Interim Report

For the six months ended June 30, 2020

Table of contents

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' future performance and position. Such statements are based on current expectations, estimates and projections of Kiadis and information currently available to the Company. Kiadis cautions that by their nature, forward-looking statements involve a number of known and unknown risks, uncertainties and assumptions that are difficult to predict and that could cause actual results, performance, achievements or events to differ materially from those expressed, anticipated or implied by the forward-looking statements. Risks, uncertainties and assumptions 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 actual results, performance, achievements or events 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 2019. 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, 2020

Operating highlights (including post-reporting period)

- As of June 30, 2020 Kiadis had €19.8 million in cash and cash equivalents. It received a €17.5 million upfront payment from Sanofi in July 2020. Anticipated cash and cash equivalents for the end of September 2020 is €25.9 million, effectively a cash burn of €11 million for the third quarter, which was focused on advancing the Company's NK-cell business.
- In the first half of 2020, Kiadis raised gross proceeds of €17 million through private placements of approximately 10.5 million shares with two parties, including LSP Advisory, the public investment arm of Life Sciences Partners, on behalf of the LSP Life Sciences Fund N.V. and several mandate clients[1].
- In May, the U.S. Food and Drug Administration (FDA) approved the Investigational New Drug (IND) application Kiadis filed in April 2020 that supports the Phase 2 NK-REALM (haploidentical NK-cells to prevent post-transplant RElapse in AML and MDS) study. This study will enroll 63 patients at leading transplant centers in the U.S. The study is designed to confirm earlier proof-of-concept data in 24 patients, which showed that adjunctive treatment with K-NK002 has the potential to substantially improve outcomes for patients in need of a HSCT.
- The U.S. FDA provided approval on the first-in-human clinical trial in patients with relapsed/refractory acute myeloid leukemia (R/R AML) with off-the-shelf Natural Killer ("NK") cells manufactured using Kiadis' FC21 mbIL21 feeder cells and proprietary universal donor platform. The Phase 1 investigator initiated trial, which will support the development K-NK003, has enrolled multiple patients since its start in June.
- In July, Kiadis signed an exclusive license agreement with Sanofi for its previously undisclosed K-NK004 preclinical program. The agreement covers Kiadis' proprietary CD38 knock out (CD38KO) K-NK therapeutic for combination with anti-CD38 monoclonal antibodies, including Sarclisa®, Sanofi's FDA approved therapy for patients with multiple myeloma, as well as exclusive rights to use Kiadis' K-NK platform for two undisclosed pre-clinical programs. Kiadis received a €17.5 million up front payment and will be entitled to receive up to €857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones. Kiadis will also receive up to low double-digit royalties based on commercial sales of approved products resulting from this agreement.
- Kiadis initiated a new infectious disease program, K-NK-ID101, in COVID-19/respiratory infections. In support of this program, Kiadis is collaborating with five premier Dutch institutions to study different anti-viral mechanisms of Kiadis' K-NK cell therapy platform against SARS-CoV-2, the virus that caused the COVID-19 pandemic. The U.S. Food and Drug Administration (FDA) has approved Nationwide Children's Hospital's IND for a COVID-19 clinical trial with off-the-shelf K-NK cells using Kiadis' proprietary platforms. Additionally, Kiadis received a commitment for $9.5 million in funding from the U.S. Department of Defense (DoD) through the Advanced Regenerative Manufacturing Institute (ARMI) that will fund the K-NK-ID101 COVID-19 program as costs are incurred.
- A plethora of data was presented at key medical meetings in 2020 related to Kiadis' K-NK platform. These data further support that NK cells expanded with Kiadis' FC21 and PM21 technologies increase K-NK cell expansion, improve cytotoxicity, and show

[1] For related party transactions, please refer to note 24 of these condensed consolidated interim financial statements.

strong signs of antitumor and suspected antimicrobial activity, including in patients with complicated CNS disease and serious infections.

Financial highlights for the six months ended June 30, 2020 (including post reporting period)

(Amounts in EUR million, except per share data)	2020	2019	Change
Other income	**0.1**	**-**	**0.1**
Total operating expenses	**(20.0)**	**(25.7)**	**5.7**
Research and development	(13.7)	(16.2)	2.5
General and administrative	(6.3)	(9.5)	3.2
Operating result	**(19.9)**	**(25.7)**	**5.8**
Net financial result	**1.1**	**(0.2)**	**1.3**
Net result	**(18.8)**	**(25.9)**	**7.1**
Net operating cash flow	**(21.2)**	**(21.4)**	**0.2**
Cash position at end of period	**19.8**	**29.5**	**9.7**
Equity	**27.6**	**34.3**	**(6.7)**
Earnings per share before dilution (EUR)	**(0.57)**	**(1.03)**	**0.46**

Other income

- In 2020, the Company received a subsidy from the Dutch Government which supports the Company's research efforts in defined research and development projects. The Company recorded €0.1 million Other income in 2020.

Operating expenses

- Operating expenses decreased to €20.0 million in 2020 from €25.7 million in 2019, a decrease of €5.7 million.
- Research and Development expenses decreased to €13.7 million in 2020 from €16.2 million in 2019. Without the expenses for share-based compensation, Research and Development expenses decreased to €12.7 million in 2020 from €15.3 million in 2019, a decrease of €2.6 million. The decrease was caused by lower clinical expenses compared to 2019 which included the ATIR study, CR-AIR-009. In 2020, the expenses related to the development of the K-NK platform including the K-NK002 and K-NK003 programs as well as the preclinical programs evaluating solid tumors.
- General and Administrative expenses decreased to €6.3 million in 2020 from €9.5 million in 2019. Without the expenses for share-based compensation, General and Administrative expenses were €3.2 million lower at €5.4 million in 2020 compared to €8.6 million in 2019. In 2019, the General and Administrative expenses included market access preparations and the acquisition of CytoSen Therapeutics Inc.

Operating results

- As a result of the overall decrease in total operating expenses, the Group's operating loss decreased by €5.8 million from €25.7 million in 2019 to €19.9 million in 2020.

Net financial result

- Net finance result increased to €1.1 million from a loss of €0.2 million in 2019. The increase of €1.3 million is due to lower interest expenses in line with lower outstanding debt, favorable fair value adjustments of €0.7 million related to the contingent consideration of CytoSen Therapeutics, Inc. and a gain of €1.9 million related to issued warrants as part of private placements in April 2020. The net foreign exchange result impacted the financial result unfavorable, a decrease of €1.3 million towards a foreign exchange loss of €0.8 million. In 2019, the financial result included a gain of €1.1 million due fair value adjustments of recorded outstanding loans.

Net result

- As a result of the above items, the loss for the year to date decreased by €7.1 million to €18.8 million in 2020 versus a loss of €25.9 million in 2019.

Cash position

- The Company strengthened its cash position in April 2020 with private placements of 10.5 million ordinary shares raising net proceeds of €16.1 million.
- The cash position decreased by €9.7 million to €19.8 million at June 30, 2020 compared to €29.5 million at the end of 2019. In 2020, the net operating cash outflow amounted to €21.2 million and further included the acquisition of PP&E, repayments of loans and lease liabilities for a total amount of €4.6 million.
- The Company’s cash position at June 30, 2020 was €19.8 million.

Equity

- The Company's equity position amounted to €27.6 million at June 30, 2020 versus €34.3 million at the end of 2019, a decrease of €6.7 million. The main drivers of this decrease are the loss for the year of €18.8 million as well as the fair value of issued warrants deducted from equity of €6.5 million offset by net proceeds of the share offerings of €16.1 million in April 2020 and favorable currency translation of €0.8 million.

Earnings per share

- The undiluted loss per share for 2020 decreased to €0.57 compared to €1.03 in 2019.

Auditor’s involvement

These condensed 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 28 to 38 of the Annual Report 2019.

Note 3 to the consolidated financial statements on pages 65 to 67 of the Annual Report 2019 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, 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. With such additional funds raised, the Company is of the opinion that the Company will meet its financial obligations in the 12 months following these condensed consolidated interim financial statements and the going concern assumption is justified.

Related party transactions

For related party transactions, please refer to note 24 of these condensed consolidated interim financial statements.

Responsibility statement

The Management Board of the Company hereby declares that to the best of its 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, September 29, 2020

Management Board

Arthur Lahr, *Chief Executive Officer*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in EUR x 1,000)

	Note	June 30, 2020 Unaudited	December 31, 2019 Audited
Assets			
Intangible assets and goodwill	6	35,477	35,451
Property, plant and equipment	5	10,904	12,031
Non-current financial assets	7,22	294	294
Total non-current assets		**46,675**	**47,776**
VAT and other receivables	8,22	914	1,705
Deferred expenses	8	661	509
Cash and cash equivalents	10,22	19,809	29,459
		21,384	**31,673**
Assets held for sale	5,9	63	53
Total current assets		**21,447**	**31,726**
Total assets		**68,122**	**79,502**
Equity			
Share capital	11	4,004	2,956
Share premium	11	228,593	220,040
Translation reserve		639	(132)
Warrant reserve	11	392	392
Accumulated deficit		(206,037)	(189,000)
Equity attributable to owners of the company	11	**27,591**	**34,256**
Liabilities			
Loans and borrowings	13,22	928	912
Lease liabilities	14	5,785	6,615
Contingent Consideration	16	958	1,297
Deferred tax liability	12	6,167	6,163
Derivatives	15	4,600	-
Total non-current liabilities		**18,438**	**14,987**
Loans and Borrowings	13,22	8,932	11,910
Lease liabilities	14	1,062	1,235
Provisions	17	395	3,630
Contingent Consideration	16	2,321	3,142
Trade & other payables	18,22	9,383	10,342
Total current liabilities		**22,093**	**30,259**
Total liabilities		**40,531**	**45,246**
Total equity and liabilities		**68,122**	**79,502**

The Notes on pages 10 to 29 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in EUR x 1,000)

		For the six months ended	
		June 30, 2020	June 30, 2019
	Note	Unaudited	Unaudited
Revenue		-	-
Other income		149	-
Research & development expenses	19,20	(13,751)	(16,247)
General & administrative expenses	19,20	(6,265)	(9,487)
Total operating expenses		**(20,016)**	**(25,734)**
Operating loss		**(19,867)**	**(25,734)**
Interest income	21	-	1
Interest expenses	21	(1,130)	(2,211)
Other net finance income or (expenses)	21	2,211	2,038
Net finance income or (expenses)		**1,081**	**(172)**
Loss before tax		**(18,786)**	**(25,906)**
Income tax expenses		(58)	(28)
Loss for the period		**(18,844)**	**(25,934)**
Other comprehensive income			
Foreign currency translation difference for foreign operations		771	(414)
Related tax		-	-
		771	(414)
Other comprehensive income for the period, net of tax		**771**	**(414)**
Total comprehensive income for the period		**(18,073)**	**(26,348)**
Loss attributable to:			
Owners of the Company		(18,844)	(25,934)
		(18,844)	**(25,934)**
Total comprehensive income attributable to:			
Owners of the Company		(18,073)	(26,348)
		(18,073)	**(26,348)**
Earnings per share			
Basic earnings per share (EUR)		(0.57)	(1.03)
Diluted earnings per share (EUR)		(0.57)	(1.03)

The Notes on pages 10 to 29 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, 2020		**2,956**	**220,040**	**(132)**	**392**	**(189,000)**	**34,256**
Loss for the period		-	-	-	-	(18,844)	(18,844)
Other comprehensive income		-	-	771	-	-	771
Total comprehensive income		**-**	**-**	**771**	**-**	**(18,844)**	**(18,073)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	1,048	15,937	-	-	-	16,985
Transaction costs	11	-	(884)	-	-	-	(884)
Issuance shares related to business combinations	11	-	-	-	-	-	-
Fair value of warrants issued	15	-	(6,500)	-	-	-	(6,500)
Equity-settled share-based payments	19	-	-	-	-	1,807	1,807
Shares upon exercise of options	13	-	-	-	-	-	-
Balance as at June 30, 2020		**4,004**	**228,593**	**639**	**392**	**(206,037)**	**27,591**

	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	19	-	-	-	-	1,910	1,910
Shares upon exercise of options	11	3	216	-	-	(69)	150
Balance as at June 30, 2019		**2,956**	**220,095**	**(116)**	**392**	**(163,626)**	**59,701**

The Notes on pages 10 to 29 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in EUR x 1,000)

		For the six months ended	
		June 30, 2020	June 30, 2019
	Note	Unaudited	Unaudited
Cash flow from operating activities			
Profit or (loss) for the period		(18,844)	(25,934)
Adjustments for:			
Depreciation & Impairment of property, plant and equipment (PP&E)	5	1,206	740
Net interest expense	21	1,130	2,211
Share-based payments	19	1,807	1,910
Net unrealised foreign exchange (gain) or loss	21	802	(474)
(Gain) or loss from changes in fair value	21	(3,060)	(446)
(Gain) or loss from adjustment of loans	13	-	(1,118)
(Gain) or loss on disposals of fixed assets	5	(29)	(8)
Income tax expense		58	28
Cash used in operating activities before changes in working capital and provisions:		**(16,930)**	**(23,091)**
VAT & other receivables and deferred expenses	8	797	(939)
Trade & other payables and other liabilities	18	(987)	3,778
Total change in working capital		**(190)**	**2,839**
Change in provisions	17	(3,235)	-
Cash used in operations		**(20,355)**	**(20,252)**
Interest paid	13,14	(813)	(1,148)
Income tax paid		-	(28)
Net cash used in operating activities		**(21,168)**	**(21,428)**
Cash flow from investing activities			
Acquisition of PP&E	5	(964)	(1,835)
Disposals of property, plant and equipment	5	28	13
Investment in new legal entities		-	(23)
Acquisition through business combination net of cash		-	3,056
Net cash used in investing activities		**(936)**	**1,211**
Cash flow from financing activities			
Proceeds from issuance of shares	11	16,985	27,631
Payment of share issue costs	11	(884)	(2,244)
Proceeds from exercise of warrants	11	-	-
Proceeds form exercise of options	11	-	150
Proceeds from the issue of warrants		-	-
Proceeds from loans and borrowings	13	-	-
Payment of transaction costs of loans and borrowings	13	-	-
Repayment of loans and borrowings	13	(3,302)	(2,559)
Payment of lease liabilities	14	(392)	(371)
Net cash from/(used in) financing activities		**12,407**	**22,607**
Net increase/(decrease) in cash and cash equivalents		**(9,697)**	**2,390**
Cash and cash equivalents at beginning of period		29,459	60,314
Effect of exchange rate fluctuations on cash held		47	(34)
Cash and cash equivalents at end of period	10	**19,809**	**62,670**

The Notes on pages 10 to 29 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, 2020

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 innovative natural killer (NK) cell-based medicines for the treatment of life-threatening diseases.

The Company is a public limited liability company incorporated and domiciled in Amsterdam, The Netherlands. The address of its business office is Paasheuvelweg 25A, 1105 BP Amsterdam, The Netherlands.

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 2019.

The condensed consolidated interim financial statements were authorized for issue by the Management Board and the Supervisory Board of the Company on September 29, 2020.

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, anticipated working capital requirements of the 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.

The Company entered into secured credit facilities with Kreos Capital ("Kreos") in 2017 and 2018. In the event that Kiadis Pharma breaches any of its covenants or an event of default becomes applicable to the Company – which may occur if the Company does not succeed in keeping its operations properly funded or its business, operations, property or financial conditions are otherwise materially adversely affected – Kreos may require the Company to immediately prepay all loans outstanding under the secured credit facilities. As management cannot exclude the risk of an event of default (e.g. the Company does not succeed in being properly funded, because of coronavirus related issues, if the discontinuation of ATIR101 is held to qualify as such, or otherwise) with early repayment of the loans as a result, management has classified the entire Kreos loan as a short term liability.

On April 30, 2020, Kiadis closed two private placements totaling EUR17 million. Through these private placements, the investors received approximately 10.5 million ordinary shares and approximately 5.25 million warrants, which can be exercised over a 5-year period. On July 8, 2020 the Company announced that it entered into an exclusive license agreement with Sanofi for the Company' previously undisclosed K-NK004 program. As part of the agreement, the Company received a EUR17.5 million up front payment.

The Company will need additional sources of financing, which could include equity financing, non-dilutive financing or strategic transactions starting the first quarter of 2021. Management believes that sufficient additional funds can be raised to meet its financial obligations in the 12 months following these financial statements and is therefore of the opinion that the going concern assumption is justified. In the event the Company is not able to generate sufficient funds, it may be unable to continue as a going concern, its business, financial condition and/or results of operations could be materially and adversely affected and it may ultimately go into insolvency.

Impact Corona virus

The Company is monitoring the situation regarding the coronavirus and evaluating the potential interruption of the clinical trial activities, regulatory reviews and the supply chain production and deliveries, and will try to mitigate via alternative plans where necessary. The coronavirus may impact the continuity of the Company. The exact future financial impact for the Company remains difficult to estimate.

3. Significant accounting policies

The accounting policies are consistent with those of the financial statements for the year ended December 31, 2019.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed consolidated interim financial statements of the Group.

The following new or amended standards have no significant impact on Kiadis’ condensed consolidated interim financial statements:

– Amendments to References to Conceptual Framework in IFRS Standards.

– Definition of a Business (Amendments to IFRS 3).

– Definition of Material (Amendments to IAS 1 and IAS 8).

– Interest Rate Benchmark Reform (Amendments to IFRS 7, IFRS 9, and IAS 39).

In 2020, the Company received a subsidy from the Dutch Government which supports the Company’s research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in various grants. Subsidies are recognized if the Company can demonstrate it has complied with all attached conditions and it is probable that the grant amount will be received. The Company includes income from grants under other income in the statement of comprehensive income.

The functional currency of the US subsidiaries, including CytoSen Therapeutics Inc (“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. See also note 15 Derivatives for estimates and judgements related to warrants issued in 2020 and note 3 of the consolidated financial statements on pages 65 to 67 of the Annual Report 2019.

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. The Group operates in one reportable segment.

5. Property, plant and equipment

(Amounts in EUR x 1,000)	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	ROU Assets - Buildings	Total
Balance as at December 31, 2019					
Cost of acquisition	4,086	1,433	1,486	9,118	16,123
Depreciation / impairment	(1,172)	(444)	(753)	(1,723)	(4,092)
Book value as at December 31, 2019	**2,914**	**989**	**733**	**7,395**	**12,031**
Changes in book value					
Remeasurements	-	-	-	(869)	(869)
Additions	499	98	183	258	1,038
Depreciation	(462)	(221)	(76)	(442)	(1,201)
Reclasification to Assets held for Sale	(63)	-	-	-	(63)
Retirements & Disposals	(176)	(94)	(79)	(296)	(645)
Depreciation Retirements & Disposals	152	94	76	296	618
Impairment loss	(1)	(4)	-	-	(5)
Effect of movement in foreign exc. Rates	-	-	-	-	-
Total changes in book value	**(51)**	**(127)**	**104**	**(1,053)**	**(1,127)**
Balance as at June 30, 2020					
Cost of acquisition	4,346	1,437	1,590	8,211	15,584
Depreciation / impairment	(1,483)	(575)	(753)	(1,869)	(4,680)
Book value as at June 30, 2020	**2,863**	**862**	**837**	**6,342**	**10,904**

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 remeasurement accounted for in 2020 contains the increase of the future lease payments for contracts which have been updated with the Customer Price Index for EUR115 thousand. See also Note 14 'Lease liabilities'.

On January 29, 2020 the Company amended the sub lease agreement of the headquarters in Amsterdam and reducing office space resulting in a decrease of the Right-of-Use assets and lease liability in 2020 of EUR1.0 million.

As of June 1, 2020 the Company added additional office space under an existing lease contract at its headquarters in Amsterdam for a period of 9 years adding EUR0.3 million to the Right-of-Use assets.

6. Intangible assets

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
Balance as at December 31, 2019				
Cost	10,329	38,291	80	48,700
Amortization / Impairment	(4,166)	(9,003)	(80)	(13,249)
Book value as at December 31, 2019	**6,163**	**29,288**	**-**	**35,451**
Changes in book value				
Additions	-	-	-	-
Acquisitions through business combinations	-	-	-	-
Impairment loss	-	-	-	-
Effect of movement in foreign exchange rates	4	22	-	26
Total changes in book value	**4**	**22**	**-**	**26**
Balance as at June 30, 2020				
Cost	10,333	38,313	80	48,726
Amortization / Impairment	(4,166)	(9,003)	(80)	(13,249)
Book value as at June 30, 2020	**6,167**	**29,310**	**-**	**35,477**

Goodwill and In-process Research & Development relates to the 2019 acquisition of CytoSen. In 2020 the carrying value of the Company's intangible assets increased by EUR26 thousand due to a slight increase of strength of the USD dollar against the euro of approximately 0,1%.

7. Non-current financial assets

On June 30, 2020 the deposit for leased buildings has an expected maturity between five and ten years.

8. VAT & other receivables and deferred expenses

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
VAT and other receivables		
VAT receivables	336	957
Deposits (lease of buildings)	90	287
Other amounts receivable	488	461
	914	**1,705**
Deferred expenses		
Deferred expenses	661	509
	661	**509**

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

9. Assets held for sale

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Assets held for sale		
Property, plant & equipment - Laboratory Equipment	63	53
	63	**53**

Additional assets will be recovered through sale rather than through continuing use and accordingly classified these assets as assets held for sale. Sale has been effectuated in the second half of 2020 (refer to note 5 Property, plant & equipment).

10. Cash and cash equivalents

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Cash at bank and in hand	19,809	29,459
Short-term bank deposits	-	-
Cash and cash equivalents	**19,809**	**29,459**
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	**19,809**	**29,459**

All amounts reported as cash or cash equivalents are at the free disposal of the Group.

11. Shareholders' equity

Shares issued and share capital

On June 30, 2020, the Company's authorized share capital pursuant to the Articles of Association amounts to EUR20,000,000 and is divided into 100,000,000 ordinary shares and 100,000,000 preference shares, each with a nominal value of EUR0.10. Kiadis' Articles of Association also state that as soon as the Company files with the Trade Register of the Dutch Chamber of Commerce that the issued capital amounts to at least EUR10,000,000, the authorized share capital as set out in the Articles of Association shall be amended and shall amount to EUR50,000,000 and be divided into 250,000,000 ordinary shares and 250,000,000 preference shares, each with a nominal value of EUR0.10.

On June 25, 2020 a General Meeting was held at which it was resolved to authorize the Management Board, subject to the approval of the Supervisory Board, to issue shares and to grant rights to subscribe for shares for a period of 5 years from the date of the General Meeting (i.e. up to and including June 25, 2025), up to the authorized share capital included in the Articles of Association from time to time, and to exclude pre-emptive rights in relation thereto.

Many Dutch listed companies have anti-takeover protection in the form of a call option, which is not limited in time and that is granted to an independent foundation, the statutory goal of which is to protect the listed company's interests by, amongst others, protecting the company from influences that may threaten its continuity, independence and identity. Such a call option typically entitles the foundation to acquire a number of preference shares in the company, which have the same voting rights as ordinary shares, not exceeding the total issued number of ordinary shares, and on which upon exercise of the call option, 25% of the nominal value of such preference shares needs to be paid by the foundation. As per this structure, in the event of any circumstances where the company in question is subject to influences as described above, the board of the foundation may decide to exercise the call option, with a view to enable the company to determine its position in relation to the circumstances as referred to above and seek alternatives, and without the company's ordinary shareholders having any pre-emptive rights.

The Company currently does not have anti-takeover protections as described above. However, the Management Board and the Supervisory Board are enabled to implement such anti-takeover protections (without further shareholder approval being required and without shareholders having any pre-emptive rights) if and when they deem this appropriate. The authorization to issue shares or grant rights to subscribe for shares that was granted to them on June 25, 2020 by the General Meeting enables 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 to be established, and which 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) and which can also be made conditional upon the preceding cancellation of preference shares that have been issued following the exercise of an option or otherwise. Preference shares issued to an independent foundation may be paid-up at the expense of the Company’s reserves.

As at June 30, 2020, a total number of 40,041,489 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, 2019	**29,563,994**	**2,956**
New shares issued for cash	10,477,495	1,048
New shares issued upon exercise of warrants	-	-
New shares issued upon acquisition through business combinations	-	-
Equity-settled share-based payments	-	-
Balance as at June 30, 2020	**40,041,489**	**4,004**

	June 30, 2020	**June 30, 2019**
Loss attributable to owners of the Company	**(18,844)**	**(25,934)**
Issued ordinary shares at January 1	29,563,994	24,341,410
Effect of shares issued for cash	3,531,089	614,033
Effect of warrants exercised	-	-
New shares upon acquisition through bisiness combinations	-	210,146
Equity-settled share-based payments	-	9,066
Weighted-average number of ordinary shares at end of period	**33,095,083**	**25,174,655**
Basic earnings per share (EUR)	(0.57)	(1.03)

In April 2020, the Company raised EUR 17 million in gross proceeds through two private placements, both of which closed on April 30, 2020. Pursuant to the first EUR12.0 million private placement with a U.S.-based healthcare focused investment fund, 7,490,637 new ordinary shares were issued at a subscription price of EUR1.60 per share, and 3,745,318 5-year warrants with an exercise price of EUR2.22 were granted. Pursuant to the second EUR5 million private placement with LSP Advisory, the public investment arm of Life Sciences Partners, on behalf of the LSP Life Sciences Fund N.V. and several mandate clients, 2,986,858 new ordinary shares were issued at a subscription price of EUR1.67 per share, and 1,493,429 5-year warrants with an exercise price of EUR2.32 were granted.

In May 2019, the Company raised EUR25.3 million in net proceeds of which EUR25.0 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 EUR2.3 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 4 Business Combinations of the 2019 Consolidated financial statements).

Share Premium

(Amounts in EUR x 1,000)	June 30, 2020	June 30, 2019
Balance as at January 1,	**220,040**	**180,553**
Share premium on new shares issued	15,937	27,263
Transaction costs	(884)	(2,244)
Share premium upon acquisition through business combinations	-	14,307
Fair value of warrants issued	(6,500)	-
Equity-settled share-based payments	-	216
Warrants exercised	-	-
Balance as end of period	**228,593**	**220,095**

Warrant Reserve

(Amounts in EUR x 1,000)	June 30, 2020	June 30, 2019
Balance as at January 1,	**392**	**392**
Warrants issues in connection with loans	-	-
Warrants exercised	-	-
Balance as end of period	**392**	**392**

On July 31, 2018, the Company received a new debt facility from Kreos 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 in 2017. Upon drawing down the first tranche of the new loan, the Company 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. Deferred Tax Liability

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Balance as at January 1,	**6,163**	**-**
Acquisitions through business combinations	**-**	6,140
Effect of movement in foreign exchange rates	4	23
Balance end of period	**6,167**	**6,163**

The Group recognizes a deferred tax liability related to IPR&D acquired from CytoSen (refer to note 4 Business Combinations of the 2019 Consolidated financial statements).

13. Loans and borrowings

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Non current liabilities		
Loan from Kreos Capital V (UK) Ltd	-	-
Loan from Hospira Inc.	-	-
Loan from University of Montreal	928	912
	928	**912**

	June 30, 2020	December 31, 2019
Current liabilities		
Loan from Kreos Capital V (UK) Ltd		
- Facility 1	5,816	8,105
- Facility 2	3,116	3,805
	8,932	**11,910**

Secured Loan from Kreos Capital V (UK) Ltd ("*Kreos Capital Facility Agreements*")

In August 2017, the Company entered into a debt financing agreement with Kreos Capital V (UK) Ltd ("Kreos") for a total amount of EUR15.0 million ("Facility 1"), consisting of two tranches of EUR5.0 and EUR10.0 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 EUR591 thousand, interest payments of EUR361 thousand and loan repayments of EUR2,519 thousand. The first tranche will be repaid in 36 equal instalments until May 2021. The second tranche will be repaid in 36 equal monthly instalments 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 EUR5.0 and EUR15.0 million respectively. The first tranche was drawn down immediately. As at December 31, 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 EUR258 thousand interest payments of EUR164 thousand on the first tranche and a loan repayment of EUR783 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 Shareholders' equity).

The loan is secured by a lien on all Group assets, including the Company's intellectual property. The Kreos Capital 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 its shareholders without the prior written consent of Kreos, which may not be unreasonably withheld or delayed. Additionally, none of the Groups' subsidiaries may issue any shares (other than to Group affiliates) without the prior written consent of Kreos.

The loans provided under the Kreos Capital Facility Agreements shall become immediately due and payable in the event that a person or group of persons acting in concert gains direct or indirect control over the Company by (i) obtaining the power to (a) to cast or control the casting of more than half the votes that can be cast at a General Meeting, (b) appoint or remove all or the majority of the directors or (c) give binding directions with respect to the operating and financial policies or (ii) beneficially holding more than 50% of the issued share capital.

In the event that the Company breaches any of its covenants or an event of default becomes applicable, Kreos may require the Company to immediately prepay all loans. Events of default include non-payment, non-compliance, misrepresentation, cessation of business, cross-default, insolvency events, creditors' process, enforcement of security, illegality, material adverse change – including any event or circumstance which in Kreos' reasonable opinion has a material adverse effect on the ability to perform or otherwise comply with the payment obligations under the agreements or on the business, operations, property or financial condition - and de-listing. As management cannot exclude the risk of an event of default (e.g. the Company does not succeed in being properly funded, because of coronavirus related issues, if the discontinuation of ATIR101 is held to qualify as such, or otherwise) with early repayment of the loans as a result, management has classified the entire Kreos loan as a short term liability.

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 are dependent on the commercial sale of products based on Kiadis' ATIR platform, or linked to granting a sublicense to such products. For this financial liability, the Company had to make significant judgments and estimates previously about future cash flows towards Hospira Inc. Due to the 2019 decision to terminate all ATIR activities, the repayment of the outstanding amount became remote. The Company reduced the outstanding loan balance to zero in 2019.

University of Montreal and Hospital Maisonneuve-Rosemont Letter Agreement

Pursuant to a letter agreement with the University of Montreal and the Hospital Maisonneuve-Rosemont that the Company entered into on September 19, 2012 the Company agreed to pay the University of Montreal an amount of USD750,000, subject to a low-single digit percentage interest amount per annum (effective as of January 1, 2011), which is recorded as a loan on the balance sheet and that amounted to EUR0.9 million as at June 30, 2020 including accrued interest. Repayment is contractually contingent upon a change of control, net sales of licensed ATIR products or partly (50%) upon granting a sublicense to any of the licensed ATIR products. Repayment in relation to ATIR events became remote due to the cancellation of the ATIR platform. However, full repayment of the loan and the interest applicable remains due upon undergoing a change of control.

The changes in loans and borrowings in the first six months of 2020 can be summarized as follows:

(Amounts in EUR x 1,000)	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, 2020	**8,105**	**3,805**	**-**	**912**	**12,822**
Interest accrued during the period	591	258	-	16	865
Interest payments	(361)	(164)	-	-	(525)
New loan agreements	-	-	-	-	-
Repayments	(2,519)	(783)	-	-	(3,302)
Adjustment of carrying amount	-	-	-	-	-
Effect of changes in foreign exchange rates	-	-	-	-	-
Balance as at June 30, 2020	**5,816**	**3,116**	**-**	**928**	**9,860**

14. Lease liabilities

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Non-current lease liabilities		
Lease liabilities related to buildings	5,785	6,615
	5,785	**6,615**

	June 30, 2020	December 31, 2019
Current lease liabilities		
Lease liabilities related to buildings	1,062	1,235
	1,062	**1,235**

(Amounts in EUR x 1,000)	Lease liabilities related to buildings	Total lease liabilities
Balance as at January 1, 2020	**7,850**	**7,850**
Remeasurement	(869)	(869)
New lease agreement	258	258
Interest expense in the period	217	217
Lease payments	-	
- Interest paid	(217)	(217)
- Payment leases	(392)	(392)
Balance as at June 30, 2020	**6,847**	**6,847**

The headquarters of the Group are located at Paasheuvelweg 25A in Amsterdam, The Netherlands, where the Company leases approximately 2,700 square meters of office space and a commercial manufacturing facility, logistics, storage, process development and quality control laboratories, pursuant to a sublease agreement entered into on December 7, 2017, and approximately 1,250 square meters of additional office space, pursuant to a lease agreement that became effective on June 1, 2019 (for approximately 1,000 square meters) and a second part that became effective on June 1, 2020 (for approximately 250 square meters).

Future lease payments are adjusted annually based on a Consumer Price Index (CPI) as published by CBS, the Dutch Statistics Office causing an increase of the lease liability of EUR115 thousand in 2020 (2019 EUR175 thousand).

On January 29, 2020 the Company amended the sub lease agreement of the headquarters in Amsterdam reducing office space resulting in a decrease of the Right-of-Use assets and lease liability in 2020 of EUR1.0 million.

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

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Maturity analysis of contracted undiscounted cash flows		
Less than one year	1,076	1,252
Between one and three years	2,152	2,433
Between three and five years	2,152	2,433
More than 5 years	3,138	4,054
Total undiscounted lease liabilities	**8,518**	**10,172**

15. Derivatives

(Amounts in EUR x 1,000)	June 30, 2020	June 30, 2019
Balance as at January 1,	**-**	**-**
Initial recognition upon issue	6,500	-
Changes in fair value included in 'finance income':		
- Gain from change in fair value	(1,900)	-
- Liss from change in fair value	-	-
Warrants exercised	-	-
Balance end of period	**4,600**	**-**

On April 30, 2020, the Company raised EUR17 million in gross proceeds through the two private placements (refer to note 11 Shareholders' equity). Pursuant to the first EUR12.0 million private placement, 3,745,318 5-year warrants (the "2025- I Warrants") with an exercise price of EUR2.22 were granted and pursuant to the second EUR5.0 million private placement, 1,493,429 5-year warrants (the "2025- II Warrants") with an exercise price of EUR2.32 were granted (jointly the '2025 Warrants').

If the Company subdivides its ordinary shares into a greater number of shares, the number of ordinary shares purchasable upon the exercise of the 2025 Warrants shall be proportionately increased and the exercise price shall be proportionately decreased. If the ordinary shares are combined or consolidated into a lesser number of shares, the exercise price shall be proportionately increased and the number of ordinary shares purchasable upon the exercise of the 2025 Warrants shall be proportionately decreased. In the event that the Company would make a dividend payment or other distribution on its ordinary shares, the exercise price of the 2025-I Warrants is lowered with an equal amount. Upon any event whereby all of the ordinary shares are reclassified, exchanged, combined, substituted, or replaced for, into, with or by the securities of a different class and/or kind, then from and after the consummation of such event, the 2025 Warrants will be exercisable for the number, class and kind of Company securities that the holder of a 2025 Warrant would have received had the ordinary shares purchasable upon the exercise of the 2025 Warrant been outstanding on and as of the consummation of such event. This adjustment shall similarly apply to successive reclassifications, exchanges, combinations, substitutions, replacements or other similar events.

In the event of a change of control, the Company shall purchase the 2025 Warrants from their holders by paying such holders a cash amount equal to the Black Scholes value of the remaining unexercised portion of the 2025 Warrants, provided, however, that if the greater of (i) the highest weighted average price of the Company ordinary shares during the ten trading day period ending on the trading day immediately following the public announcement of such change of control, and (ii) the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in the change of control (the "Change of Control Price") is less than fifty percent of then applicable exercise price of the 2025 Warrants, the Black Scholes value of the remaining unexercised portion of the 2025 Warrants shall instead be paid by delivery of a number of ordinary shares obtained by dividing the Black Scholes value of the remaining unexercised portion of the 2025 Warrants, by the applicable Change of Control Price.

The 2025 Warrants are classified as a type 3 financial instrument. The Company has calculated the fair value of the 2025 Warrants using a Black-Scholes pricing model. The Black-Scholes pricing model requires the use of highly subjective assumptions to estimate the fair value of share-based awards. These assumptions include the following estimates:

Volatility: the Company calculates the estimated volatility rate based on the volatilities of ordinary shares of comparable companies in its industry in line with the probability of the volatility used for calculating share-based payment expense.

Change of control: the estimated probability of a change of control and the time this might occur. In case of a change of control, the volatility is set at the contractual maximum for the remainder of the contractual term.

Contractual term: the expected life of the warrants, which is based on the contractual term of the warrants.

Expected dividend yield: the Company has never declared or paid any cash dividends and does not currently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

Risk-free rate: the risk-free interest rate is based on the Euro Treasury rate for similar periods as those of expected volatility.

The following summarizes certain key assumptions used in estimating the fair values.

	June 30, 2020	April 30, 2020
Average volatility*	87,5%	87,5%
Contractual term (years)	4,83	5
Expected dividend yield	—%	—%
Risk-free rate	0.5%	0.4%

* based on probability of change of control.

As of April 30, 2020 and June 30, 2020, the fair value of the 2025 Warrants was estimated at EUR 6.5 million and EUR 4.6 million, respectively. The EUR 1.9 million decrease in the fair value of the liability for the 2025 Warrants during the two months period ended June 30, 2020 was recorded as other financial income.

The key Level 3 inputs used by management to estimate the fair value are the share price, the expected volatility and the probability of a change of control. If the share price were to increase by EUR1, this would increase the estimated fair value of the obligation by approximately EUR 4.3 million as at June 30, 2020. If the share price were to decrease by

EUR1, this would decrease the estimated fair value of the obligation by approximately EUR 3.6 million. If the volatility were to increase or decrease by 2.5%, this would increase or respectively decrease the estimated fair value of the obligation by approximately EUR 0.1 million and EUR 0.1 million. In case the estimated probability on a change of control would increase or decrease by 5% the fair value of the obligation would respectively increase or decrease by approximately EUR 0.1 million and EUR 0.1 million as at June 30, 2020 in case all assumptions remain the same.

The Group has no further derivative financial instruments embedded in contracts.

16. Contingent Consideration

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Balance as at January 1,	**4,439**	**-**
Acquisitions through business combinations	**-**	17,489
Change in fair value	(1,160)	(13,050)
Balance end of period	**3,279**	**4,439**

	June 30, 2020	December 31, 2019
Current	2,321	3,142
Non-current	958	1,297
Total Contingent Consideration	**3,279**	**4,439**

The Group recognizes a contingent consideration related to the 2019 acquisition of CytoSen. Previous CytoSen's shareholders and former CytoSen's option holders received potential future consideration of Kiadis shares upon the achievement of six clinical development and regulatory milestones. The fair value of the contingent acquisition consideration is determined using the assumed probability rates of success (PoS) of the different milestones and the closing price as of each reporting date (refer to note 4 Business Combinations of the 2019 Consolidated financial statements). The change in fair value fully due to the change in the Kiadis share price is recorded as other net finance income (expenses).

As of June 30, 2020 the contingent consideration would increase by EUR5.3 million to EUR8.6 million considering full achievement of all milestones based on the share price of June 30, 2020. If the share price were to increase with EUR1, the total contingent consideration would increase to EUR5.5 million. If the share price were to decrease with EUR1, the contingent consideration would decrease to EUR1.0 million.

17. Provisions

(Amounts in EUR x 1,000)	Onerous contracts	Restructuring	Total
Balance as at January 1, 2020	**935**	**2,695**	**3,630**
Changes in 2020			
Provisions made during the year	-	-	-
Provisions used during the year	(788)	(2,447)	(3,235)
Balance as at June 30, 2020	**147**	**248**	**395**

On November 12, 2019 the Company announced that it had completed a strategic portfolio review and had decided to change strategy and to focus all resources and investments on NK-cell therapy platform and programs. The Company withdrew the ATIR101 marketing authorization application and announced that the Company discontinued development of ATIR101, terminated its ongoing Phase III trial and that the Company would restructure the organization, resulting in a reduction of the workforce.

As of December 31, 2019. the Company recorded a provision for an amount of EUR3.6 million. As of June 30, 2020, the remaining provision of EUR0.4 million is expected to be released before December 31, 2020.

18. Trade and other payables

(Amounts in EUR x 1,000)	June 30, 2020	December 31, 2019
Suppliers	1,340	3,940
Salaries, bonuses, vacation and restructuring	3,660	2,495
Payroll tax and social premium contributions	1,876	796
Interest to be paid	22	46
Accrued clinical costs	423	729
Accrued manufacturing costs	859	1,295
Accrued audit fees	85	455
Accrued legal fees	268	115
Consulting	109	-
Other	741	471
	9,383	**10,342**

All trade and other payables have an estimated maturity shorter than one year.

19. Employee benefits

(Amounts in EUR x 1,000)

	For the six months ended	
	June 30, 2020	**June 30, 2019**
Wages and salaries	7,577	7,730
Compulsory social security contributions	545	715
Contributions to defined contribution plans	268	241
Equity-settled share-based payment	1,807	1,910
Restructuring expenses	-	-
Other employee benefits	231	152
Total	**10,428**	**10,748**

Equity-settled share-based payment expense relate to share options granted under Kiadis' share option and stock appreciation right plan.

On April 1, 2020, subject to further conditions including renewed vesting, certain options previously granted to active eligible employees not being members of the Management Board were cancelled with new options granted as per that same date at the following exchange ratio: 1 new option for every option granted in 2017, for every 2 options granted in 2018 and for every 3 options granted in 2019. Options previously granted to active Management Board members have a similar conversion ratio, effectuated by amending all of the options granted in 2017, half of the options granted in 2018 and a third of the options granted in 2019, with all other options cancelled. These options as amended are also subject to an exercise price set as per April 1, 2020 and renewed vesting conditions, vesting between 1 and 3 years.

The incremental fair value of these options granted is the difference between (i) the fair value of the replacement options and (ii) the fair value of the cancelled options (i.e. based on original terms and conditions), both fair values determined at the date the replacement equity instruments are granted. The weighted average incremental value of the granted new options is EUR 0.43. The incremental fair value granted is recognized over the period from the replacement date until the date when the replacement options vest.

In the first six months of 2020 an aggregate number of 7,430,584 share options (including replacement options) were granted with a weighted average exercise price of EUR1.40.

For calculating the fair value of the share based options granted in 2020 and 2019, the Hull and White option valuation model is applied. The parameters used in the model were:

	For the 6 months ended June 2020	**For the year ended December 31, 2019**
Exercise price (in Euro), between	1.31 - 12.35	2.23 - 14.48
Expected volatilities, between	58% - 77.5%	58% - 75%
Risk-free interest rates, between	0% - 0.54%	0% - 0.54%
Exercise multiple	2	2
Dividend yield	Nil	Nil
Estimated forfeiture rates	0% - 10%	0% - 10%

In this period, employees leaving the Company forfeited a total of 199,028 share options and 54,859 options lapsed. No options were exercised.

On June 30, 2020, a total of 7,870,695 share options with an average exercise price of EUR1.89 were issued and outstanding considering 35,332 exercised share options. On this date 374,304 of the share options were exercisable.

20. Expenses

(Amounts in EUR x 1,000)	For the six months ended	
	June 30, 2020	**June 30, 2019**
Employee benefits (see note 19)	10,428	10,748
Depreciation & impairment expense (see note 5 and 6)	1,205	740
Facilities	518	448
Consultancy	3,618	7,495
Telecom & IT	287	247
Travel	275	1,084
Insurance	128	52
Clinical costs	722	1,760
Manufacturing	2,461	1,528
Other	374	1,632
Total operating expenses	**20,016**	**25,734**

	June 30, 2020	**June 30, 2019**
Research and development expenses	13,751	16,247
General and administrative expenses	6,265	9,487
Total operating expenses	**20,016**	**25,734**

In the first six months of 2020 total research and development expenses decreased by EUR2.5 million compared to the same period of prior year, due to the discontinuation of ATIR in November 2019. In 2020 research and development costs are related to K-NK development.

In the first six months of 2020 general and administrative expenses decreased by EUR3.2 million compared to the same period prior year. In 2019, the general and administrative expenses included market access preparations and the acquisition of CytoSen.

21. Finance income and expenses

(Amounts in EUR x 1,000)	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Finance income		
Interest income	-	1
	-	**1**
Finance expenses		
Interest Expense on bank loans and other debt	(913)	(1,973)
Interest Expense on Leases	(217)	(238)
	(1,130)	**(2,211)**
Other net finance income or (expenses)		
Net gain (loss) from changes in fair value:		
- Contingent Liability	1,160	446
- Warrants	1,900	-
Net gain (loss) adjustments of loans	-	1,118
Net foreign exchange gain (loss)	(849)	474
	2,211	**2,038**
Net finance income and expenses	**1,081**	**(172)**

The interest expense on bank loans and other debt decreased by EUR1,060 thousand due to a decrease of the outstanding debt.

Net foreign exchange loss of EUR849 thousand in the first six months of 2020 includes amongst others EUR712 thousands of unrealized (non-cash) Canadian dollar/euro exchange rate loss on intra-group loans. The net gain from changes in fair value relates to a change of EUR1,160 thousand in the contingent consideration (refer to note 16 Contingent Considerations) and a gain of EUR1,900 thousand related to warrants granted as part of the private placement of April 30, 2020 (refer to note 15 Derivatives).

22. Financial instruments

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

(Amounts in EUR x 1,000)	Carrying amount				Fair value			
	Non-current assets	Current assets						
	Non-current financial assets	Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	level 3	Total
June 30, 2020								
Financial assets not measured at fair value								
Deposits (building leases)	294	-	-	294	-	-	-	-
VAT and other receivables	-	914	-	914	-	-	-	-
Cash and cash equivalents	-	-	19,809	19,809	-	-	-	-
	294	**914**	**19,809**	**21,017**				
December 31, 2019								
Financial assets not measured at fair value								
Deposits (building leases)	294	-	-	294	-	-	-	-
VAT and other receivables	-	1,705	-	1,705	-	-	-	-
Cash and cash equivalents	-	-	29,459	29,459	-	-	-	-
	294	**1,705**	**29,459**	**31,458**				

(Amounts in EUR x 1,000)	Carrying amount						Fair value			
	Non-current liabilities		Current liabilities							
	Other Long Term Liabilities	Loans and borrowings	Trade and other payables	Other Short Term Liabilities	Loans and borrowings	Total	Level 1	Level 2	level 3	Total
June 30, 2020										
Financial liabilities measured at fair value										
Contingent Consideration	958	-	-	2,321	-	3,279	-	-	3,279	3,279
Derivatives	4,600	-	-		-	4,600	-	-	4,600	4,600
Financial liabilities not measured at fair value										
Loan from Kreos Capital V (UK) Ltd:										
- Facility 1	-	-	-	-	5,816	5,816	-	5,816	-	5,816
- Facility 2	-	-	-	-	3,116	3,116	-	3,116	-	3,116
Loan from Hospira Inc.	-	-	-	-	-	-	-	-	-	-
Loan from University of Montreal	-	928	-	-	-	928	-	928	-	928
Trade and other payables	-	-	9,383	-	-	9,383	-	-	-	-
	5,558	**928**	**9,383**	**2,321**	**8,932**	**27,122**				
December 31, 2019										
Financial liabilities measured at fair value										
Contingent consideration	1,297	-	-	3,142	-	4,439	-	-	4,439	4,439
Financial liabilities not measured at fair value										
Loan from Kreos Capital V (UK) Ltd:										
- Facility 1	-	-	-	-	8,105	8,105	-	8,105	-	8,105
- Facility 2	-	-	-	-	3,805	3,805	-	3,805	-	3,805
Loan from Hospira Inc.	-	-	-	-	-	-	-	-	-	-
Loan from University of Montreal	-	912	-	-	-	912	-	912	-	912
Trade and other payables	-	-	10,342	-	-	10,342	-	-	-	-
	1,297	**912**	**10,342**	**3,142**	**11,910**	**27,603**				

23. Commitments

(a) Lease of premises

(Amounts in EUR x 1,000)	**June 30, 2020**	**December 31, 2019**
Less than one year	465	799
Between one and five years	1,568	2,288
More than 5 years	1,043	1,768
	3,076	**4,855**

The commitments as at June 30, 2020 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.

(b) Capital commitments

As of June 2020, the Group entered into various contracts with services and products to be delivered in 2020 for a total amount of approximately EUR0.8 million (December 2019:

EUR1.0 million), almost entirely to be paid in the first year and the remainder within no more than 5 years. EUR0.7 million relates to the development of the NK platform and EUR0.1 million relates to General and Administrative functions.

(c) Contingencies

Nationwide Children's Hospital (NCH) License Agreement
In relation to the intellectual property underlying the NK-platform, the Company obtained an exclusive worldwide license to certain NCH inventions, and in addition obtained the right to exclusively license related intellectual property developed by Dr. Dean Lee at NCH. The Company is obliged to pay NCH milestone payments that are tied to specific milestones and a royalty of a low single digit percentage of net sales of licensed products sold by the Company or by any of its sublicensees, including affiliates to whom the Company grants sublicenses. In addition, the Company must pay NCH a percentage of any non-royalty sublicense consideration payments the Company receives in connection with sublicenses the Company grants, the percentage ranging from medium single digit to a double-digit depending on the stage of development of licensed products at the time the corresponding sublicense agreement is executed.

University of Central Florida (UCF) License Agreement
In relation to the intellectual property underlying the NK-platform, UCF has granted the Company an exclusive worldwide license for certain patents and patent applications and a non-exclusive license for certain information and methods as necessary to exploit, utilize and commercialize such patents and patent applications.

In exchange for the license granted, the Company must pay UCF milestone payments that are tied to specific milestones and a royalty of a low single digit percentage of net sales of licensed products sold by the Company or by any of its sublicensees, including affiliates to whom the Company grants sublicenses. In addition, the Company must pay UCF a double-digit percentage of any non-royalty sublicense consideration payments the Company receives in connection with sublicenses the Company grants. Under the UCF License Agreement, the Company has granted UCF a security interest in and to the rights under the agreement, as collateral security for payment by the Company of the sums the Company owes to UCF.

24. 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.

April 2020 Private Placements

Because of their positions at Life Sciences Partners, Mr. Wegter and Mr. Kleijwegt (both members of the Supervisory Board) did not participate in the deliberations and decision-making regarding the private placements that were closed on April 30, 2020 for the total amount of EUR 17 million with two investors including LSP Advisory, the public investment arm of Life Sciences Partners, on behalf of the LSP Life Sciences Fund N.V. and several mandate clients.

Management Board

In addition to salaries, the Company also provides non-cash benefits. The Management Board included in the table below relates to the Chief Executive Officer (CEO) who was in office during the years 2020 and 2019 and the Chief Financial Officer (CFO) who was a Management Board member in the second quarter of 2019.

(Amounts in EUR x 1,000)	For the six monts ended	
	June 30, 2020	**June 30, 2019**
Salaries and other short-term employee benefits	287	339
Pensions	4	8
Share-based payment	577	525
Social securities	5	7
Other emoluments	-	-
Total	**873**	**879**

Supervisory Board

As of June 30, 2020 the Supervisory Board consisted of 6 Board members (Q2 2019: 6).

(Amounts in EUR x 1,000)	For the six monts ended	
	June 30, 2020	**June 30, 2019**
Remuneration	89	89
Share-based payment	99	67
Total	**188**	**156**

25. Subsequent events

On July 8, 2020 the Company announced that it had entered into an exclusive license agreement with Sanofi for the Company's previously undisclosed K-NK004 program. The agreement covers the Company' proprietary CD38 knock out (CD38KO) K-NK therapeutic for combination with anti-CD38 monoclonal antibodies, including Sarclisa®, Sanofi's FDA approved therapy for patients with multiple myeloma. Additionally, Sanofi obtained exclusive rights to use the Company' K-NK platform for two undisclosed pre-clinical programs. As part of the agreement, the Company received a EUR17.5 million up front payment and will be entitled to receive up to EUR857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones. The Company will also receive up to low double-digit royalties based on commercial sales of approved products resulting from this agreement. The Company is currently assessing the accounting impact of the license agreement.

On September 15, 2020 the Company announced it had received a commitment for USD9.5 million in funding from the U.S. Department of Defense (DoD) through the Advanced Regenerative Manufacturing Institute (ARMI) that will fund the K-NK-ID101 COVID-19 program as costs are incurred.