



Kiadis Pharma announces maiden Financial Results for the six months ended 30 June 2015

Amsterdam, The Netherlands, August 25, 2015 – Kiadis Pharma N.V. (“Kiadis Pharma” or “Company”) (Euronext Amsterdam and Brussels: KDS), a recently-listed clinical stage biopharmaceutical company developing innovative T-cell immunotherapy treatments for blood cancers and inherited blood disorders, today announces its maiden unaudited financial results for the six months ended 30 June 2015, which have been prepared in accordance with the IAS 34 “Interim Financial Reporting” as adopted by the European Union.

Operating highlights

- Continued good progress made in developing lead product ATIR101™ for blood cancer:
 - Full enrolment of the ongoing Phase II clinical study has been accomplished;
 - Readout of the primary endpoint results of this study is still expected in Q1 2016;
 - Establishing a closed manufacturing process that allows for automation is advancing according to plan.
- Preparations underway to run another study, testing repeat dose administration of ATIR101™ in parallel with the ongoing Phase II trial.
- ATIR101™ granted an Advanced Therapy Medicinal Product (ATMP) certificate for manufacturing quality and non-clinical data by the European Medicinal Agency (EMA).
- The Company further strengthened its Supervisory Board with the appointment of Dr. Vincent Brichard as an independent member.

Financial highlights

- Kiadis Pharma N.V. listed its shares with an initial public offering (IPO) on Euronext Amsterdam and Brussels on 2 July 2015. IPO proceeds (€34.7 million gross) did not contribute to the equity and cash position for the first six months ended 30 June 2015 and hence are not included in these financial results.

(€ million)	30 June 2015	30 June 2014	Change
Total revenue and other income	-	-	-
Operating expenses	(11.7)	(2.9)	(8.8)
Research and development	(4.7)	(2.2)	(2.5)
General and administrative	(7.0)	(0.7)	(6.3)
Operating result	(11.7)	(2.9)	(8.8)
Net financial result	2.2	(0.6)	2.8
Net result	(9.6)	(3.5)	(6.1)
Net operational cash flow	(3.6)	(2.7)	(0.9)
Cash at end of period	2.5	3.6	(1.1)

A full financial report for the six months ended 30 June 2015 is available on Kiadis Pharma's website.

Commenting on the maiden financial results, Manfred Rüdiger, CEO of Kiadis Pharma, said:

"We are pleased to be making continued good progress with our Phase II clinical trial using ATIR101™ and that we remain on track. Having completed our recent IPO we are now completely driven to create life-saving treatments for patients with blood cancers and inherited blood disorders and to create value for our shareholders."

About ATIR™

During an allogeneic hematopoietic stem cell transplantation (HSCT) treatment, the bone marrow, harbouring the diseased cells, is completely destroyed and subsequently replaced by stem cells from a healthy donor. After an HSCT treatment it usually takes at least six to twelve months to recover to near-normal blood cell levels and immune cell functions in a patient that has received a transplant. During this period, the patient is highly susceptible and vulnerable to infections caused by bacteria, viruses and fungi. Immune cells in ATIR™ (Allodepleted T-cell Immunotherapy) will help fight these opportunistic infections and bridge the time until the immune system has fully re-grown from stem cells in the transplanted graft.

In ATIR™, T-cells that cause Graft-versus-Host-Disease (GVHD) are eliminated from the donor lymphocytes, which minimises the risk of GVHD and any related morbidity and mortality. At the same time, ATIR™ contains potential cancer killing T-cells from the donor that could eliminate residual cancer cells and avoid the return of the disease. ATIR™ allows the use of haploidentical grafts that are almost entirely depleted of T-cells, which eliminates the need for immunosuppressive drugs. ATIR™ subsequently provides the patient with immune cells that do not cause GVHD. As a result, ATIR™ solves the problem of not finding a matched donor in time and has the potential to make curative HSCT a viable option to many more patients.

The Company estimates that approximately 35% of patients who are eligible for, and who are in urgent need of, HSCT will not find a matching donor in time. A partially matched (haploidentical) family donor, however, will be available to over 95% of patients. The use of haploidentical donor grafts without ATIR™ is only feasible in conjunction with severe

immunosuppression which renders the patient highly vulnerable to infections with severe clinical complications, resulting potentially in death.

About Kiadis Pharma

Kiadis Pharma is a clinical stage biopharmaceutical company focused on research, development and future commercialisation of cell-based immunotherapy products for the treatment of blood cancers and inherited blood disorders. The Company believes that its innovative products have the potential to address the current risks and limitations connected with allogeneic hematopoietic stem cell transplantation (HSCT). Although currently not a viable option for many patients, HSCT is generally regarded as the most effective curative approach to blood cancers and certain inherited blood disorders. The Company expects that HSCT could become a first-choice treatment for blood cancers and inherited blood disorders once current risks and limitations are addressed, thereby meeting a significant unmet medical need with its products.

Currently, ATIR™101 is being tested in an open-label Phase II trial in patients with blood cancer who have not found a matching donor and where a partially matched (haploidentical) family member is used as donor for HSCT.

Kiadis Pharma is based in Amsterdam, the Netherlands and its shares are listed on Euronext Amsterdam and Euronext Brussels. Further information can be found at: www.kiadis.com

This press release contains regulated information (*gereguleerde informatie*) within the meaning of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) which must be made publicly available pursuant to Dutch law. This press release is intended for information purposes only.

For more information, please contact:

Manfred Ruediger, CEO

Kiadis Pharma

Entrada 231-234

1114 AA Amsterdam-Duivendrecht

The Netherlands

Tel. +31 20 314 02 50

communication@kiadis.com

International Media and Investor Contact:

Mary-Jane Elliott, Lindsey Neville, Hendrik Thys

Consilium Strategic Communications

Tel: +44 (0) 203 709 5708

kiadis@consilium-comms.com

Forward Looking Statements

Certain statements, beliefs and opinions in this press release are forward-looking, which reflect Kiadis Pharma's or, as appropriate, Kiadis Pharma's directors' current expectations and projections about future events. By their nature, forward-looking statements involve a

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



Interim Report

For the six months ended 30 June 2015

Table of contents

INTERIM REPORT OF THE MANAGEMENT BOARD	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	9

FORWARD-LOOKING STATEMENTS

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

Interim Report of the Management Board for the six months ended 30 June 2015

Operating review

In the past months Kiadis Pharma continued to make progress in developing its lead product ATIR101. Establishing a closed manufacturing process that allows for automation is advancing according to plan. As Kiadis Pharma announced earlier, full enrolment of the current phase II clinical study with ATIR101 has been accomplished. Readout of the primary endpoint results of this study is still expected in the first quarter of 2016.

Preparations to run another study, testing repeat dose administration of ATIR101 in parallel with the ongoing phase II trial, have been initiated. Kiadis Pharma also announced previously that its lead product ATIR101 has been granted an Advanced Therapy Medicinal Product (ATMP) certificate for manufacturing quality and non-clinical data by the European Medicinal Agency (EMA).

The Company in addition further strengthened its Supervisory Board with the appointment of Dr. Vincent Brichard as an independent member.

In the second quarter of 2015 the Company prepared for an Initial Public Offering (IPO). On 30 June 2015, Kiadis Pharma successfully completed the book building process. First listing took place on 2 July 2015 and settlement of the IPO took place on 3 July 2015.

Interim financial results

In the first six months of 2015, the Company has not generated any revenues. Total operating expenses increased by €8.8 million from €2.9 million in the first six months of 2014 to €11.7 million in the same period of 2015. This increase was primarily caused by expenses related to the Company's equity-settled bonus share plan.

In the first six months of 2015, net finance income came at a level of €2.2 million compared to €0.6 million net finance expenses for the same period of 2014. This finance income was mainly a result of a gain of €4.6 million recorded in June 2015, upon the exercise of derivatives issued by the Company in 2011. The net loss for the six months ended 30 June 2015 came at a level of €9.6 million compared to a loss of €3.5 million for the six months ended 30 June 2014. Expenses and net result for the first six months have been in line with management expectations. The Company ended the first six months of 2015 with €2.5 million in cash and cash equivalents.

As of 2 July 2015, Kiadis Pharma N.V. shares are listed on the stock markets of Euronext Amsterdam and Brussels. Settlement of the IPO took place on 3 July 2015, with proceeds following, and hence did not contribute yet to the equity and cash position as at 30 June 2015. The gross proceeds from the IPO came to a total of €34.7 million and net proceeds came to a total of of €31.2 million.

Auditor's involvement

The content of these condensed consolidated interim financial statements has not been audited.

Risk and uncertainties

Note 3 on pages 22 to 24 of the Annual Report 2014 includes an extensive overview of the Company's (financial) risk management.

Note 4 on pages 24 to 27 of the Annual report 2014 describes the Company's critical accounting estimates en judgments.

With reference to the *Going Concern Assessment* in Note 2 of these condensed consolidated interim financial statements, Kiadis Pharma successfully completed an Initial Public Offering (IPO) on 2 July 2015 and settlement on 3 July 2015.

Responsibility statement

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

Amsterdam, 25 August 2015

Management Board

Manfred Rüdiger, *Chief Executive Officer*
Robbert van Heekeren, *Chief Financial Officer*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in euro x 1,000)

		30 June 2015	31 December 2014
	Note	Unaudited	Audited
Assets			
Property, plant and equipment	5	367	413
Intangible assets	6	13,920	13,687
Total non-current assets		14,287	14,100
Trade and other receivables	7	239	196
Deferred expenses	7	1,003	242
Cash and cash equivalents	8	2,476	5,674
Total current assets		3,718	6,112
Total assets		18,005	20,212
 Equity			
Share capital		1,069	10,567
Share premium		67,186	57,243
Translation reserve		346	317
Warrant reserve		2,580	2,580
Accumulated deficit		(69,692)	(68,042)
Equity attributable to owners of the Company	9	1,489	2,665
 Liabilities			
Loans and borrowings	10	12,903	5,090
Derivatives	11	-	3,730
Total non-current liabilities		12,903	8,820
Loans and borrowings	10	1,065	7,129
Trade and other payables	12	2,548	1,598
Total current liabilities		3,613	8,727
Total liabilities		16,516	17,547
Total equity and liabilities		18,005	20,212

The Notes on pages 9 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in euro x 1,000)

	Note	For the six months ended	
		30 June 2015	30 June 2014
		Unaudited	Unaudited
Revenue		-	-
Other income		-	-
Research and development expenses	13,14	(4,700)	(2,161)
General and administrative expenses	13,14	(7,032)	(747)
Total expenses		(11,732)	(2,908)
Operating loss		(11,732)	(2,908)
Interest income		1	22
Interest expenses		(674)	(523)
Other net finance income (expenses)		2,852	(109)
Net finance income (expenses)	15	2,179	(610)
Loss before tax		(9,553)	(3,518)
Income tax expense		-	-
Loss for the period		(9,553)	(3,518)
Other comprehensive income			
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Foreign currency translation difference for foreign operations		29	3
Related tax		-	-
Other comprehensive income for the period, net of tax		29	3
Total comprehensive income for the period		(9,524)	(3,515)
Loss attributable to:			
Owners of the Company		(9,553)	(3,518)
		(9,553)	(3,518)
Total comprehensive income attributable to:			
Owners of the Company		(9,524)	(3,515)
		(9,524)	(3,515)
Earnings per share			
Basic earnings per share (euro)		(0.90)	(0.33)
Diluted earnings per share (euro)		(0.85)	(0.31)

The Notes on pages 9 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(amounts in euro x 1,000)

	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2015		10,567	57,243	317	2,580	(68,042)	2,665
Total comprehensive income							
Loss for the period						(9,553)	(9,553)
Other comprehensive income				29			29
Total comprehensive income for the period		-	-	29	-	(9,553)	(9,524)
Transactions with owners, recorded directly in equity							
Business combinations	9	(9,498)	9,498				-
Equity-settled share-based payment	13					7,903	7,903
Warrants exercised	11		445				445
Balance as at 30 June 2015 (Unaudited)		1,069	67,186	346	2,580	(69,692)	1,489
	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Retained Earnings	Total Equity
Balance as at 1 January 2014		10,896	51,863	249	2,580	(60,229)	5,359
Total comprehensive income							
Loss for the period						(3,518)	(3,518)
Other comprehensive income				3			3
Total comprehensive income for the period		-	-	3	-	(3,518)	(3,515)
Transactions with owners, recorded directly in equity							
Cancellation of shares	9	(922)	922				-
Balance as at 30 June 2014 (Unaudited)		9,974	52,785	252	2,580	(63,747)	1,844

The Notes on pages 9 to 21 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in euro x 1,000)

	Note	For the six months ended	
		30 June 2015	30 June 2014
		Unaudited	Unaudited
Cash flows from operating activities			
Loss for the period		(9,553)	(3,518)
<u>Adjustments for :</u>			
Depreciation of property, plant & equipment (PP&E)	5	69	57
Net interest expenses	15	673	501
Equity-settled share-based payment transactions	13	7,903	-
Net unrealized foreign exchange (gains) or losses		(144)	(46)
(Gain) or loss from change in fair value of derivatives	11	859	212
(Gain) or loss from exercise of derivatives	11	(4,589)	-
(Gain) or loss from restatements of loans	10	1,011	(64)
Cash used in operating activities before changes in working capital and provisions:		(3,771)	(2,858)
Trade and other receivables		(41)	(52)
Deferred expenses		(760)	66
Trade and other payables		650	(114)
Other liabilities		295	304
Total change in working capital		144	204
Provisions		-	-
Cash used in operating activities		(3,627)	(2,654)
Interest paid		-	(9)
Net cash used in operating activities		(3,627)	(2,663)
Cash flows from investing activities			
Interest received		1	22
Acquisition of PP&E	5	(22)	(104)
Net cash used in investing activities		(21)	(82)
Cash flows from financing activities			
Proceeds from exercise of warrants	9	445	-
Repayment of borrowings		-	(150)
Net cash used in financing activities		445	(150)
Net decrease in cash and cash equivalents		(3,203)	(2,895)
Cash and cash equivalents as at 1 January		5,674	6,482
Effect of exchange rate fluctuations on cash held		5	-
Cash and cash equivalents as at 30 June	8	2,476	3,587

The Notes on pages 9 to 21 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. Company information

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

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

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The condensed financial statements do not contain all information required for an annual report and should therefore be read in conjunction with the Company's Annual Report 2014.

The interim financial statements were authorized for issue by the Company's Management Board on 25 August 2015.

These condensed consolidated interim financial statements have not been audited.

Going concern assessment

The consolidated financial statements have been prepared on a going concern basis. On 2 July 2015 the Company successfully completed an Initial Public Offering (IPO). As of that date the Company's shares are listed on the stock markets of Euronext Amsterdam and Euronext Brussels. The net proceeds of the IPO amounted to €31.2 million (see Note 19).

3. Significant accounting policies

There were no significant changes in accounting policies applied by the Group in these condensed consolidated interim financial statements compared to those used in the Annual Report 2014.

Significant accounting estimates and judgments

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

Non-derivative financial liabilities

The Company presented non-current financial liabilities with a carrying value of €12.9 million at 30 June 2015. An amount of €5.7 million relates to a loan from Hospira Inc. for which repayment is conditional (see Note 10). This loan has an effective interest rate

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

(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 €3.7 million at 31 December 2014. These liabilities represented 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 3 financial liabilities in the fair value hierarchy (see Note 16) is based on binomial model. Measurement inputs to calculate the fair value include estimated share prices, probabilities that certain scenarios will occur, discount rates, and the exercise price of the instrument. See also Note 11.

4. Segment reporting

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

As per 30 June 2015, the Group has one lead product under development being ATIR101. This is considered to be the only reportable segment. All corporate activities can be assigned therefore to this segment as well. Therefore no additional segment analysis is disclosed.

5. Property, plant and equipment

The carrying value of Kiadis Pharma's property, plant and equipment decreased from €413 thousand at 31 December 2014 to €367 thousand at 30 June 2015. The €46 thousand decrease largely reflects €69 thousand in depreciation charges.

In the first six months of 2015, the Company purchased laboratory equipment for a total amount of €20 thousand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

6. Intangible assets

	Goodwill	In-process Research & Development	Patents	Total
<u>Balance as at 1 January 2015</u>				
Cost	4,330	9,357	80	13,767
Amortization / Impairment	-	-	(80)	(80)
Book value as at 1 January 2015	4,330	9,357	-	13,687
<u>Changes in book value</u>				
Additions	-	-	-	-
Effect of changes in foreign exchange rates	74	159	-	233
	74	159	-	233
<u>Balance as at 30 June 2015</u>				
Cost	4,404	9,516	80	14,000
Amortization / Impairment	-	-	(80)	(80)
Book value as at 30 June 2015	4,404	9,516	-	13,920

The Company's intangible assets mainly relate to the business combination effected in 2006 in which Kiadis Pharma acquired Montreal, Canada, based Celmed BioSciences Inc. The carrying value of the Company's intangible assets increased from €13.7 million at year end 2014 to €13.9 million at 30 June 2015. The €0.2 million increase is caused by a 2% increase in the exchange rate of the Canadian dollar against the euro.

7. Trade and other receivables

	30 June 2015	31 December 2014
Trade receivables	-	-
VAT receivables	163	122
Deferred expenses	1,003	242
Deposits (lease of buildings)	58	58
Other amounts receivable	18	16
	1,242	438

Deferred expenses increased with €804 thousand compared to 31 December 2014. This is mainly due to prepayments of transaction costs relating to the Initial Public Offering of Kiadis Pharma's shares that took place on 2 July 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

8. Cash, cash equivalents and cash flows

The main cash flow items for the first six months of 2014 and 2015 can be summarized as follows:

	2015	2014
Net cash used in operating activities	(3,627)	(2,663)
Net cash used in investing activities	(21)	(82)
Net cash used in financing activities	445	(150)
Effect of exchange rate fluctuations on cash held	5	-
Net decrease for the period	(3,198)	(2,895)
Cash and cash equivalents as at 1 January	5,674	6,482
Cash and cash equivalents as at 30 June	2,476	3,587

Cash used in operating activities increased by €0.9 million, which is largely explained by expenditures related to the IPO.

All amounts reported as cash or cash equivalents are at the free disposal of the Company with the exception of a call deposit having a carrying value of €31,000 that is pledged against certain bank guarantees provided as security for the lease of buildings.

9. Equity

On 12 June 2015 a restructuring took place that qualified as a business combination under common control. Kiadis Pharma N.V. was incorporated and existing preference shareholders of Kiadis Pharma B.V. exchanged their shares for shares in Kiadis Pharma N.V. As a result, Kiadis Pharma N.V. became the parent of the Kiadis Pharma group of companies.

10. Loans and borrowings

	30 June 2015	31 December 2014
<u>Non current liabilities</u>		
Government Loan I (RVO NL)	4,091	-
Government Loan II (RVO NL)	2,359	-
Loan from Hospira Inc.	5,668	4,382
Loan from University of Montreal	785	708
	12,903	5,090

In December 2011, the Company entered into an agreement with Hospira Inc. for which an amount of USD 24.5 million had been judged as a loan. The loan bears a contractual

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

interest rate of 1.5% per annum and the conditional payment obligations regarding this loan are as follows:

1. a milestone payment of USD 3 million upon the earlier of (i) the execution of a sub-licence on the Theralux platform, or (ii) the first commercial sale of a product derived from the Theralux platform; and
2. a 5% royalty on worldwide net-sales of products derived from the Theralux product platform until the loan amount has been fully paid.

	Hospira Inc.	University of Montreal
Balance as at 1 January 2015	4,382	708
Interest accrued during the period	275	14
Restatement of carrying amount	1,011	-
Effect of changes in foreign exchange rates	-	63
Balance as at 30 June 2015	5,668	785

At 30 June 2015, the carrying amount of this loan has been adjusted by an amount of €1.0 million to reflect changes in the (estimated) underlying future cash flows. This amount has been charged to the income statement (see Note 15).

	30 June 2015	31 December 2014
<u>Current liabilities</u>		
Government Loan I (RVO NL)	868	4,693
Government Loan II (RVO NL)	197	2,436
	1,065	7,129

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 €386 thousand. In May 2015, the Company reached an agreement with RVO NL on a new repayment schedule. The repayment period has been extended to 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. Derivatives

	Period ended	
	30 June 2015	31 December 2014
Balance as at 1 January	3,730	3,189
Loss included in 'finance expenses' :		
- Net change in fair value (unrealized)	859	541
Gain included in 'finance income' :		
- Exercise of warrants	(4,589)	-
Balance as at end of period	-	3,730

Warrants have been issued towards third party Kreos Capital III Ltd. These warrants have an exercise period up till November 2020 and entitle the holder to buy shares of any existing or future class of shares of the Group. At the time of issuance, the number of warrants was not fixed. As a consequence, the warrants did not meet the criteria of an equity instrument and were classified as a financial liability (see also Note 16).

In the first quarter of 2015 fair value changes of warrant rights not exercised at the reporting date amounting to €0.9 million, were charged to the statement of income. In June 2015, Kreos decided to exercise these warrants anticipating the Initial Public Offering. As a result, an amount of €4.6 million has been released to the statement of income (see Note 15).

12. Trade and other payables

	30 June 2015	31 December 2014
Suppliers	1,091	396
Salaries, bonuses and vacation	124	119
Tax and social premium contributions	70	107
Accrued clinical costs	279	249
Accrued manufacturing costs	80	79
Accrued audit fees	165	58
Accrued legal fees	534	20
Accrued R&D expenses	-	441
Other	205	129
	2,548	1,598

The overall increase in trade and other payables of €0.9 million is mainly due to increased expenditure levels in preparing for the Initial Public Offering.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. Employee Benefits

	For the six months ended	
	30 June 2015	30 June 2014
Wages and salaries	1,033	935
Compulsory social security contributions	93	89
Contributions to defined contribution plans	39	41
Share-based payment	7,903	-
Company cars	2	10
Other employee benefits	18	10
Total	9,088	1,085
<u>Number of employees (headcount)</u>		
Research & development positions	18	16
General & administrative positions	5	5
Number of employees (headcount) at end of period	23	21

Kiadis Pharma has an incentive scheme (the Exit Participation Plan or EPP) under which participants are eligible to receive a bonus based on a percentage of the value of the Company in case of an Exit. On 30 June 2015 an IPO as Exit was the most likely scenario and as a consequence the Company recognized cumulated costs of €7.9 million as equity-settled share based payments. These costs have been calculated based on the estimated fair values at the grant dates using a binomial model.

Employee benefits for the first six months of 2015 increased €100 thousand compared to the same period in 2014. This was mainly due to an increase in headcount and, to a lesser extent, increases in salaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

14. Expenses

	For the six months ended	
	30 June 2015	30 June 2014
Employee benefits (see Note 13)	9,088	1,085
Depreciation expense	69	57
Facilities	171	150
Consultancy	784	166
Telecom & IT	81	40
Travel	127	155
Insurance	31	30
Clinical costs	299	250
Manufacturing	980	809
Other	102	166
Total	11,732	2,908

	For the six months ended	
	30 June 2015	30 June 2014
Research and development expenses	4,700	2,161
General and administrative expenses	7,032	747
Total	11,732	2,908

In addition to the costs related to the Exit Participation Plan (EPP), general and administrative expenses for the first six months of 2015 included €0.6 million of legal and other expenses related to the Initial Public Offering (IPO). Without the costs related to the IPO and the EPP, expenses for the first six months of 2015 are as follows:

	For the six months ended	
	30 June 2015	30 June 2014
Research and development expenses	2,491	2,161
General and administrative expenses	767	747
Total	3,258	2,908

Research and development expenses increased by €0.3 million compared to the same period of last year. This was primarily due to a higher level of activities at Kiadis Pharma's lab facilities, including the hiring of new staff.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. Finance income and expenses

	For the six months ended	
	30 June 2015	30 June 2014
<u>Finance income</u>		
- Interest income	1	22
- Net foreign exchange gain	133	39
- Gain from restatements of loans	-	64
- Gain from exercise of derivatives	4,589	-
	4,723	125
<u>Finance expenses</u>		
- Bank borrowings, and other debt	(674)	(523)
- Loss from restatements of loans	(1,011)	-
- Loss from change in fair value of derivatives	(859)	(212)
	(2,544)	(735)

Net foreign exchange gains of €133 thousand in the first six months of 2015 include €208 thousand of unrealized (non-cash) Canadian dollar/euro exchange rate gains on intra-group loans. This net gain compares to a gain of €58 thousand in the same period of 2014.

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 €1.0 million (see Note 10). This resulted in a charge included in finance expenses of the same amount.

The reassessment of the fair value of derivatives resulted in a loss for the Company of €0.9 million in the first quarter of 2015. In the second quarter of 2015 these derivatives were exercised which resulted in a gain of €4.6 million (see Note 11).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

	Carrying amount				Fair value			
	Non-current assets		Current assets		Level 1	Level 2	level 3	Total
			Trade and other receivables	Cash and cash equivalents				
30 June 2015								
Financial assets not measured at fair value								
Trade and other receivables			239					239
Cash and cash equivalents				2,476				2,476
			239	2,476				2,715
31 December 2014								
Financial assets not measured at fair value								
Trade and other receivables			196					196
Cash and cash equivalents				5,674				5,674
			196	5,674				5,870

	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				
30 June 2015									
Financial liabilities measured at fair value									
Derivatives	-								-
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		6,450		1,065	7,515		7,515		7,515
Government Loans (Industry Canada)		-		-	-		-		-
Secured bank loans		-		-	-		-		-
Loan from Hospira Inc.		5,668			5,668		5,668		5,668
Loan from University of Montreal, Canada		785			785		785		785
Trade and other payables				2,548	2,548				
	-	12,903		2,548	1,065				16,516
31 December 2014									
Financial liabilities measured at fair value									
Derivatives	3,730							3,730	3,730
Financial liabilities not measured at fair value									
Government Loans (RVO NL)		-		7,129	7,129		7,129		7,129
Government Loans (Industry Canada)		-		-	-		-		-
Secured bank loans		-		-	-		-		-
Loan from Hospira Inc.		4,382			4,382		4,382		4,382
Loan from University of Montreal, Canada		708			708		708		708
Trade and other payables				1,598	1,598				
	3,730	5,090		1,598	7,129				17,547

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

17. Contingencies and commitments

In May 2015 the Company extended the lease term for its head office in Amsterdam with one year.

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

	30 June 2015	31 December 2014
Less than one year	325	196
Between one and five years	39	-
More than 5 years	-	-
	364	196

The operating lease contracts mainly relate to office and laboratory space in Amsterdam.

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 2015 and 2014.

	For the six months ended	
	30 June 2015	30 June 2014
Salaries and other short-term employee benefits	254	287
Pensions	5	5
Share-based payment (see Note 13)	3,856	-
Social securities	13	14
Other emoluments	2	2
Total	4,130	308

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

Supervisory Board

The remuneration of the Supervisory Board members included in the table below relates to the compensation for 4 members in the first six months of 2015 (2014: 3).

	For the six months ended	
	30 June 2015	30 June 2014
Remuneration	28	27
Share-based payment (see Note 13)	65	-
Total	93	27

Transactions of shares in the Company

On 12 June 2015, Kiadis Pharma N.V. was incorporated and existing preference shareholders of Kiadis Pharma B.V. exchanged their shares for shares in Kiadis Pharma N.V.

In this transaction Life Sciences Partners B.V., a major shareholder received 1,656,552 common shares Kiadis Pharma N.V. at identical conditions as the other participants. Mr. Kleijwegt, a member of the Supervisory Board, received (through Pro-Ventures I B.V.) 263,376 common shares Kiadis Pharma N.V. at identical conditions as the other participants. Mr. Rüdiger, the Company's CEO, received 81,078 common shares Kiadis Pharma N.V. at identical conditions as the other participants. Mr. Van Heekeren, the Company's CFO, received 71,916 common shares Kiadis Pharma N.V. at identical conditions as the other participants. (Other participants, who also received common shares Kiadis Pharma N.V. were a.o. Esprit Nominees Limited, Lenildis Holding B.V., and Life Sciences Partners II B.V., receiving respectively 3,230,682, 1,954,170, and 1,240,422 common shares Kiadis Pharma N.V.).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

19. Subsequent events

On 2 July 2015 Kiadis Pharma's shares were listed on the stock markets of Euronext Amsterdam and Brussels. The settlement of the Initial Public Offering took place on 3 July 2015. The table below shows the Company's equity as at 30 June 2015, incorporating the effect of the net proceeds of the IPO on the Company's equity position.

	Equity as at 30 June 2015	Initial Public Offering (Net Proceeds)	Warrants and stock options lapsed	Pro Forma Equity as at 30 June 2015
Share Capital	1,069	278		1,347
Share Premium	67,186	30,952		98,138
Translation Reserve	346			346
Warrant Reserve	2,580		(2,580)	-
Retained Earnings	(69,692)		2,580	(67,112)
Total Equity	1,489	31,229	-	32,718