



Interim Report

For the six months ended June 30, 2019

Table of contents

INTERIM REPORT OF THE MANAGEMENT BOARD	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	1
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10

FORWARD-LOOKING STATEMENTS

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 2018. 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.

Interim Report of the Management Board for the six months ended June 30, 2019

Operating highlights (including post reporting period)

- Kiadis' marketing authorization application (MAA) for ATIR101 is currently under review. Kiadis responded to the day 180 outstanding issues in May 2019. In early September, the Committee for Advanced Therapeutics (CAT) convened a Strategic Advisory Group (SAG) related to the review of the application; the next step in the regulatory process is for the application to be reviewed by the CAT in October incorporating SAG feedback. The company continues to expect to receive a decision from the EMA in 2020.
- The global phase 3 trial for ATIR101, CR-AIR-009, is ongoing. The study, which will enroll approximately 250 patients, is comparing ATIR101 to the post-transplant cyclophosphamide (PTCy) or 'Baltimore' protocol.
- In June, after receiving customary shareholder approvals, Kiadis closed the transaction to acquire US-based CytoSen Therapeutics, Inc. The combination of Kiadis and CytoSen creates a leader in cell-based cancer immunotherapy, with complementary T-Cell and NK-cell platforms.
- In the first half of 2019, Kiadis raised gross proceeds of €27.6 million through a private placement of 3,684,200 shares. As of June 30, 2019 Kiadis had €62.7 million in cash and cash equivalents.

Interim financial results

- In the first six months of 2019, the Company did not generate any revenues. Operating expenses increased to EUR 25.7 million in 2019 from EUR 11.1 million in 2018, an increase of EUR 14.6 million. This increase was primarily caused by a further expansion of the workforce in all areas of the organization, clinical expenses related to the CR-AIR-009 study, the move to a larger building which includes a commercial manufacturing facility, laboratories and office space, and consultancy expenses for related to market access preparations, financing rounds and the acquisition of CytoSen.
- In the first six months of 2019, net financial result came in at EUR 0.2 million compared to EUR 3.0 million for the same period of 2018. The decrease of EUR 2.8 million is due to favorable results of the adjustments of loans of EUR 1.2 million, favorable results of net foreign exchange of EUR 1.1 million and favorable fair value adjustments of EUR 0.7 million related to the contingent consideration of CytoSen in 2019 and unfavorable fair value adjustment of derivatives in 2018.
- The net loss for the six months ended June 30, 2018 came at a level of EUR 25.9 million compared to a loss of EUR 14.1 million for the six months ended June 30, 2018. Operating expenses and net result for the first six months of 2019 were relatively in line with management expectations.
- The Company ended the first six months of 2019 with EUR 62.7 million in cash and cash equivalents. The cash position increased by EUR 2.4 million to EUR 62.7 million at June 30 2019 compared to EUR 60.3 million at the end of 2018. This increase mainly results from the net proceeds of the share offering for a total amount of EUR 25.4

million and EUR 3.1 million cash balances as part of the assets of CytoSen. In 2019, the net operating cash outflow amounted to EUR 21.4 million and further included the acquisition of PP&E, repayments of loans and lease liabilities for a total amount of EUR 4.8 million.

Auditor's involvement

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

Risk and uncertainties

The Company's (financial) risk management and internal control procedures are described on pages 26 to 34 of the Annual Report 2018.

Note 3 to the consolidated financial statements on pages 59 to 61 of the Annual Report 2018 describes the Company's critical accounting estimates and judgments.

With reference to the *Going Concern Assessment* in Note 2 of these condensed consolidated interim financial statements, the condensed consolidated interim financial statements have been prepared on a going concern basis. Based on the existing operating plan and in light of the acquisition of CytoSen Therapeutics Inc. ('CytoSen'), working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds which indicates the existence of a material uncertainty and which may cast significant doubt about the Company's ability to continue as a going concern.

Management 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. The Company is of the opinion that the Company will meet its financial obligations in the 12 months following these financials statements and the going concern assumption is justified.

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, September 10, 2019

Management Board

Arthur Lahr, *Chief Executive Officer*
Scott Holmes, *Chief Financial Officer*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in EUR x 1,000)

	Note	June 30, 2019 Unaudited	December 31, 2018 Audited
Assets			
Intangible assets and goodwill	7	45,303	12,368
Property, plant and equipment	6	12,211	7,720
Non-current financial assets	8,19	269	-
Total non-current assets		57,783	20,088
VAT and other receivables	9,19	2,131	729
Deferred expenses	9	906	1,413
Cash and cash equivalents	10,19	62,670	60,314
Total current assets		65,707	62,456
Total assets		123,490	82,544
Equity			
Share capital	11	2,956	2,434
Share premium	11	220,095	180,553
Translation reserve		(116)	298
Warrant reserve	11	392	392
Accumulated deficit		(163,626)	(139,533)
Equity attributable to owners of the company	11	59,701	44,144
Liabilities			
Loans and borrowings	12,19	15,833	21,836
Lease liabilities	13	7,465	5,255
Derivatives	14	-	-
Contingent Consideration	5	17,043	-
Deferred tax liability	5	3,481	-
Total non-current liabilities		43,822	27,091
Loans and Borrowings	12,19	8,768	5,308
Lease liabilities	13	1,579	1,033
Trade & other payables	15,19	9,620	4,968
Total current liabilities		19,967	11,309
Total liabilities		63,789	38,400
Total equity and liabilities		123,490	82,544

The Notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in EUR x 1,000)

	Note	For the six months ended	
		June 30, 2019	June 30, 2018
		Unaudited	Unaudited
Revenue		-	-
Other income		-	-
Research & development expenses	16, 17	(16,247)	(7,709)
General & administrative expenses	16, 17	(9,487)	(3,393)
Total operating expenses		(25,734)	(11,102)
Operating loss		(25,734)	(11,102)
Interest income	18	1	-
Interest expenses	18	(2,211)	(1,995)
Other net finance income or (expenses)	18	2,038	(973)
Net finance expenses		(172)	(2,968)
Loss before tax		(25,906)	(14,070)
Income tax expenses		(28)	-
Loss for the period		(25,934)	(14,070)
Other comprehensive income			
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Foreign currency translation difference for foreign operations		(414)	-
Related tax		-	-
Other comprehensive income for the period, net of tax		(414)	-
Total comprehensive income for the period		(26,348)	(14,070)
Loss attributable to:			
Owners of the Company		(25,934)	(14,070)
		(25,934)	(14,070)
Total comprehensive income attributable to:			
Owners of the Company		(26,348)	(14,070)
		(26,348)	(14,070)
Earnings per share			
Basic earnings per share (EUR)		(1.03)	(0.74)
Diluted earnings per share (EUR)		(1.03)	(0.74)

The Notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in EUR x 1,000)

	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated deficit	Total Equity
Balance as at January 1, 2019		2,434	180,553	298	392	(139,533)	44,144
Loss for the period		-	-	-	-	(25,934)	(25,934)
Other comprehensive income		-	-	(414)	-	-	(414)
Total comprehensive income		-	-	(414)	-	(25,934)	(26,348)
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	368	27,263	-	-	-	27,631
Transaction costs	11	-	(2,244)	-	-	-	(2,244)
Issuance shares related to business combinations	11	151	14,307	-	-	-	14,458
Equity-settled share-based payments	16	-	-	-	-	1,910	1,910
Shares upon exercise of options		3	216	-	-	(69)	150
Balance as at June 30, 2019		2,956	220,095	(116)	392	(163,626)	59,701
Balance as at January 1, 2018							
	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated deficit	Total Equity
Balance as at January 1, 2018		1,729	124,413	295	1,275	(111,853)	15,859
Loss for the period		-	-	-	-	(14,070)	(14,070)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(14,070)	(14,070)
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	260	23,140	-	-	-	23,400
Transaction costs	11	-	(1,849)	-	-	-	(1,849)
Equity-settled share-based payments	11	-	-	-	-	335	335
Warrants exercised	11	23	2,258	-	(617)	-	1,664
Balance as at June 30, 2018		2,012	147,962	295	658	(125,588)	25,339

The Notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in EUR x 1,000)

	Note	For the six months ended	
		June 30, 2019	June 30, 2018
		Unaudited	Unaudited
Cash flow from operating activities			
Profit or (loss) for the period		(25,934)	(14,070)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment (PP&E)	6	740	529
Net interest expense	18	2,211	1,995
Share-based payments	16	1,910	781
Net unrealised foreign exchange (gain) or loss	18	(474)	626
(Gain) or loss from changes in fair value	18	(446)	288
(Gain) or loss from adjustment of loans	18	(1,118)	42
(Gain) or loss on disposals of fixed assets	6	(8)	-
Income tax expense		28	-
Cash used in operating activities before changes in working capital and provisions:		(23,091)	(9,809)
VAT & other receivables and deferred expenses	9	(939)	(652)
Trade & other payables and other liabilities	15	3,778	794
Total change in working capital		2,839	142
Cash used in operations		(20,252)	(9,667)
Interest paid	12,13	(1,148)	(903)
Income tax paid		(28)	(17)
Net cash used in operating activities		(21,428)	(10,587)
Cash flow from investing activities			
Acquisition of PP&E	6	(1,835)	(263)
Disposals of property, plant and equipment	6	13	-
Investment in new legal entities	5	(23)	-
Acquisition through business combination net of cash	5	3,056	-
Net cash used in investing activities		1,211	(263)
Cash flow from financing activities			
Proceeds from issuance of shares	11	27,631	23,400
Payment of share issue costs	11	(2,244)	(1,849)
Proceeds from exercise of warrants	11	-	1,664
Proceeds from exercise of options	11	150	-
Proceeds from borrowings	12	-	-
Payment of transaction costs of borrowings	12	-	-
Repayment of loans and borrowings	12	(2,559)	(320)
Payment of lease liabilities	13	(371)	(249)
Net cash from/(used in) financing activities		22,607	22,646
Net increase/(decrease) in cash and cash equivalents		2,390	11,796
Cash and cash equivalents at beginning of period		60,314	29,906
Effect of exchange rate fluctuations on cash held		(34)	2
Cash and cash equivalents at end of period	10	62,670	41,704

The Notes on pages 10 to 31 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **For the six months ended June 30, 2019**

1. Company 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 Paasheувelweg 25A, 1105 BP Amsterdam, The Netherlands.

In anticipation of increasing international activities the following subsidiaries were added to the Kiadis Pharma group structure during 2019:

- Kiadis Pharma Spain S,L.
- Kiadis Pharma Sweden AB
- Kiadis Pharma Belgium BV
- Kiadis Pharma Italy S.r.l

2. Basis of preparation

The condensed 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 2018.

The condensed consolidated interim financial statements were authorized for issue by the Management Board and the Supervisory Board of the Company on September 10, 2019.

These condensed consolidated interim financial statements have not been audited.

Going concern assessment

The condensed consolidated interim financial statements have been prepared on a going concern basis. Based on the existing operating plan and in light of the acquisition of CytoSen Therapeutics Inc. (‘CytoSen’), working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds which indicates the existence of a material uncertainty and which may cast significant doubt about the Company’s ability to continue as a going concern.

Management 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. The Company is of the opinion that the Company will meet its financial obligations in the 12 months following these financials statements and the going concern assumption is justified.

3. Significant accounting policies

The accounting policies are consistent with those of the financial statements for the year ended December 31, 2018.

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 measured at fair value, as are the identifiable net assets acquired. Assigned fair values can be provisional and subject to change within the measurement period, one year starting from

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

the acquisition date. The Group aims to finalize the valuation of the assets and liabilities as soon as practicable.

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 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 re-measured 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.

Several amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim consolidated financial statements of the Group.

The functional currency of our US subsidiaries, including CytoSen, is the US dollar.

Significant accounting estimates and judgments

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

Business Combinations

Contingent Consideration

The group exercises judgement in determining the contingent consideration related to the acquisition of CytoSen. Management has to make significant judgements and estimates about the assumed probability rates of success (PoS) of the different milestones. For calculating the fair value of the part of the initial acquisition consideration that consists of options to acquire shares, the Hull and White option valuation model is applied (refer to note 5, Business Combinations).

Cash Generating Units (CGUs)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company acquired with CytoSen a NK platform with a pre-clinical R&D pipeline synergistic to the T-Cell platform. Due to CytSen's pre-clinical phase of development the Company considers the full platform currently and conditionally as one CGU. In case, the NK platform would be split in various CGU's, IPR&D and Goodwill needs to be allocated to the various CGU's for impairment purposes which allocation requires a valuation by an external party and might impact the outcome of future impairment analyses.

Non-derivative financial liabilities

The Company presented loans and borrowings with a carrying value of EUR 24.6 million as at June 30, 2019, of which EUR 8.8 million is presented under current liabilities. An amount of EUR 9.1 million relates to a loan from Hospira Inc. for which repayment is conditional (see Note 12). 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.

Lease liabilities

The Company presented lease liabilities with a total carrying value of EUR 9.0 million as at June 30, 2019, of which EUR 1.6 million is presented under current liabilities. On January 1, 2018, the date of initial application of IFRS 16, Kiadis had two lease contracts in place, both of which relate to the lease of buildings. As at June 30, 2019 the Company has entered into two additional lease contracts.

Kiadis has elected the following practical expedients and applied these consistently to all of its leases:

- A. The Company did not reassess whether any expired or existing contracts are or contain leases;
- B. The Company excluded initial direct costs for any existing leases;
- C. The Company did not apply the recognition requirements to short-term leases.

On adoption of IFRS 16, Kiadis recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Kiadis' incremental borrowing rate (IBR). The Company's IBR was determined using the following input parameters: the lease term, the Company's credit rating, a risk-free interest rate corresponding to the lease term, and a lease specific adjustment considering the 'secured borrowing' element of the leases. The weighted average IBR applied to the lease liabilities on January 1, 2018 was 7.38 percent.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

In May 2019 the Company entered into a lease agreement for the production site in Ulm, Germany. A weighted average IBR of 4.67 percent was applied.

In June 2019 the Company entered into a new lease agreement for additional office space at the head office at Paasheuvelweg, Amsterdam. For this lease contract a weighted average IBR of 6.04 percent was applied.

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, 2019, the Group has a development pipeline focused on improving outcomes for patients undergoing hematopoietic stem cell transplants (HSCT) with a T-cell therapy (ATIR101) and a NK-cell therapy (including CSTD002) acquired from CytoSen which are complementary and synergistic. It is considered to be the only reportable segment which segment comprises discovery, development, and commercialization. All corporate activities can be assigned therefore to this segment as well.

5. Business combinations

On June 5, 2019 the Company acquired 100% of the outstanding shares of CytoSen Therapeutics, Inc (CytoSen). Cytosen was founded in 2016 based on technology from the University of Central Florida, Nationwide Children's Hospital and the MD Andersen Cancer Center in Taxes.

The acquisition creates a combined company that has a complementary development pipeline focused on improving outcomes for patients undergoing hematopoietic stem cell transplants (HSCT). The combination of proprietary and synergistic NK-cell and T-cell therapy platforms enables Kiadis to create a pipeline with novel cancer treatments.

The results of CytoSen have been included in the condensed consolidated interim financial statements from June 6, 2019 onwards.

In accordance with IFRS 3 the purchase price allocation has been prepared using the acquisition method of accounting. The contingent acquisition consideration and together with the initial acquisition consideration, the Acquisition Consideration is allocated to assets acquired and liabilities assumed based on the estimated fair values as of the closing date, June 5, 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

The following table summarizes the estimated fair value of the Acquisition Consideration:

(Amounts in EUR x 1,000)

Initial Acquisition Consideration – Shares (including Hold back Shares)	13,956
Initial Acquisition Consideration – Options to acquire Shares	503
Contingent Acquisition Consideration – former CytoSen shareholders	16,048
Contingent Acquisition Consideration – former CytoSen option holders	1,440
Acquisition Consideration	<u>31,947</u>

Initial acquisition consideration

The total consideration paid upon closing, to the former holders of CytoSen shares and former holders of CytoSen options for the acquisition of CytoSen in exchange for all outstanding CytoSen shares consists of 1,528,446 Kiadis shares and 159,778 Kiadis options. The Company holds the release of 267,012 additional Kiadis shares to the former holders of CytoSen shares as a security for the benefit of and to compensate the Company for any indemnification claims or for any losses incurred and for which they are entitled to recovery under the provisions of the merger agreement (Holdback Shares). These conditions are not substantive in nature, and no such adjustment is expected. The Holdback Shares are considered part of the initial acquisition consideration.

The options to acquire Kiadis shares included in the initial acquisition consideration regards former outstanding CytoSen options that have been assumed by the Company and converted into the Kiadis options at exercise prices of Kiadis shares ranging from EUR 9.47 to EUR 10.59 at substantially the same terms and conditions as the prior CytoSen options.

The calculation of the initial acquisition consideration that consists of Shares (including Holdback Shares) is based on EUR 7.84 the closing price on Euronext Amsterdam as of June 5, 2019.

For calculating the fair value of the part of the initial acquisition consideration that consists of options to acquire Kiadis shares, the Hull and White option valuation model is applied. The parameters used in the model are:

Exercise price (in Euro), between	EUR9.47 to EUR10.59
Expected volatilities	57.8% - 58.1%
Risk-free interest rates	(0.657)% - (0.167)%
Exercise multiple	2
Dividend yield	0%
Estimated fair value options	EUR2.33 - EUR3.36

Contingent acquisition consideration

Previous CytoSen's shareholders received potential future consideration of up to 5,340,288 additional Kiadis shares upon the achievement of six clinical development and regulatory milestones with the final milestone being first FDA approval of an NK-cell product based on CytoSen's technology. Former CytoSen's option holders receive up to 479,304 Kiadis shares also upon the achievement of clinical development and regulatory milestones with

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the six months ended June 30, 2019

the final milestone being first FDA approval of an NK-cell product based on CytoSen's technology.

The estimated fair value of the contingent acquisition consideration to prior CytoSen shareholders and former CytoSen option holders are determined using the assumed probability rates of success (PoS) of the different milestones and the closing price on Euronext Amsterdam as of June 5, 2019, the closing date. The contingent acquisition consideration is classified as a liability as the contingent payments are not independent of each other and are therefore accounted for as one contract. This contract is settled in a variable number of shares.

As a result of a change in share price from June 5, 2019 to June 30, 2019 the contingent consideration decreased by EUR 446 thousand to a total of EUR 17.043 thousand. As of June 30, 2019 the contingent consideration would increase by EUR 27 million considering the full achievement of all milestones

Provisional fair values of the identifiable assets and assumed liabilities of Cytosen

The fair values of acquired identified assets and assumed liabilities from CytoSen are based on estimates and assumptions. The Company acquired CytoSen mainly for its intellectual property and research and development portfolio. The Company allocated the full consideration minus the identified tangibles assets and liabilities assumed (for an amount of USD 3,049 thousand or EUR 2,707 thousand) to in-process research and development (IPR&D) for an estimated amount of USD 32,908 thousand (EUR 29,239 thousand).

The recorded receivables reflect the fair value of the receivables and no valuation allowance need to be recorded.

The Company estimates tax loss carry forwards of approximately USD 14.0 million for Federal tax purposes. The IPR&D results in a deferred tax liability which have been netted against the estimated provisional tax loss carry forward for Federal tax purposes as of the date of acquisition, June 5, 2019. Based on a 21% US Federal income tax rate, a deferred tax liability is included for the amount of USD 3,964 thousand (EUR 3,522 thousand).

The Company recorded a goodwill balance for the same amount, refer to note 7, Intangible Assets. The goodwill is not deductible for corporate income tax purposes. The Company currently assesses the impact of loss carry forwards on the deferred tax liability related to the US State tax.

The tax loss carry forwards begin to expire in 2036.

At June 30, 2019, the purchase price allocation remains preliminary as the Company completes its assessment of acquired assets and assumed liabilities as well as certain tax matters (including tax loss carry forwards and deferred taxes). The Company expect to finalize the valuation of assets and liabilities by the end of 2019, but not later than one year from June 5, 2019.

The provisional fair values of the acquired identified tangible assets and assumed liabilities of Cytosen as at the date of acquisition were:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

	Fair Value recongnised on acquisition	
	EUR Reporting Currency Kiadis Group	USD Functional Currency CytoSen
<u>Financing of purchase consideration</u>		
Issued Share Capital	151	
Additional Paid in Capital	14,307	
Contingent Consideration	17,489	
Total purchase consideration	31,947	
<u>Assets</u>		
In-Process Research & Development	29,239	32,908
PP&E	106	120
VAT & Other receivables	226	253
Cash and Cash equivalents	3,056	3,440
	<u>32,627</u>	<u>36,721</u>
<u>Liabilities</u>		
Deferred tax liability	3,522	3,964
Trade & other payables	680	765
	<u>4,202</u>	<u>4,729</u>
Total identifiable net assets at fair value	28,424	31,992
Goodwill arising on acquisition	3,522	
Purchase consideration	31,947	

In accordance with the revised IFRS 3, acquisition-related costs are not part of the exchange transaction between the acquirer and the acquiree (or its former owners) and are therefore not part of the business combination. Except for costs to issue debt or equity securities that are recognized in accordance with IAS 32 and IFRS 9 the revised IFRS 3 requires an entity to account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received. The acquisition-related costs amount to EUR 1.1 million, mainly related to legal, consulting and audit fees recorded as General and administrative expenses.

From the date of the acquisition, a loss before tax of EUR 302 thousand has been included to the Loss for the period. If the acquisition had taken place at the beginning of the year, a loss of EUR 5 million would have been added to the Loss for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

6. Property, plant and equipment

	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	ROU Assets - Buildings	Total
<u>Balance as at December 31, 2018</u>					
Cost of acquisition	1,869	548	432	6,854	9,703
Depreciation / impairment	(871)	(293)	(27)	(792)	(1,983)
Book value as at December 31, 2018	998	255	405	6,062	7,720
<u>Changes in book value</u>					
Additions	749	416	838	2,948	4,951
Remeasurements	-	-	-	179	179
Acquisitions through business combinations	106	-	-	-	106
Retirements & Disposals	(75)	-	-	-	(75)
Depreciation	(151)	(42)	(63)	(484)	(740)
Effect of movement in foreign exchange rates	-	-	-	-	-
Depreciation Retirements & Disposals	70	-	-	-	70
Total changes in book value	699	374	775	2,643	4,491
<u>Balance as at June 30, 2019</u>					
Cost of acquisition	2,649	964	1,270	9,981	14,864
Depreciation / impairment	(952)	(335)	(90)	(1,276)	(2,653)
Book value as at June 30, 2019	1,697	629	1,180	8,705	12,211

On January 1, 2018, the Company recognized Right-of-Use (ROU) assets in its statement of financial position for the buildings it uses under two separate lease contracts. The main lease contract commenced on January 1, 2018, with a lease term of ten years. This contract concerns a commercial manufacturing facility, laboratories and office space that the Company uses as its global headquarters. The other lease contract concerns laboratories and office space with a lease term of twelve months, that is renewed annually. The amounts recognized for Right-of-Use assets were calculated as the net present value of all future lease payment due under the lease contracts. The additions accounted for in 2019 contain future lease payments for these two contracts which have been updated with the Customer Price Index for EUR 179 thousand. See also Note 13 'Lease liabilities'.

In May 2019 the Company entered into an agreement for the lease of facilities at a production facility in Ulm, Germany for an estimated period of 2 years and 5 months resulting in an addition of EUR 600 thousand in the Right of Use Assets – Buildings.

As of June 1, 2019 the Company rents additional office space at our headquarters in Amsterdam for a period of 10 years which accounts for EUR 2.3 million of the additions in the Right of Use Assets – Buildings. The Company is entitled to cancel the lease agreement after 4 year, with a break-up fee of EUR 0.2 million.

In Q1 2019 the Company sold laboratory equipment with an acquisition cost of EUR 75 thousand, realizing a book profit of EUR 8 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

7. Intangible assets

	Goodwill	In-process Research & Development	Patents	Total
<u>Balance as at January 1, 2019</u>				
Cost	3,913	8,455	80	12,448
Amortization / Impairment	-	-	(80)	(80)
Book value as at January 1, 2019	3,913	8,455	-	12,368
<u>Changes in book value</u>				
Additions	-	-	-	-
Acquisitions through business combinations	3,522	29,239	-	32,762
Impairment loss	-	-	-	-
Effect of movement in foreign exchange rates	134	40	-	173
Total changes in book value	3,656	29,279	-	32,935
<u>Balance as at June 30, 2019</u>				
Cost	7,569	37,734	80	45,383
Amortization / Impairment	-	-	(80)	(80)
Book value as at June 30, 2019	7,569	37,734	-	45,303

The Company's intangible assets relate to the business combination effected in 2006 in which Kiadis Pharma acquired Montreal, Canada, based Celmed BioSciences Inc. and the acquisition of CytoSen. On June 5, 2019 the Company completed this acquisition of CytoSen resulting in an increase of the Goodwill of EUR 3.5 million (USD 5.7 million) and an increase of the In-Process Research& Development of EUR 29.2 million (USD 32.9 million), refer to note 5 Business Combinations.

The carrying value of the Company's intangible assets increased by EUR 554 thousand due to a slight increase of strength of the Canadian dollar against the euro of approximately 4.3%, it decreased by EUR 398 thousand due to a decrease of strength of the USD.

8. Non-current financial assets

On June 30, 2019 the deposit for leased buildings has an expected maturity between one and five years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

9. Trade and other receivables

	June 30, 2019	December 31, 2018
VAT and other receivables		
VAT receivables	1,509	482
Deposits (lease of buildings)	236	236
Bank guarantees	215	-
Other amounts receivable	171	11
	2,131	729
Deferred expenses		
Deferred expenses	906	1,413
	906	1,413

Other receivables and deferred expenses have an estimated maturity shorter than one year.

The deferred expenses as of December 31, 2018 include EUR 0.7 million expenses related to strategic & funding activities which have been recorded in the statement of comprehensive income as of June 30, 2019.

10. Cash position and cash flows

	June 30, 2019	December 31, 2018
Cash at bank and in hand	62,670	60,314
Short-term bank deposits	-	-
Cash and cash equivalents	62,670	60,314
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	62,670	60,314

All amounts reported as cash or cash equivalents are at the free disposal of the Company with the exception of an amount of EUR 22 thousand that is pledged against a bank guarantee provided as security for the lease of a building.

11. Shareholders' equity

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

Shares issued and share capital

On June 30, 2019, the Company's authorized share capital pursuant to the Articles of Association amounts to EUR 12,000,000 and is divided into 120,000,000 ordinary shares, each with a nominal value of EUR 0.10.

As at June 30, 2019, a total number of 29,563,994 ordinary shares were outstanding. Each share holds the right to one vote.

	Number of Issued Shares	Issued Share Capital
	Ordinary Shares	in EUR x1,000
Balance as at December 31, 2018	24,341,410	2,434
New shares issued for cash	3,684,200	368
New shares issued upon exercise of warrants	-	-
New shares issued upon acquisition through business combinations	1,513,052	151
Equity-settled share-based payments	25,332	3
Balance as at June 30, 2019	29,563,994	2,956

On March 29, 2019 the shareholders approved the implementation of an anti-takeover protection which introduces preference shares such that Kiadis Pharma's authorized share capital will be divided into ordinary shares and preference shares which will only become effective if the Management Board at any time in the future decides, after having obtained approval from the Supervisory Board, to have the amendment enter into force by depositing a copy thereof at the Trade Register of the Chamber of Commerce. If this occurs, the amendment of the articles of association will enter into force as proposed. In this case, the proposed authorization to issue shares or grant rights to subscribe for shares and shall enable the Management Board and the Supervisory Board to grant a call option that is not limited in time to subscribe for preference shares to an independent foundation then to be established, and which call option can be exercised in whole or in part, up to the authorized share capital of preference shares as per the articles of association at the time of exercise and at multiple times and occasions (including after the issuance and subsequent cancellation of preference shares).

In May 2019, the Company raised EUR 25.4 million in gross proceeds by issuing a total of 3.7 million new shares through a private placement.

In April and May 2019 a total of 25,332 new shares were issued upon the exercise of options.

Upon the completion of the CytoSen acquisition on June 5, 2019 the Company issued 1,513,052 shares, refer to note 5 Business Combinations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

Share premium

	June 30, 2019	June 30, 2018
Balance as at January 1,	180,553	124,413
Share premium on new shares issued	27,263	23,140
Transaction costs	(2,244)	(1,849)
Share premium upon acquisition through business combinations	14,307	-
Fair value of warrants issued	-	-
Equity-settled share-based payments	216	-
Warrants exercised	-	2,258
Balance as end of period	220,095	147,962

In March 2018, the Company raised EUR 23.4 million in gross proceeds by issuing a total of 2.6 million new shares.

In February and March 2018, the Company issued an aggregate number of 227,695 new shares upon the exercise of warrants.

In May 2019, the Company raised EUR 25.4 million in net proceeds of which EUR 25.0 million was recorded as premium. Transaction costs comprise bank fees from the syndicates that arranged the private placement, legal fees and due diligence related costs of EUR 2.2 million in total.

Upon the completion of the purchase of CytoSen, Kiadis shares and Kiadis share options were issued resulting in an increase of share premium of EUR 14.3 million, refer to note 5 Business Combinations.

Warrant reserve

	June 30, 2019	June 30, 2018
Balance as at January 1,	392	1,275
Warrants issued for services	-	-
Reclassification from derivatives	-	-
Warrants exercised	-	(617)
Balance as end of period	392	658

In connection with the June 2017 private placement, the Company issued 55,970 warrants to certain service providers as consideration for the services they provided during this financing round. These warrants were classified as equity instruments and an amount of EUR166 thousand was recorded in warrant reserve. Of this amount EUR155 thousand was recognized as transaction cost and deducted from equity and the remaining EUR11 thousand was charged to the income statement as consultancy costs. The fair value of the services provided was measured indirectly, with reference to the fair value of the equity instruments granted, on the date that the services were completed. For calculating the fair value of these warrants at year-end 2017, the Black, Scholes and Merton option

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

valuation formula (‘Black and Scholes’) has been applied. As there is a potential downward adjustment in the exercise price depending on a future share price at a potential estimated moment of issuing additional equity instruments, a Monte Carlo simulation model has been applied to model the share price forward.

On August 17, 2017, Kiadis Pharma entered into a loan agreement with Kreos Capital V (UK) Ltd. As part of this loan agreement, Kiadis Pharma issued warrants to Kreos. As a consequence of the issuance of these warrants to Kreos, the exercise price of the warrants previously issued in connection with the private placement in June 2017 became fixed and as a result, this change led to a reclassification from liabilities to equity. See also Note 14. Derivatives.

In September 2017, an aggregate number of 324,627 warrants were exercised by several investors who participated in the June 2017 financing round and a corresponding amount of EUR853 thousand was reclassified from Warrant reserve to Share premium.

On July 31, 2018, the Company received a new debt facility from Kreos Capital providing the Company with up to EUR20 million of additional financing. This is in addition to the Company’s EUR15 million debt financing from Kreos Capital in 2017. Upon drawing down this first tranche of the new loan, Kiadis issued 41,212 warrants to Kreos. These warrants meet the ‘fixed-for-fixed’ condition under IAS32. The fair value of these warrants on the transaction date was determined at EUR193 thousand.

12. Loans and borrowings

	June 30, 2019	December 31, 2018
<u>Non current liabilities</u>		
Loan from Kreos Capital V (UK) Ltd:		
- Facility 1	5,496	7,740
- Facility 2	3,001	3,624
Loan from Hospira Inc.	6,454	9,609
Loan from University of Montreal	882	863
	15,833	21,836
<u>Current liabilities</u>		
Loan from Kreos Capital V (UK) Ltd		
- Facility 1	4,693	4,370
- Facility 2	1,440	938
Loan from Hospira Inc.	2,635	-
	8,768	5,308

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the six months ended June 30, 2019

Secured Loan from Kreos Capital V (UK) Ltd

In August 2017, the Company entered into a debt financing agreement with Kreos Capital V (UK) Ltd ('Kreos') for a total amount of EUR 15.0 million ("Facility 1"), consisting of two tranches of EUR 5.0 and EUR 10.0 million respectively. The loan bears a contractual interest rate of 10.0% per annum. The change in the carrying amount reflects interest accrued during the period of EUR 959 thousand, interest payments of EUR 600 thousand and loan repayments of EUR 2,280 thousand. This first tranche will be repaid in 36 equal installments until May 2021. The second tranche will be repaid in 36 equal monthly installments from until October 2021.

In July 2018, the Company entered into a second debt financing agreement with Kreos for a total amount of EUR 20.0 million ("Facility 2"), consisting of two tranches of EUR 5.0 and EUR 15.0 million respectively. The first tranche was drawn down immediately. As at June 30, 2019 the second tranche of Facility 2 can no longer be drawn by the Company. The loan bears a contractual interest rate of 9.0% per annum. The change in the carrying amount reflects interest accrued during the period of EUR 344 thousand interest payments of EUR 186 thousand on the first tranche and a loan repayment of EUR 279 thousand. This first tranche of Facility 2 will be repaid in 36 equal installments until April 2022. Kiadis issued 41,212 warrants to Kreos in relation to facility 2, refer to note 11.

The loan is secured by a lien on all Group assets, including our intellectual property. The facility Agreements contain various affirmative and negative covenants and events of default. Further, as long as any of the loans under the Kreos Capital Facility Agreements remain outstanding, the Company is not entitled to make any dividend payment or other distributions to Shareholders without the prior written consent of Kreos, which may not be unreasonably withheld or delayed. Additionally, none of the subsidiaries may issue any shares (other than to affiliates) without the prior written consent of Kreos.

Loan from Hospira Inc.

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:

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

The carrying amount of this loan as at June 30, 2019, has been adjusted by an amount of EUR 1,118 thousand to reflect changes in the (estimated) underlying future cash flows. The gain has been reflected in the income statement (see also Note 18). The USD 3 million milestone is due upon the first commercial sale expected in the first six months of 2020. Therefore this milestone has been classified as a current liability.

The changes in loans and borrowings in the first six months of 2019 can be summarized as follows:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

	Kreos Capital V (UK) Ltd Facility 1	Kreos Capital V (UK) Ltd Facility 2	Hospira Inc.	University of Montreal	Total
Balance as at January 1, 2019	12,110	4,562	9,609	863	27,144
Interest accrued during the period	959	344	540	15	1,858
Interest payments	(600)	(186)	-	-	(786)
New loan agreements	-	-	-	-	-
Repayments	(2,280)	(279)	-	-	(2,559)
Adjustment of carrying amount	-	-	(1,118)	-	(1,118)
Effect of changes in foreign exchange rates	-	-	58	4	62
Balance as at June 30, 2019	10,189	4,441	9,089	882	24,601

13. Lease liabilities

	June 30, 2019	December 31, 2018
<u>Non-current lease liabilities</u>		
Lease liabilities related to buildings	7,465	5,255
	7,465	5,255
<u>Current lease liabilities</u>		
Lease liabilities related to buildings	1,579	1,033
	1,579	1,033
	Lease liabilities related to buildings	Total lease liabilities
Balance as at January 1, 2019	6,288	6,288
Remeasurement	179	179
New lease agreement	2,948	2,948
Interest expense in the period	238	238
Lease payments	-	-
- Interest paid	(238)	(238)
- Payment leases	(371)	(371)
Balance as at June 30, 2019	9,044	9,044

Future lease payments are adjusted annually based on a Consumer Price Index (CPI) as published by CBS, the Dutch Statistics Office. This occurred for the first time on January 1, 2019. These adjustments of the lease payments have not been included in the present value calculations of the lease liabilities as at January 1, 2018.

In May 2019 the Company entered into an agreement for the lease of facilities at a production facility in Ulm, Germany and on as of June 1, 2019 the Company rents additional office space at our headquarters in Amsterdam (refer to note 6).

The current lease liabilities are based on the expected payments to the counterparty in the coming year.

The table below summarizes the contracted undiscounted cash flows from lease liabilities when they become due.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

	June 30, 2019	December 31, 2018
<u>Maturity analysis of contracted undiscounted cash flows</u>		
Less than one year	1,619	1,039
Between one and three years	2,817	1,846
Between three and five years	2,500	1,846
More than 5 years	4,813	3,691
Total undiscounted lease liabilities	11,749	8,422
Current	1,579	1,033
Non-current	7,465	5,255
Lease liabilities included in the statement of financial position	9,044	6,288

14. Derivatives

	For the period ended	
	June 30, 2019	December 31, 2018
Balance as at January 1,	-	1,445
Initial recognition upon issue	-	-
Changes in fair value included in 'finance income' :		
- Gain from change in fair value	-	-
- Loss from change in fair value	-	589
- Warrants exercised	-	(2,034)
Reclassification to equity	-	-
Balance at end of period	-	-

In August and October 2017, the Company issued a total of 253,617 warrants to Kreos Capital V (UK) Ltd in connection with a new debt financing agreement. Since the exercise price of these warrants could be adjusted based on the subscription price of future financing events, these warrants did not meet the so-called fixed-for-fixed criteria and were classified as a derivative financial liability. In September 2018, all 253,617 warrants were exercised and the Company released the derivative financial liabilities to equity. The fair value of these warrants was remeasured at the moment of exercise at EUR 2.0 million and the corresponding change in fair value was charged to the income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

15. Trade and other payables

	June 30, 2019	December 31, 2018
Suppliers	2,574	1,809
Salaries, bonuses and vacation	1,666	1,226
Payroll tax and social premium contributions	812	337
Interest to be paid	54	65
Accrued commercialisation costs	553	-
Accrued clinical costs	853	787
Accrued manufacturing costs	471	139
Accrued audit fees	70	120
Accrued legal fees	788	35
Accrued recruitment fees	111	42
Accrued consultancy fees	894	28
Other	774	380
	9,620	4,968

The increase in other payables reflects increased activity levels and operational spending across the entire organization and the impact of acquisition of CytoSen related expenses.

16. Employee Benefits

	For the six months ended	
	June 30, 2019	June 30, 2018
Wages and salaries	7,730	3,036
Compulsory social security contributions	715	339
Contributions to defined contribution plans	241	125
Equity-settled share-based payment	1,910	335
Cash-settled share-based payment	-	446
Other employee benefits	152	62
Total	10,748	4,343

Employee benefits excluding expenses related to share-based payment for the first six months of 2019 increased by EUR 5.3 million compared to the same period in 2018. This was mainly due to increases in headcount across the entire organization.

Equity-settled share-based payment expense relate to share options granted under the Kiadis Pharma share option and stock appreciation right plan. In the first six months of 2019 an aggregate number of 1.662,528 share options were granted, 1,502,750 to employees and 159,778 to former CytoSen shareholders. In this period, employees leaving the Company forfeited a total of 13,000 share options. A total of 25,332 options were exercised.

Cash-settled share-based payment expenses relate to stock appreciations rights (SARs) granted under the Kiadis Pharma 2017 stock appreciation right plan. Under this plan

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

300,000 SARs were granted to Mr. Arthur Lahr, CEO of the Company, on April 4, 2017. On July 1, 2018, all 300,000 SARs were modified into 300,000 Options. On July 1, 2018 the liability for the amount of EUR 986 thousand was released to equity. The exercise price of EUR 9.10 and all other terms remained unchanged.

On June 30, 2019, a total of 2,786,001 share options with an average exercise price of EUR 8.96 were issued and outstanding considering 35,332 exercised share options. On this date 615,817 of the share options were exercisable.

17. Expenses

	For the six months ended	
	June 30, 2019	June 30, 2018
Employee benefits (see note 16)	10,748	4,343
Depreciation expense	740	529
Facilities	448	419
Consultancy	7,495	1,960
Telecom & IT	247	105
Travel	1,084	435
Insurance	52	40
Clinical costs	1,760	1,208
Manufacturing	1,528	1,247
Other	1,632	816
Total operating expenses	25,734	11,102
	For the six months ended	
	June 30, 2019	June 30, 2018
Research and development expenses	16,247	7,709
General and administrative expenses	9,487	3,393
Total operating expenses	25,734	11,102

Research and development expenses increased by EUR 8.5 million mainly due to a further expansion of the workforce, the move to a larger building which includes a commercial manufacturing facility, laboratories and office space and increased clinical expenses.

General and administrative expenses increased by EUR 6.1 million mainly due to increased headcount across all departments to support the continued growth of the company and consultancy expenses for business development, market access and a strategic project, including the proposed acquisition of CytoSen.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

18. Finance income and expenses

	For the six months ended	
	June 30, 2019	June 30, 2018
<u>Finance income</u>		
Interest income	1	-
	1	-
<u>Finance expenses</u>		
Interest Expense on bank loans and other debt	(1,973)	(1,759)
Interest Expense on Leases	(238)	(236)
	(2,211)	(1,995)
<u>Other net finance income or (expenses)</u>		
Net gain (loss) from changes in fair value	446	(288)
Net gain (loss) adjustments of loans	1,118	(42)
Net foreign exchange gain (loss)	474	(643)
	2,038	(973)
Net finance expenses	(172)	(2,968)

Net foreign exchange gain of EUR 474 thousand in the first six months of 2019 includes amongst others EUR 520 thousand of unrealized (non-cash) Canadian dollar/euro exchange rate gain on intra-group loans and EUR 58 thousand of unrealized (non-cash) US dollar/euro exchange rate loss on the loan from Hospira Inc. The net gain from changes in fair value of EUR 446 thousand relates a change in the contingent consideration, refer to note 5 Business Combinations.

Due to a decrease in the estimated future cash flows underlying the Hospira Inc. loan, the carrying amount of the loan decreased by EUR 1,118 thousand (see also Note 12). This resulted in a charge included in finance expenses of the same amount.

19. 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.

Debt providers also request in addition to interest equity returns. These equity returns are not included in the assessment of the fair value, which only considers interest expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

	Carrying amount				Fair value			
	Non-current assets		Current assets		Level 1	Level 2	level 3	Total
	Non-current financial assets		Trade and other receivables	Cash and cash equivalents				
June 30, 2019								
Financial assets not measured at fair value								
Deposits (building leases)	269	-	-	269	-	-	-	-
VAT and other receivables	-	2,131	-	2,131	-	-	-	-
Cash and cash equivalents	-	-	62,670	62,670	-	-	-	-
	269		2,131	62,670				64,801

	Carrying amount				Fair value			
	Non-current assets		Current assets		Level 1	Level 2	level 3	Total
	Non-current financial assets		Trade and other receivables	Cash and cash equivalents				
December 31, 2018								
Financial assets not measured at fair value								
VAT and other receivables	-	729	-	729	-	-	-	-
Cash and cash equivalents	-	-	60,314	60,314	-	-	-	-
	-	729	60,314	61,043				

	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities			Level 1	Level 2	level 3	Total
	Other Long Term Liabilities	Loans and borrowings	Trade and other payables	Loans and borrowings	Total				
June 30, 2019									
Financial liabilities measured at fair value									
Contingent Consideration	17,043	-	-	-	17,043	-	-	17,043	17,043
Financial liabilities not measured at fair value									
Loan from Kreos Capital V (UK) Ltd:									
- Facility 1	-	5,496	-	4,693	10,189	-	10,189	-	10,189
- Facility 2	-	3,001	-	1,440	4,441	-	4,441	-	4,441
Loan from Hospira Inc.	-	6,454	-	2,635	9,089	-	-	9,089	9,089
Loan from University of Montreal	-	882	-	-	882	-	882	-	882
Trade and other payables	-	-	9,620	-	9,620	-	-	-	-
	17,043	15,833		9,620	8,768				51,264

20. Commitments

(a) Lease of premises

	June 30, 2019	December 31, 2018
Less than one year	605	555
Between one and five years	2,234	2,063
More than 5 years	2,006	2,049
	4,845	4,667

The commitments as at June 30, 2019 in the table above, relate to services to be received under non-cancellable lease contracts for buildings. The lease contracts relate to a commercial manufacturing facility, laboratories and office space in Amsterdam, the Netherlands and a manufacturing facility in Ulm, Germany.

(b) Capital commitments

In Q2 2019, the Group entered into various contracts with services and products to be delivered in Q3 2019 for a total amount of approximately EUR 6.3 million incl. approx. EUR 4.5 million commitments to be paid in the first year and the remainder within no more than 5 years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2019

(c) License obligations

In November 2016, CytoSen Therapeutics Inc. entered into an exclusive patent license agreement (License) with the University of Central Florida Research Foundation, Inc. (UCF). UCF owns or controls certain patent rights related to the design and manufacture of the nanoparticles used in the production of the Company NK Cell therapy. Subject to certain performance milestones and compensation terms, the License secures the Company's rights to use, develop, manufacture, market, commercialize and sub-license the Patent rights. UCF desires to have the Patent Rights developed and used for the benefit of the Company and the public. The significant terms of the original License in place include various performance milestones related to regulatory filings, clinical trials and commercial sales, equity considerations and low single digit royalties of certain NK cell products with minimal royalties on the first commercial sale.

21. 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

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

The table below shows the remuneration received by the individual members of the Management Board.

Robbert van Heekeren resigned as Chief Financial Officer and as member of the Management Board effective October 1, 2018. On March 29, 2019, the shareholders approved the appointment of Scott Holmes, Chief Financial Officer, as a member of the Management Board.

	For the six months	
	June 30, 2019	June 30, 2018
Salaries and other short-term employee benefits	339	242
Pensions	8	8
Share-based payment	525	475
Social securities	7	11
Other emoluments	-	-
Total	879	736

Supervisory Board

As of June 30, 2019 the Supervisory Board consisted of 6 Board members (Q2 2018: 7). Two new board members were appointed by the General Meeting of shareholders held on June 4, 2018. Both served as observatory members during the first three months of 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2019

	For the six months	
	June 30, 2019	June 30, 2018
Remuneration	89	40
Share-based payment	67	-
Total	156	40

On March 29, 2019, the shareholders approved the remuneration of the Supervisory Board which includes the granting of options. On March 29, 2019 a total of 104 thousand options were granted. Only independent board members receive compensation for their services.

22. Subsequent events

There were no subsequent events.