10,021**	**1,235**	**384**	**14,829**				

	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
31 December 2014								
Financial assets not measured at fair value								
Trade and other receivables		196		196				
Cash and cash equivalents			5,674	5,674				
		196	**5,674**	**5,870**				
31 December 2013								
Financial assets not measured at fair value								
Trade and other receivables		51		51				
Cash and cash equivalents			6,482	6,482				
		51	**6,482**	**6,533**				

Exposure to interest rate risks

The effective interest rate on short-term bank deposits was 0.9% on average for 2014 (2013: 1.2%). An increase of 100 basis points in interest rates would have increased equity and profit by €30 thousand.

The interest rates on secured bank loans are variable. An increase (decrease) of 100 basis points in interest rates would have decreased (increased) equity and profit by €3 thousand in 2014 (2013: €6 thousand).

Exposure to foreign currency risk

A strengthening of the Canadian and US dollar against the euro at 31 December 2014 of 6% would have increased equity by €131 thousand and decreased the loss for the year by €396 thousand. This analysis is based on foreign currency exchange rates that the company considered to be reasonably possible at the end of the reporting period. All other variables are considered to remain unchanged.

The analysis is performed on the same basis for 2013. A strengthening of the Canadian dollar and US dollar against the euro at 31 December 2013 of 6% would have increased equity by €156 thousand and decreased the loss for the year by €382 thousand.

22. Contingencies

Milestone payments

Celmed Founding Shareholders

The Group is party to agreements with certain former shareholders of Celmed BioSciences Inc., including Theratechnologies Inc., Fonds de Solidarité des Travailleurs du Quebec and Investissements Santé Inc. Under these agreements, the Group is obligated to pay such shareholders CAD 3.4 million, if and when all approvals required to market Rhitol™ in the United States have been granted by the FDA and CAD 6.9 million, if and when all approvals required to market NB1011 in the United States have been

granted by the FDA. These obligations are secured by a hypothecation of certain rights to Theralux and NB1011 patents under Quebec laws and a security interest under California law.

University of Montreal

Between 1991 and 1997, Kiadis Pharma Canada Inc. and/or its predecessors entered into a series of licensing agreements with the University of Montreal which obligates the Group to pay royalties of 5% of net sales of all products derived from the Theralux product platform for the term of our commercialization of such products. The same rate of royalties applies to receipts related to sub-licenses.

Hospira Inc.

If the loan (see Note 11) has been repaid, Hospira is able to receive thereafter royalties of 3% on net sales of products derived from the Theralux product platform in a specified territory (total world minus North & South America and China) for an unlimited period of time.

Bonus for Management Team and Supervisory Board of Kiadis Pharma (Exit Participation Plan)

As an incentive payment, the Management Team and Supervisory Board are eligible to receive a percentage of the `exit-value` of Kiadis Pharma. In case of an IPO (Initial Public Offering), the exit-value is defined as the pre-money valuation and the bonus will be distributed by means of bonus shares. (In case of an IPO, there will be no distribution of cash). In case of a potential future M&A (merger & acquisition) or out-licensing deal, the exit value is defined as the trade-sale value of the company or the value to be received via out licensing of assets. Depending on the level of the proceeds, the combined percentage of the proceeds to be allocated in total for the Management Team and Supervisory Board together ranges from 2.0% to around 8.0%. The bonus is structured as such that a higher exit value will result in a higher percentage of this exit value to be distributed as bonus. The Company did not recognize any expenses yet related to this plan. It is seen as a contingency until it has become clear which of the potential Exit scenarios, if any, has become likely to be realized.

23. Commitments

Operating lease commitments

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

	2014	2013
Less than one year	196	276
Between one and five years	-	160
More than 5 years	-	-
	196	**436**

(a) Rental of premises:

The Company has rental commitments regarding office and laboratory space located in Amsterdam with a total liability as of December 31, 2014 of €192 thousand (2013: €413 thousand). The remaining lease terms are 8 months for office space and 4 months for laboratory space.

(b) Company cars:

The Company had undersigned one operational lease contract in The Netherlands regarding cars. The contract ended in 2014. The liability as of December 31, 2013 amounted to €6 thousand.

(c) Laboratory equipment:

The Company has undersigned one operational lease contract (2013: 2) in The Netherlands regarding laboratory equipment. The liability as of December 31, 2014 amounted to €4 thousand (2013: €18). The terms of the contract will end in 2015.

(d) Capital commitments

At the balance sheet dates December 31, 2014 there were no capital expenditures contracted for, but not yet incurred.

24. Business Combinations

There were no business combinations effected during the year 2014.

25. Related Parties

Transactions with related parties with a significant influence over the Company

The transactions with shareholders that have a significant impact over the Company during the years presented are described below. Other than this, there were no transactions or business activities with related parties.

Management Board and Supervisory Board

(a) Management Board salary, bonus and other emoluments

In addition to salaries, the Group also provides non-cash benefits.

The Management Board included in the table below relates to 2 members (Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) that were in office during the years 2014 and 2013.

	2014	2013
Salaries and other short-term employee benefits	536	498
Pensions	11	10
Social securities	27	10
Other emoluments	5	-
Total	**579**	**518**

The remuneration of the Supervisory Board members included in the table below relates to the compensation for 3 members in 2014 (2013: 3).

	2014	2013
Remuneration	52	25
Total	**52**	**25**

(b) Transactions of shares in the Company

In 2014 the Company raised €5.1 million in gross proceeds in a private placement. LSP I, a major shareholder acquired 91,318 preferred BB shares at €8.51 per share, at identical conditions as the other participants. Mr. Kleijwegt, a member of the Company's supervisory board, acquired (through Pro-Ventures I B.V.) 14,519 preferred BB shares at €8.51 per share, at identical conditions as the other participants. Mr. Rüdiger, CEO, acquired 1,762 preferred BB shares at €8.51 per share, at identical conditions as the other participants. Mr. Van Heekeren, CFO, acquired 235 preferred BB shares at €8.51 per share, at identical conditions as the other participants.

(c) Options held in the Company

Options held by Management Board and Supervisory Board members are as follows:

Options held by	As at 31 December		Exercise price in €	Conditions
	2014	2013		
M. Wegter	8,902	8,902	0.60	Granted and vested in 2006. Expiration date June 28, 2016.
M. Wegter	100,000	100,000	1.00	Granted in 2008 and vested in 2008, 2009, and 2010. Expiration date June 6, 2018.
M. Wegter	50,000	50,000	1.00	Granted in 2009 and vested in 2009,2010 and 2011. Expiration date October 1, 2019.
M. Kleijwegt	8,902	8,902	0.60	Granted and vested in 2006. Expiration date June 28, 2016.
M. Kleijwegt	25,000	25,000	1.00	Granted in 2008 and vested in 2008, 2009, and 2010. Expiration date June 6, 2018.
M. Kleijwegt	5,000	5,000	1.00	Granted in 2009 and vested in 2009,2010 and 2011. Expiration date October 1, 2019.
R. Van Heekeren	19,000	19,000	1.00	Granted in 2008 and vested in 2008,2009 and 2010. Expiration date May 1, 2018.
R. Van Heekeren	2,000	2,000	1.00	Granted in 2009 and vested in 2009,2010 and 2011. Expiration date October 1, 2019.
R. Van Heekeren	9,000	9,000	1.00	Granted in 2010 and vested in 2010,2011 and 2012. Expiration date October 1, 2020.

26. Subsequent Events

The Company is currently preparing for an Initial Public Offering (IPO).

In May 2015, a new repayment schedule for the loans from RVO NL has been agreed upon; as long as no M&A or license deal is realized beforehand, requirement to make repayments is spread over the period Q4 2015 through Q4 2020.

In the period from April to June 2015, adjustments in the distributed number of rights of the Exit Participation Plan (EPP) have taken place. Depending on the level of proceeds of a potential future M&A or license deal, or IPO, the combined percentage of the proceeds to be allocated in total for EPP participants ranges from 2.5% to around 7.9%.

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KIADIS PHARMA B.V.
BALANCE SHEET
(After appropriation of results, amounts in euro x 1,000)

	Note	As at 31 December 2014	2013
Assets			
Property, plant and equipment	1	1	2
Intangible assets *	2	-	-
Financial non-current assets *	3	13,953	13,225
Total non-current assets		**13,954**	**13,227**
Trade, other receivables and prepayments	4	62	33
Cash and cash equivalents	5	5,111	5,967
Total current assets		**5,173**	**6,000**
Total assets		**19,127**	**19,227**
Equity			
Share capital		10,567	10,896
Share premium		57,243	51,863
Translation reserve		317	249
Warrantv reserve		2,580	2,580
Accumulated deficit		(68,042)	(60,229)
Equity attributable to owners of the Company	6	**2,665**	**5,359**
Liabilities			
Loans and borrowings	7	5,090	9,799
Derivatives		3,730	3,189
Provisions *	3	294	773
Total non-current liabilities		**9,114**	**13,761**
Loans and borrowings	7	7,129	-
Trade and other payables	9	219	107
Total current liabilities		**7,348**	**107**
Total liabilities		**16,462**	**13,868**
Total equity and liabilities		**19,127**	**19,227**

* In the 2014 financial statements, goodwill and other intangible assets relating to investments in subsidiaries are included in financial non-current assets. Receivables due by group companies for which no payment is expected within 12 months are also included in financial non-current assets. A provision is made for financial non-current assets with a negative value. See also Note 3.

KIADIS PHARMA B.V.
INCOME STATEMENT
(Amounts in euro x 1,000)

	For the year ended 31 December	
	2014	**2013**
Share in results from particpating interests, after taxation	(5,607)	(5,931)
Other results, after taxation	(2,206)	(954)
Loss for the period	**(7,813)**	**(6,885)**

General Information

The description of the Group's activities and the Group structure as included in the notes to the consolidated financial statements also apply to the Company financial statements.

Basis of Preparation

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Netherlands Civil Code. The Company uses the option of Article 8:362 of Part 9, Book 2, of the Netherlands Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU as explained further in the notes of the consolidated financial statements.

In accordance with the exemption in Article 2:402 of Part 9 Book 2 of the Netherlands Civil Code the Company income statement is presented in abbreviated form.

Financial Non-current Assets

Participating interests are measured on the basis of the equity method, and are reported net of non-current group receivables and intangible assets related to investments in subsidiaries. Participating interests with negative equity are reported under provisions.

Result from participating interests

The share of profit of participating interests consists of the share of the Company in the results of these participating interests.

Going Concern

See Note 2.1 of the consolidated financial statements.

1. Property, Plant and Equipment

	Furniture & Hardware	Total
Balance as at 1 January 2013		
Cost of acquisition	-	3
Depreciation / impairment	-	(3)
Book value as at 1 January 2013	**-**	**-**
Changes in book value 2013		
Additions	2	2
Depreciation	-	-
Total changes in book value 2013	**2**	**2**
Balance as at 31 December 2013		
Cost of acquisition	2	2
Depreciation / impairment	-	-
Book value as at 31 December 2013	**2**	**2**
Changes in book value 2014		
Additions	-	-
Depreciation	(1)	(1)
Total changes in book value 2014	**(1)**	**(1)**
Balance as at 31 December 2014		
Cost of acquisition	2	2
Depreciation / impairment	(1)	(1)
Book value as at 31 December 2014	**1**	**1**

2. Intangible Assets

	Goodwill	In-process Research & Development	Total
Balance as at 1 January 2013			
Cost	4,645	10,037	14,682
Amortisation / Impairment	-	-	-
Book value as at 1 January 2013	**4,645**	**10,037**	**14,682**
Changes in book value 2013			
Additions	-	-	-
Effect of movement in foreign exchange rates	(485)	(1,049)	(1,534)
Total changes in book value 2013	**(485)**	**(1,049)**	**(1,534)**
Balance as at 31 December 2013			
Cost	4,160	8,988	13,148
Amortisation / Impairment	-	-	-
Book value as at 31 December 2013	**4,160**	**8,988**	**13,148**
Changes in book value 2014			
Additions	-	-	-
Effect of movement in foreign exchange rates	170	369	539
Total changes in book value 2014	**170**	**369**	**539**
Balance as at 31 December 2014			
Cost	4,330	9,357	13,687
Amortisation / Impairment	-	-	-
Book value as at 31 December 2014	**4,330**	**9,357**	**13,687**

Goodwill and other intangible assets relate to the investment in Kiadis Pharma Canada Inc., and are included in financial non-current assets. See also Note 3.

3. Financial Non-current Assets

	2014	2013
Participating interests in group companies	**(51,395)**	**(45,316)**

The movements can be shown as follows:

	Kiadis Pharma Netherlands B.V.	Kiadis Pharma Intellectual Property B.V.	Kiadis Pharma Germany GmbH	Kiadis Pharma Canada Inc.	Total
Balance as at 1 January 2013	**(28,705)**	**(778)**	**-**	**(11,192)**	**(40,675)**
Changes in 2013					
Investments			25		25
Depreciation / Impairment	-	-	-	-	-
Share in result	(4,260)	(191)	(1)	(1,479)	(5,931)
Effect of changes in foreign exchange rates	-	-	-	1,265	1,265
Total Changes in 2013	**(4,260)**	**(191)**	**24**	**(214)**	**(4,641)**
Balance as at 31 December 2013	**(32,965)**	**(969)**	**24**	**(11,406)**	**(45,316)**
Changes in 2014					
Investments					-
Depreciation / Impairment	-	-	-	-	-
Share in result	(5,397)	(126)	6	(90)	(5,607)
Effect of changes in foreign exchange rates	-	-	-	(472)	(472)
Total Changes in 2014	**(5,397)**	**(126)**	**6**	**(562)**	**(6,079)**
Balance as at 31 December 2014	**(38,362)**	**(1,095)**	**30**	**(11,968)**	**(51,395)**

The net balance of financial non-current assets reported on the balance sheet is calculated as follows:

	Kiadis Pharma Netherlands B.V.	Kiadis Pharma Intellectual Property B.V.	Kiadis Pharma Germany GmbH	Kiadis Pharma Canada Inc.	Total
Balance as at 31 December 2013	**(32,965)**	**(969)**	**24**	**(11,406)**	**(45,316)**
Net value of subsidiaries in 2013					
Receivable due by group companies	32,318	843	-	11,460	44,621
Goodwill related to subsidiaries	-	-	-	4,159	4,159
In-process R&D related to subsidiaries	-	-	-	8,988	8,988
Provisions	647	126	-	-	773
Net balance as at 31 December 2013	**-**	**-**	**24**	**13,201**	**13,225**

	Kiadis Pharma Netherlands B.V.	Kiadis Pharma Intellectual Property B.V.	Kiadis Pharma Germany GmbH	Kiadis Pharma Canada Inc.	Total
Balance as at 31 December 2014	**(38,362)**	**(1,095)**	**30**	**(11,968)**	**(51,395)**
Net value of subsidiaries in 2014					
Receivable due by group companies	38,170	993	-	12,204	51,367
Goodwill related to subsidiaries	-	-	-	4,330	4,330
In-process R&D related to subsidiaries	-	-	-	9,357	9,357
Provisions	192	102	-	-	294
Net balance as at 31 December 2014	**-**	**-**	**30**	**13,923**	**13,953**

4. Trade, Other Receivables and Deferred Expenses

	2014	2013
Receivable from group companies	51,367	44,621
VAT receivable	3	-
Deferred expenses	57	31
Other amounts to be received	2	2
	51,429	**44,654**

Receivables due by group companies are included in financial non-current assets. See also Note 3.

5. Cash and Cash Equivalents

	2014	2013
Cash at bank and in hand	5,080	209
Short-term bank deposits	31	5,758
Cash and cash equivalents	**5,111**	**5,967**
Bank overdrafts used for cash management purposes	-	-
Net cash as per balance sheet	**5,111**	**5,967**

6. Equity

	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2013	**10,896**	**51,850**	**529**	**2,580**	**(53,341)**	**12,514**
Changes in 2013						
Profit (loss) for the period	-	-	-	-	(6,885)	(6,885)
Translation difference	-	-	(270)	-	-	(270)
Other	-	13	(10)	-	(3)	-
Balance as at 31 December 2013	**10,896**	**51,863**	**249**	**2,580**	**(60,229)**	**5,359**
Changes in 2014						
Profit (loss) for the period	-	-	-	-	(7,813)	(7,813)
Issue of shares	593	4,458	-	-	-	5,051
Cancellation of shares	(922)	922	-	-	-	-
Translation difference	-	-	68	-	-	68
Balance as at 31 December 2014	**10,567**	**57,243**	**317**	**2,580**	**(68,042)**	**2,665**

7. Loans and Borrowings

Non-current liabilities	2014	2013
Government Loans (RVO NL)	-	5,596
Loan from Hospira Inc.	4,382	3,599
Loan from University of Montreal	708	604
	5,090	**9,799**

Current liabilities	2014	2013
Government Loans ("Innovatiekrediet")	7,129	-
	7,129	**-**

See also Note 11 of the consolidated financial statements.

8. Derivatives

	2014	2013
Balance as at 1 January	**3,189**	**3,189**
Loss included in 'finance expenses' :		
- Net change in fair value (unrealized)	541	-
Balance as at 31 December	**3,730**	**3,189**

See also Note 12 of the consolidated financial statements.

9. Trade and Other Payables

	2014	2013
Suppliers	12	1
Debts to group companies	76	-
Accrued audit fees	45	43
Accrued board fees	58	44
Accrued consultancy costs	23	11
Other	5	8
	219	**107**

10. Financial Instruments

See Note 21 of the consolidated financial statements.

11. Commitments

The Company is parent of the fiscal unit Kiadis Pharma B.V., and therefore liable for the liabilities of the fiscal unit as a whole.

12. Emoluments of Senior Management

See Note 25 of the consolidated financial statements.

11 June 2015
Manfred Rüdiger, Chief Executive Officer
Robbert van Heekeren, Chief Financial Officer

Supervisory Board:
Mark Wegter
Martijn Kleijwegt
Stuart Chapman
Vincent Brichard

Other Information

Provisions of article of association in respect of profit appropriation

As per Article 20 of the Company's articles of association, the result for the year is at the disposition of the shareholders' meeting and losses are charged to the retained earnings.

Proposed profit appropriation

The Management Board proposes that the loss for the year of €7,813 thousand will be charged to the retained earnings. This proposal is reflected in the financial statements.

Other Information (continued)

To: the Shareholders of Kiadis Pharma B.V.

Report on the financial statements

We have audited the accompanying financial statements 2014 of Kiadis Pharma B.V., Groningen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2014, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The directors'responsibility

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Kiadis Pharma B.V. as at 31 December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Kiadis Pharma B.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 2.1 ‘Going concern assessement’ to the financial statements which indicates that the Company, based on the current operating plans, has insufficient cash and cash equivalents to meet their working capital requirements. This condition, along with other matters as set forth in note 2.1 ‘Going concern assessement’, indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 11 June 2015

KPMG Accountants N.V.

J.G.R. Wilmink RA