



INTERIM REPORT

For the six month ended June 30, 2017

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FORWARD-LOOKING STATEMENT

This Interim Report may include statements that are, or may be deemed to be, “forward-looking statements”, including without limitation those regarding Kiadis Pharma's future performance and position. Such statements are based on current expectations, estimates and projections of Kiadis Pharma and information currently available to the Company. Kiadis Pharma cautions that by their nature, forward-looking statements involve risks and uncertainties that are difficult to predict and that actual results may differ. Risks and uncertainties include, but are not limited to, macro-economic, market and business trends and conditions, competition, legal claims, the Company's ability to protect intellectual property, changes in legislation or accountancy practices, the ability to implement the Company's strategy, and economic and/or political changes. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the 'Risk management and internal control systems' chapter of the Annual Report 2016. As a result, the Company's actual future performance, position and/or financial results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. The Company assumes no obligation to publicly update or revise forward-looking statements, except as may be required by law.

OPERATING HIGHLIGHTS (INCLUDING POST REPORTING PERIOD)

- A Marketing Authorization Application (MAA) was submitted to and validated by the European Medicines Agency (EMA) for approval of Kiadis Pharma's lead product for blood cancers, ATIR101, across the European Union. In accordance with applicable timelines, day-120 questions from EMA are expected in September 2017 and (conditional) marketing approval could potentially follow in the second half of 2018.
- The clinical protocol for a randomized, controlled, pivotal Phase III trial with a single dose of ATIR101 CR-AIR-009 has been submitted to national authorities in the United States, Canada and Europe and has received regulatory approval in multiple countries to perform the trial. Kiadis Pharma aims to enroll the first patients in 2017.
- In the ATIR101 second dose Phase II trial CR-AIR-008, a total of five patients have been treated with a single dose of ATIR101 only, more than six months ago. Results so far (Graft-versus-Host-Disease, Overall Survival) are in line with the single dose Phase II trial CR-AIR-007.
- Mr. Arthur Lahr succeeded Dr. Manfred Rüdiger as Chief Executive Officer and Mr. Jan Feijen was appointed as Chief Operations Officer.
- The Supervisory Board was strengthened with an additional independent member, Dr. Otto Schwarz.
- A private placement of shares with a small group of existing and new institutional investors raised gross proceeds of EUR5 million.
- A debt facility of up to EUR15 million was obtained from Kreos Capital (in August 2017). The first tranche of EUR10 million was drawn down immediately, with a second tranche of EUR5 million being available conditionally. Part of the first tranche was used to repay the remaining EUR5.3 million of existing Dutch Government Loans.

INTERIM FINANCIAL RESULTS

- In the first six months of 2017, the Company did not generate any revenues. Total operating expenses increased by EUR3.1 million from EUR5.1 million in the first six months of 2016 to EUR8.2 million in the same period of 2017. This increase was primarily caused by increased headcount expenses due to expansion of the workforce and share-based payments, and start-up costs for the Phase III trial with ATIR101.
- In the first six months of 2017, net finance costs came at a level of EUR0.4 million compared to EUR1.4 million for the same period of 2016. Lower finance costs were mainly the result of a smaller loss from adjusting the carrying values of a loan in H1 2017. The gain from the change in fair value of derivatives in H1 2017 was offset by a lower net foreign exchange gain in the first six months of 2017 compared to 2016.
- The net loss for the six months ended June 30, 2017 came at a level of EUR8.5 million compared to a loss of EUR6.4 million for the six months ended June 30, 2016. Expenses and net result for the first six months of 2017 were in line with management expectations.
- The Company ended the first six months of 2017 with EUR10.7 million in cash and cash equivalents.

UPDATE ON CLINICAL PRODUCT PROGRESS

Marketing Authorization Application to the European Medicines Agency for ATIR101

In April 2017, the Company announced that it had submitted a Marketing Authorization Application (MAA) with the European Medicines Agency (EMA) to seek marketing approval in the European Union for ATIR101 as an adjunctive treatment in hematopoietic stem cell transplantation (HSCT) for malignant disease. The filing follows positive interactions with the EMA Rapporteur and Co-Rapporteur which indicated support for the filing using the Company's single dose Phase II trial (CR-AIR-007) with ATIR101 as the pivotal study. The Company submitted the application under the European Union's centralized procedure, which permits the agency to issue a single marketing authorization that is valid across all EU countries. The filing passed validation by EMA in May 2017. In accordance with applicable timelines, day-120 questions from EMA are expected in September 2017 and (conditional) marketing approval could potentially follow in the second half of 2018.

Phase III trial (CR-AIR-009) with ATIR101

The Company will perform a two arm Phase III trial randomizing patients to receive a haploidentical HSCT according to either the post-transplant cyclophosphamide approach (the so-called “Baltimore protocol”) or the approach used in the Kiadis Pharma Phase II trial using a T-cell depleted haploidentical HSCT with a single dose of ATIR101 (CR-AIR-007). The primary end point will be GRFS (GVHD and Relapse Free Survival), with primary analysis at 93 GRFS events. The Company has submitted the clinical protocol to national authorities in the United States, Canada and Europe, and has obtained regulatory approval in multiple countries to perform this trial. The trial will be performed at 45 sites, of which over 35 have now been selected, and the Company and its CRO are cooperating with the sites on the required site approvals and contracting. Kiadis Pharma aims to enroll the first patients in 2017.

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

The ongoing Phase II trial with ATIR101 (CR-AIR-008) is continuing to treat patients with a single dose of ATIR101 only. Infusing a single dose of ATIR101 continues to be safe: five patients in this trial have been treated with a single dose of ATIR101 only, more than six months ago. None of these patients have shown severe Graft-versus-Host-Disease (GVHD) and their Overall Survival is currently in line with the six month results of the single dose Phase II trial (CR-AIR-007).

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

The protocol for the planned Phase I/II trial to test ATIR201 for use in patients suffering from beta thalassemia major (CR-BD-001) has been approved to start the trial by the national authorities in the United Kingdom and Germany.

AUDITOR'S INVOLVEMENT

These consolidated interim financial statements have not been audited by the Company's statutory auditor.

RISKS AND UNCERTAINTIES

The Company's (financial) risk management and internal control procedures are described on pages 24 to 30 of the Annual Report 2016.

Note 3 to the consolidated financial statements on pages 55 to 57 of the Annual Report 2016 describes the Company's critical accounting estimates and judgments.

With reference to the Going Concern Assessment in Note 2 of these consolidated interim financial statements, management is of the opinion that the Company will be able to meet its financial obligations in the twelve months following the date of these interim financial statements.

RESPONSIBILITY STATEMENT

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

Amsterdam-Duivendrecht, August 25, 2017

Management Board

Arthur Lahr, *Chief Executive Officer*

Robbert van Heekeren, *Chief Financial Officer*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in EUR x 1,000)	Note	June 30, 2017	December 31, 2016
		Unaudited	Audited
Assets			
Property, plant and equipment	5	493	536
Intangible assets	6	13,017	13,540
Total non-current assets		13,510	14,076
Trade and other receivables	7	168	230
Deferred expenses	7	385	351
Cash and cash equivalents	8	10,733	14,559
Total current assets		11,286	15,140
Total assets		24,796	29,216
Equity			
Share capital		1,471	1,397
Share premium		105,212	103,200
Translation reserve		295	307
Warrant reserve		167	-
Accumulated deficit		(103,621)	(95,463)
Equity attributable to owners of the Company	9	3,524	9,441
Liabilities			
Loans and borrowings	10	14,636	15,605
Derivatives	11	1,911	-
Employee benefits	13	112	-
Total non-current liabilities		16,659	15,605
Loans and borrowings	10	1,682	1,555
Trade and other payables	12	2,931	2,615
Total current liabilities		4,613	4,170
Total liabilities		21,272	19,775
Total equity and liabilities		24,796	29,216

The notes on pages 12 to 21 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended	
		June 30, 2017	June 30, 2016
(Amounts in EUR x 1,000)		Unaudited	Unaudited
Revenue		-	-
Other income		-	-
Research and development expenses	13, 14	(5,882)	(3,803)
General and administrative expenses	13, 14	(2,276)	(1,252)
Total operating expenses		(8,158)	(5,055)
Operating loss		(8,158)	(5,055)
Interest income		-	25
Interest expenses		(880)	(754)
Other net finance income (expenses)		516	(662)
Net finance income (expenses)	15	(364)	(1,391)
Loss before tax		(8,522)	(6,446)
Income tax expense		-	-
Loss for the period		(8,522)	(6,446)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference for foreign operations		(12)	30
Related tax		-	-
Other comprehensive income for the period, net of tax		(12)	30
Total comprehensive income for the period		(8,534)	(6,416)
Loss attributable to:			
Owners of the Company		(8,522)	(6,446)
		(8,522)	(6,446)
Total comprehensive income attributable to:			
Owners of the Company		(8,534)	(6,416)
		(8,534)	(6,416)
Earnings per share			
Basic earnings per share (EUR)		(0.61)	(0.48)
Diluted earnings per share (EUR)		(0.61)	(0.48)

The notes on pages 12 to 21 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated Deficit	Total Equity
(Amounts in EUR x 1,000)	Note						
Balance as at January 1, 2017		1,397	103,200	307	-	(95,463)	9,441
Total comprehensive income							
Loss for the period						(8,522)	(8,522)
Other comprehensive income				(12)			(12)
Total comprehensive income for the period		-	-	(12)	-	(8,522)	(8,534)
Transactions with owners, recorded directly in equity							
Issue of shares for cash	9	74	4,926				5,000
Transaction costs	9	-	(601)		156		(445)
Equity-settled share-based payment	13				11	364	375
Issue of warrants	9		(2,313)				(2,313)
Balance as at June 30, 2017		1,471	105,212	295	167	(103,621)	3,524

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

The notes on pages 12 to 21 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF OF CASH FLOWS

(Amounts in EUR x 1,000)	Note	For the six months ended	
		June 30, 2017	June 30, 2016
		Unaudited	Unaudited
Cash flows from operating activities			
Loss for the period		(8,522)	(6,446)
<i>Adjustments for:</i>			
Depreciation of property, plant & equipment (PP&E)	5	81	73
Net interest expenses	15	880	729
Share-based payment transactions	13	486	-
Net unrealized foreign exchange (gains) or losses		(376)	(801)
(Gain) or loss from change in fair value of derivatives	11	(402)	-
(Gain) or loss from restatements of loans	10	227	1,455
Cash used in operating activities before changes in working capital and provisions:		(7,626)	(4,990)
Trade and other receivables		54	17
Deferred expenses		(34)	67
Trade and other payables		156	(88)
Other liabilities		186	97
Total change in working capital		362	93
Cash used in operating activities		(7,264)	(4,897)
Interest paid		(294)	(357)
Income taxes paid		(2)	(4)
Net cash used in operating activities		(7,560)	(5,258)
Cash flows from investing activities			
Interest received		8	49
Acquisition of PP&E	5	(38)	(105)
Net cash used in investing activities		(30)	(56)
Cash flows from financing activities			
Proceeds from issue of share capital	9	5,000	914
Payment for share issue costs	9	(445)	-
Repayment of borrowings	10	(777)	(583)
Net cash from financing activities		3,778	331
Net decrease in cash and cash equivalents		(3,812)	(4,983)
Cash and cash equivalents as at January 1		14,559	28,666
Effect of exchange rate fluctuations on cash held		(14)	15
Cash and cash equivalents as at June 30	8	10,733	23,698

The notes on pages 12 to 21 are an integral part of these consolidated interim financial statements.

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The financial statements do not contain all information required for an annual report and should therefore be read in conjunction with the Company's Annual Report 2016.

The consolidated interim financial statements were authorized for issue by the Management Board and the Supervisory Board of the Company on August 24, 2017.

These consolidated interim financial statements have not been audited.

Going concern assessment

The consolidated interim 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 interim 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, and is currently investigating funding options. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

There were no significant changes in accounting policies applied by the Group in these consolidated interim financial statements compared to those used in the Annual Report 2016.

Significant accounting estimates and judgments

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

Non-derivative financial liabilities

The Company presented non-current financial liabilities with a carrying value of EUR14.6 million as at June 30, 2017. An amount of EUR10.2 million relates to a loan from Hospira Inc. for which repayment is conditional (see Note 10). This loan has an effective interest rate (EIR) of 11% that was established at initial recognition. At each reporting date, the Company makes an assessment of the underlying future cash flows. In the event cash outflows related to repayment of the loan have changed during the period, the Company recalculates the net present value (NPV) of these re-estimated cash outflows using the original EIR. Any difference between the carrying amount and the recalculated NPV at the reporting date, will give rise to a gain or loss to be charged to the statement of income.

Derivative financial liabilities

The Company presented derivative financial liabilities with a carrying value of EUR1.9 million as at June 30, 2017. These liabilities represent the fair value of warrants issued and are based on models using assumptions with respect to, amongst others, the exercise of the warrants on or before maturity. The estimated fair value of derivatives that are level 2 financial liabilities in the fair value hierarchy (see Note 16) is based on a Hull & White model. Measurement inputs to calculate the fair value are the Company's share price, the exercise price of the warrants, share price volatility of peer companies, and a risk-free interest rate. Fair value changes of warrants that are not exercised between June 30, 2017 and subsequent reporting dates are charged to profit and loss.

4. SEGMENT REPORTING

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

As per June 30, 2017, 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.

5. PROPERTY, PLANT AND EQUIPMENT

(Amounts in EUR x 1,000)	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	Total
Balance as at January 1, 2017				
Cost of acquisition	1,001	296	79	1,376
Depreciation / Impairment	(601)	(197)	(42)	(840)
Book value as at January 1, 2017	400	99	37	536
Changes in book value				
Additions	4	31	3	38
Depreciation	(61)	(16)	(4)	(81)
	(57)	15	(1)	(43)
Balance as at June 30, 2017				
Cost of acquisition	1,005	327	82	1,414
Depreciation / Impairment	(662)	(213)	(46)	(921)
Book value as at June 30, 2017	343	114	36	493

6. INTANGIBLE ASSETS

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
Balance as at January 1, 2017				
Cost	4,283	9,257	80	13,620
Amortization / Impairment	-	-	(80)	(80)
Book value as at January 1, 2017	4,283	9,257	-	13,540
Changes in book value				
Effect of changes in foreign exchange rates	(165)	(358)	-	(523)
	(165)	(358)	-	(523)
Balance as at June 30, 2017				
Cost	4,118	8,899	80	13,097
Amortization / Impairment	-	-	(80)	(80)
Book value as at June 30, 2017	4,118	8,899	-	13,017

The Company's intangible assets mainly relate to the business combination effected in 2006 in which Kiadis Pharma acquired Montreal, Canada, based Celmed BioSciences Inc. The carrying value of the Company's intangible assets decreased from EUR13.5 million at year end 2016 to EUR13.0 million at June 30, 2017. This decrease of EUR0.5 million is caused by a weakening of the Canadian dollar against the euro of approximately 4%.

7. TRADE AND OTHER RECEIVABLES

(Amounts in EUR x 1,000)	June 30, 2017	December 31, 2016
VAT receivables	115	221
Deferred expenses	385	351
Interest receivable	-	8
Other amounts receivable	53	1
	553	581

8. CASH POSITION AND CASH FLOWS

(Amounts in EUR x 1,000)	June 30, 2017	June 30, 2016
Cash as at bank and in hand	10,733	4,877
Short-term bank deposits	-	18,821
Cash and Cash Equivalents	10,733	23,698
Bank overdrafts used for cash management purposes	-	-
Net Cash as per Cash Flow Statement	10,733	23,698

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

The main cash flow items can be summarized as follows:

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Net cash used in operating activities	(7,560)	(5,258)
Net cash used in investing activities	(30)	(56)
Net cash from financing activities	3,778	331
Effect of exchange rate fluctuations on cash held	(14)	15
Net decrease for the period	(3,826)	(4,968)
Cash and cash equivalents, beginning of the period	14,559	28,666
Cash and cash equivalents, end of the period	10,733	23,698

9. EQUITY

In June 2017, the Company raised EUR5 million in gross proceeds by issuing a total of 746,269 units, each comprising 1 ordinary share and 1 warrant, in a private placement with existing and new shareholders.

The warrants issued in this private placement did not meet the fixed-for-fixed criteria and were therefore classified as a liability. The fair value of these warrants at initial recognition was deducted from equity. See also Note 11.

In connection with this private placement, the Company issued 55,970 warrants to certain service providers. These warrants were classified as equity instruments and were recorded in warrant reserve.

As at June 30, 2017, a total number of 14,712,770 ordinary shares were outstanding. Ordinary shares have a nominal value of EUR0.10 and each share holds the right to one vote.

10. LOANS AND BORROWINGS

(Amounts in EUR x 1,000)	June 30, 2017	December 31, 2016
Non-current liabilities		
Government Loan I (RVO NL)	2,174	2,797
Government Loan II (RVO NL)	1,457	1,729
Loan from Hospira Inc.	10,182	10,206
Loan from University of Montreal	823	873
	14,636	15,605

(Amounts in EUR x 1,000)	June 30, 2017	December 31, 2016
Current liabilities		
Government Loan I (RVO NL)	1,146	1,019
Government Loan II (RVO NL)	536	536
	1,682	1,555

The Company has entered into two loan agreements with Rijksdienst voor Ondernemend Nederland (RVO NL), a Dutch governmental agency. The change in the carrying amount reflects interest accrued during the period of EUR304 thousand, interest payments of EUR295 thousand and loan repayments of EUR777 thousand. The Company makes quarterly repayments over the period 2015-2020.

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

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

At June 30, 2017, the carrying amount of this loan has been adjusted by an amount of EUR227 thousand to reflect changes in the (estimated) underlying future cash flows. This amount has been charged to the income statement (see Note 15).

The changes in loans and borrowings in the first six months of 2017 can be summarized as follows.

(Amounts in EUR x 1,000)	RVO NL	Hospira Inc.	University of Montreal
Balance as at January 1, 2017	6,081	10,206	873
Interest accrued during the period	304	561	15
Interest payments	(295)	-	-
Repayments	(777)	-	-
Restatement of carrying amount	-	227	-
Effect of changes in foreign exchange rates	-	(812)	(65)
Balance as at June 30, 2017	5,313	10,182	823

11. DERIVATES

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Balance as at January 1	-	-
Initial recognition upon issue	2,313	-
Gain included in 'finance income':		
- Net change in fair value (unrealized)	(402)	-
Balance as at June 30	1,911	-

In June 2017, the Company issued 746,269 warrants to the investors who participated in a private placement of ordinary shares. See also Note 9. Since the exercise price of these warrants is not fixed, they do not meet the fixed-for-fixed criteria and are therefore classified as a liability. The fair value of these warrants is remeasured at each reporting date and changes in the fair value are charged to the income statement.

12. TRADE AND OTHER PAYABLES

(Amounts in EUR x 1,000)	June 30, 2017	December 31, 2016
Suppliers	1,557	1,268
Salaries, bonuses and vacation	229	339
Tax and social premium contributions	157	206
Accrued clinical costs	228	426
Accrued manufacturing costs	377	137
Accrued audit fees	83	95
Other	300	144
	2,931	2,615

13. EMPLOYEE BENEFITS

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Wages and salaries	2,277	1,402
Compulsory social security contributions	225	127
Contributions to defined contribution plans	93	55
Equity-settled share-based payment	364	-
Cash-settled share-based payment	112	-
Company cars	2	3
Other employee benefits	39	29
Total	3,112	1,616

Number of employees (headcount)

Research & development positions	45	25
General & administrative positions	6	6
Number of employees (headcount), end of the period	51	31

Employee benefits excluding expenses related to share-based payment for the first six months of 2017 increased by EUR1.0 million compared to the same period in 2016. This was mainly due to increases in headcount across all R&D departments.

Equity-settled share-based payment expense relate to share options granted under the Kiadis Pharma 2016 share option plan. Under this plan an aggregate number of 86,200 share options were granted to employees on January 1, 2017. On June 30, 2017, a total of 210,511 share options with an average exercise price of EUR10.75 were issued and outstanding. On this date, none of these share options were exercisable.

Cash-settled share-based payment expense relate to stock appreciations rights (SARs) granted under the Kiadis Pharma 2017 stock appreciation right plan. Under this plan 300,000 SARs were granted to Mr. Arthur Lahr, CEO of the Company, on April 4, 2017. On June 30, 2017, all 300,000 SARs were issued and outstanding. None of these SARs were exercisable on this date.

14. EXPENSES

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Employee benefits (see Note 13)	3,112	1,616
Depreciation expense	81	73
Facilities	186	168
Consultancy	1,282	664
Telecom & IT	99	44
Travel	205	238
Insurance	48	35
Clinical costs	1,177	264
Manufacturing	1,465	1,695
Other	503	258
Total	8,158	5,055

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Research and development expenses	5,882	3,803
General and administrative expenses	2,276	1,252
Total	8,158	5,055

Research and development expenses increased by EUR2.1 million mainly due to start-up costs for the Phase III trial with ATIR101, expansion of the workforce, and regulatory consultancy expenses related to the filing of the Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for lead product ATIR101.

General and administrative expenses increased by EUR1.0 million mainly due to consultancy expenses for business development and financing, share-based payment and severance pay.

15. FINANCE INCOME AND EXPENSES

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Finance income		
- Interest income	-	25
- Net foreign exchange gain	341	793
- Gain from change in fair value of derivatives	402	-
	743	818
Finance expenses		
- Bank borrowings, and other debt	(880)	(754)
- Loss from restatements of loans	(227)	(1,455)
	(1,107)	(2,209)

Net foreign exchange gain of EUR341 thousand in the first six months of 2017 includes EUR411 thousand of unrealized (non-cash) Canadian dollar/euro exchange rate loss on intra-group loans and EUR812 thousand of unrealized (non-cash) US dollar/euro exchange rate gain on the loan from Hospira Inc. Finance income also includes a gain of EUR402 thousand from the remeasurement of derivatives at the reporting date. See also Note 11.

Due to an increase in the estimated future cash flows underlying the Hospira Inc. loan, the carrying amount of the loan was adjusted upward for EUR227 thousand (see also Note 10). This resulted in a charge included in finance expenses of the same amount.

16. FINANCIAL INSTRUMENTS

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

(Amounts in EUR x 1,000)	Carrying amount			Fair value				
	Non-current assets	Current assets		Total	Level 1	Level 2	Level 3	Total
		Trade and other receivables	Cash and cash equivalents					
June 30, 2017								
Financial assets not measured at fair value								
Trade and other receivables		168		168				
Cash and cash equivalents			10,733	10,733				
		168	10,733	10,901				
December 31, 2016								
Financial assets not measured at fair value								
Trade and other receivables		230		230				
Cash and cash equivalents			14,559	14,559				
		230	14,559	14,789				

(Amounts in EUR x 1,000)	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities			Level 1	Level 2	Level 3	Total
	Derivatives	Loans and borrowings	Trade and other payables	Loans and borrowings	Total				
June 30, 2017									
Financial liabilities measured at fair value									
Derivatives	1,911				1,911		1,911		1,911
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		3,631		1,682	5,313		5,313		5,313
Loan from Hospira Inc.		10,182			10,182		10,182		10,182
Loan from University of Montreal, Canada		823			823		823		823
Trade and other payables			2,933		2,933				
	1,911	14,636	2,933	1,682	21,160				
December 31, 2016									
Financial liabilities measured at fair value									
Derivatives	-				-		-		-
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		4,526		1,555	6,081		6,081		6,081
Loan from Hospira Inc.		10,206			10,206		10,206		10,206
Loan from University of Montreal, Canada		873			873		873		873
Trade and other payables			2,615		2,615				
	-	15,605	2,615	1,555	19,775				

17. CONTINGENCIES AND COMMITMENTS

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

(Amounts in EUR x 1,000)	June 30, 2017	December 31, 2016
Less than one year	271	177
Between one and five years	-	-
More than 5 years	-	-
	271	177

The operating lease contracts mainly relate to office and laboratory space in Amsterdam. In April 2017, the Company extended the lease terms for its head office in Amsterdam with six months.

18. TRANSACTIONS WITH RELATED PARTIES

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

Management Board

The Management Board included in the table below relates to 2 members (Chief Executive Officer and Chief Financial Officer) that were in office during the first six months of 2017 and 2016.

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Salaries and other short-term employee benefits	558	376
Pensions	7	7
Share-based payments	363	-
Social securities	12	13
Other benefits	2	4
Total	942	400

Salaries and other short-term employee benefits include EUR315 thousand in severance pay for Dr. Rüdiger who left the Company effective April 1, 2017.

Supervisory Board

The remuneration of the Supervisory Board members included in the table below relates to the compensation for 5 members in the first six months of 2017 (Q1 2016: 4; Q2 2016: 3). Only independent board members receive compensation for their services.

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2017	June 30, 2016
Remuneration	40	4
Share-based payments	-	-
Total	40	4

19. SUBSEQUENT EVENTS

On August 17, the Company obtained a debt financing from Kreos Capital for up to EUR15 million (of which EUR5 million conditional) to refinance existing loans and fund the development of the Company's ATIR products. The first tranche of EUR10 million was immediately drawn down and partly used to repay the outstanding loans from RVO NL of EUR5.3 million in total.

A microscopic view of various cells, including spherical and elongated shapes, rendered in shades of blue and green, creating a textured, three-dimensional effect.

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