Kiadis pharma

CHANGING THE WORLD BILLIONS OF CELLS AT A TIME™

2019 ANNUAL REPORT

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MISSION STATEMENT

Kiadis is leveraging the natural strengths of humanity and our collective immune systems to source the best cells for life. Our uncompromising approach to serve patients, their families and caregivers aims to minimize harm and maximize help – delivering novel cell therapy treatments to patients to offer hope, reduce suffering and provide new life.

2019 A YEAR IN REVIEW

CREATED

Scientific Advisory Board

formed with renowned experts in the field of cancer immunotherapeutics

ACQUIRED

NK cell platform

Cytosen Therapeutics

NOTIFIED

Received notification

that approval for marketin authorization for ATIR101 would not be granted; Phase 3 study terminated

REVIEWED

Strategic review

resulted in company reorganization and change of focus to K-NK therapy platform

Dear Stakeholder,

As I look back on 2019, it can be described as a year of ups and downs for Kiadis. We started the year anticipating approval of our marketing authorization application for ATIR, and ended the year having terminated the development of that program and restructuring our organization. We were faced with some difficult decisions during the year, but we were always guided by our core values of always doing what is right, and putting our patients first. In the face of adversity, I am proud of the decisions that our team has made and believe that we have emerged in 2020 as a stronger, more united organization. Albeit a very different organization than we were several months ago, but our core purpose has not changed – we remain focused on bringing innovative new therapies to patients with life-threatening diseases.

As of year-end 2019, Kiadis is now completely focused on our natural killer (NK) cell therapy programs, which we acquired with our purchase of Cytosen Therapeutics in June 2019. NK cells not only detect malignant cancer cells and induce cancer cell death, but they also help trigger a broader adaptive immune response in order to fully engage and fight tumor cells. We believe that focusing on the development of NK cell therapies has the potential to help many, many more patient populations than could have been possible with ATIR.

We have named our NK-cell-therapy programs K-NK – simply referring to Kiadis NK. Our K-NK platform is designed to deliver enough of the right NK cells to help each individual patient. K-NK cells are potent without any genetic engineering and our platform enables us to enhance their natural killing ability without the use of feeder cells, thus limiting the presence of tumor cells and tumor DNA in the end product. Our starting material is mature NK cells from a panel of optimal Universal Donors and can be given to patients without the need for genetic screening. K-NK cells have a unique highly cytotoxic phenotype and metabolism that makes our K-NK cells truly hyperfunctional. We can manufacture off-the-shelf product in high doses at low cost compared to personalized cell therapies.

We see tremendous opportunity in the use of Natural Killer cells to fight cancer and other diseases and we are confident in our team's ability to successfully execute our new strategy and are excited about the year ahead. We have a broad pipeline of programs using K-NK-cell-therapy. We will be initiating multiple clinical trials using K-NK cells as an adjunctive treatment for patients undergoing stem cell transplantation and as treatments for patients with cancer, including AML R/R as well as solid tumors.

OUR FOCUS: NK-CELL-THERAPY PROGRAMS

NK cells detect malignant cancer cells and induce cancer cell death

NK cells help trigger a broader adaptive immune response to fully engage and fight tumor cells

Our platform enables us to enhance NK cells natural killing ability without the use of feeder cells

Kiadis can manufacture off-the-shelf product in high doses at low cost

To kick off 2020, we held a company-wide reboot meeting centered around our vision to develop innovative NK-cell-based immunotherapies for patients with life-threatening diseases. We focus on serving patients, their families and caregivers by delivering treatments for patients to offer hope, reduce suffering and provide new life. We are OneKiadis, working as one team guided by our set of core values:

At Kiadis, we always do the right thing:

- We put the patient first;
- We are open and honest;
- We help each other;
- We act with a sense of urgency;
- We deliver quality.

In 2020, we have already achieved various key milestones:

- in our K-NK003 program, we are supporting The Ohio State University's Phase 1/2 study for the treatment of R/R AML with off-the-shelf K-NK cells from universal donors;
- we have filed the IND for K-NK scale up for our K-NK002 NK-REALM Phase 1/2 trial; and
- abstracts have been accepted and will be presented at several upcoming conferences including the European Society for Blood and Marrow Transplantation Annual Meeting, the American Society of Clinical Oncology, and the Congress of European Hematology Association, that show the benefits of NK-cell-therapy in helping cancer patients.

We are very excited about the opportunities that Natural Killer cells have in treating oncology diseases, but also about learning of ways we can potentially use Natural Killer cells and their broad potential to treat countless numbers of patients in the future.

I would like to take this opportunity to thank our patients, employees, partners and shareholders for their continued support and confidence as we continue this important work. I look forward to providing you with ongoing updates on the progress of our clinical trials in the coming months.

Regards,

Arthur Lahr
Chief Executive Officer
Kiadis Pharma N.V.

our strengths & strategy

Based on our cell-based immunotherapy platform, we aim to maximize the value of our most advanced programs, K-NK002, that is being developed to help improve outcomes for blood cancer patients undergoing a haploidentical HSCT, and K-NK003 for the treatment of patients with AML R/R. We plan to continue to expand our pipeline with development of cell therapies for additional indications and through the in-license or acquisition of other products or platforms.

OUR STRATEGY, WHICH WILL LEVERAGE OUR COMPETITIVE STRENGTHS, INCLUDES:

- **Advancing our technology platform across multiple indications, including as an adjunctive therapy to HSCT and for the treatment of both liquid and solid tumors:** we have a pipeline of therapeutic candidates based on our NK-cell-therapy platform. We will advance development of these programs for adult blood cancer patients in need of a haploidentical HSCT as well as for the treatment of various cancers.
- **Having a lead program, K-NK002, that seeks to improve outcomes of HSCT. We are developing K-NK002 as an adjunctive therapy to the current haploidentical HSCT standard of care to improve relapse rates:** we believe that more treatment options are needed for patients undergoing HSCT. Through our lead program, K-NK002, we believe we can improve outcomes for patients in need of HSCT. We plan to initiate a Phase 1/2 study in 2020 evaluating K-NK002 as an adjunctive treatment to the current standard of care for HSCT with post-transplant cyclophosphamide (PTCy).
- **Expanding a pipeline of cell-based immunotherapies:** the human proof-of-concept data of our K-NK003 program for the treatment of AML R/R from the MD Anderson Cancer Center and the Hospital de Clínicas de Porto Alegre show significant promise in applying our NK cell platform to treat patients with advanced blood cancer. We are supporting a Phase 1/2 study of K-NK003 for the treatment of AML R/R in 2020. And, we have preclinical programs evaluating the use of our NK-cell-therapies for the treatment of solid tumors. If these preclinical programs are successful, we will advance our therapeutic candidates into clinical development.
- **Retaining worldwide commercial rights for our entire pipeline allowing for independent commercialization and/or potential development or commercialization partnerships:** we have retained worldwide development and commercialization rights for K-NK002, K-NK003 and all other programs in our NK-pipeline. For K-NK002, our adjunctive therapy to HSCT, commercialization will be directed towards the stem cell transplant community, which is a concentrated market with relatively few stem cell transplant centers and driven by a small group of key opinion leading physicians. As a result, if approved, we believe we are well positioned to commercialize our lead therapeutic candidates with our own commercial organization targeting Europe and North America. We may seek partners for our other therapies and for other regions.

our strengths & strategy continued

- **Setting up an efficient manufacturing and supply chain infrastructure for cell-based product candidates:** we are creating a cell therapy supply chain. We currently have CMO manufacturing capacity which we are exploring to broaden. We also aim to build our own manufacturing capabilities to support our global requirements for later clinical trials and/or ultimate commercialization of any product. We believe our manufacturing platform has the potential for an attractive cost of goods profile and lower capital expenditures relative to other cell or gene therapy approaches, such as CAR-T.
- **Having seasoned leadership. Members of our executive and non-executive leadership teams cumulatively have a century of experience in the life sciences industry and have previously served at companies including Ablynx, Actelion, Amgen, Crucell, Dendreon, Johnson & Johnson, Medivation, Keryx and Novartis:** the leadership teams have a track record in senior management roles from early research to late-stage drug development, global manufacturing operations and commercialization of orphan drugs and several innovative treatments, including advanced cell-based therapies.

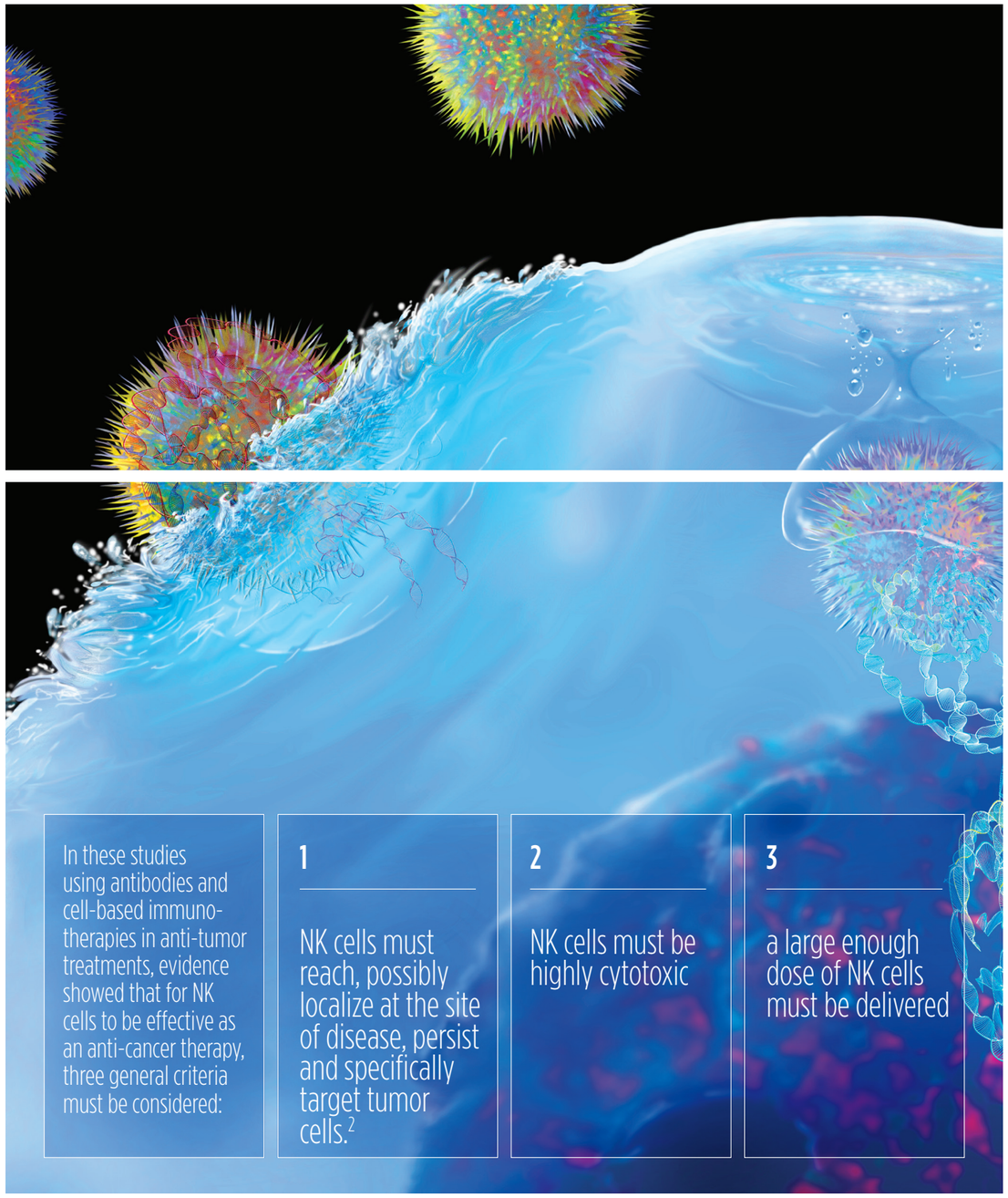
In line with our company vision, we are building our capabilities in development and supply chain operations of cell-based programs to become a fully integrated biopharmaceutical company. Driven by our seasoned leadership, we intend to leverage our infrastructure and medical leadership in this promising biopharmaceutical segment to pursue new programs and/or technology opportunities in a haploidentical HSCT and/or cell-based cancer immunotherapy, either via in-licensing or acquisition.

key developments

- During the first quarter of 2019, our focus was on preparing for approval of the marketing authorization application (MAA) for ATIR101 in the EU; our regulatory team was engaged in discussions with the EMA to respond to day 180 questions and our commercial team was executing a launch plan to be optimally ready to treat the first commercial patient with ATIR in the EU.
- During the second quarter, we acquired Cytosen Therapeutics and their proprietary Natural Killer (NK) cell therapy platform, a transaction with the potential to transform Kiadis into a leader in cell-based cancer immunotherapy for the treatment of both liquid and solid tumors.
- During the third quarter, we learned that we did not expect a positive response from the EMA and the MAA for ATIR101 would be rejected. As such we commenced a strategic review of our current operations and programs to determine the future focus of our company.
- In the fourth quarter, we completed the strategic review and decided to terminate the ATIR program and focus solely on the development of NK-cell-therapies. We restructured our organization, reducing staff by approximately 50 percent and shifting our focus and all of our resources toward the advancement of our NK-cell-therapy platform and programs.
- In 2020, we have already made progress advancing the NK-cell-therapy programs. For our K-NK003 program, we are supporting a Phase 1/2 study with The Ohio State University for the treatment of R/R AML with off-the-shelf K-NK cells from universal donors. We also filed the first investigational new drug application with the FDA for our planned NK-REALM Phase 1/2 study which will evaluate K-NK002 in 63 patients with blood cancer undergoing a haploidentical hematopoietic stem cell transplant (HSCT) with NK-cell-therapy produced with PM21.

  In April 2020, Kiadis announced two private placements totalling EUR17 million with two healthcare-focused investors. Through these private placements, the investors receive approximately 10.5 million ordinary shares and approximately 5.25 million warrants, which can be exercised over a 5-year period. Both transactions are expected to be closed before May 4, 2020.

Several recent clinical studies have shown success in using NK cell infusions in patients to fight various tumors, especially haematological malignancies. These encouraging results are validating the significant advantages of using NK cells as a therapy to treat cancer.



how natural killer cells work

Natural Killer (NK) cells, first identified in 1975, are a component of the innate immune system and can naturally recognize and kill cells that are virally compromised or are malignant. They were first recognized for their ability to kill tumor cells without any priming or prior activation, unlike cytotoxic T-cells that need priming by antigen presenting cells. Instead, NK cells have the ability to recognize the altered expression of proteins on infected cells and tumors using a sophisticated array of activating, costimulatory, and inhibitory receptors. Their ability to specifically target only cells such as tumor or virus-infected cells gives them extensive functional diversity in treating solid tumors and haematological malignancies.

While on patrol in the body, NK cells are constantly at work contacting other cells. The Natural Killer cells are able to recognize the cells that are under stress caused by infection or diseases, like cancer, and decide whether or not to kill them. Most normal healthy cells have a receptor that lets NK cells know that they are healthy. Cancer cells and cells undergoing stress often lose a ligand that makes them vulnerable to NK cell killing. When NK cells detect these cancer or infected cells, inhibitory receptors activate to guide the actions of the NK cell to kill the diseased cell. Natural Killer cells release cytotoxic granules containing perforin and gran-zymes that lead to the elimination of the targeted abnormal or stressed cell.[1]

Cancer immunotherapy, which works by activating the body's own immune system, has become an increasingly important treatment option for patients with cancers. Because of their ability to kill tumor cells, the use of NK cells to treat cancer continues to be a potentially attractive therapy option. As innate immune cells, NK cells are unique and play pivotal functions in cancer immune surveillance. Several recent clinical studies have shown success in using NK cell infusions in patients to fight various tumors, especially haematological malignancies. These encouraging results are validating the significant advantages of using NK cells as a therapy to treat cancer.

In these studies using antibodies and cell-based immunotherapies in anti-tumor treatments, evidence showed that for NK cells to be effective as an anti-cancer therapy, three general criteria must be considered: (i) a large enough dose of NK cells must be delivered, (ii) NK cells must be highly cytotoxic, and (iii) NK cells must reach, possibly localize at the site of disease, persist and specifically target tumor cells.[2] When these factors of dose, potency and persistence are addressed, NK cells have been shown to be successful in the treatment of blood and solid tumors.

1. Eissman, P. Natural Killer Cells. British Society for Immunology. n.d. Retrieved from: https://www.immunology.org/public-information/bitesized-immunology/cells/natural-killer-cells.
2. Oyer, JL, Pandey, V., Igarashi, RY, Somanchi, SS, Zakari, A, Sohl, M., et al. Natural killer cells stimulated with PM21 particles expand and biodistribute in vivo: Clinical implications for cancer treatment. Cytotherapy, 2016; 18: 653–663.

our K-NK platform

We leverage our understanding of NK cell biology in developing NK-cell therapeutics with consideration of disease setting, whether that be liquid or solid tumors. Our PM21 method for NK cell expansion enables fast and robust growth, which allows production of high-dose NK cells. In addition to high doses, NK cells produced by our technology have strong “killer” anti-cancer functions. In contrast to other T-cell therapeutic approaches that target a specific antigen, our NK cells have killing ability against many tumor targets, while maintaining the ability to limit off-target effects, creating an immuno-oncology platform with the potential to treat many cancers.

Our K-NK platform enables us to produce enough of the right NK cells without genetic modification. Our K-NK cells have a unique phenotype that is hyperfunctional, enhancing their natural killing ability, and we can industrially produce high doses at a low cost compared to personalized cell therapies.

Our founding technology was based on NK cells expanded and activated with FC21 feeder cells expressing membrane-bound interleukin 21 (mbIL21) and 4-1BB (41BBL) antigens. The clinical proof-of-concept data for cell-therapy product candidates were generated with NK cells produced from this founding invention. We believe that cell-therapies expressed with tumor feeder cells have the potential risk of including tumor DNA or cells in the final drug product and have developed technology to expand and activate NK cells with particles.

Our K-NK cell platform is built on the following three pillars:

- **PM21 expansion and activation:** The first is a technology to expand and activate NK cells ex-vivo using PM21 particles with membrane-bound interleukin 21 (mbIL21) and 4-1BB (41BBL) antigens instead of tumor feeder cells.
- **Universal donor selection:** The second is an algorithm to identify a panel of universal donors for NK cells with a unique mix of activating and inhibiting receptors for optimal potency and safety of NK cells that can be used for all potential patients without the need for patient genetic screening – just like an O-typed blood donor can donate to recipients having any potential blood type. This enables us to deliver allogeneic off-the-shelf K-NK cell therapies, eliminating the wait time and costs associated with personalized cell therapies.
- **Imprinting:** The third is our ability, through our manufacturing process, to imprint NK cells to be resistant to the effects of transforming growth factor beta (TGFß) suppression. By exposing NK cells to TGFß during manufacturing we are able to increase the cytotoxicity of our NK cells in a solid tumor environment.

From our K-NK cell-based immunotherapy technology platform, we are developing therapeutics as an adjunctive treatment for patients undergoing stem cell transplantation (K-NK002) and as potentially curative treatments for patients with cancer, including AML R/R (K-NK003) as well as other solid tumors.

PRODUCT & TECHNOLOGY

Our K-NK platform is designed to deliver potent NK cells to help each patient, without the need for genetic engineering. Our programs consist of off-the-shelf and haploidentical donor NK-cell-therapy products to treat liquid and solid tumors as adjunctive and stand-alone therapies.

PROPRIETARY TECHNOLOGY

Our PM21 particle technology enables improved ex vivo expansion and activation of cytotoxic NK cells supporting multiple high-dose infusions.

PROPRIETARY ALGORITHM

Our algorithm identifies optimal universal donors as K-NK source material making NK-cell-therapy rapidly and economically available for many patient populations.

“nk-cell-therapy could significantly advance immuno-oncology”

DR. CARL JUNE, KIADIS SAB MEMBER

Our vision is to leverage the strengths of the human immune system to help patients with life-threatening diseases by developing novel cell therapies that combine the innate and adaptive arms of the immune system.

PROGRAM	INDICATION	SETTING	PRE-CLINICAL	CLINICAL POC	PHASE 1/2	CATALYSTS IN 2020
K-NK002	HSCT Blood cancer	Adjunctive to standard of care PTCy				Updates PoC trials Start Phase 1/2 with US BMT-CTN
K-NK003	AML R/R	Stand alone therapy				Updates PoC trials Start Phase 1/2
K-NK00X	Solid/blood	Combinations with antibodies tumors and/or chemo				Pre-clinical data: Start clinical PoC trial

our research focus & clinical trials

We focus on developing therapeutics based on Natural Killer cells, or NK cells. Based on our cell-based immunotherapy platform, we aim to maximize the value of our most advanced programs, K-NK002, that is being developed to help improve outcomes for blood cancer patients undergoing a haploidentical HSCT, and K-NK003 for the treatment of patients with AML R/R. We plan to continue to expand our pipeline with development of K-NK cell therapies for additional indications and through the in-license or acquisition of other products or platforms.

K-NK CLINICAL TRIALS

K-NK002

We are developing an NK-cell-therapy, called K-NK002, as an adjunctive therapy for patients undergoing HSCT with a PTCy protocol. K-NK002 was studied in an investigator-initiated proof-of-concept study in 24 patients at the MD Anderson Cancer Center of the University of Texas in Houston, United States as an adjunctive treatment for patients undergoing a haploidentical HSCT with PTCy.

The next clinical trial for K-NK002, called the NK-REALM study (haploidentical NK cells to prevent post-transplant RElapse in AML and MDS), is the first study using our K-NK cells produced from our PM21 platform. This Phase 1/2 study has been designed with and will be supported by the Blood and Marrow Transplant Clinical Trials Network (BMTCTN-1803), with the Center for International Blood and Marrow Transplant Research (CIBMTR) planned to be engaged for data analysis support. Our Investigational New Drug (IND) application to support this study was filed in April 2020.

K-NK003

We are also developing K-NK003 as a stand alone salvage therapy. Proof-of-concept for the treatment of AML R/R as second-line salvage therapy was established through an investigator-initiated proof-of-concept study in 8 patients conducted at the MD Anderson Cancer Center. In this study, 75% of patients treated with K-NK003 were in complete remission and 50% of patients qualified for a transplant.

In a recent Phase 1 study sponsored by the Brazilian Agencies for Research development, data was obtained on the adoptive transfer of haploidentical expanded NK cells to restore NK cell numbers and anti-leukemia function in 13 patients with relapsed/refractory acute myeloid leukemia (R/R AML). In this study of patients treated with K-NK003, results showed a complete response rate of 50% and overall response rate of 78.5%.

K-NK00X

Additionally, we have preclinical NK-cell-therapy candidates for the treatment of various solid tumors. A key research objective is to advance methods for NK cell stimulation and programming that creates NK cells that are more potent to lyse tumors in the immuno-suppressive environment of the tumor micro-environment.

forward-looking statements

Certain statements, beliefs and opinions in this Annual 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 known and unknown risks, uncertainties and assumptions that could cause actual results, performance, achievements or events to differ materially from those expressed, anticipated 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, regulation, competition and technology, can cause actual events, performance, achievements or results to differ significantly from any anticipated or implied development. Forward-looking statements contained in this Annual 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 Annual Report as a result of any change in expectations or projections, 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 Annual Report or the actual occurrence of the anticipated or implied developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report.

report of the management board

OPERATIONAL REVIEW 2019

2019 was a pivotal year in which we transformed into a company completely focused on using our natural killer (NK) cell therapy programs to build a fully integrated biopharmaceutical company.

We began the year with continuing the process for our first Marketing Authorization Application (MAA) with the European Medicines Agency (EMA), for approval of our lead program ATIR101 as an adjunctive treatment in haploidentical (genetically half-matched) hematopoietic stem-cell transplantations (HSCT) for adult patients with blood cancers. In May, we responded to the second list of day 180 outstanding issues we had received in October 2018. We continued to expand the infrastructure of the Company in preparation of obtaining conditional marketing approval for ATIR101 and launching our first commercial product in selected countries in Europe at the end of the year.

During 2019, we received notification that the EMA would not approve our MAA for ATIR. In the fall of 2019, we initiated a strategic review and made the decision to terminate all Phase 3 activities and the entire ATIR program. Going forward, the company would focus solely on our natural killer (NK) cell therapy programs, which we acquired with our purchase of Cytosen Therapeutics in June 2019.

The change in strategy to focus on our NK cell therapies resulted in a company reorganization that led to a reduction of nearly half of our work force. As part of the reorganization, there were several changes to the leadership team with the departures of Scott Holmes who served as Chief Financial Officer, and Mark Schaefer who served as Chief Human Resources Officer. In lieu of replacing these positions, internal promotions of key personnel were made including the appointment of Paul van Hagen to Senior Vice President of Finance and Amy Sullivan to Chief Strategy Officer. During the year, we also established a Scientific Advisory Board comprised of renowned experts in the field of cancer immunotherapeutics.

FINANCIAL REVIEW 2019

(Amounts in EUR million, except per share data)	2019	2018	Change
Total revenue and other income	**-**	**-**	**-**
Total operating expenses			
Research and development	(43.0)	(17.5)	(25.5)
General and administrative	(30.2)	(7.7)	(22.5)
Operating result	**(73.2)**	**(25.2)**	**(48.0)**
Net financial result	**20.7**	**(4.6)**	**25.3**
Net result	**(52.6)**	**(29.8)**	**(22.8)**
Net operating cash flow	**(48.3)**	**(24.2)**	**(24.1)**
Cash position at end of year	**29.5**	**60.3**	**(30.8)**
Equity	**34.3**	**44.1**	**(9.8)**
Earnings pershare before dilution (EUR)	**(1.92)**	**(1.46)**	**(0.46)**

REVENUE & OTHER INCOME

The Group did not record revenue and/or other income in 2019 and 2018.

OPERATING EXPENSES

Operating expenses increased to EUR73.2 million from EUR25.2 million in 2018, an increase of EUR48.0 million which includes EUR19.0 million charges related to the termination of the ATIR platform development.

Research and Development expenses increased to EUR43.0 million from EUR17.5 million in 2018. Without the expenses for share-based compensation, Research and Development expenses increased to EUR41.4 million from EUR16.6 million in 2018, an increase of EUR24.9 million. The increase was primarily caused by the increased clinical trial costs related to the ramp up of the Phase III study of ATIR101, and the increase of the work force that the organization experienced prior to the discontinuation of the ATIR activities. Following the June 2019 acquisition of CytoSen, research and development expenses also include costs associated with the development of K-NK002 and the other NK-programs that we acquired. As a result of the termination of the ATIR platform development, Research and Development expenses include impairment charges of tangible assets for an amount of EUR0.7 million in addition to restructuring charges of EUR4.0 million.

General and Administrative expenses increased to EUR30.2 million from EUR7.7 million in 2018. Without the expenses for share-based compensation, General and Administrative expenses were EUR21.6 million higher at EUR28.6 million in 2019 compared to EUR7.0 million in 2018. General and Administrative expenses include impairment charges of intangible assets for an amount of EUR13.2 million and restructuring charges of EUR1.1 million. The increase was further due to increased headcount across all departments to support the continued growth of the company and consultancy expenses for business development, market access and the acquisition of CytoSen.

OPERATING RESULTS

As a result of the overall increase in total operating expenses, the Group's operating loss increased from EUR25.2 million in 2018 to EUR73.2 million in 2019.

NET FINANCIAL RESULT

Net finance income for 2019 increased to EUR20.7 million from a net finance expenses of EUR4.6 million in 2018, an increase of EUR25.3 million.

Finance expenses for our outstanding debt include interest on third party loans for EUR3.3 million compared to EUR3.7 million in 2018 and EUR0.2 million negative interest on outstanding cash and cash equivalents in 2019 and 2018. Interest expenses on our leases remained EUR0.5 million in 2019.

In December 2011, the Company entered into an agreement with Hospira Inc. for which an amount of US$24.5 million had been judged as a loan. The payment obligations are linked to sales of our ATIR platform dependent on the commercial sale of ATIR or linked to granting a sublicense on the related Theralux technology. For this financial liability, the Company had to make significant judgments and estimates previously about future cash flows towards Hospira Inc. Due to the decision to terminate all ATIR activities, the repayment of the outstanding amount is remote. The Company reduced the outstanding loan balance as of December 31, 2019 to zero resulting in a financial gain of EUR10.8 million.

The Company recorded favorable results of net foreign exchange 2019 versus 2018 for the amount of EUR1.8 million. Net foreign exchange gain of EUR0.8 million in 2019 includes amongst others EUR0.4 million of realized (non-cash) Canadian dollar/euro exchange rate gain as a result of the impairment of goodwill and in-process R&D which was accounted for in Canadian dollars. The net foreign exchange gain includes unrealized (non-cash) exchange loss of EUR0.4 million on the loan from Hospira Inc denominated in US dollars and a gain of EUR0.8 million on an intra-group loans denominated in Canadian dollars.

NET RESULT

As a result of the above items, the loss for the year increased by EUR22.8 million to EUR52.6 million in 2019 versus a loss of EUR29.8 million in 2018. The undiluted loss per share for 2019 increased to EUR1.92 compared to EUR1.46 in 2018.

CASH FLOWS

Total cash and cash equivalents decreased by EUR30.8 million from EUR60.3 million at year-end 2018 to EUR29.5 million at the end of 2019. This decrease mainly results from the net operating cash outflow amounting to EUR48.3 million, capital expenses of EUR4.5 million and repayments of outstanding loans of EUR5.7 million, offset by the net proceeds of a share offering for a total amount of EUR25.3 million and cash balances of CytoSen which we acquired on June 5, 2019 for an amount of EUR3.1 million.

EQUITY

The Company's equity position amounted to EUR34.3 million at year-end 2019 versus EUR44.1 million at the end of 2018, a decrease of EUR9.8 million. The main drivers of this decrease are the loss for the year of EUR52.6 million offset by net proceeds of a share offering of EUR25.3 million in total and shares issued upon the acquisition of a business combination.

CORPORATE SOCIAL RESPONSIBILITY

To achieve success, the members of the Supervisory Board, Management Board and employees must comply with a number of behavioral standards, which have been stated in a set of general principles referred to as the Code of Conduct. Our Code of Conduct ensures our people across the world understand what is expected of them when acting in or on behalf of the Company. The Code of Conduct is available on the Company's website. We take this ethical approach to all parts of the business. Everything from our primary research to our commercial activity in all markets is conducted from these good principles of fairness and honesty. For example, to guide our growing organization, we have adopted a set of values to act as our operating principles. At Kiadis, we always do the right thing:

- We put the patient first;
- We are open and honest;
- We help each other;
- We act with a sense of urgency; and
- We deliver quality.

OUTLOOK 2020

For 2020, the Company has already achieved various key milestones including supporting the K-NK003 Phase 1/2 study with The Ohio State University for the treatment of R/R AML with off-the-shelf K-NK cells from universal donors; filing the IND for K-NK scale up for our K-NK002 NK-REALM Phase 1/2 trial; and several abstracts have been accepted and will be presented at upcoming conferences including the European Society for Blood and Marrow Transplantation Annual Meeting, the American Society of Clinical Oncology, and the Congress of European Hematology Association, that show the benefits of NK-cell-therapy in helping cancer patients.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and has been declared a pandemic by the World Health Organization in 2020. The spread of COVID-19 has impacted the global economy and may impact the operations, including the potential interruption of the clinical trial activities, regulatory reviews and the supply chain. The Company is monitoring the situation regarding the coronavirus and evaluating the potential interruption of clinical trial activities, regulatory reviews and supply chain production and deliveries, and will try to mitigate via alternative plans where necessary. The impact of the coronavirus on capital markets already affects the availability, amount and type of financing available. The exact future impact for the Company at this time is difficult to estimate.

In addition, 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 Kreos Capital Facility Agreements. 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.

In April 2020, Kiadis announced two private placements totalling EUR 17 million with two healthcare-focused investors. Through these private placements, the investors receive approximately 10.5 million ordinary shares and approximately 5.25 million warrants, which can be exercised over a 5-year period. Both transactions are expected to be closed before May 4, 2020.

The Company has incurred losses since its inception and expects to continue to incur losses for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis. Based on the existing operating plan, anticipated working capital 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 would cast significant doubt about the Company's ability to continue as a going concern.

The Company will need additional sources of financing, which could include equity financing, non dilutive financing or strategic transactions starting the fourth quarter of 2020. The Company believes that sufficient additional funds can be raised and is of the opinion that the going concern assumption is justified.

The Company sees tremendous opportunity in the use of Natural Killer cells to fight cancer and other diseases and are confident in the team's ability to successfully execute its new strategy. The Company has a broad pipeline of programs using K-NK-cell-therapy. The Company will be initiating multiple clinical trials using K-NK cells as an adjunctive treatment for patients undergoing stem cell trans-plantation and as treatments for patients with cancer, including AML R/R, as well as solid tumors.

statement of the management board

The Management Board confirms, in accordance with best practice 1.4.3 of the Dutch Corporate Governance Code applicable as of the financial year starting on or after January 1, 2019, and Article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), that:

- this Annual Report provides sufficient insight into the nature of the Company's risk management and control systems and confirms that the control systems functioned properly in 2019;
- this Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the control systems provide reasonable assurance that the financial statements do not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis; and
- this Annual Report addresses those material risks and uncertainties that may have a significant impact on the Company's continuity for the twelve months following the date of this Annual Report.

The Management Board declares that to the best of their knowledge, the consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report incorporated in this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group. For a detailed description of the risk factors, we refer to the 'Risk management and internal control systems' chapter in this Annual Report.

Amsterdam, April 30, 2020

Management Board

Arthur Lahr
Chief Executive Officer

corporate governance

AND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

corporate governance

INTRODUCTION

The Company is a public limited liability company established under the laws of The Netherlands with common shares listed on Euronext Amsterdam and Euronext Brussels. The Company has a two-tier board structure: the Management Board, composed of one executive director, that manages the Company on a day-to-day basis and the Supervisory Board, solely composed of non-executive directors, that supervises and advises the Management Board. The two Boards are independent of each other and are accountable to the General Meeting for the performance of their functions.

The Company is governed by Dutch law and by its Articles of Association, which can be consulted on the Company website (www.kiadis.com).

MANAGEMENT BOARD

The Management Board consists of one or more members, to be determined by the Supervisory Board. Mr. Arthur Lahr, Chief Executive Officer, was a member of the Management Board for the full year 2019 and was appointed on April 4, 2017 for a period of four years. Mr. Scott Holmes, Chief Financial Officer, was a member of the Management Board until his resignation effective December 31, 2019. Mr. Holmes functionally served as the Company's Chief Financial Officer since January 1, 2019, but he was appointed as a member of the Management Board on March 29, 2019 for a period of four years.

ARTHUR LAHR – Mr. Lahr (51, Dutch) holds a master's degree in Applied Physics from the University of Delft, The Netherlands, and an MBA from INSEAD, Fontainebleau, France.

SCOTT HOLMES – Mr. Holmes (45, American), holds an MS/MBA degree from Northeastern University and a bachelor's degree in History from Middlebury College.

Members of the Management Board are appointed (and, if necessary, dismissed) by the General Meeting. The Articles of Association provide that the General Meeting appoints members of the Management Board and that the Supervisory Board may draw up a non-binding nomination of one or more nominees for each vacancy to be filled for the appointment of a person as a member of the Management Board. A resolution of the General Meeting to appoint a member of the Management Board in conformity with the nomination of the Supervisory Board shall be passed by an absolute majority of votes cast. A resolution of the General Meeting to appoint a member of the Management Board not in conformity with, or without, the nomination of the Supervisory Board shall require an absolute majority of the votes cast representing more than 50% of the Company's issued share capital.

The Articles of Association provide that the General Meeting may dismiss Management Board members at any time. A resolution of the General Meeting to dismiss a member of the Management Board pursuant to a proposal by the Supervisory Board shall be passed with an absolute majority of the votes cast. A resolution of the General Meeting to suspend or dismiss a member of the Management Board other than pursuant to, or without, a proposal by the Supervisory Board shall require an absolute majority of the votes cast representing more than 50% of the Company's issued share capital.

The Management Board is responsible for the day-to-day management of the operations of the Company and for the implementation of its strategy. The members of the Management Board are collectively responsible for the management of the Company. Notwithstanding their collective responsibility within the Management Board, certain tasks and responsibilities have been assigned to individual members. The functioning of and decision making within the Management Board as well as the distribution of tasks between its members are governed by the Rules of Procedure for the Management Board which can be found on the Company website.

The remuneration of the members of the Management Board is determined by the Supervisory Board based on the remuneration policy approved by the General Meeting. The remuneration policy for the Management Board can be found in the Section entitled 'Remuneration Report' in this Annual Report.

MANAGEMENT TEAM

As per December 31, 2019, the Management Team comprised of the members of the Management Board, the Chief Operating Officer; the Chief Medical Officer; the Chief Scientific Officer; the SVP Corporate Affairs; the General Counsel & Corporate Secretary a.i.; the SVP Finance; the SVP Corporate Development and the SVP Quality. This ensures functional and operational expertise is present at the highest level in the organization. The members of the Management Team (not being Management Board members) are appointed by the Chief Executive Officer of the Management Board after consultation with the Supervisory Board and they report to the Chief Executive Officer. They assist the Management Board in its day-to-day management of the operations of the Company.

SUPERVISORY BOARD

The Supervisory Board consists of three or more members. At present, the Supervisory Board is composed of Mr. Mark Wegter, Chairman, Mr. Berndt Modig, Vice-Chairman, Mr. Martijn Kleijwegt, Dr. Robert Soiffer, Dr. Otto Schwarz and Mr. Subhanu Saxena. Mr. Wegter and Mr. Kleijwegt were appointed upon incorporation of the Company in 2015 for a period of four years and reappointed by the General Meeting of June 24, 2019. Dr. Soiffer and Mr. Modig were appointed in 2016 for a period of four years and Dr. Schwarz and Mr. Saxena were appointed in 2018, also for a period of four years. Further details in respect of the Supervisory Board members can be found in the Section entitled 'Report of the Supervisory Board' in this Annual Report.

Members of the Supervisory Board are appointed for a period of four years and may then be reappointed once for another four-year period. The Supervisory Board members may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years.

Members of the Supervisory Board are appointed (and, if necessary, dismissed) by the General Meeting. The Articles of Association provide that the General Meeting appoints members of the Supervisory Board and that the Supervisory Board may draw up a non-binding nomination of one or more nominees for each vacancy to be filled for the appointment of a person as member of the Supervisory Board. A resolution of the General Meeting to appoint a member of the Supervisory Board in conformity with the nomination of the Supervisory Board shall be passed by an absolute majority of votes cast. A resolution of the General Meeting to appoint a member of the Supervisory Board not in conformity with, or without, the nomination of the Supervisory Board shall require an absolute majority of the votes cast representing more than 50% of the Company's issued share capital.

The Articles of Association provide that the General Meeting may dismiss Supervisory Board members at any time. A resolution of the General Meeting to dismiss a member of the Supervisory Board pursuant to a proposal by the Supervisory Board shall be passed with an absolute majority of the votes cast. A resolution of the General Meeting to suspend or dismiss a member of the Supervisory Board other than pursuant to, or without, a proposal by the Supervisory Board shall require an absolute majority of the votes cast representing more than 50% of the Company's issued share capital.

The Supervisory Board is responsible for supervising and advising the Management Board in its duty to manage the Company. The functioning of and decision making within the Supervisory Board are governed by the Rules of Procedure for the Supervisory Board which can be found on the Company website.

The remuneration of the members of the Supervisory Board is determined by the General Meeting. In relation to the financial year 2019, the following remuneration for the Supervisory Board applied as approved by the General Meeting held on March 29, 2019.

FIXED HONORARIUM

1. Supervisory Board:
   a. annual fixed honorarium for each member: EUR 35,000
   b. annual fixed honorarium for the Chairman: EUR 60,000

2. Audit Committee:
   a. annual fixed honorarium for each member: EUR 10,000
   b. annual fixed honorarium for the Chairman: EUR 20,000

3. Nomination and Remuneration Committee:
   a. annual fixed honorarium for each member: EUR 8,000
   b. annual fixed honorarium for the Chairman: EUR 15,000

OPTION GRANTS

On March 29, 2019 the General Meeting approved the grant of 26,000 share options to each member of the Supervisory Board. These options were thereafter granted to the independent members of the Supervisory Board as per March 29, 2019. Further share options may be granted to members of the Supervisory Board subject to approval by the General Meeting.

EXPENSES

The members of the Supervisory Board will also be entitled to be reimbursed for their reasonable expenses incurred in attending meetings of the Supervisory Board and its committees.

The remuneration applies equally to all members of the Supervisory Board, including members of the Supervisory Board that do not qualify as independent with the meaning of the Dutch Corporate Governance Code. It is noted, however, that the non-independent members of the Supervisory Board, Mr. Wegter and Mr. Kleijwegt, have confirmed to the Company that they will not claim the cash nor the non-cash remuneration for their membership of the Supervisory Board.

Details of the actual remuneration of the Supervisory Board in 2019 can be found in Note 29 'Related Parties' of the consolidated financial statements.

The Supervisory Board has appointed two committees to cover key areas in greater detail: nominations and remuneration, and auditing. Further details in respect of these committees can be found in the Section entitled 'Report of the Supervisory Board' in this Annual Report.

GENERAL MEETING

The main powers of the General Meeting relate to:

- the appointment, suspension and dismissal of members of the Management Board and the Supervisory Board
- the approval of the remuneration policy of the Management Board
- the approval of the remuneration of the Supervisory Board
- the adoption of the Financial Statements and declaration of dividends
- the release from liability of the members of the Management Board and the Supervisory Board
- the issuance of shares or rights to shares, restriction or exclusion of pre-emptive rights of shareholders, repurchase of shares and reduction of the issued share capital
- the amendment of the Articles of Association
- decisions of the Management Board involving a significant change in the Company's identity of character
- the appointment of the Company's external auditor

The Annual General Meeting is held within six months after the end of the financial year in order to discuss and, if applicable, approve, the Annual Report, the Annual Accounts and any of the other topics mentioned above.

The Annual General Meeting and, if necessary, other General Meetings, are convened by the Management Board or the Supervisory Board. The agenda and explanatory notes are published on the Company website.

According to the Articles of Association, shareholders who, individually or jointly, represent at least 3% of the issued capital have the right to request the Company that items be placed on the agenda. Such requests need to be received in writing by the Company at least sixty days before the date of a General Meeting.

In 2019 two extraordinary general meetings (EGMs) were held on March 29, 2019 and on May 29, 2019. The 2019 Annual General Meeting was held on June 24, 2019.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The General Meeting decides on an amendment of the Articles of Association by an absolute majority of votes cast. A decision to amend the Articles of Association may only be taken at the proposal of the Management Board, subject to approval of the Supervisory Board. The General Meeting resolved in its extraordinary meeting of March 29, 2019 to amend the articles of association twice: one unconditional amendment and one conditional amendment as explained hereunder in the "Corporate Governance" paragraph.

SHARE CAPITAL, SHARES, VOTING RIGHTS AND SUBSTANTIAL HOLDINGS

On December 31, 2019 the Company's authorized share capital amounted to EUR 12,000,000, divided into 120,000,000 ordinary shares, each with a nominal value of EUR 0.10.

On December 31, 2019 the Company's issued share capital amounted to EUR 2,956,399.40 divided into 29,563,994 ordinary shares, each with a nominal value of EUR 0.10.

The issued ordinary shares in the Company's capital are listed on Euronext Amsterdam and Euronext Brussels (symbol: KDS, ISIN code: NL0011323407). All issued shares are fully paid-up.

There are no shares having specific voting rights, voting limitations or not having voting rights or dividend rights. When convening a General Meeting, the Management Board is entitled to determine a registration date in accordance with the relevant provisions of the Dutch Civil Code.

Pursuant to the Dutch Financial Supervision Act (Wet op het financieel toezicht), substantial holdings in the Company must be disclosed to the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten; AFM). According to the register kept by the AFM the following shareholders disclosed that they have a direct or indirect (potential) interest between 3% and 25% in the Company's total issued share capital as per December 31, 2019:

- Esprit Nominees Limited
- Lenildis Holding B.V.
- Achmea Pensioen- en Levensverzekeringen N.V.
- Life Sciences Partners II B.V.

ISSUE OF SHARES; AUTHORIZATION OF THE MANAGEMENT BOARD

The issuance of Company shares takes place upon a decision by the Management Board which decision is subject to the approval of the Supervisory Board. The scope of this power of the Management Board is determined by the General Meeting. In the General Meeting of March 29, 2019, this power was granted for a period of five years following March 29, 2019, up to the Company's authorized share capital included in the Articles of Association from time to time.

REPURCHASE OF OWN SHARES; AUTHORIZATION OF THE MANAGEMENT BOARD

The acquisition of fully paid-up Company shares by way of repurchase, via the stock exchange or otherwise, takes place upon a decision by the Management Board which decision is subject to the approval of the Supervisory Board. The scope of this power of the Management Board is determined by the General Meeting. In the General Meeting of June 24, 2019 this power was granted for a period of 18 months following June 24, 2019 for a maximum of 10% of the issued capital and for a consideration of at least EUR 0.01 per share and which may not exceed the average closing price of the shares on Euronext Amsterdam and Euronext Brussels during five consecutive trading days preceding the day of repurchase increased by 10%.

CORPORATE GOVERNANCE

As a Dutch public limited liability company, the Company is subject to the provisions of Dutch law and the Dutch Corporate Governance Code ("Code"). The current Code is applicable as of the financial year starting on or after January 1, 2017. Pursuant to the Code and Dutch law, the Management Board and the Supervisory Board have a duty to act in the interest of the Company and the sustainable success of its business, with an aim to creating long-term value, taking into account the interests of its employees, clients, shareholders and other stakeholders. As a consequence of the duty of the Management Board and the Supervisory Board to act in the interests of the Company and the sustainable success of its business, the Management Board and the Supervisory Board may decide to protect such interests by initiating certain actions which are generally available under Dutch law. Such actions may include (but are not limited to) not cooperating with a potential takeover offer, using the so-called response period (responstijd) of maximum 180 days or other grounds to postpone the adoption of resolutions that relate to the strategy of the Company, or taking other ad hoc actions or steps that can be implemented under the Company's Articles of Association and Dutch law to discourage, delay or prevent a change in control of the Company, its business or one or more of its subsidiaries or to prevent or deter shareholder activism or protect against another threat.

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.

The Company currently does not have anti-takeover protection as described above. However, the Management Board and the Supervisory Board are enabled to implement such anti-takeover protection (without further shareholder approval being required) if and when they deem this appropriate, following the General Meeting having resolved on March 29, 2019 to approve and adopt an amendment to the Articles of Association which introduces preference shares such that the Company's authorized share capital will be divided into ordinary shares and preference shares. This amendment of the Articles of Association is conditional in the sense that although the notarial deed to amend the Articles of Association was executed on April 9, 2019, the amendment will not become effective unless and until the Management Board at any future moment decides, after having obtained approval from the Supervisory Board, to have the amendment enter into force by depositing a copy thereof at the Trade Register of the Chamber of Commerce. If this occurs and the amendment of the Articles of Association comes into force, the authorization to issue shares or grant rights to subscribe for shares that was granted to them on March 29, 2019 by the General Meeting (see above) shall enable the Management Board and the Supervisory Board to grant a call option that is not limited in time to subscribe for preference shares to an independent foundation then to be established, and which 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).

The full text of the conditional amendment of the Articles of Association is available on the Company's website.

DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code applies to all companies whose registered offices are in The Netherlands and whose shares or depositary receipts for shares have been admitted to listing on a stock exchange, or more specifically to trading on a regulated market or a comparable system.

The Code contains principles and best practice provisions that regulate relations between the Management Board, the Supervisory Board and the Shareholders, and is based on a "comply or explain" principle. Accordingly, the Company is required to disclose in its Annual Report which principles and best practices of the Code it does not apply and the reason why.

GOVERNANCE FRAMEWORK

The Company's overall governance framework and the most important governance elements at each level are the following:

- for the Shareholders: the Articles of Association;
- for the Supervisory Board: the Rules of Procedure of the Supervisory Board, the Charter of the Audit Committee and the Charter of the Nomination and Remuneration Committee; and
- for the Management Board: the Rules of Procedure of the Management Board.

NON-COMPLIANCE WITH THE CODE

The Company acknowledges the importance of good corporate governance, endorses the underlying principles of the Code and applies these principles and the Code's best practice provisions, subject to the exceptions set out below.

The practices where the Company is not in full compliance with the Code are the following:

1. BEST PRACTICE PROVISION 2.1.7 – INDEPENDENCE OF THE SUPERVISORY BOARD

The composition of the supervisory board is such that the members are able to operate independently and critically vis-à-vis one another, the management board, and any particular interests involved. In order to safeguard its independence, the supervisory board is composed in accordance with the following criteria: (i) any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one supervisory board member; (ii) the total number of supervisory board members to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of supervisory board members; and (iii) for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.

The Supervisory Board is not independent as two of the six present members of the Supervisory Board are not independent within the meaning of best practice provisions 2.1.7 and 2.1.8. These Supervisory Board members are employed by and have been appointed upon nomination of two of the Company's significant Shareholders. These two significant Shareholders have a long-term interest in the Company and were willing to back this up by making senior partners with relevant knowledge and experience available to

Kiadis. The Supervisory Board considers that Messrs. Wegter and Kleijwegt fit the intended profile of the Supervisory Board and that their contributions outweigh any perceived disadvantage of non-independence. In addition, Kiadis deems continuity in the composition of the Supervisory Board to be of great importance, also taking into account the small size of the Company and its specificity in terms of focus, strategy and stage of development.

For the reasons provided above, the Company does not intend to fully comply with this best practice provision.

2. BEST PRACTICE PROVISION 2.1.9 – INDEPENDENCE OF THE CHAIRMAN OF THE SUPERVISORY BOARD

The chairman of the supervisory board should not be a former member of the management board of the company and should be independent within the meaning of best practice provision 2.1.8.

Prior to Mr. Wegter, chairman of the Supervisory Board, being appointed as member of the Supervisory Board as per 12 June 2015, he was a member of the management board of Kiadis Pharma B.V. from 4 September 2009 through 22 February 2012. The Supervisory Board considers that Mr. Wegter's contributions outweigh any perceived disadvantage of non-independence or of being a former member of the management board of Kiadis Pharma B.V. In addition, the Company deems continuity in the position of chairman to be of great importance, also taking into account the small size of the Company and its specificity in terms of focus, strategy and stage of development.

For the reasons provided above, the Company does not intend to comply with this best practice provision.

3. BEST PRACTICE PROVISION 2.2.4 – SUCCESSION

The supervisory board should ensure that the company has a sound plan in place for the succession of management board and supervisory board members that is aimed at retaining the balance in the requisite expertise, experience and diversity. Due regard should be given to the profile referred to in best practice provision 2.1.1 in drawing up the plan for supervisory board members. The supervisory board should also draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously. The retirement schedule should be published on the company's website.

There is not yet a definitive plan in place for the succession of the Management Board and Supervisory Board members. The Supervisory Board did adopt a composition and rotation schedule for itself that is posted on the Company's website. The reason for not entirely complying with this best practice provision is that it is the first or second term in such position of a listed company for all Supervisory Board and Management Board members. In addition, with regard to the present Supervisory Board, two members were appointed upon the incorporation of the Company in June 2015 and reappointed in 2019, two members were appointed in June 2016 and a further two members were appointed in June 2018. As all of these members have a term of four years, there is already a natural succession plan/retirement schedule in place for the Supervisory Board and these terms have also been included in the Supervisory Board's composition and rotation schedule.

For the reasons provided above, the Company does not intend to fully comply with this best practice provision.

4. BEST PRACTICE PROVISION 2.3.4 – COMPOSITION OF THE COMMITTEES

The audit committee or the remuneration committee should not be chaired by the chairman of the supervisory board or by a former member of the management board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8.

More than half of the members of the Nomination and Remuneration Committee are not independent as Mr. Kleijwegt is not independent.

5. BEST PRACTICE PROVISION 3.1.2 – REMUNERATION POLICY, EXERCISE OF OPTIONS

The following aspects should in any event be taken into consideration when formulating the remuneration policy: i. the objectives for the strategy for the implementation of long-term value creation within the meaning of best practice provision 1.1.1; ii. the scenario analyses carried out in advance; iii. the pay ratios within the company and its affiliated enterprise; iv. the development of the market price of the shares; v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character; vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded; and vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded.

The members of the Management Board are not restricted to exercise their options during the first three years after they are awarded in order to apply the same treatment to all Kiadis employees and to ensure the Kiadis share option plan helps to attract, motivate and retain qualified and expert individuals throughout the Company.

6. BEST PRACTICE PROVISION 3.3.2 – REMUNERATION OF SUPERVISORY BOARD MEMBERS

Supervisory board members may not be awarded remuneration in the form of shares and/or rights to shares.

On March 29, 2019, the General Meeting resolved to amend the remuneration of the Supervisory Board. As noted above, the remuneration applies equally to all members of the Supervisory Board, including members of the Supervisory Board that do not qualify as independent with the meaning of the Dutch Corporate Governance Code. The non-independent members of the Supervisory Board, Mr. Wegter and Mr. Kleijwegt, have confirmed to the Company that they will not claim the cash nor the non-cash remuneration for their membership of the Supervisory Board. The amended remuneration was driven by a review and analysis conducted by the Nomination and Remuneration Committee, assisted by an independent compensation consultancy firm, as to whether the remuneration of the Company's officers and employees, and specifically the members of the Supervisory Board, the members of the Management Board and the other members of the Management Team, was competitive with its peer group. For this purpose, a peer group of EU based biotech companies of similar size and complexity was defined. Based on benchmark practice of the relevant peer group, the Nomination and Remuneration Committee assessed and concluded that to become and be competitive from a compensation perspective with peers and to align its remuneration offering with market compensation levels, the Company had to make certain amendments to its remuneration philosophy and practice generally, and specifically in relation to the members of the Supervisory Board, the members of the Management Board and the other members of the Management Team. The main amendments to be made included an option grant to the members of the Supervisory Board.

7. BEST PRACTICE PROVISION 4.3.3 – CANCELLING THE BINDING NATURE OF A NOMINATION OR DISMISSAL

The general meeting of shareholders of a company not having statutory two-tier status (structuur regime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

The Articles of Association state that a resolution of the General Meeting to appoint or dismiss a member of the Management Board or Supervisory Board not in conformity with or without a proposal of the Supervisory Board, shall require an absolute majority of the votes cast representing more than 50% of the Company's issued share capital. The Company deems this appropriate considering the remaining shareholdings and involvement of the Company's current significant Shareholders.

risk management and internal control systems

In order to manage the main risks faced by Kiadis Pharma and to offer reasonable assurance that the Company's targets can be realized, that the financial information is reliable and that applicable laws and regulations are observed, the Management Board has the responsibility to develop, implement and operate adequate risk management and internal control systems.

The Supervisory Board has a control function with respect to the systems of risk management and internal control. Based on internal evaluations, discussions with the Supervisory Board, Audit Committee and audits from external parties, these systems are reviewed, updated and optimized as an ongoing process within the Company. Within Kiadis Pharma no separate internal audit function is established and therefore the Supervisory Board assesses annually whether adequate alternative measures have been taken. The Supervisory Board makes such assessments also on the basis of a recommendation from the Audit Committee and will consider whether it is necessary to establish an internal audit function. In 2019 no material failings in the internal risk management and control systems were discovered. It should be noted that our internal risk management and control systems cannot provide absolute assurance as to the realization of the Company's targets or that they can prevent all misstatements, errors and non-compliances with legislation, rules and regulations.

The Management Board and our Management Team continuously analyze the potential risks, evaluating (financial) impact and likelihood, and determining appropriate measures to minimize these risks. The risk assessments are updated in line with changing internal and external circumstances. Meetings of the Management Board with the Management Team and with the Supervisory Board take place regularly to review developments, to set targets/milestones and to evaluate the realization of these milestones. In such meetings the financial position of the Company is also reviewed and budgets/cashflow forecasts are presented, which are followed up and regularly adjusted to changing prospects. Supervision and monitoring activities are performed by the members of the Management Team on a daily basis. The risk management and internal control system with regard to the financial reporting process is designed to provide reasonable assurance that the books and records properly reflect transactions necessary to permit preparation of financial statements, that the financial reporting is consistent and in compliance with legal regulations and generally accepted accounting principles and that published financial data do not contain any material misstatements. The system also provides reasonable assurance that receipts and expenditures of the Company are only made by persons authorized to do so and that assets are safeguarded. As part of this system, various internal rules and regulations have been set, including standard operating procedures, the dual-control principle, spot checks, automated expenses reimbursement tooling, internal contract approval processes and signatory rules.

Kiadis Pharma is exposed to various risks. Our risk appetite is different for the various risk categories we are exposed to.

- Strategic risks and opportunities may affect our strategic ambitions. Kiadis Pharma is prepared to take moderate to high strategic risks to achieve its strategic ambitions, creating a right balance between risk and long-term reward.
- Operational risks include adverse unexpected developments resulting from internal processes, people and systems, or from external events which are linked to the actual operation of the business. Kiadis Pharma aims to minimize these risks, only accepting a low level, to ensure that quality standards are unaffected.
- Compliance risks relate to unanticipated failures to comply with applicable laws and regulations. Kiadis Pharma aims to minimize these risks. The aim is to be fully compliant with these laws and regulations. The financial risks relate to funding, treasury, tax, accounting and reporting. Kiadis Pharma is also prudent with respect to these financial risks and aims for full compliance with financial reporting rules and regulations.

The risks and uncertainties described below are a list of risks and uncertainties currently known to Kiadis Pharma and which Kiadis Pharma considers as the main threats to achieve its objectives. Additional risks and uncertainties may also have an adverse effect on Kiadis Pharma's business, financial condition, results of operations and prospects and could adversely affect the price of its shares. All these factors are contingencies which may or may not occur.

MARKET RISKS

Kiadis Pharma operates in the highly competitive pharmaceutical and biotechnology industries. Pharmaceutical technologies and products are subject to rapid and significant technological change. The Company seeks to develop and market products that, if approved, will compete with drugs, medical devices and other therapies that currently exist or are being developed. Kiadis Pharma may face competition from fully integrated pharmaceutical companies, biotechnology companies, academic institutions, government agencies and private and public research institutions in the European Union, the United States and other jurisdictions, as well as early-stage development companies that collaborate with larger competitors to bring novel products to the market. The Company's competitors may have substantially greater financial, technological, manufacturing, marketing, managerial, regulatory and research and development resources and experience. The products, protocols and technologies of Kiadis Pharma's competitors may be more effective than the products, product candidates and drug formulation technologies developed by Kiadis Pharma. As a result, the Company's products and product candidates may become obsolete before Kiadis Pharma recovers expenses incurred in connection with their development or realize revenues from any commercialized product. The Company is aware of other pharmaceutical companies that are developing competing technologies, which could render Kiadis Pharma's product candidates obsolete, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Kiadis Pharma does not expect to generate product revenues in the foreseeable future. If a program pursued by the Company fails, it will have to develop, acquire or license new programs. The programs Kiadis Pharma may pursue could be unsuccessful if they:

- do not demonstrate acceptable safety and efficacy in preclinical studies or clinical trials or otherwise do not meet applicable regulatory standards for approval;
- generate unacceptable adverse side effects;
- do not offer therapeutic or other improvements over existing or future products used to treat the same conditions;
- are not accepted in the medical community or by insurers, either public or private; or
- are not capable of being produced and delivered to patients in commercial quantities at acceptable costs.

The results of the research and trials to date cannot provide assurance that acceptable efficacy or safety will be shown upon completion of ongoing or planned clinical trials. Many investigational products that show promise in proof-of-concept, Phase I and/or Phase II trials fail in later clinical trials or in a commercial setting. If Kiadis Pharma is unable to make its products commercially available, or the Company experiences significant delays in doing so, its business, financial condition, results of operations and prospects would be materially adversely affected.

The success of Kiadis Pharma's business depends upon its ability to develop and commercialize the product candidates that it pursues. Because the Company has limited resources, it may forego or delay pursuit of opportunities with certain programs or product candidates or for indications that later prove to have greater commercial potential than the product candidates that Kiadis Pharma now pursues or may pursue. The Company's spending on current and future research and development programs may not yield any commercially viable product candidates. If the Company does not accurately evaluate the commercial potential for a particular product candidate, it may relinquish valuable rights to that product candidate through strategic collaborations, licensing or other arrangements in cases in which it would have been more advantageous for Kiadis Pharma to retain sole development and commercialization rights to such product candidate. Alternatively, Kiadis Pharma may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a partnering arrangement. If any of these events occur, the Company may be forced to abandon its development efforts with respect to a particular product candidate or fail to develop a potentially successful product candidate. The market opportunities for the Company's products may be smaller than currently anticipated, lowering its potential revenue.

Kiadis Pharma makes projections of both the number of people who have the cancers and the other indications that the Company is targeting, as well as the number of individuals within the Company's target patient population that are in a position to receive a transplantation and who have the potential to benefit from treatment with Kiadis Pharma's product candidates. These projections are derived from scientific literature and patient foundations but

are highly contingent on a number of variables that are difficult to predict and may prove to be too high, resulting in a smaller population of patients who could benefit from our product candidates than we currently anticipate which would result in lower potential revenue.

Kiadis Pharma incurs and will incur substantial research and development and manufacturing costs before it can confirm the scientific validity or commercial viability of a product. Even if the European Medicines Agency (the "EMA"), the United States Food and Drug Administration (the "FDA") or any other regulatory authority approves the marketing of any products that the Company may develop, physicians, healthcare providers, patients, the medical community or payers may not accept or use them. The degree of market acceptance of any of Kiadis Pharma's potential products as may receive marketing authorization will depend on a variety of factors, many of which are outside the Company's control. If any products that Kiadis Pharma may develop fail to achieve market acceptance, the Company may not be able to generate sufficient revenues. Kiadis Pharma may make substantial investments in clinical development, manufacturing, supply chain and commercialization without any assurance that the Company will be able to attain significant market share at a price that would enable the Company to recover its investments. If Kiadis Pharma is unable to do so, its business, financial condition, results of operations and prospects would be materially adversely affected.

The commercial success of the Company's products will depend in part on public acceptance of the use of cell-based therapies for the treatment of human diseases. Adverse events in clinical trials of Kiadis Pharma's products or in clinical trials of others developing cell-based products and the resulting publicity, as well as any other adverse events in the field of cell-based therapy that may occur in the future, could result in a decrease in demand for any products that the Company may develop. If public perception is influenced by claims that cell-based therapy is unsafe, ineffective or prohibitively expensive, Kiadis Pharma's products may not be accepted by the general public, medical community, or insurers. Future adverse events in cell-based therapy could also result in greater governmental regulation, stricter labelling requirements and potential regulatory delays in the testing or approvals of the Company's products. Any increased scrutiny could delay or increase the costs of obtaining regulatory approval for the Company's products, which could have a material adverse effect on Kiadis Pharma's business, results of operations, financial condition and prospects.

DEVELOPMENT AND CLINICAL TESTING RISKS

Kiadis Pharma has a limited number of programs, all of which are in early stage clinical development or preclinical development. Kiadis Pharma has not commenced or completed any clinical trials, and the Company has not received marketing approval, for any of its programs or product candidates. The Company's programs will require clinical development, evaluation of preclinical, clinical and manufacturing activities, marketing approval from government regulators, substantial investment and significant marketing efforts before Kiadis Pharma generates any revenues from product sales, if ever. The success of Kiadis Pharma's programs or product candidates will depend on many factors, including:

- completing process development, manufacturing and formulation activities;
- initiating, enrolling patients in and completing clinical trials of product candidates on a timely basis;
- developing and maintaining adequate manufacturing capabilities either by the Company itself or in connection with third-party manufacturers; and
- demonstrating with substantial evidence the efficacy, safety and tolerability of product candidates to the satisfaction of the EMA, the FDA or any other comparable regulatory authority for marketing approval.

Many of these factors are wholly or partially beyond Kiadis Pharma's control, including clinical advancement and the regulatory submission process. If the Company does not achieve one or more of these factors in a timely manner, it could experience significant delays or an inability to develop programs and product candidates at all, and Kiadis Pharma's business will be materially adversely affected.

Kiadis Pharma is developing therapeutics based on its NK-cell-based immunotherapy technology platform. The Company's NK-platform and the technologies it is using are new and unproven and the scientific evidence to support the feasibility of developing the Company's NK-programs from its NK-platform is both preliminary and limited. The core concept of the Kiadis Pharma NK-program regards firstly the use of NK cells expressed with PM21 particles, secondly the use of universal donors for NK cells, and third the imprinting of NK cells, which are all three an approach that differs from current means of NK cell expression and current means of availing of NK cells, and for which the Company has no clinical data. Studies in humans with NK cells produced with PM21 particles have not yet been performed and Kiadis Pharma has not generated any data on using NK cells from universal donors nor on using imprinted NK cells.

Preliminary data and interim results, and results from earlier studies, may not be predictive of the final results, or of later studies or future clinical trials. Kiadis Pharma may ultimately discover that its NK-platform, NK cells expressed with PM21 particles, NK cells obtained from universal donors, and imprinted NK cells, do not possess the properties that are necessary for the development of programs that have therapeutic efficacy or that otherwise have the characteristics necessary to lead to a marketable product. Programs from Kiadis Pharma's NK-platform may also have significant undesirable characteristics which would limit their ability to be developed as effective and safe therapeutics. The Company may not succeed in demonstrating safety and efficacy of its programs in clinical trials, notwithstanding results in preclinical studies. As a result, Kiadis Pharma may never succeed in developing a marketable product.

If any of Kiadis Pharma's programs from its NK-platform prove to be ineffective, unsafe or commercially unviable, its entire pipeline could have little, if any, value, and it may prove to be difficult or impossible to finance the further development of the Company's pipeline. Any of these events would have a material and adverse effect on Kiadis Pharma's business, financial condition, results of operations and prospects.

Investigator-initiated studies - studies initiated and managed by an academic or other non-industry sponsor – are often conducted with limited resources and less oversight compared to studies conducted by a pharmaceutical company, which may inter alia lead to challenges in ensuring compliance with regulations and good clinical practices. The proof-of-concept studies for Kiadis Pharma's current NK program are investigator-initiated studies. Additionally, the Company does not own the data generated from these initial proof-of-concept studies and has no control over how and where any additional data are generated and disseminated. Investigators and others can initiate new studies with NK cells produced with a tumor feeder cell line, generating new data outside of the Company's control.

Clinical trials are expensive and complex. Each trial can take many years to complete and have uncertain outcomes. Failure of a product can occur at any stage of the testing, including later stages of clinical trials despite having progressed through preclinical and initial clinical trials, for a variety of reasons, such as differences in patient populations, changes in trial and manufacturing protocols and complexities of larger, multi-center trials among others. Even if clinical trials are successful, regulatory authorities can request additional clinical trials, including with larger patient numbers, before granting approval to any product.

Furthermore, Kiadis Pharma may significantly rely on contract research organizations ("CROs"), to supervise its clinical studies. Failure by these CROs to adequately supervise investigators could negatively affect the clinical studies, including the quality of the generated data. The Company may experience numerous events during, or as a result of, the clinical trial process that could delay or prevent the commencement, conduct and completion of clinical trials or the commercialization of its current and any future programs, such as a variety of manufacturing, product and patient safety issues, many of which are outside the Company's control.

If Kiadis Pharma suffers any material delays, negative results or other setbacks in its clinical trials or if the Company's clinical trials are put on clinical hold or terminated, Kiadis Pharma may be unable to continue development of its investigational cell therapy product candidates, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

REGULATION RISKS

Kiadis Pharma is not permitted to perform clinical trials with or market any product until it receives approval from the appropriate regulatory authorities. The Company must obtain prior approval for performing clinical trials with any investigational cell therapy product candidate and for commercializing any product from the appropriate regulatory authority of each jurisdiction in which Kiadis Pharma wishes to perform clinical trials with or market its products.

The Company's NK-platform and the technologies Kiadis Pharma is using are new and unproven and the scientific evidence to support the feasibility of developing the Company's NK-programs from its NK-platform is both preliminary and limited. Because Kiadis Pharma's programs are based on novel technologies, it is difficult to predict the time or costs associated with the regulatory approval process or be certain of the Company's ability to successfully commence, conduct, complete clinical development, or obtain the necessary regulatory and reimbursement approvals required for the commercialization of Kiadis Pharma's cell therapy products. The Company has not received marketing approval from any regulatory authority for any of its product candidates.

Kiadis Pharma invests substantial time and resources in preclinical studies, clinical trials, manufacturing and the preparation and submission of applications without any assurance that it will obtain regulatory approval or recoup its investment. The EMA, the FDA and other regulatory authorities exercise substantial discretion in the clinical trial development phase and approval process. The number, size and design of preclinical studies and clinical trials that will be required for regulatory approval will vary depending on the program, the primary indication and the specific regulations and guidance documents applicable to any particular program. The EMA, the FDA and other regulatory authorities can delay, limit or deny (i) clinical trial development (i.e., placing a clinical trial under clinical hold) and (ii) approval of a program for many reasons, including:

- manufacturing related issues or concerns;
- concerns relating to the investigational product candidate's safety or efficacy or to preclinical safety and efficacy data;
- concerns relating to the design, control or conduct of preclinical studies and clinical trials;
- adverse or ambiguous results at any clinical stage;
- concerns relating to the amount and sufficiency of clinical results;
- the failure of more advanced clinical results to confirm positive results from preclinical studies or earlier clinical trials; or
- the development or observation of unexpected safety issues, adverse events or adverse side effects.

Should any of these or other factors affecting Kiadis Pharma's development programs or product candidates occur, regulatory approval of our investigational cell therapy products could be denied, delayed or have conditions placed upon it. Failure to obtain regulatory approval in a timely manner, in a limited manner or at all would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The FDA's regulation of therapies derived from stem cells and related technologies is evolving and may continue to evolve. In December 2016, the 21st Century Cures Act, (the "Cures Act"), was signed into law in the United States to advance access to medical innovations. Among other things, the Cures Act established a new FDA Regenerative Medicine Advanced Therapy ("RMAT") designation. This designation offers a variety of benefits to product candidates, including enhanced FDA support during clinical development, priority review on application filing, accelerated approval based on potential surrogate endpoints, and the potential use of patient registry data and other forms of real-world evidence for post-approval confirmatory studies. To date Kiadis Pharma has not applied for RMAT designations in respect of its investigational NK-cell-therapy products. There is no certainty that the receipt of such designation for any of the Company's investigational cell therapy product candidates as may in the future be awarded RMAT designation will provide an expedited pathway to FDA approval.

If Kiadis Pharma fails to obtain RMAT designation for its products, the Company's competitive position or financial and commercial prospects could be materially adversely affected.

If any of Kiadis Pharma's investigational cell therapy product candidates are approved by the EMA, the FDA, or another regulatory authority for clinical or commercial use, the Company would be subject to extensive regulatory requirements over product manufacturing, testing, labelling, packaging, storage, advertising, promotion, distribution, export, adverse event reporting and record keeping. Kiadis Pharma and its suppliers, contract manufacturing organizations ("CMOs") and contract testing laboratories would also be subject to inspection by the EMA, the FDA, or other regulatory authorities to determine compliance with these requirements. In addition, facilities in the European Union or the United States that manufacture any of the Company's products must be licensed by the relevant regulatory authorities.

Regulatory authorities may also impose significant limitations on the indicated uses or marketing of Kiadis Pharma's products, which could reduce the potential market for the Company's products. Kiadis Pharma may incur substantial costs in conducting post-marketing clinical studies on which regulatory approvals are conditioned. Previously unknown problems with the product may also result in restrictions on the marketing of the product and could include withdrawal of the product from the market.

In addition, new statutory requirements or additional regulations may be enacted. Kiadis Pharma cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, in the European Union, the United States or elsewhere. If the Company is not able to maintain regulatory compliance, it might not be permitted to market or continue to market its products and its business could suffer materially.

Failure to comply with the requirements of the EMA, the FDA and other applicable regulatory authorities may subject Kiadis Pharma to administrative or judicially imposed sanctions. These sanctions include warning letters, civil and criminal penalties, injunctions, product seizure or recall, import bans, restrictions on the conduct of its operations, total or partial suspension of production and refusal to approve a pending new drug application ("NDA"), supplements to approved NDAs or their equivalents in other jurisdictions and financial penalties. If the Company is subject to any of these sanctions, our competitive position or financial and commercial prospects could be materially adversely affected.

OPERATIONAL RISKS

Because Kiadis Pharma has limited resources and access to capital to fund its operations, the Company's management must make significant prioritization decisions on which programs to pursue and the amount of resources to allocate to each program. These decisions, and future decisions concerning the allocation of capabilities, infrastructure, management and financial resources towards particular programs or therapeutic areas may not lead to the development of viable commercial products and may divert resources from better opportunities. Similarly, these and future decisions to delay or terminate product development programs could cause the Company to miss valuable opportunities. If Kiadis Pharma makes incorrect determinations regarding the market potential of its investigational cell therapy products or misreads trends in the biotechnology industry for cancer or non-cancer therapies, its business, financial condition, results of operations and prospects could be materially adversely affected.

Kiadis Pharma has limited experience manufacturing on a clinical scale, and no experience manufacturing on a commercial scale. The Company may use one or more additional CMOs, as well as establish its own manufacturing capabilities and infrastructure. If the Company cannot establish sufficient supply through third-party CMOs or in its own facilities should it develop these, Kiadis Pharma's ability to conduct the planned and future clinical trials and its plans for commercialization would be materially adversely affected. In addition, submission of products and new development programs for regulatory approval, as well as the Company's plans for commercialization, could be delayed. Kiadis Pharma's competitive position and its prospects for achieving profitability could be materially and adversely affected. Additionally, it is possible that Kiadis Pharma's product candidates will need to be made within an appropriate geographic location for the area in which the product will be utilized. Accordingly, the Company may need to establish multiple manufacturing facilities, which may lead to regulatory delays or prove to be costly as Kiadis Pharma attempts to establish, qualify and perform technology transfer to additional manufacturing facilities. If the Company is unable to obtain necessary regulatory approval for any such additional manufacturing facilities, it may not be able to produce the necessary quantity or quality of its product candidates for clinical trials or commercial sales.

Kiadis Pharma expects that development of its own manufacturing facilities could provide the Company with enhanced control of material supply for its investigational cell therapy products for the clinical trials and the commercial market. However, Kiadis Pharma has no experience as a company in developing a manufacturing facility and may never be successful in developing its own manufacturing facility or capability should it decide to do so.

In addition, the manufacturing process for any products that Kiadis Pharma may develop is subject to EMA and FDA approval processes for the jurisdictions in which the Company or our future collaborators will seek marketing approval. Kiadis Pharma will need to work with manufacturing facilities that can meet all applicable EMA, FDA and other regulatory authority requirements on an ongoing basis. If the manufacturing process is changed during the course of product development, the EMA, the FDA or other regulatory authorities could require the Company to repeat some or all previously conducted trials or conduct additional trials to obtain bridging data, which could delay or impede the Company's ability to obtain marketing approval. If Kiadis Pharma or its CMOs are unable to reliably produce and release product candidates or products to specifications acceptable to the EMA, the FDA or other regulatory authorities, such as the FDA's current Good Manufacturing Practices ("cGMP"), Kiadis Pharma may not obtain or maintain the approvals it needs to further develop, conduct clinical trials for, and commercialize such products in the relevant territories. Similarly, the FDA approval of Kiadis Pharma's product candidates could be delayed or denied if the intended manufacturing site fails to pass the required preapproval inspection. Even if the Company obtains regulatory approval for any

of its product candidates, there is no assurance that either Kiadis Pharma or our CMOs will be able to manufacture the approved product to specifications acceptable to the EMA, the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product, or to meet potential future demand. Any of these challenges could delay completion of clinical trials, require clinical trials to obtain bridging data or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of Kiadis Pharma's product candidates, impair commercialization efforts, increase its cost of goods, and have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

In order to have sufficient NK cells for the Company's anticipated trials it needs to improve and scale up its NK cell manufacturing process. Kiadis Pharma is in the process of making improvements to and upscaling its manufacturing process to clinically or commercially viable levels, however, this could require the process or parts thereof to be changed, which may require revalidation, additional comparability or bridging clinical trials and regulatory vetting and the Company may experience setbacks in its trials if it does not succeed in improving and upscaling this process or experience delays.

RISKS RELATED TO INTERNATIONAL OPERATIONS

The Company's business may become subject to economic, political, regulatory and other risks associated with international operations. As a company based in the Netherlands, Kiadis Pharma's business is subject to risks associated with conducting business internationally. Many of the Company's suppliers and collaborative and clinical trial relationships are located in different countries.

Accordingly, the Company's future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability in particular economies and markets;
- differing regulatory requirements for drug approvals in different jurisdictions;
- differing jurisdictions could present different issues for securing, maintaining and/or obtaining freedom to operate in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with laws and regulations;
- changes in regulations and customs, tariffs and trade barriers;
- changes in currency exchange rates of the euro and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by various governments;
- differing reimbursement regimes and price controls in certain markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods, pandemic outbreaks such as the novel coronavirus and fires.

RISK CORONAVIRUS, COVID-19

If a pandemic, epidemic or outbreak of an infectious disease occurs, the Company's business may be adversely affected. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and has been declared a pandemic by the World Health Organization. The spread of COVID-19 has impacted the global economy and may impact Kiadis Pharma's operations, including the potential interruption of its clinical trial activities, regulatory reviews and supply chain. For example, the COVID-19 outbreak may delay enrollment in the Company's clinical trials due to prioritization of hospital resources toward the outbreak or other factors, and some patients may be unwilling to enroll in Kiadis Pharma's trials or be unable to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services, which would delay the Company's ability to conduct clinical trials or release clinical trial results and could delay the Company's ability to obtain regulatory approval and commercialize its product candidates. Furthermore, the spread of the virus may affect the operations of key governmental agencies, such as the FDA, which may delay the development of our product candidates. The spread of an infectious disease, including COVID-19, may also result in the inability of the Company's suppliers to deliver components or raw materials on a timely basis or at all. In addition, hospitals may reduce staffing and reduce or postpone certain treatments in response to the spread of an infectious disease. Such events may result in a period of business disruption, and in reduced operations, or doctors and medical providers may be unwilling to participate in the Company's clinical trials, any of which could materially affect Kiadis Pharma's business, financial condition and results of operations. The extent to which the coronavirus impacts the Company's business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. If the Company is unable to meet its milestones it might jeopardize its funding opportunities.

The outbreak of the coronavirus could result in a widespread health crisis that could adversely affect the economies, resulting in an economic downturn that could impact Kiadis Pharma's business, financial condition and results of operations. The impact of the coronavirus on capital markets as a whole already affects the availability, amount and type of financing and ultimately may impact the continuity of the Company.

FINANCIAL RISKS

As Kiadis Pharma does not currently generate cash from product revenues to meet its current working capital requirements, the Company is dependent on the issuance and sale of equity and debt securities, debt financing arrangements and other funding sources, to continue financing its operations and to proceed with the Company's current plans for clinical development and research. The fact that Kiadis Pharma discontinued its previous lead program ATIR101 may negatively impact its ability to attract additional funding.

To address the current working capital needs for the Company's operations, Kiadis Pharma will be required to seek a significant amount of additional funds. The most likely scenario is that Kiadis Pharma will seek to raise equity, enter into debt or convertible financing arrangements and/or delay, reduce the scope of, eliminate or divest clinical programs, partner with others or divest one or more of its activities, and consider other cost reduction initiatives, such as withholding initiation or expansion of clinical trials or research, and slowing down patient recruitment of clinical trials. In the event the Company will not be able to generate sufficient funds from these measures, 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.

Kiadis Pharma's future funding requirements will depend on many factors, including the progress and cost of its ongoing and future clinical trials and research and development activities, the outcome, timing and cost of regulatory approvals by the EMA, FDA and any other comparable regulatory authority and the size and scale of our organization. There can be no assurance that funding will be available in a timely manner, on favorable terms, or at all, or that such funds, if raised, would be sufficient to enable the Company to continue to implement its long-term business strategy. If Kiadis Pharma is unable to obtain sufficient funding in a timely manner or on commercially acceptable terms, it may have to delay, reduce the scope of, eliminate or divest clinical programs, partner with others or divest one or more of its activities, and consider other cost reduction initiatives, such as downsizing its operations, withholding initiation or expansion of clinical trials or research, and slowing down patient recruitment of clinical trials. In the event Kiadis Pharma is not able to generate sufficient funds, it may be unable to continue as a going concern, our business, financial condition and/or results of operations could be materially and adversely affected and it may ultimately go into insolvency.

Developing pharmaceutical products is expensive, and there is typically a significant amount of time prior to realizing a return on an investment in product development, if a return is realized at all.

In the period up to November 2019, Kiadis Pharma invested significant amounts in the development of our then lead program ATIR101. In November 2019 the Company announced that it had completed a strategic portfolio review and had decided to change its strategy and focus all resources and investments on its Natural Killer cell (NK cell) therapy platform and product candidates that it acquired through its June 2019 acquisition of CytoSen Therapeutics, Inc. Kiadis Pharma further announced that it discontinued development of ATIR101 and that it would restructure the organization resulting in a reduction of approximately half of its workforce. As a consequence of the discontinuation of ATIR101, no return has been or is expected to be realized on

the Company's investments in ATIR101. Moreover, a significant amount of time and funds shall need to be invested in the development of Kiadis Pharma's NK-cell-therapy programs, which all are in the early stage of development, to have any prospects of realizing any return on investment in product development, if a return is realized at all.

Kiadis Pharma has incurred losses in each year since inception. Until November 2019, the Company was advancing its ATIR101 program and incurring costs related to the ATIR program. Currently, Kiadis Pharma does not have any products that have been approved for marketing, and the Company incurs costs for preclinical and clinical research and development, and manufacturing in relation to the development of its NK cell programs, as well as general and administrative expenses.

Kiadis Pharma expects to continue to incur losses for the foreseeable future and expect these losses to increase significantly as it continues the development and manufacturing, and seek regulatory approval for, its programs and the commercialization thereof. In addition, as the Company seeks to advance its programs through clinical trials it will incur increased costs as it expands its development, manufacturing, regulatory and eventually commercial capabilities. Further, the Company is incurring significant costs related to being a public company, including directors' and officers' liability insurance, accounting and legal compliance costs, investor relations programs and professional and advisory fees. The Company's losses, among other things, have caused and will continue to cause its working capital to decrease.

The terms of the Company's secured debt facility place restrictions on its operating and financial flexibility. In 2017 Kiadis Pharma entered into a secured credit facility with Kreos Capital (the "First Kreos Capital Facility Agreement") and in 2018 the Company entered into a second secured credit facility with Kreos Capital (the "Second Kreos Capital Facility Agreement" and, together with the First Kreos Capital Facility Agreement, the "Kreos Capital Facility Agreements").

The Kreos Capital Facility Agreements contain various affirmative and negative covenants and events of default, including the following:

- a negative pledge undertaking;
- a restriction on the disposals of assets outside of the ordinary course of business;
- a restriction on transferring or licensing our assets;
- a restriction on further borrowings and debt except for certain categories of permitted indebtedness;
- a restriction on entering into joint ventures, and on any amalgamations, demergers, mergers or corporate reconstructions;
- an undertaking to continue the business in the ordinary course of business;
- a restriction on the granting of guarantees in respect of the obligations of any person;
- a restriction on making a substantial change to the general nature or scope of our current business;
- an undertaking to maintain adequate risk protection through insurances; and
- events of default including 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 Capital's reasonable opinion has a material adverse effect on the Company's ability to perform or otherwise comply with the Company's payment obligations under the Kreos Capital Facility Agreements or on Kiadis Pharma's business, operations, property or financial condition - and de-listing.

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 Capital may require Kiadis Pharma to immediately prepay all loans outstanding under the Kreos Capital Facility Agreements.

To finance its operations, Kiadis Pharma is likely to choose to issue equity or securities convertible into or exchangeable for equity, which will dilute the existing interests of the Company's shareholders at the time of such transactions. Alternatively, it may be necessary for the Company to raise additional funds by incurring indebtedness or entering into convertible arrangements. As a result, the Company's interest expense, leverage and debt service requirements could increase significantly. Additional funds may not be available on terms that are favorable to us, if at all.

To obtain debt or convertible financing, if available, lenders may require Kiadis Pharma to agree to covenants limiting or restricting its ability to take specific actions such as incurring additional debt, making capital expenditures or declaring dividends, thus limiting funds available for the Company's business activities, or lenders could seek assignments or security rights over Kiadis Pharma's assets.

Any of these circumstances, should they occur, could have a material adverse effect on Kiadis Pharma's business, results of operations, financial condition and prospects.

INTELLECTUAL PROPERTY RISKS

The Company's commercial success depends in significant part on obtaining and maintaining current and future patent protection, trade secrets and confidential know-how for its technologies, product candidates, the methods used to manufacture those product candidates and the methods for treating patients using those product candidates. Failure to obtain, maintain or extend patent protection or to protect trade secrets or confidential know-how, could materially adversely affect the Company's ability to compete.

We rely on third parties who license intellectual property rights to us, including intellectual property relating to our NK-platform. If any such license is terminated, we may be unable to commercialize and market our product candidates. If the Company is unable to satisfy its various obligations under the licenses, it may lose rights to certain licenses or intellectual property rights for the Company's programs. The loss of rights under Kiadis Pharma's licenses could preclude Kiadis Pharma from further developing and commercializing its current product candidates and any other product candidates that it may pursue, which would have a material adverse effect on the Company's competitive position, business, financial conditions, results of operations and prospects. In addition, disputes may arise regarding intellectual property subject to a license agreement, including the scope of rights granted under the license agreement and other interpretation-related issues and the Company's diligence obligations under the license agreement and what activities satisfy those obligations.

In relation to NK cell technologies licensed to Kiadis Pharma, the Company relies on its partners to secure patent protection that might afford the Company an opportunity for commercial exclusivity. The Company has not had and does not have primary control over these activities for certain of the Company's patents or (provisional) patent applications and other intellectual property rights. If Kiadis Pharma or its licensors are unable to obtain or maintain patent protection with respect to Kiadis Pharma's products and technologies, or if the Company's trade secrets are not sufficient to prevent third parties from developing competing products, Kiadis Pharma's business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and the Company may not be able to file, prosecute, maintain, enforce, or license all necessary or desirable patents and (provisional) patent applications at a reasonable cost or in a timely manner. It is also possible that Kiadis Pharma will fail to identify patentable aspects of its research and development output in time to obtain patent protection. In addition, the Company may not be aware of all third-party intellectual property rights potentially relating to its product candidates and technology. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, Kiadis Pharma cannot be certain that it was the first to make the inventions claimed in the Company's owned or any licensed patents or pending (provisional) patent applications, or that the Company was the first to file for patent protection of such inventions.

Patents have a limited lifespan. For example, if renewal fees are paid timely, a European patent expires 20 years after its effective filing date. Similarly, if all maintenance fees are timely paid, a patent in the United States generally expires 20 years after its effective filing date.

Even if additional patents covering the Company's product candidates are obtained, the expiration of a patent may leave Kiadis Pharma more vulnerable to competition from biosimilar or generic alternatives, and the Company's business, financial condition, results of operations and prospects could be materially harmed.

Kiadis Pharma's patent protection in respect of its product candidates and technologies may be limited or lost if patents that may be issued to the Company or patents Kiadis Pharma uses under the terms of exclusive commercial licenses were to be declared invalid, rendered unenforceable or narrowed in scope as a result of any re-examination, post grant review, inter partes review, interference proceedings, derivation proceedings, equivalent

proceedings in other jurisdictions or judicial action. If one of the Company's licensing partners or the Company initiate legal proceedings against a third party to enforce a patent covering one of Kiadis Pharma's product candidates or technologies, the defendant could counterclaim that the patent covering the Company's product candidate is invalid or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of patentable subject matter, lack of written description or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld information material to patentability from the relevant issuing body, or made a misleading statement, during prosecution. A challenge to patents could result in a ruling adverse to Kiadis Pharma that could invalidate or render unenforceable such patents or substantially reduce the scope of protection afforded by them. A court may also determine, retrospectively, that despite the issuance of the patent by the relevant issuing body, the corresponding patent application did not meet the statutory requirements. If a competitor or other third parties were to successfully challenge the Company's patents, and claims in these patents were consequently narrowed, rendered unenforceable or invalidated, Kiadis Pharma's ability to protect the related product candidate or technology from competition could be compromised. Such proceedings could result in the revocation or cancellation of or amendment to Kiadis Pharma's patents in such a way that they no longer cover the Company's product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, Kiadis Pharma cannot be certain that there is no invalidating prior art, of which the patent examiner and the Company or its licensing partners were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, Kiadis Pharma could lose at least part, and perhaps all, of the patent protection on one or more of the Company's product candidates. Such a loss of patent protection could have a material adverse impact on the Company's business.

report of the supervisory board

INTRODUCTION

The Supervisory Board is responsible for supervising and advising the Management Board in its duty to manage the Company. In carrying out its duties, the Supervisory Board is guided by the Articles of Association of the Company, its Rules of Procedure, applicable law, the Dutch Corporate Governance Code ("Code") and the overall interests of the Company and its business, taking into consideration the relevant interests of the Company's stakeholders.

In the Company's two-tier corporate structure under Dutch law, the Supervisory Board is a separate body operating fully independently of the Management Board.

COMPOSITION OF THE SUPERVISORY BOARD AND BACKGROUND INFORMATION ON THE SUPERVISORY BOARD

The Supervisory Board at present consists of the members set out below.

Name	Age	Gender	Nationality	Date of initial appointment[1]	Current term of office
Mr. Mark Wegter	51	Male	Dutch	2015[1]	2023
Mr. Berndt Modig	61	Male	Swedish and American	2016	2020
Mr. Martijn Kleijwegt	65	Male	Dutch	2015[1]	2023
Dr. Robert Soiffer	62	Male	American	2016	2020
Dr. Otto Schwarz	64	Male	Austrian	2018	2022
Mr. Subhanu Saxena	55	Male	British	2018	2022

(1) The presented information refers to the year of appointment to the Supervisory Board of Kiadis Pharma N.V. In 2001, Mr. Wegter was appointed member of the supervisory board of Kiadis Pharma B.V., (a company that merged as disappearing entity with the Company in 2016), and Mr. Kleijwegt was appointed member of the supervisory board of Kiadis Pharma B.V. in 2006.

MARK WEGTER

Mr. Mark Wegter is Chairman of the Supervisory Board. Mr. Wegter graduated from the Erasmus University of Rotterdam, The Netherlands, with a degree in economics. In 1998, Mr. Wegter joined Life Sciences Partners, becoming a general partner in 2001. Mr. Wegter holds positions at various Life Sciences Partners entities that manage Life Sciences Partner funds.

Mr. Wegter is not considered to be independent within the meaning of the Code.

BERNDT MODIG

Mr. Berndt Modig is the Vice-Chairman of the Supervisory Board. Mr. Modig graduated from the University of Lund, Sweden, with a degree in business administration, economics and German, and received his MBA from INSEAD, Fontainebleau, France. Mr. Modig was previously Chief Financial Officer of Prosensa Holding N.V. and before that Chief Financial Officer at Jerini AG and Surplex GmbH. He is now also a Board Member of Axovant Sciences Ltd. and Affimed N.V., and CEO of Pharvaris B.V.

Mr. Modig is considered to be independent within the meaning of the Code.

MARTIJN KLEIJWEGT

Mr. Martijn Kleijwegt graduated from the University of Amsterdam, The Netherlands, with a degree in economics. Mr. Kleijwegt founded Life Sciences Partners in 1998 and has been managing partner of Life Sciences Partners ever since. Mr. Kleijwegt is managing director of various Life Sciences Partners entities that manage Life Sciences Partner funds.

Mr. Kleijwegt is not considered to be independent within the meaning of the Code.

ROBERT SOIFFER

Dr. Robert Soiffer graduated from the New York University School of Medicine, United States of America and trained in internal medicine at Brigham and Women's Hospital, where he also was chief medical resident. He joined the Dana-Farber Cancer Institute (DFCI) in 1988, after completing a medical oncology fellowship. Dr. Soiffer is a medical oncologist and Professor of Medicine at the Harvard

Medical School, Chief of the Division of Hematologic Malignancies at the Dana-Farber Cancer Institute DFCI and Co- director of the Adult Stem Cell Transplantation Program at the Dana-Farber Cancer Institute DFCI.

Dr. Soiffer is considered to be independent within the meaning of the Code.

OTTO SCHWARZ

Dr. Otto Schwarz most recently served as Executive Vice-President, Chief Operating Officer and a member of the Executive Committee of Actelion Pharmaceuticals Inc., up to its recent acquisition by Johnson & Johnson. Dr. Schwarz holds a PhD in pharmaceutical chemistry from Vienna University, Austria.

Dr. Schwarz is considered to be independent within the meaning of the Code.

SUBHANU SAXENA

Mr. Subhanu Saxena currently serves as a Regional Director with the Bill & Melinda Gates Foundation as well as a Partner at New Rhein Healthcare and a Senior Advisor to Bain Capital. Prior thereto, Mr. Saxena served as the Managing Director and Global Chief Executive Officer of Cipla, a publicly listed, Indian pharmaceutical and biotech company. Mr. Saxena holds a graduate degree in engineering from Oxford University and an MBA from INSEAD, Fontainebleau, France.

Mr. Saxena is considered to be independent within the meaning of the Code.

The targeted profile of the composition of the Supervisory Board is reflected in a separate annex to its Rules of Procedure, which are published on the Company website. The composition of the Supervisory Board is diverse in nationality (two Dutch, one American, one Swedish/American, one Austrian, one British), background, knowledge and experience.

INFORMATION

The Management Board is the most important source of information for the Supervisory Board. Information is mainly submitted for Supervisory Board meetings but also provided around those meetings and in bilateral contacts between Supervisory Board and Management Board members. This keeps the Supervisory Board informed and enables them to indicate any topics on which it wishes to receive more information or have a discussion.

MEETINGS AND BUSINESS TOPICS

The Supervisory Board convened nine times during 2019 with the Management Board being present and in addition had regular contact with the Management Board throughout the year by means of telephone conferences and individual discussions. The Chairman and CEO also had regular meetings throughout the year, including preparatory meetings prior to the Supervisory Board meetings.

The meetings addressed the Company's performance in 2018 and the Company targets for 2019, compliance related matters, further enhancement of the compliance with the Dutch Corporate Governance Code, the evaluation, decision and integration of (the acquisition of) CytoSen Therapeutics, Inc., the development program for the ATIR101 product (clinical, medical, regulatory, manufacturing and quality) and discussions on NK programs (opportunities, execution and implementation), financial matters (actual cash flow and cash flow forecasts, budget 2019 and 2020 and potential (equity) financing) outcome of the ATIR101 strategic review (and resulting therefrom the revised Company strategy and a restructuring plan), outlook beyond 2019 (competitive landscape and preparations for EU commercialization of ATIR101), and potential acquisition and/or licensing opportunities.

As part of the meetings, the Supervisory Board reviewed the main risks of the business, being:

- the Company's progress on achieving clinical and regulatory milestones and successful ATIR101 market acceptance, there being no certainty that these milestones/successes will actually be achieved;
- that if the Company fails to enroll patients in clinical trials for its products, the clinical trials could be significantly delayed;
- the Company relying on third parties to manufacture its products;
- for the NK cell platform, the Company is early in its development efforts and all of its programs are in early stage clinical development or preclinical development. If the Company is unable to advance its programs through clinical development, obtain regulatory approval and commercialize one or more of its product candidates, it may never generate any product revenue;
- the Company's NK cell platform and the technologies it is using are new and unproven. The use of NK cells expressed with PM21 particles, the use of universal donors for NK cells and the imprinting of NK cells is a novel and unproven therapeutic approach without any clinical studies in humans having been performed yet, and the Company's development of its NK-platform and its NK-programs may never lead to a marketable product;
- for the NK cell platform in order to have sufficient NK cells for the Company's planned clinical trials it must improve and scale up its NK cell manufacturing process. This could require the process or parts thereof to be changed, which may require revalidation, additional comparability or bridging clinical trials and regulatory vetting and the Company may experience setbacks in our trials if it does not succeed in improving and upscaling this process or experience delays;
- the Company being active in a highly competitive and rapidly changing industry;
- the Company not yet having a positive operational cash flow and therefore being dependent on financial markets and/or licensing/partnership revenues for funding. If such funding cannot be obtained, the Company will be unable to complete its development programs or commercialize its products;
- the Company being dependent on the availability and commitment of key, skilled employees;
- the duration and/or scope of the Company's patents not being sufficient to effectively protect its products and business.

All these risks were discussed with the Management Board and where possible actions were undertaken to minimize the Company's exposure. In addition, the Company manages and controls its risks, insofar as possible, by means of a risk management and internal control system. The Management Board reports regularly to and discusses with the Supervisory Board on the Company's risk management and internal control system and the compliance therewith.

The Company risks and the Company's risk management and control system are further described in the Section entitled 'Risk management and internal control systems' in this Annual Report.

The Supervisory Board established that all of its members are committed to allocating sufficient time and attention to the Supervisory Board's duties of supervising and advising the Management Board.

COMMITTEES

The Supervisory Board has appointed two committees to cover key areas in greater detail: nominations and remuneration, and auditing. Given the size of the Company, the subjects of nomination and remuneration are combined into one committee. Each committee has a charter which is published on the Company's website.

NOMINATION AND REMUNERATION COMMITTEE

Members of the Nomination and Remuneration Committee are Mr. Martijn Kleijwegt (Chair) and Mr. Subhanu Saxena.

The main topics discussed by the Committee in 2019 during one formal meeting and numerous discussions and email exchanges, were:

- an amended remuneration policy for the Management Board and an amended remuneration for the Supervisory Board as was thereafter approved by the Supervisory Board on February 14, 2019 and by the General Meeting on March 29, 2019;
- the evaluation of the composition of the Management Board;
- the actual 2018 performance of the Board of Management and the Company's Management Team against the 2018 corporate and individual targets as well as the related bonus payments over 2018;
- the determination of the 2019 corporate targets for both the Management Board and the Company's Management Team; and
- the 2019 remuneration and option grants for members of the Management Board and the Company's Management Team.

Recommendations and advice in respect of these topics were made by the Committee to the entire Supervisory Board for approval (if applicable).

AUDIT COMMITTEE

Members of the Audit Committee are Mr. Berndt Modig (Chair), Mr. Martijn Kleijwegt and Dr. Otto Schwarz.

THE MAIN TOPICS DISCUSSED BY THE COMMITTEE IN 2019 DURING A TOTAL OF SIX MEETINGS WERE:

- the full year 2018 financial statements including the external auditor's report;
- the condensed consolidated interim financial statements for the first six months of 2019;
- selection external auditor for 2019;
- amendments to the Audit Committee Charter;
- the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations and supervision of the operation of codes of conduct;
- the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the financial statements, forecasts and external auditors);
- relations with the external auditor, including the audit plan and the external auditor's independence and remuneration;

- compliance with recommendations and observations of external auditors;
- the financing of the Company;
- the tax principles of the Company;
- need for an internal audit function; and
- the application of information and communication technology, including the risk related to cybersecurity.

Recommendations and advice in respect of these topics were made by the Committee to the entire Supervisory Board for approval (if applicable).

MEETING ATTENDANCE OF THE SUPERVISORY BOARD

Member	Supervisory Board meetings	Audit Committee meetings	Nomination and Remuneration Committee meetings
Mr. Mark Wegter	100%		
Mr. Berndt Modig	100%	100%	
Mr. Martijn Kleijwegt	89%	100%	100%
Dr. Robert Soiffer	100%		
Dr, Otto Schwarz	78%	100%	
Mr. Subhanu Saxena	78%		100%

EVALUATION

The Supervisory Board spent time during its meetings in 2019 to evaluate its functioning. Various aspects were discussed and assessed, including:

- its composition;
- the quality and quantity of information provided prior to – and in between – meetings;
- team dynamics;
- accountability;
- the Chairman's role and functioning; and
- the functioning of the various committees.

Overall, the members of the Supervisory Board agreed that the Supervisory Board operated efficiently and effectively scoring "good" or "adequate" on the above aspects.

The Supervisory Board also evaluated the functioning of the Management Board and its individual members, amongst others in the context of the remuneration policy, and provided feedback to the Management Board in this respect.

INTERNAL AUDIT

Previously, the Supervisory Board, as per the recommendation of the Audit Committee, had already concluded that due to the size of the Company it does not yet require the establishment of an internal audit function. The Supervisory Board has assessed whether adequate alternative measures have been taken and will consider each year whether it is necessary to establish an internal audit department. In arriving at this conclusion, the Supervisory Board took into consideration that the Company has provided for the assessment and testing of its risk management and control systems to be supported by the management of the Company.

FINANCIAL STATEMENTS 2019

The 2019 financial statements were approved by Resolution of the Supervisory Board on April 29, 2020. The financial statements were audited by KPMG Accountants N.V. who were elected as the Company's external auditor in 2019. The Supervisory Board established that the external auditor was independent of the Company. The Supervisory Board will submit the financial statements to the 2020 Annual General Meeting, and will propose that the shareholders adopt them and release the Management Board from all liability in respect of its managerial activities and release the Supervisory Board from all liability in respect of its supervision of the Management Board.

Amsterdam, April 30, 2020

SUPERVISORY BOARD

Mark Wegter, Chairman

Berndt Modig, Vice-Chairman

Martijn Kleijwegt

Robert Soiffer

Otto Schwarz

Subhanu Saxena

remuneration report

INTRODUCTION

The Supervisory Board, on recommendation of its Nomination and Remuneration Committee, determines the remuneration of the members of the Management Board taking into account the Remuneration Policy for the Management Board ("Remuneration Policy"). The revised Remuneration Policy was adopted by the General Meeting on March 29, 2019 and applies as of January 1, 2019 onwards.

In this Remuneration Report, an overview is provided of the Remuneration Policy and the application thereof in 2019. More details of the actual remuneration of the Management Board in 2019 can be found in Note 29 'Related Parties' of the consolidated financial statements. This Remuneration Report will be submitted to the General Meeting in 2020 for an advisory vote.

This Remuneration Report comprises information within the meaning of articles 2:135b Dutch Civil Code and Section 3.4.1 of the Dutch Corporate Governance Code and is also published as part of the 2019 Annual Report.

REMUNERATION POLICY 2019

GENERAL PRINCIPLES AND OBJECTIVES

The general principles and objectives of the Remuneration Policy are the following:

- competitive compensation aligned with Kiadis Pharma's peer group, so as to enable Kiadis Pharma to recruit, motivate and retain qualified and expert individuals that Kiadis Pharma needs in order to achieve its strategic and operational objectives;
- focus management on the creation of sustainable added value, taking into account the interests of all stakeholders, by having total compensation significantly driven by variable performance dependent income components;
- variable income consisting of short-term (cash bonus) and long-term incentives (share options and stock appreciation rights), whereby the distribution between short-term and long-term incentives aims to achieve a proper balance between short-term results and long-term value creation;
- align the economic interest of the Management Board as related to long-term incentives with the economic interest of the Kiadis Pharma shareholders.

COMPOSITION REMUNERATION MANAGEMENT BOARD

The remuneration of the members of the Management Board based on incurred accounting expenses in 2019, 2018 and 2017 was as follows (in EUR thousands):

		Fixed											
Board of Management Member	Financial Year	Base Salary	Pension	Social Securities	Other Benefits	Total Fixed	% Fixed	Short Term (Cash Bonus)	Long Term (Options/ SARS)	Total Variable	% Variable	Total Remuneration	Relative proportion (ratio fixed % - variable %)
A. Lahr	2019	343	8	11	-	362	28%	-	935	935	72%	1,297	39%
	2018	310	8	10	-	328	28%	93	763	856	72%	1,184	38%
	2017	233	5	9	-	247	29%	70	540	610	71%	857	40%
S. Holmes	2019	264	7	20	396	687	100%	-	-	-	-	687	100%
R. van Heekeren	2018	183	7	8	-	198	100%	-	-	-	-	198	100%
	2017	173	7	10	-	190	59%	39	94	133	41%	323	143%
M. Rüdiger	2017	79	2	12	320	413	69%	-	186	186	31%	599	222%

MAIN ITEMS

The remuneration of the members of the Management Board consists of:

- a fixed annual salary;
- an annual bonus in cash;
- share options and stock appreciation rights;
- pension and (contribution to) healthcare plan/ disability insurance/life insurance; and
- severance pay.

FIXED ANNUAL SALARY

The level of the base salary of the members of the Management Board is determined by the Supervisory Board based upon:

- peer analysis against the base salaries of management board members of companies within Kiadis Pharma's peer group consisting of EU based biotech companies of similar size and complexity and which is assessed periodically;
- remuneration reports;
- the pay ratios within the Kiadis Pharma group of companies; and
- the anticipated cost of replacing a member of the Management Board.

The Supervisory Board will consider on a yearly basis the appropriateness of any change of the base salary in the context of the market environment as well as the salary adjustments for other Kiadis Pharma employees.

Adjustment of the base salary is at the discretion of the Supervisory Board, taking into account the general principles and objectives of the Remuneration Policy.

Following the recommendation of the Nomination and Remuneration Committee and based on the advice from an independent compensation consultancy firm, in 2019 the Supervisory Board increased the base salary of the Chief Executive Officer and member of the Management Board from EUR 310,000 to EUR 350,000. The base salary of the Chief Financial Officer and member of the Management Board was not increased in 2019 because he only entered service in early 2019.

ANNUAL BONUS IN CASH

The members of the Management Board shall be entitled to an annual cash bonus of up to 40% of the annual base salary based on achieving certain performance targets. The part of the bonus that is related to Kiadis Pharma targets accounts for at least 60% of this bonus with the remainder of the bonus being related to individual targets.

The Kiadis Pharma targets and individual targets are determined each year by the Supervisory Board based on historical performance, the operational and strategic outlook of Kiadis Pharma in the short-term and expectations of Kiadis Pharma's management and stakeholders, among other things. The performance targets shall contribute to the realization of the objective of long-term value creation for Kiadis Pharma. Kiadis Pharma does not disclose the actual targets, as they qualify as commercially sensitive information.

The amount of the bonus shall be determined by the Supervisory Board through comparing actual performance against the set targets.

For 2019 the Supervisory Board established the extent to which the targets for 2019 were achieved by the members of Management Board and determined that no bonus was earned by the Chief Executive Officer. The Chief Financial Officer earned a bonus of 10% of his annual base salary or USD 39,000, which bonus amount was paid out as part of the severance payment.

SHARE OPTIONS AND STOCK APPRECIATION RIGHTS

The members of the Management Board may be granted options to ordinary Kiadis Pharma shares and stock appreciation rights in accordance with Kiadis Pharma's share option and stock appreciation right plan. The provisions of the Kiadis Pharma's share option and stock appreciation right plan also apply to Kiadis Pharma's Management Team members and Kiadis Pharma's employees.

The main elements of the Kiadis Pharma share option and stock appreciation right plan are the following:

- The options are options to acquire ordinary Kiadis Pharma shares, whereby one option gives the right to acquire one ordinary share. The option exercise price shall be the average closing sales price at which ordinary Kiadis Pharma shares are traded during the three trading days prior to the day the option is granted.
- Stock appreciation rights provide the right to receive a cash payment equal to the excess of the exercise price over the initial price, multiplied by the number of ordinary Kiadis Pharma shares with respect to which the stock appreciation right is exercised. The initial price shall be the average closing sales price at which ordinary Kiadis Pharma shares are traded on during the three trading days prior to the day the stock appreciation right is granted and the exercise price shall be the closing sales price at which ordinary Kiadis Pharma shares are traded on during the three trading days prior to the day the stock appreciation right is exercised.
- Subject to any ad-hoc out of cycle grants at the discretion of the Supervisory Board, options or stock appreciation rights shall generally be granted annually on April 1st. For a new member of the Management Board, options and stock appreciation rights may in addition be granted on the day (as approved by the General Meeting) as per which that person shall commence as a member of the Management Board. Should any of the days referenced above be in a so-called closed period according to Kiadis Pharma's Insider Trading Policy, the granting date shall be amended for such occasion to be the 15th day after the closed period has terminated.
- Vesting of options and stock appreciation rights may take place on one date or in part over time.
- It may be determined that options and stock appreciation rights which have vested may nevertheless not be exercised for a certain period of time after their grant date.
- It may be determined that Kiadis Pharma shares that shall be received upon the exercise of options shall be subject to a lock-up for a certain period of time.
- Leavers shall remain entitled to vested options and stock appreciation rights with the non-vested options and stock appreciation rights lapsing. Such vested options and stock appreciation rights are to be exercised within one year. The Supervisory Board may however, if this rule would produce an unfair result determine otherwise.
- There shall be accelerated vesting of non-vested options and stock appreciation rights amongst other in case of a change of control of Kiadis Pharma.
- Options may be settled in cash.
- Granted options may be modified to stock appreciation rights and vice versa.
- The number of shares in respect of which options and stock appreciation rights may be granted shall in total not exceed 2,011,509 shares, provided that, starting on April 1, 2019 and subsequently on January 1st of each year, the total number of shares in respect of which options and stock appreciation rights may be granted will be increased by 4% of Kiadis Pharma's outstanding ordinary shares on December 31st of the preceding year.
- Options and stock appreciation rights may be granted up till the tenth anniversary of the adoption of the share option and stock appreciation rights plan or an amendment thereof by the Supervisory Board and the Management Board.

The Supervisory Board shall in its discretion determine whether options and stock appreciation rights shall be granted to the members of the Management Board and determine the number of options and stock appreciation rights to be granted to the relevant member. As a general principle, the number of options and stock appreciation rights to be granted shall be based on, and be aligned with, benchmark practice of the Kiadis Pharma peer group.

Options and stock appreciation rights granted to the members of the Management Board shall vest in three equal parts:

- one third shall vest on the first anniversary of the date on which the options and stock appreciation rights are granted;
- one third shall vest on the second anniversary of the date on which the options and stock appreciation rights are granted; and
- one third shall vest on the third anniversary of the date on which the options and stock appreciation rights are granted.

On the basis of the above the Supervisory Board granted 280,000 options in 2019 to Mr. Arthur Lahr, Chief Executive Officer and member of the Management Board.

The table below provides an overview of share-based remuneration of the Management Board for the last three financial years:

Board of Management Member	Financial Year	Grant Dates	Options Vested / Unvested	Vesting Dates	Share Price at Vesting	Exercised Price	Exercised / Not exercised	Exercise Dates	Lock-Up term applicable?
A. Lahr	2019	01-Apr-19	Vested: 0 Unvested: 280,000	01-Apr-2020 01-Apr-2021 01-Apr-2022	Not applicable	8.62	Exercised: 0 Not exercised: 280,000	Not applicable	No
	2018	01-Jul-18	Vested :25,000 Unvested: 50,000	01-Jul-2019 01-Jul-2020 01-Jul-2021	01-Jul-2019: 5.62 01-Jul-2020: - 01-Jul-2021: -	9.51	Exercised: 0 Not exercised: 75,000	Not applicable	No
	2017	04-Apr-17	Vested: 200,000 Unvested: 100,000	04-Apr-2018 04-Apr-2019 04-Apr-2020	04-Apr-2018: 8.93 04-Apr-2019: 9.13 04-Apr-2020: -	9.10	Exercised: 0 Not exercised: 300,000	Not applicable	No
S. Holmes[1]	2019								

1. All 150,000 options granted to S. Holmes lapsed.

CONTRACTUAL ARRANGEMENTS

TERM OF EMPLOYMENT

In general, the Management Board members are engaged on the basis of a service agreement with a four year term, to be renewed at reappointment. The aforementioned arrangement is in place with the Chief Executive Officer and member of the Management Board. If however the specific personal circumstances so require, another contractual arrangement may be entered into with a specific Management Board member.

TERM OF APPOINTMENT

The Management Board members are appointed for a period of four years, after which they are eligible for reappointment by the General Meeting.

NOTICE PERIOD

In general, resignation by a member of the Management Board member is subject to six months' notice, unless a different notice period is more appropriate because of specific circumstances of a Management Board member. The aforementioned six months' notice period applies to the Chief Executive Officer and member of the Management Board.

PENSION AND FURTHER ARRANGEMENTS AND BENEFITS

The members of the Management Board participate in the Dutch pension scheme for Kiadis Pharma, unless another pension scheme or arrangement is more appropriate in view of the personal circumstances of a member of the Management Board. Members of the Management Board are entitled to (a contribution to) a healthcare plan/disability insurance/life insurance and similar arrangements and benefits.

SEVERANCE ARRANGEMENT

The remuneration in the event of dismissal of a member of the Management Board shall not exceed one year of the fixed annual base salary. Severance pay is not awarded if the agreement with the member of the Management Board is terminated early at the initiative of the Management Board member or is terminated due to gross negligence or willful misconduct on the part of the Management Board member.

As set forth in Note 29 'Related Parties' of the consolidated financial statements, Mr. Holmes, who left the Company as per December 31, 2019, received a severance payment as his service agreement was terminated due to it being determined by the Supervisory Board that there was no fit with Kiadis Pharma.

CLAW-BACK

The Supervisory Board is entitled (a) to adjust a variable remuneration component if it would produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved and (b) to recover a variable remuneration awarded on the basis of incorrect financial or other data. No variable remuneration has been clawed-back in 2019.

LOANS

The Company does not provide any loans to the Management Board.

SCENARIO ANALYSIS

Scenario analyses based on the Dutch Corporate Governance Code have been taken into consideration.

INTERNAL PAY RATIOS

The Dutch Corporate Governance Code requires publication of the pay ratio within the Company between the remuneration of the Management Board and that of a representative reference group. This pay ratio has been calculated on the basis of the total employment compensation paid out in 2019 as set forth in Note 21 'Employee Benefits' of the consolidated financial statements, from which has been subtracted the total compensation paid to the Management Board and Supervisory Board as set out in Note 29 'Related Parties' of the consolidated financial statements, divided by the average number of FTE's as reported in Note 21 'Employee Benefits' of the consolidated financial statements. Thus calculated, the internal pay ratio in 2019 was 6 to 1 (2018: 7 to 1).

SHARE BUY-BACKS

In 2019 no shares in the capital of Kiadis Pharma were repurchased and no shares were redeemed.

OVERVIEW OPTIONS EMPLOYEES / NON-MANAGEMENT BOARD AND MANAGEMENT BOARD

Below tables provide an aggregate overview on options for employees including Management Board members.

	Number of options	Weighted average fair value at grant date (EUR)
Outstanding January 1, 2017	169,515	6.28
Exercisable January 1, 2017	-	-
Granted	169,515	6.28
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding January 1, 2018	775,081	4.83
Exercisable January 1, 2018	85,235	5.67
Granted	776,015	4.83
Exercised	-	-
Forfeited	934	4.46
Expired	-	-
Outstanding January 1, 2019	1,161,805	4.90
Exercisable January 1, 2019	350,540	5.01
Granted	1,261,515	4.95
Exercised	10,000	6.28
Forfeited	89,710	5.41
Expired	-	-
Outstanding December 31, 2019	2,292,452	4.82
Exercisable December 31, 2019	833,256	5.75
Granted	3,117,443	4.67
Exercised	35,332	3.89
Forfeited	758,258	4.23
Expired	31,401	5.34

Details regarding stock options outstanding for Kiadis Pharma employees including Management Board members are set out in the following table:

Range of exercise price (EUR) options (years)	Number of outstanding options	Weighted average remaining contractual life of outstanding per December 31, 2019
2.00 – 2.50	1,000	5.36
2.50 – 3.00	85,000	9.92
4.00 – 4.50	25,000	9.81
4.50 – 5.00	16,000	7.05
5.00 – 5.50	51,433	4.66
5.50 – 6.00	6,000	9.52
7.50 – 8.00	103,298	4.60
8.00 – 8.50	61,762	0.41
8.50 – 9.00	911,139	6.09
9.00 – 9.50	566,450	8.07
9.50 – 10.00	297,968	6.42
10.00 – 10.50	5,000	1.25
10.50 – 11.00	21,994	9.15
12.00 – 12.50	80,408	3.25
14.00 – 14.50	60,000	8.76
Total	**2,292,452**	**6.56**

Amsterdam, April 30, 2020

SUPERVISORY BOARD

Mark Wegter, Chairman

Berndt Modig, Vice-Chairman

Martijn Kleijwegt

Robert Soiffer

Otto Schwarz

Subhanu Saxena

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consolidated financial statements

consolidated statement of financial position

(Amounts in EUR x 1,000)	Note	As at December 31, 2019	2018
ASSETS			
Intangible assets and goodwill	6	35,451	12,368
Property, plant and equipment	5	12,031	7,720
Non-current financial assets	7, 26	294	-
Total non-current assets		**47,776**	**20,088**
VAT and other receivables	8, 26	1,705	729
Deferred expenses	8	509	1,413
Cash and cash equivalents	10, 26	29,459	60,314
		31,673	**62,456**
Assets held for sale	5, 9	53	-
Total current assets		**31,726**	**62,456**
Total assets		**79,502**	**82,544**
EQUITY			
Share capital	11	2,956	2,434
Share premium	11	220,040	180,553
Translation reserve		(132)	298
Warrant reserve	11	392	392
Accumulated deficit		(189,000)	(139,533)
Equity attributable to owners of the Company	11	**34,256**	**44,144**
LIABILITIES			
Loans and borrowings	13, 26	912	21,836
Lease Liabilities	14	6,615	5,255
Derivatives	15	-	-
Contingent Consideration	4, 16	1,297	-
Deferred tax liability	12	6,163	-
Total non-current liabilities		**14,987**	**27,091**
Loans and borrowings	13, 26	11,910	5,308
Lease Liabilities	14	1,235	1,033
Provisions	17	3,630	-
Contingent Consideration	4, 16	3,142	-
Trade and other payables	18, 26	10,342	4,968
Total current liabilities		**30,259**	**11,309**
Total liabilities		**45,246**	**38,400**
Total equity and liabilities		**79,502**	**82,544**

The Notes are an integral part of these consolidated financial statements.

consolidated statement of comprehensive income

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2019	2018
Revenue		**-**	**-**
Other income		**-**	**-**
Research and development expenses	21, 22	(43,043)	(17,468)
General and administrative expenses	21, 22	(30,191)	(7,733)
Total operating expenses		**(73,234)**	**(25,201)**
Operating loss		**(73,234)**	**(25,201)**
Interest income	23	-	-
Interest expenses	23	(4,013)	(4,302)
Other net finance (expenses) income	23	24,676	(288)
Net finance income or (expenses)		**20,663**	**(4,590)**
Loss before tax		**(52,571)**	**(29,791)**
Income tax expense	24	(64)	(10)
Loss for the period		**(52,635)**	**(29,801)**
OTHER COMPREHENSIVE INCOME			
Foreign currency translation difference for foreign operations		(430)	3
Related tax		-	-
		(430)	3
Other comprehensive income for the period, net of tax		**(430)**	**3**
Total comprehensive income for the period		**(53,065)**	**(29,798)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(52,635)	(29,801)
		(52,635)	**(29,801)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(53,065)	(29,798)
		(53,065)	**(29,798)**
EARNINGS PER SHARE	20		
Basic earnings per share (EUR)		**(1.92)**	**(1.46)**
Diluted earnings per share (EUR)		**(1.92)**	**(1.46)**

The Notes are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated Deficit	Total Equity
Balance as at January 1, 2019		**2,434**	**180,553**	**298**	**392**	**(139,553)**	**44,144**
Loss for the period		-	-	-	-	(52,635)	(52,635)
Other comprehensive income		-	-	(430)	-	-	(430)
Total comprehensive income		**-**	**-**	**(430)**	**-**	**(52,635)**	**(53,065)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	368	27,263	-	-	-	27,631
Transaction costs	11	-	(2,299)	-	-	-	(2,299)
Issuance shares related to business combinations	11	151	14,307	-	-	-	14,458
Equity-settled share-based payments	21	-	-	-	-	3,237	3,237
Shares upon exercise of options	11	3	216	-	-	(69)	150
Balance as at December 31, 2019		**2,956**	**220,040**	**(132)**	**392**	**(189,000)**	**34,256**

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated Deficit	Total Equity
Balance as at January 1, 2018		**1,729**	**124,413**	**295**	**1,275**	**(111,853)**	**15,859**
Loss for the period		-	-	-	-	(29,801)	(29,801)
Other comprehensive income		-	-	3	-	-	3
Total comprehensive income		**-**	**-**	**3**	**-**	**(29,801)**	**(29,798)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	650	53,950	-	-	-	54,600
Transaction costs	11	-	(3,994)	-	-	-	(3,994)
Fair value of warrant issued for services	11	-	-	-	193	-	193
Equity-settled share-based payments	21	-	-	-	-	1,198	1,198
Shares upon exercise of options	11	1	186	-	-	(63)	124
Cash-settled share-based payments converted to equity-settled	11	-	-	-	-	986	986
Warrants exercised	11	54	5,998	-	(1,076)	-	4,976
Balance as at December 31, 2018		**2,434**	**180,553**	**298**	**392**	**(139,533)**	**44,144**

The Notes are an integral part of these consolidated financial statements.

consolidated statement of cash flows

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2019	2018
Cash flows from operating activities			
Loss for the period		**(52,635)**	**(29,801)**
Adjustments for:			
Depreciation & Impairment of property, plant & equipment (PPE)	5	2,561	1,047
Impairment of Intangible Assets and Goodwill	6	13,169	-
Net interest expenses	23	4,013	4,302
Share-based payments	21	3,237	1,643
Net unrealized foreign exchange (gain) or loss	23	(866)	962
(Gain) or loss from changes in fair value	23	(13,050)	589
(Gain) or loss from adjustments of loans	23	(10,803)	(1,299)
(Gain) or loss on disposals of fixed assets	5	(57)	-
Income tax expense		64	10
Cash used in operating activities before changes in working capital and provisions:		**(54,367)**	**(22,547)**
VAT & other receivables and deferred expenses	8	95	(793)
Trade & other payables and other liabilities	18	4,630	1,324
Total change in working capital		**4,725**	**531**
Change in provisions		3,630	-
Cash used in operations		**(46,012)**	**(22,016)**
Interest paid	13, 14	(2,210)	(2,133)
Income tax paid		(29)	(18)
Net cash used in operating activities		**(48,251)**	**(24,167)**
Cash flows from investing activities			
Acquisition of PP&E	5	(4,495)	(1,122)
Disposals of property, plant and equipment	5	13	-
Investment in new legal entities		(23)	-
Acquisition through business combination net of cash	4	3,056	-
Net cash used in investing activities		**(1,449)**	**(1,122)**
Cash flow from financing activities			
Proceeds from issuance of shares	11	27,631	54,600
Payment of share issue costs	11	(2,299)	(3,994)
Proceeds from exercise of warrants	11	-	2,942
Proceeds from exercise of options	11	150	124
Proceeds from issue of warrants		-	193
Proceeds from loans and borrowings	13	-	4,807
Payment of transaction costs of loans and borrowings	13	-	(51)
Repayment of loans and borrowings	13	(5,705)	(2,361)
Payment of lease liabilities	14	(847)	(566)
Net cash from/(used in) financing activities		**18,930**	**55,694**
Net increase/(decrease) in cash and cash equivalents		**(30,770)**	**30,405**
Cash and cash equivalents at beginning of period		60,314	29,906
Effect of exchange rate fluctuations on cash held		(85)	3
Cash and cash equivalents at end of period	10	**29,459**	**60,314**

The Notes are an integral part of these consolidated financial statements.

notes to the consolidated financial statement

1. CORPORATE INFORMATION

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

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

These financial statements were authorized for issue by the Management Board and Supervisory Board of the Company on April 30, 2020. The financial statements as presented in this report are subject to approval by the General Meeting of Shareholders.

2. ACCOUNTING PRINCIPLES AND POLICIES

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

2.1 BASIS OF PREPARATION

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

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies, that have the most significant effect on the amounts recognized in the financial statements, are described in note 3.

Going concern assessment

The consolidated 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 would cast significant doubt about the Company's ability to continue as a going concern. The fact that Kiadis Pharma discontinued its previous lead program ATIR101 may negatively impact its ability to attract additional funding. The impact of the coronavirus on capital markets as a whole already affects the availability, amount and type of financing and ultimately may impact the continuity of the Company.

In addition, 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 Kreos Capital Facility Agreements. 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.

In April 2020, Kiadis announced two private placements totalling EUR 17 million with two healthcare-focused investors. Through these private placements, the investors receive approximately 10.5 million ordinary shares and approximately 5.25 million warrants, which can be exercised over a 5-year period. Both transactions are expected to be closed before May 4, 2020.

The Company will need additional sources of financing, which could include equity financing, non dilutive financing or strategic transactions starting the fourth quarter of 2020. The Company believes that sufficient additional funds can be raised and is 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, our business, financial condition and/or results of operations could be materially and adversely affected and it may ultimately go into insolvency.

2.2 CONSOLIDATION

The Company is the holding company of a group of companies. The following legal entities are subsidiaries of Kiadis Pharma N.V. and together form the Kiadis Pharma group of companies (the "Group"):

LEGAL ENTITY	REGISTERED OFFICE	INVESTMENT%
Kiadis Pharma Netherlands B.V.	The Netherlands	100.00%
Kiadis Pharma Holding B.V.	The Netherlands	100.00%
Kiadis Pharma Intellectual Property B.V.	The Netherlands	100.00%
Kiadis Pharma Germany GmbH	Germany	100.00%
Kiadis Pharma Canada Inc.	Canada	100.00%
Kiadis Pharma US Corporation	Unites States of America	100.00%
Cytosen Therapeutics, Inc	United States of America	100.00%
Kiadis Pharma UK Limited	United Kingdom	100.00%
Kiadis Pharma Belgium BV	Belgium	100.00%
Kiadis Pharma France S.A.R.L.	France	100.00%
Kiadis Pharma Spain S,L	Spain	100.00%
Kiadis Pharma Italy S.r.l.	Italy	100.00%
Kiadis Pharma Sweden AB	Sweden	100.00%

In anticipation of increasing international activities the group structure was expanded with subsidiaries in Belgium, France, Spain, Italy and Sweden in 2019. In February 2020 it was decided to liquidate the subsidiaries in the United Kingdom, Belgium, Spain, Italy and Sweden in 2020 as after the change in strategy in 2019, the extended structure is no longer deemed necessary.

In 2019, the Company contributed all its subsidiaries in kind to Kiadis Pharma Holding B.V., a newly incorporated Group entity.

(a) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Business combinations

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

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

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

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

Business combinations under common control are accounted for using a predecessor value method. A predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values rather than at fair value. When applying a predecessor value method, no goodwill is recognized.

(c) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 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.

During 2019, the Group had a development pipeline focused on improving outcomes for patients undergoing hematopoietic stem cell transplants (HSCT) with a T-cell therapy (ATIR101) and a NK-cell-therapy acquired from CytoSen which are complementary and synergistic. It is considered to be the only reportable segment which comprises discovery, development, and commercialization. All corporate activities can be assigned therefore to this segment as well. In November 2019 the Group changed its strategy and decided to terminate all activity on our T-cell legacy platforms and programs including our Phase III patient-specific T-cell therapy program ATIR101.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

(c) Foreign operations

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

Foreign currency differences are recognized in Other Comprehensive Income (OCI) and accumulated in the translation reserve, except to the extent that the translation difference is allocated to Non-Controlling Interests (NCI).

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

2.5 NOTES TO THE CASH FLOW STATEMENT

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

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

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

2.6 INTANGIBLE ASSETS

(a) Goodwill

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

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

(b) Patents (licenses, trademarks)

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

– it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and

– the cost of the asset can be measured reliably.

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

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

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

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

(c2) Research and development expenses

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

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

(c3) Capitalized in-process research and development

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

This intangible asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (also refer to 2.8).

(d) Subsequent expenditure

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

2.7 PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

Property, plant and equipment comprise laboratory equipment, hardware, furniture and leaseholds improvements. All property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

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

As of January 1, 2018 the Group applies IRFS 16 for Right-of-Use assets (ROU) also refer to note 2.15.

(b) Subsequent costs

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

(c) Depreciation

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

The estimated useful lives for the current and comparative periods are as follows:
Laboratory equipment and furniture: 5 years
Hardware: 5 years
Leaseholds Improvements: Lease term with a maximum of 5 years
Right-of-Use Assets (Buildings): 10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (also refer to 2.8).

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

2.8 IMPAIRMENT

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

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

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

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

As of December 31, 2018, the Company had one Cash-generating unit, the T-cell platforms and programs including the Phase III patient-specific T-cell therapy program ATIR101 ('ATIR platform'). In November 2019 the group changed its strategy and decided to terminate all activities of its ATIR platform. No future sales are expected and the recoverable amount of the ATIR platform is considered to be nil. The related Goodwill, In-process Research & Development and PP&E related to ATIR have been impaired.

On June 5, 2019, the Company acquired CytoSen with a NK platform with a pre-clinical R&D pipeline. Due to CytoSen's pre-clinical phase of development the Company considers the full platform currently and conditionally as one CGU. In case the NK platform would be split in various CGU's, IPR&D and Goodwill needs to be allocated to the various CGU's for impairment purposes which allocation requires a valuation by an external party and might impact the outcome of future impairment analyses. As of December 31, 2019 the Company has one CGU, the NK platform.

The assessment of the Goodwill and In-process Research & Development related to NK cell technology did not result in an impairment (refer to note 6 Intangible Assets).

2.9 ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group, if applicable, is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2.10 FINANCIAL INSTRUMENTS

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

(a) Non-derivative financial instruments

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

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

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

Trade receivables are recognized at amortized cost less impairment losses.

Cash and cash equivalents include cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities on the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash for the Company are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

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

Trade and other payables are stated at amortized cost.

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

Accounting for finance income and expense is discussed in Note 2.16.

(b) Derivative financial instruments

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

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

2.11 EQUITY

(a) Ordinary shares

The Company only has ordinary shares and these are classified within equity upon issue.

(b) Preference share capital

On March 29, 2019 the shareholders approved the implementation of an anti-takeover protection which introduces preference shares such that Kiadis Pharma's authorized share capital will be divided into ordinary shares and preference shares. This any-takeover protection only becomes effective if the Management Board at any time in the future decides so, after having obtained approval from the Supervisory Board, refer to note 11 Shareholders Equity.

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

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

(c) Treasury shares

The cost of the Company's own equity instruments that the Company has reacquired ("treasury shares") is deducted from equity. Costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity, net of any related income tax benefit. Any consideration paid or received is recognized directly in equity.

(d) Warrants

Warrants that meet the so-called fixed for fixed condition, i.e. the Company has a contractual right to deliver a fixed number of its own equity instruments in exchange for a fixed consideration in cash, are recognized in equity (warrant reserve).

Warrants that fail to meet the fixed for fixed condition are classified as financial liabilities. However, these warrants may meet the fixed for fixed condition at a later date e.g. when predefined future events take place. Therefore, the fair value of these warrants may be reclassified from financial liabilities to equity on the date they meet the fixed for fixed condition.

Warrants issued to suppliers in exchange for goods or services are share-based payment expenses and are recognized in equity (warrant reserve).

Shares issued upon exercise of such warrants or options are measured at their exercise price.

(e) Transaction costs

Qualifying costs attributable to an equity transaction are recorded directly in equity. Only incremental costs that are attributable directly to issuing own equity instruments are recognized in equity. Qualifying costs may include, but are not limited to, fees for legal and tax advice related to the share issue, the cost of preparing a prospectus, underwriting fees and fees incurred in respect of the valuation of the shares.

2.12 PROVISIONS

Restructuring

The Company included a provision which relates to the cancellation of the ATIR project. The provision for restructuring mainly relates to the estimated costs of initiated restructurings, the most significant of which have been approved by the Management Board. When such restructurings require discontinuance of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Before a provision is established, the company recognizes any impairment loss on the assets associated with the restructuring and releases the related lease liabilities.

Onerous contracts

As part of the restructuring, due to the change in strategy, the Company records a provision for onerous contracts. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.13 EMPLOYEE BENEFITS

(a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Share-based payment

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

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

(c) Pension plans

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

Employees in the United States are entitled to participate in a 401k plan, which also qualifies as a defined contribution plan. The employer matches 50% of the first 6% the employee contributes to his/her 401k plan. Any employee contribution over 6% is not matched. Costs of the 401k plan are expensed in the year in which the related employee services are rendered.

(d) Bonus plans

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

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

(e) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

2.14 RESEARCH & DEVELOPMENT AND GENERAL & ADMINISTRATIVE EXPENSES

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

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

2.15 LEASES

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease liabilities

The Group presented lease liabilities with a total carrying value of EUR7.9 million as at December 31, 2019, of which EUR1.2 million is presented under current liabilities. On January 1, 2018, the date of initial application of IFRS 16, Kiadis had two lease contracts in place, both of which relate to the lease of buildings. As at December 31, 2019 the Group has entered into two additional lease contracts.

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

1. The Group did not reassess whether any expired or existing contracts are or contain leases;
2. The Group excluded initial direct costs for any existing leases;
3. The Group did not apply the recognition requirements to short-term leases.

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

In May 2019 the Group entered into a lease agreement for the production site in Ulm, Germany. A weighted average IBR of 4.67 percent was applied. This lease agreement was terminated in November 2019 after the Group announced the change in strategy and terminated all activity on the legacy platforms and programs.

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

2.16 FINANCE INCOME AND EXPENSES

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

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

2.17 INCOME TAX

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

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

2.18 NEW RELEVANT STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The accounting policies are consistent with those of the financial statements for the year ended December 31, 2018. In 2018 the Company applied IFRS 9, IFRS 15 and IFRS 16 for the first time.

Several other amendments and interpretations apply for the first time in 2019, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following new or amended standards have no significant impact of Kiadis' consolidated 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).
- IFRS 17 Insurance Contracts.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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

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

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

(b) Income Tax Expense

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

(c) Share-based payments

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

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

(d) Loans and borrowings

The Group exercises judgment in determining which financial liabilities qualify as loans and subsequently exercises judgment in determining the estimated fair value of these loans. For level 2 financial liabilities, the Company had to make significant judgments and estimates about future cash flows. Due to the decision to terminate all ATIR activities, the repayment of the outstanding amount is remote and therefore the Company reduced the outstanding loan balance as of December 31, 2019 till zero (refer to note 27 Contingencies).

(e) Contingent Consideration

The group exercises judgement in determining the contingent consideration related to the acquisition of CytoSen. The Company has to make significant judgements and estimates about the assumed probability rates of success (PoS) of the different milestones.

(f) Derivatives

The Group exercises judgment in determining the estimated fair value of derivatives. For derivatives that are level 3 financial liabilities this means that the Company has to make assumptions about certain inputs used to calculate fair values, using the Black, Scholes and Merton option pricing model.

DETERMINATION OF FAIR VALUES

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

(a) Share-based payments

Measurement inputs to calculate the fair value of employee stock options include the share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Measurement inputs to calculate the fair value of employee rights to equity-settled share-based payments include the share price of the last transaction of the Company's stock on Euronext stock exchange immediately prior to the grant date, exercise price and the estimated vesting schedule. For cash-settled share-based payments the share price at the reporting date is used as an input to calculate the fair value of the financial liability.

(b) Loan from Hospira Inc.

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

(c) Derivatives

For calculating the fair value of warrants, the Black, Scholes and Merton option valuation formula ('Black and Scholes') is applied. Measurement inputs to calculate the fair value include estimated share prices at different future dates using a Monte Carlo simulation model, expected share price volatility, risk-free interest rate, probabilities that certain scenarios will occur, discount rates, and the exercise price of the financial instrument.

4. BUSINESS COMBINATIONS

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

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

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

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

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

(Amounts in EUR x 1,000)	
Initial Acquisition Consideration – Shares (including Hold back Shares)	13,956
Initial Acquisition Consideration – Options to acquire Shares	503
Contingent Acquisition Consideration – former CytoSen shareholders	16,048
Contingent Acquisition Consideration – former CytoSen option holders	1,440
Acquisition Consideration	**31,947**

Initial acquisition consideration

The total consideration paid upon closing, to the former holders of CytoSen shares and former holders of CytoSen options for the acquisition of CytoSen in exchange for all outstanding CytoSen shares consists of 1,513,052 Kiadis shares and 159,778 Kiadis options. The Company holds the release of 267,012 additional Kiadis shares to the former holders of CytoSen shares as a security for the benefit of and to compensate the Company for any indemnification claims or for any losses incurred and for which they are entitled to recovery under the provisions of the merger agreement (Holdback Shares). These conditions are not substantive in nature, and no such adjustment is expected. The Holdback Shares are considered part of the initial acquisition consideration.

The options to acquire Kiadis shares included in the initial acquisition consideration regards former outstanding CytoSen options that have been assumed by the Company and converted into the Kiadis options at exercise prices of Kiadis shares ranging from EUR9.47 to EUR10.59 at substantially the same terms and conditions as the prior CytoSen options.

The calculation of the initial acquisition consideration that consists of Shares (including Holdback Shares) is based on EUR7.84, being the closing price on Euronext Amsterdam as of June 5, 2019.

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

(Amounts in EUR x 1,000)	
Exercise price (in Euro), between	EUR9.47 to EUR10.59
Expected volatilities	57.8% - 58.1%
Risk-free interest rates	(0.657)% - (0.167)%
Exercise multiple	2
Dividend yield	0%
Estimated fair value options	EUR2.33 - EUR3.36

Contingent acquisition consideration

Previous CytoSen's shareholders received potential future consideration of up to 5,340,162 additional Kiadis shares upon the achievement of six clinical development and regulatory milestones with the final milestone being first FDA approval of an NK cell product based on CytoSen's technology. Former CytoSen's option holders receive up to 479,304 Kiadis shares also upon the achievement of clinical development and regulatory milestones with the final milestone being first FDA approval of an NK cell product based on CytoSen's technology.

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

As a result of a change in share price from June 5, 2019 to December 31, 2019 the contingent consideration decreased by EUR13,050 thousand to a total of EUR4,439 thousand through income statement (other net finance income). As of December 31, 2019 the contingent consideration would increase by EUR7.1 million to EUR 11.6 million considering full achievement of all milestones based on the share price of December 31, 2019. Upon achieving milestones the share price is expected to increase which increases the contingent consideration.

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

The fair values of acquired identified assets and assumed liabilities from CytoSen are based on estimates and assumptions. The Company acquired CytoSen mainly for its intellectual property and research and development portfolio. The Company allocated the full consideration minus the identified tangibles assets and liabilities assumed (for an amount of USD 3,113 thousand or EUR2,767 thousand) to in-process research and development (IPR&D) for an estimated amount of USD 32,842 thousand (EUR29,181 thousand).

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

The Company estimates tax loss carry forwards of approximately USD 12.8 million for Federal tax purposes which is not recognised due to the uncertainty of recoverability. The IPR&D results in a deferred tax liability. Based on a 21% US Federal income tax rate, a deferred tax liability is included for the amount of USD 6,911 thousand (EUR 6,140 thousand). The Company accounts for a permanent difference for State income tax purposes.

The Company recorded a goodwill balance for the same amount, refer to note 6, Intangible Assets. The goodwill is not deductible for corporate income tax purposes.

The tax loss carry forwards will not expire based on current US Federal tax law.

The Company has finalized the valuation of assets and liabilities as of the end of 2019.

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

	Fair Value recognized on acquisition	
(Amounts in EUR x 1,000)	**EUR** Reporting Currency Kiadis Group	**USD** Functional Currency CytoSen
Financing of purchase consideration		
Issued Share Capital	151	
Additional Paid in Capital	14,307	
Contingent Consideration	17,489	
Total purchase consideration	**31,947**	
Assets		
In-Process Research & Development	29,181	32,842
PP&E	106	120
VAT & Other receivables	284	319
Cash and Cash equivalents	3,056	3,440
Total purchase consideration	**32,627**	**36,721**
Liabilities		
Deferred tax liability	6,140	6,911
Trade & other payables	680	765
	6,820	7,676
Total identifiable net assets at fair value	**25,807**	**29,045**
Goodwill arising on acquisition	6,140	
Purchase consideration	**31,947**	

In accordance with the revised IFRS 3, acquisition-related costs are not part of the exchange transaction between the acquirer and the acquiree (or its former owners) and are therefore not part of the business combination. Except for costs to issue debt or equity securities that are recognized in accordance with IAS 32 and IFRS 9 the revised IFRS 3 requires an entity to account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received. The acquisition-related costs amount to EUR1.1 million, mainly related to legal, consulting and audit fees recorded as General and administrative expenses.

If the acquisition had taken place at the beginning of the year, a loss of USD 7.9 million would have been added to the Loss for the period.

5. PROPERTY, PLANT AND EQUIPMENT

(Amounts in EUR x 1,000)	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	ROU Assets - Buildings	Total
Book value as at January 1, 2018	**428**	**133**	**41**	**6,854**	**7,456**
Changes in book value 2018					
Additions	716	185	410	-	1,311
Retirements & Disposals – Cost value	-	-	(79)	-	(79)
Depreciation	(146)	(63)	(46)	(792)	(1,047)
Retirements & Disposals – Depreciation	-	-	79	-	79
Total changes in book value 2018	**570**	**122**	**364**	**(792)**	**264**
Balance as at December 31, 2018					
Cost of acquisition	1,869	548	432	6,854	9,703
Depreciation / impairment	(871)	(293)	(27)	(792)	(1,983)
Book value as at December 31, 2018	**998**	**255**	**405**	**6,062**	**7,720**
Changes in book value					
Remeasurements	-	-	-	175	175
Additions	2,375	974	1,054	2,689	7,092
Acquisitions through business combinations	106	-	-	-	106
Depreciation	(446)	(152)	(136)	(1,111)	(1,845)
Impairment loss	(43)	(83)	(590)	-	(716)
Reclassification to Assets held for Sale	(53)	-	-	-	(53)
Retirements & Disposals	(181)	(89)	-	(600)	(870)
Depreciation Retirements & Disposals	158	84	-	180	422
Effect of movement in foreign exchange rates	-	-	-	-	-
Total changes in book value	**1,916**	**734**	**328**	**1,333**	**4,311**
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**

On January 1, 2018, the Group recognized Right-of-Use (ROU) assets in its statement of financial position for the buildings it uses under two separate lease contracts. The main lease contract commenced on January 1, 2018, with a lease term of ten years. This contract concerns a commercial manufacturing facility, laboratories and office space that the Group uses as its global headquarters. The other lease contract concerns laboratories and office space with a lease term of twelve months, that is renewed annually. The Right-of-Use Assets are amortized over a 10 year period, the extended lease term.

The amounts recognized for Right-of-Use assets were calculated as the net present value of all future lease payment due under the lease contracts. The additions accounted for in 2019 contain future lease payments for these two contracts which have been updated with the Customer Price Index for EUR175 thousand. See also Note 14 'Lease liabilities'.

In May 2019 the Company entered into an agreement for the lease of facilities at a production facility in Ulm, Germany for an estimated period of 2 years and 5 months resulting in a EUR600 thousand decrease in the Right-of-Use Assets – Buildings. This lease agreement was terminated in December 2019 after the Group announced that the development of ATIR was stopped. Additionally EUR716 thousand of Laboratory Equipment, Furniture & Hardware and Leasehold Improvements were impaired.

As of June 1, 2019 the Company rents additional office space at its headquarters in Amsterdam for a period of 10 years adding EUR2.1 million to the Right-of-Use Assets – Buildings. The Company is entitled to cancel the lease agreement after 4 year, with a break-up fee of EUR0.2 million.

On October 1, 2019 the Group entered into a lease agreement for laboratory facility in Amsterdam. The lease agreement will be terminated within one year and is therefore not accounted for as a Right-of-Use Asset. Rental costs have been booked in the operating expenses.

In 2019 the Company sold laboratory equipment with an acquisition cost of EUR75 thousand, realizing a book profit of EUR8 thousand.

6. INTANGIBLE ASSETS

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
Balance as at December 31, 2017				
Cost	4,058	8,772	80	12,910
Amortization / Impairment	-	-	(80)	(80)
Book value as at December 31, 2017	**4,058**	**8,772**	**-**	**12,830**
Changes in book value 2018				
Effect of movement in foreign exchange rates	(145)	(317)	-	(462)
Total changes in book value 2018	**(145)**	**(317)**	**-**	**(462)**
Balance as at December 31, 2018				
Cost	3,913	8,455	80	12,448
Amortization / Impairment	-	-	(80)	(80)
Book value as at December 31, 2019	**3,913**	**8,455**	**-**	**12,368**
Changes in book value				
Additions	-	-	-	-
Acquisitions through business combinations	6,140	29,181	-	35,321
Impairment loss	(4,166)	(9,003)	-	(13,169)
Effect of movement in foreign exchange rates	276	655	-	931
Total changes in book value	**2,250**	**20,833**	**-**	**23,083**
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**

Goodwill

The goodwill relates to the business combination effected in 2006 in which Kiadis Pharma acquired Montreal, Canada, based Celmed BioSciences Inc. and the acquisition of CytoSen, USA. On June 5, 2019 the Company completed the acquisition of CytoSen resulting in an increase of the Goodwill of EUR6.1 million (USD6.9 million), refer to note 4 Business Combinations.

In-process research and development acquired in a business combination

The business combination effected in 2006 (acquisition of Celmed BioSciences Inc.) and the acquisition of CytoSen on June 5, 2019 have been accounted for in accordance with IFRS 3, Business Combinations.

Based on IFRS 3, the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognizing the acquiree's identifiable assets, liabilities and contingent consideration that satisfy the recognition criteria, at their fair values at that date. These intangible assets will amortize from the commencement of the commercial production of the product on a straight-line basis over the term of its expected benefit. The useful live is estimated to be 10 years at minimum from the date of market introduction.

The acquisition of CytoSen Therapeutics Inc. on June 5, 2019 resulted in an increase of the In-Process Research & Development of EUR29.2 million (USD32.8 million), refer to note 4 Business Combinations.

Impairment test of goodwill and in-process research and development

For the purpose of the impairment testing, goodwill and in-process research and development related to the Celmed BioSciences Inc. acquisition have been allocated to the ATIR platform. The goodwill and in-process research and development related to the acquisition of CytoSen Therapeutics Inc. have been allocated to the NK cell platform because no lower cash-generating units can be identified which generate cash inflows that are largely independent of those from other assets.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In case the fair value less costs to sell does not surpass the carrying value, the Company performs a value in use assessment. The calculation of the value in use is executed by applying an income approach which involves calculating the present value of future cash flows (over an estimable period) resulting from each asset. Estimated risk-adjusted future net cash flows are used, which are amongst others based on probabilities of reaching the market with an estimated potential product introduction date, possible revenues resulting from estimated market shares and product pricing, estimated gross margins and estimated operating expenditures.

In November 2019 the Group changed its strategy and decided to terminate all activity on the legacy platforms and programs including our Phase III patient-specific T-cell therapy program ATIR101. The goodwill (2018 EUR3,913k) and in-process research and development (EUR8,455k) related to these platforms have been impaired to EUR nil.

The Company acquired CytoSen Therapeutics Inc. on June 5, 2019. The recoverable amount of Goodwill and In-Process Research & Development, determined by the fair value less costs to sell exceeded the carrying amount of these intangible assets, refer to note 4 Business Combinations. No impairment loss is recognized.

Effect of movement in foreign exchange rates

The carrying value of the Company's intangible assets increased by EUR922 thousand due to an increase of strength of the Canadian dollar against the euro of EUR802 thousand (included up to the moment of impairment) and an increase of EUR120 thousand due to an increase of strength of the USD.

7. NON-CURRENT FINANCIAL ASSETS

On December 31, 2019 the deposit for leased buildings has an expected maturity between one and ten years.

8. VAT & OTHER RECEIVABLES AND DEFERRED EXPENSES

(Amounts in EUR x 1,000)	2019	2018
VAT and other receivables		
VAT receivables	957	482
Deposits (lease of buildings)	287	236
Other amounts receivable	461	11
	1,705	**729**
Deferred expenses		
Deferred expenses	509	1,413
	509	**1,413**

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

The deferred expenses as of December 31, 2018 include EUR0.7 million expenses related to strategic & funding activities which have been recorded in the statement of comprehensive income as of December 31, 2019.

9. ASSETS HELD FOR SALE

(Amounts in EUR x 1,000)	2019	2018
Assets held for sale		
Property, plant & equipment - Laboratory Equipment	53	-
	53	**-**

After the announcement of the cancellation of the ATIR project the Company decided to sell part of the related assets. The Company expects it to be highly probable that these assets will be recovered primarily through sale rather than through continuing use and accordingly classified these assets as Assets held for sale (refer to note 5, Property, plant & equipment).

10. CASH AND CASH EQUIVALENTS

(Amounts in EUR x 1,000)	2019	2018
Cash at bank and in hand	29,459	60,314
Short-term bank deposits	-	-
Cash and cash equivalents	**29,459**	**60,314**
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	**29,459**	**60,314**

All amounts reported as cash or cash equivalents are at the free disposal of the Group with the exception of an amount of EUR22 thousand that is pledged against certain bank guarantees provided as security for the lease of buildings (2018: EUR22 thousand). This lease will end in 2020, consequently this pledge will be lifted.

11. SHAREHOLDERS' EQUITY

Shares issued and share capital

On December 31, 2019, the Company's authorized share capital amounted to EUR12.0 million divided into 120 million ordinary shares, each with a nominal value of EUR0.10. As at December 31, 2019, a total number of ordinary shares issued was 29,563,994 (2018: 24,341,410). On December 31, 2019, the issued share capital totaled EUR2.956 million.

Ordinary shares hold the right to one vote per share.

(Amounts in EUR x 1,000)	Number of Issued Shares Ordinary Shares	Issued Share Capital in EUR x1,000
Balance as at December 31, 2017	**17,287,397**	**1,729**
New shares issued for cash	6,500,000	650
New shares issued upon exercise of warrants	544,013	54
Equity-settled share-based payments	10,000	1
Balance as at December 31, 2018	**24,341,410**	**2,434**
New shares issued for cash	3,684,200	368
New shares issued upon exercise of warrants	-	-
New shares issued upon acquisition through business combinations	1,513,052	151
Equity-settled share-based payments	25,332	3
Balance as at December 31, 2019	**29,563,994**	**2,956**

In March 2018, the Company raised EUR23.4 million in gross proceeds by issuing a total of 2.6 million new shares. In October 2018 the Company issued 3.9 million shares for gross proceeds of EUR31.2 million through a private placement.

In 2018, the Company issued an aggregate number of 544,013 new shares upon the exercise of warrants and a further 10,000 new shares upon the exercise of share options.

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

In May 2019, the Company raised EUR25.3 million in gross proceeds by issuing a total of 3.7 million new shares through a private placement.

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

Upon the completion of the CytoSen acquisition on June 5, 2019 the Company issued 1,513,052 shares, refer to note 4 Business Combinations.

Treasury shares

On December 31, 2019, the Company did not hold any of its own shares (2018: nil).

Share Premium

(Amounts in EUR x 1,000)	2019	2018
Balance as at January 1,	**180,553**	**124,413**
Share premium on new shares issued	27,263	53,950
Transaction costs	(2,299)	(3,994)
Share premium upon acquisition through business combinations	14,307	-
Fair value of warrants issued	-	-
Equity-settled share-based payments	216	186
Warrants exercised	-	5,998
Balance as end of period	**220,040**	**180,553**

In March and October 2018, the Company raised EUR54.6 million in gross proceeds of which EUR54.0 million was recorded as premium. Transaction costs comprise bank fees from the syndicates that arranged the private placements in March and October 2018, legal fees and due diligence related costs of EUR4.0 million in total.

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 EUR14.3 million, refer to note 4 Business Combinations.

Warrant Reserve

(Amounts in EUR x 1,000)	2019	2018
Balance as at January 1,	**392**	**1,275**
Warrants issues in connection with loans	-	193
Warrants exercised	-	(1,076)
Balance as end of period	**392**	**392**

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

In February and March 2018, the Company issued an aggregate number of 227,695 new shares upon the exercise of warrants. In September and October 2018, the Company issued an aggregate number of 316,318 new shares upon the exercise of warrants. The total equity impact of the exercise of 544,013 warrants amounts to EUR4,976 thousand with cash proceeds of EUR2,942 thousand.

Translation reserve

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

12. DEFERRED TAX ASSETS AND LIABILITIES

The Company has considered that (i) its main Group companies have no history of taxable profits in recent years, and (ii) there is no convincing evidence that these companies will be able to generate taxable profits in the near-term future. Therefore, it is uncertain how the Group may recover or settle its deferred tax assets and liabilities in the next few years.

The Company has recognized a deferred tax liability related to the acquisition of CytoSen as the Company estimates that these liabilities will become due. The unused tax losses related to CytoSen have not been recognized in a deferred tax asset as it is uncertain the group will recover the losses in the near-term future.

However, the Company has come to the conclusion that, for the other tax jurisdictions in the Group, the Group's deferred tax assets exceed its deferred tax liabilities and may be used to offset its deferred tax liabilities in the different tax jurisdictions in which the Group operates. Hence the Group has recognized its deferred tax assets relating to unused tax losses only to the extent that they may be used to offset its deferred tax liabilities. The Group has not recognized a deferred tax asset for the remaining part of its unused tax losses.

Tax loss carry forwards

(Amounts in EUR x 1,000)	2019	2018	Expiry period
Kiadis Pharma N.V. (*)	136,341	93,698	2020-2027
CytoSen Therapeutics Inc.	11,290	-	Unlimited
	147,631	**93,698**	

Related tax calculation	2019	2018	Tax rate
Kiadis Pharma N.V. (*)	27,950	19,208	20.5%
CytoSen Therapeutics Inc.	2,371	-	21.0%
	30,322	**19,208**	

(*) After a change of control, tax loss carry forwards in The Netherlands can only be utilized if the business carried on is similar to the business carried on before such change in control. The tax rate in The Netherlands will decrease to 22.5% and 20.5% in 2020 and 2021 respectively. The Company does not expect the Dutch entity to become profitable in the near future.

The tax loss carry forwards in Canada of EUR28.4M (2018 EUR23.4M) can only be utilized to the extent that the business carried on prior to a change of control is carried on after such change in control with a reasonable expectation of profit and only to the extent of the profit of that business or a similar business. The Company does not expect these losses to be utilized as the development of ATIR has been stopped.

Deferred tax liabilities

(Amounts in EUR x 1,000)	2019	2018
Balance as at January 1,	**-**	**-**
Acquisitions through business combinations	6,140	-
Effect of movement in foreign exchange rates	23	-
Balance as at December 31, 2019	**6,163**	**-**

The Group recognizes a deferred tax liability related to the acquisition of CytoSen (refer to note 4 Business Combinations).

13. LOANS AND BORROWINGS

(Amounts in EUR x 1,000)	2019	2018
Non current liabilities		
Loan from Kreos Capital V (UK) Ltd:		
– Facility 1	-	7,740
– Facility 2	-	3,624
Loan from Hospira Inc.	-	9,609
Loan from University of Montreal	912	863
	912	**21,836**

(Amounts in EUR x 1,000)	2019	2018
Current liabilities		
Loan from Kreos Capital V (UK) Ltd:		
– Facility 1	8,105	4,370
– Facility 2	3,805	938
	11,910	**5,308**

Movements in the carrying amounts of the loans 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, 2019	**12,110**	**4,562**	**9,609**	**863**	**27,144**
Interest accrued during the period	1,755	656	835	31	3,277
Interest payments	(1,083)	(385)	-	-	(1,468)
New loan agreements	-	-	-	-	-
Repayments	(4,677)	(1,028)	-	-	(5,705)
Adjustment of carrying amount	-	-	(10,803)	-	(10,803)
Effect of changes in foreign exchange rates	-	-	359	18	377
Balance as at December 31, 2019	**8,105**	**3,805**	**-**	**912**	**12,822**

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	December 31, 2019 Face value	December 31, 2019 Carrying amount	December 31, 2018 Face value	December 31, 2018 Carrying amount
Loan from Kreos Capital V (UK) Ltd							
Facility 1	EUR	10.00%	2018-2021	15,000	8,105	15,000	12,110
Facility 2	EUR	10.00%	2019-2022	5,000	3,805	5,000	4,562
Loan from Hospira Inc.	USD	1.50%	undefined	-	-	23,775	9,609
Loan from University Montreal	USD	3.50%	undefined	912	912	863	863
				20,912	**12,822**	**44,638**	**27,144**

Secured Loan from Kreos Capital V (UK) Ltd

In August 2017, the Company entered into a debt financing agreement with Kreos Capital V (UK) Ltd ('Kreos') for a total amount of 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 EUR1,755 thousand, interest payments of EUR1,083 thousand and loan repayments of EUR4,677 thousand. This first tranche will be repaid in 36 equal installments until May 2021. The second tranche will be repaid in 36 equal monthly installments from until October 2021.

In July 2018, the Company entered into a second debt financing agreement with Kreos for a total amount of EUR20.0 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 EUR656 thousand interest payments of EUR385 thousand on the first tranche and a loan repayment of EUR1,028 thousand. This first tranche of Facility 2 will be repaid in 36 equal installments until April 2022. Kiadis issued 41,212 warrants to Kreos in relation to facility 2, refer to note 11.

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

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 us 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 we breach any of our covenants or an event of default becomes applicable, Kreos may require us 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's 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 US$24.5 million had been judged as a loan. The loan bears a contractual interest rate of 1.5% per annum and the conditional payment obligations are dependent on the commercial sale derived from the Theralux platform the Company only used for the ATIR platform or from a sub-license to the Theralux platform. For this financial liability, the Company had to make significant judgments and estimates previously about future cash flows towards Hospira Inc. Due to the decision to terminate all ATIR activities, the repayment of the outstanding amount is remote. The Company reduced the outstanding loan balance as of December 31, 2019 to zero.

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 $750,000, 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 that amounted to EUR0.9 million as at December 31, 2019. 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 is remote due to the cancellation of the ATIR platform. Full repayment of the loan and the interest applicable remains due upon undergoing a change of control.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Deriatives (assets) / Liabilities		Equity			
(Amounts in EUR x 1,000)	Loans and borrowings	Finance Lease liabilities	Derivatives	Employee Benefits	Share Capital/ Premium	Warrant Reserve	Accumulated deficit	Total
Balance at January 1, 2019	**27,144**	**6,288**	**-**	**-**	**182,987**	**392**	**(139,533)**	**77,278**
Changes from financing Cash flows								
Proceeds from issue of shares	**-**	-	-	-	**27,631**	-	-	27,631
Payment of share issue costs	-	-	-	-	(2,299)	-	-	(2,299)
Proceeds from exercise of options	-	-	-	-	219	-	(69)	150
Proceeds from exercise of warrants	-	-	-	-	-	-	-	-
Proceeds from loans and borrowings								
- Value of issued warrants	-	-	-	-	-	-	-	-
- Transaction cost	-	-	-	-	-	-	-	-
Changes from financing Cash flows	**-**	**-**	**-**	**-**	**25,551**	**-**	**(69)**	**25,482**
Effect of changes in foreign Fx	**377**	**-**	**-**	**-**	**-**	**-**	**-**	**377**
Changes in Fair value	**(10,803)**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,803)**
Other Changes								
Liability related								
Payment of interest	(1,468)	-	-	-	-	-	-	(1,468)
Repayment of loans and borrowings	(5,705)	-	-	-	-	-	-	(5,705)
Interest accrued	3,277	517	-	-	-	-	-	3,794
Payment of finance lease liabilities	-	(1,350)	-	-	-	-	-	(1,350)
Total Other - Liability related	**(3,896)**	**(833)**	**-**	**-**	**-**	**-**	**-**	**(4,729)**
Total Other - Equity related	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	12,822	**5,455**	**-**	**-**	**208,538**	**392**	**(139,602)**	**87,605**
Loss for the period	-	-	-	-	-	-	(52,635)	(52,635)
Other non cash movements								
- New finance leases	-	2,395	-	-	-	-	-	2,395
- Share based payments	-	-	-	-	-	-	3,237	3,237
- Issuance shares through business combinations	-	-	-	-	14,458	-	-	14,458
Balances at December 31, 2019	**12,822**	**7,850**	**-**	**-**	**222,996**	**392**	**(189,000)**	**55,060**

14. LEASE LIABILITIES

	December 31, 2019	December 31, 2018
Non-current lease liabilities		
Lease liabilities related to buildings	6,615	5,255
	6,615	**5,255**

	December 31, 2019	December 31, 2018
Current lease liabilities		
Lease liabilities related to buildings	1,235	1,033
	1,235	**1,033**

The headquarters are located at Paasheuvelweg 25A in Amsterdam, the Netherlands, where we lease 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 will become 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. This occurred for the first time on January 1, 2019. These adjustments of the lease payments have not been included in the present value calculations of the lease liabilities as at January 1, 2018.

In May 2019 the Company entered into an agreement for the lease of facilities at a production facility in Ulm, Germany and as of June 1, 2019 the Company rents additional office space at its headquarters in Amsterdam.

Due to the change is strategy the company announced in November 2019, the lease contract for Ulm was terminated. The remaining lease terms are included in the provision for onerous contracts.

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

	Lease liabilities related to buildings	Total lease liabilities
Balance as at January 1, 2019	**6,288**	**6,288**
Remeasurement	175	175
New lease agreement	2,689	2,689
Cancelled lease agreement	(469)	(469)
Interest expense in the period	517	517
Lease payments		
– Interest paid	(503)	(503)
– Payment leases	(847)	(847)
Balance as at December 31, 2019	**7,850**	**7,850**

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

(Amounts in EUR x 1,000)	December 31, 2019	December 31, 2018
Maturity analysis of contracted undiscounted cash flows		
Less than one year	1,252	1,039
Between one and three years	2,433	1,846
Between three and five years	2,433	1,846
More than 5 years	4,054	3,691
Total undiscounted lease liabilities	**10,171**	**8,422**

The lease contract entered on June 1, 2019 contains a break option after 5 years which used would reduce the undiscounted lease liabilities with EUR1.5 million.

15. DERIVATIVES

(Amounts in EUR x 1,000)	2019	2018
Balance as at January 1,	**-**	**1,445**
Initial recognition upon issue	-	-
Changes in fair value included in 'finance income':		
- Gain from change in fair value	-	-
- Loss from change in fair value	-	589
- Warrants exercised	-	(2,034)
Reclassification to equity	-	-
Balance as at December 31,	**-**	**-**

In August and October 2017, the Company issued a total of 253,617 warrants to Kreos Capital V (UK) Ltd in connection with a new debt financing agreement. Since the exercise price of these warrants could be adjusted based on the subscription price of future financing events, these warrants did not meet the so-called fixed-for-fixed criteria and were classified as a derivative financial liability.

In September 2018, all 253,617 warrants were exercised and the Company released the derivative financial liabilities to equity. The fair value of these warrants was remeasured at the moment of exercise at EUR2.0 million and the corresponding change in fair value was charged to the income statement.

The Group has no derivative financial instruments embedded in contracts.

16. CONTINGENT CONSIDERATION

Amounts in EUR x 1,000)	2019
Balance as at January 1,	**-**
Acquisitions through business combinations	17,489
Change in fair value	(13,050)
Balance as at December 31, 2019	**4,439**
Current	3,142
Non-current	1,297
Total Contingent Consideration	**4,439**

The Group recognizes a contingent consideration related to the acquisition of CytoSen. Previous CytoSen's shareholders and former CytoSen's option received potential future consideration of additional 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.

As a result of a change in share price from June 5, 2019 to December 31, 2019 the contingent consideration decreased by EUR13,050 thousand to a total of EUR4,439 thousand through income statement (other net finance income). As of December 31, 2019 the contingent consideration would increase by EUR7.1 million to EUR11.6 million considering full achievement of all milestones based on the share price of December 31, 2019. Upon achieving milestones the share price is expected to increase which would further increase the contingent consideration considering full achievement of the remaining milestones. In 2020, the Company expects regulatory approval to start the K-NK002 NKREALM Phase 1/2 trial and subsequently to meet the first two milestones and issue 1.9 million shares during 2020. The Company classified EUR3.1 million as a short term liability.

If the share price were to increase with EUR1, the contingent consideration would increase to EUR6.7 million. If the share price decreases with EUR1 the contingent consideration would decrease to EUR2.2 million.

17. PROVISIONS

	Onerous contracts	Restructuring	Total
Balance as at January 1, 2019	**-**	**-**	**-**
Changes in 2019			
Provisions made during the year (note 21 and 22)	1,003	4,114	5,117
Provisions used during the year	(68)	(1,419)	(1,487)
Balance as at December 31, 2019	**935**	**2,695**	**3,630**

On November 12, 2019 the Company announced that the Company had completed a strategic portfolio review and had decided to change strategy and to focus all resources and investments on the NK-cell-therapy platform and programs. The Company withdrew the marketing authorization application and announced that the Company discontinued development of ATIR101, terminated our ongoing Phase III trial and that the Company would restructure the organization, resulting in a reduction the workforce. The Company recorded a provision for an amount of EUR3.6 million which are expected to be released before December 31, 2020.

18. TRADE AND OTHER PAYABLES

(Amounts in EUR x 1,000)	2019	2018
Suppliers	3,940	1,809
Salaries, bonuses, vacation and restructuring	2,495	1,226
Payroll tax and social premium contributions	796	337
Interest to be paid	46	65
Accrued clinical costs	729	787
Accrued manufacturing costs	1,295	139
Accrued audit fees	455	120
Accrued legal fees	115	35
Other	471	450
	10,342	**4,968**

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

19. REVENUES

No revenues were recorded in 2019 and 2018.

20. OTHER INCOME

No other income was recorded in 2019 and 2018..

21. EMPLOYEE BENEFITS

(Amounts in EUR x 1,000)	2019	2018
Wages and salaries	15,528	7,629
Compulsory social security contributions	1,647	767
Contributions to defined contribution plans	551	284
Equity-settled share-based payment	3,237	1,197
Cash-settled share-based payment	-	446
Restructuring expenses	4,114	-
Other employee benefits	410	158
Total	**25,487**	**10,481**

Headcount and Full Time Equivalents (FTEs)

(Amounts in EUR x 1,000)	2019	2018
Number of employees (headcount) as at December 31,		
Research & development positions	127	77
General & administrative positions	43	20
	170	**97**
Average FTEs during the year		
Research & development positions	99	72
General & administrative positions	36	18
	135	**90**

At the end of 2019, the Group employed 125 people in The Netherlands (2018:81), 24 persons in the United States of America (2018: 6), 18 people in Germany (2018: 8), and 3 in other European countries (2018: 2).

As at December 31, 2019, 57 research & development positions and 11 general and administrative positions included in the table above are included in the restructuring as a result of the cancellation of the ATIR project.

Share-based payments

The Group has a share option program in place that entitles employees to purchase shares in the Company. On December 31, 2019, a total of 2,292,452 share options with an average exercise price of EUR8.78 were issued and outstanding. On this date, 833,256 of these share options were exercisable.

Each of the option rights granted entitles the option holder to purchase one ordinary share. Option rights granted are conditional on the employee completing a pre-defined number of years of service ("the vesting period"). Each installment of the Company's graded vesting awards is treated as a separate share option grant. Consequently, the vesting periods for the individual installments of the Company's graded vesting awards vary between 1 and 3 years for options granted on or after July 1, 2016. Non-vested option rights forfeit if the employee ceases to be employed with the Company and lapse 10 years after the grant date.

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

For calculating the fair value of the employee share based options granted in 2019 and 2018 and of the Stock Appreciation Rights, the Hull and White option valuation model is applied. After stopping with the development of ATIR the Company changed its peer group to a peer group of companies in the same stage of product development. Parameters used in the model:

	For the year ended	
	December 31, 2019	December 31, 2018
Exercise price (in Euro), between	2.23 - 14.48	7.92 - 14.48
Expected volatilities, between	58% - 75%	60% - 61%
Risk-free interest rates, between	0% - 0.54%	0.35% - 0.54%
Exercise multiple	2	2
Dividend yield	Nil	Nil
Estimated forfeiture rates	0% - 10%	0% - 10%

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

	For the year ended			
	December 31, 2019		December 31, 2018	
	Average exercise price in EUR per share	Number of options	Average exercise price in EUR per share	Number of options
At January 1	**9.41**	**1,161,805**	**9.04**	**428,477**
Granted	8.11	1,855,928	9.90	485,500
Modified SARS	-	-	9.10	300,000
Forfeited	8.03	(668,548)	8.47	(42,172)
Exercised	5.93	(25,332)	12.35	(10,000)
Lapsed	10.45	(31,401)	-	-
At December 31	**8.78**	**2,292,452**	**9.41**	**1,161,805**

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

exercise price	Average exercise price (EUR per share 2019)	Average (EUR per share 2018)	Share options as at December 31, 2019	Share options as at December 31, 2018
2026	12.35	12.35	80,408	103,010
2027	8.88	8.46	502,295	579,296
2028	10.20	9.92	344,934	479,499
2029	8.18	-	1,364,815	-
	8.78	**9.41**	**2,292,452**	**1,161,805**

Cash-settled share-based payment expenses relate to stock appreciations rights (SARs) granted under the Kiadis Pharma 2017 stock appreciation right plan. SARS granted are conditional on the employee completing a pre-defined number of years of service ("the vesting period"). Each installment of these awards is treated as a separate grant. Consequently, the vesting periods for the individual installments of these awards vary between 1 and 3 years for SARS granted.

Under this plan 300,000 SARs were granted to Mr. Arthur Lahr, CEO of the Company, on April 4, 2017. On July 1, 2018, all 300,000 SARs were modified into 300,000 Options. On July 1, 2018 the liability for the amount of EUR986 thousand was released to equity. The exercise price of EUR9.10 and all other terms remained unchanged.

22. EXPENSES

(Amounts in EUR x 1,000)	2019	2018
Employee benefits (see Note 21)	25,487	10,481
Depreciation & impairment expense (see Note 5 and 6)	15,663	1,047
Restructuring (onerous contracts, see Note 17)	1,003	-
Facilities	1,079	854
Consultancy	13,384	5,189
Telecom & IT	624	198
Travel	2,506	875
Insurance	169	76
Clinical costs	4,100	2,220
Manufacturing	5,570	2,310
Other	3,649	1,951
Total operating expenses	**73,234**	**25,201**

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

(Amounts in EUR x 1,000)	2019	2018
Research and development expenses	43,043	17,468
General and administrative expenses	30,191	7,733
Total operating expenses	**73,234**	**25,201**

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

In 2019 research and development expenses increased by EUR25.6 million mainly caused by the increased clinical trial costs related to the ramp up of the Phase III study of ATIR101, and the increase of the work force that the organization experienced prior to the discontinuation of the ATIR activities. Following the June 2019 acquisition of CytoSen, research and development expenses also include costs associated with the development of K-NK002 and the other NK-programs that we acquired.

In 2019 general and administrative expenses increased by EUR22.5 million. Of this increase EUR13.2million is caused by the impairment loss on the intangible assets. These expenses are classified as general and administrative expenses as the impairment is not related to specific research and development work. The remaining increase is mainly due to increased headcount across all departments to support the continued growth of the company and consultancy expenses for business development, market access and a strategic project, including the acquisition of CytoSen.

As a consequence of the discontinuation of ATIR activities in November 2019 the Company incurred restructuring costs impacting research and development expenses as well as general and administrative expenses.

Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the Group and its subsidiaries, as referred to in Section 2:382a (1) and (2) of the Dutch Civil Code.

(Amounts in EUR x 1,000)	KPMG Accountants N.V.	Other KPMG network	Total KPMG
2019			
Audit of the financial statements	751	-	751
Other audit engagements	354	-	354
Tax-related advisory services	-	3	3
Other non-audit services	-	-	-
	1,105	**3**	**1,108**
2018			
Audit of the financial statements	179	-	179
Other audit engagements	548	-	548
Tax-related advisory services	-	4	4
Other non-audit services	-	-	-
	727	**4**	**731**

23. FINANCE INCOME AND EXPENSES

(Amounts in EUR x 1,000)	2019	2018
Finance income		
Interest income	-	-
	-	**-**
Finance expenses		
Interest Expense on bank loans and other debt	(3,496)	(3,841)
Interest Expense on Leases	(517)	(461)
	(4,013)	**(4,302)**
Other net finance income or (expenses)		
Net gain (loss) from changes in fair value	13,050	(589)
Net gain (loss) adjustments of loans	10,803	1,299
Net foreign exchange gain (loss)	823	(998)
	24,676	**(288)**
Net finance expenses	**20,663**	**(4,590)**

Finance expenses for bank borrowings and other debt include interest on third party loans for EUR3.3 million (2018: EUR3.7 million) and EUR0.2 million negative interest on outstanding cash and cash equivalents (2018 EUR0.2 million).

Net foreign exchange gain of EUR823 thousand in 2019 includes amongst others EUR444 thousand of realized (non-cash) Canadian dollar/euro exchange rate gain as a result of the impairment of goodwill and in-process R&D which was accounted for in Canadian dollars. The net foreign exchange gain includes unrealized (non-cash) exchange loss of EUR359 on the loan from Hospira Inc denominated in US dollars and a gain of EUR768 thousand on an intra-group loans denominated in Canadian dollars. The net gain from changes in fair value of EUR13.0 million in 2020 relates to a change in the contingent consideration (2018: net loss EUR0.6 million), refer to note 4 Business Combinations.

The change in strategy and restructuring in 2019 resulted in a financial gain due to the full reduction of the Hospira loan for the amount of EUR10.8 million. Finance income for the year 2018 included EUR1.3 million from the adjustment of the carrying value of the loan from Hospira Inc, see also note 13 'Loans and Borrowing'.

24. INCOME TAX EXPENSE IN THE INCOME STATEMENT

(Amounts in EUR x 1,000)	2019	2018
Current tax expense		
Current year	64	10
	64	**10**
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Reduction in tax rate	-	-
Recognition of previously unrecognized tax losses	-	-
Changes in recognized deductible temporary differences	-	-
Changes in recognized taxable temporary differences	-	-
	-	**-**
Tax expense	**64**	**10**

The Groups Tax Strategy is to ensure that transfer pricing is aligned with the Key Entrepreneurial Risk-Taking functions, and to justify that support functions such as contract R&D, contract manufacturing and other administrative support are remunerated with a fixed profit (e.g., cost plus). Following the functions performed, the Dutch fiscal unity already acts as the entrepreneur. Current year tax expense mainly relates to subsidiaries in Germany and USA.

(Amounts in EUR x 1,000)	2019	2018
Reconciliation of effective tax rate		
Loss before income taxes	**52,572**	**29,791**
Tax using the Company's domestic tax rate (25.0% for both years)	(13,143)	(7,448)
Effect of tax rates in foreign jurisdictions	(1)	(70)
Tax exempt income	-	-
Non-deductible expenses	3,146	850
Tax incentives	-	-
Current year losses for which no deferred tax asset is recognized	10,062	6,678
	64	**10**

25. EARNINGS PER SHARE

Basic earnings per share

(Amounts in EUR x 1,000)	2019	2018
Loss attributable to owners of the Company	**(52,635)**	**(29,801)**
Issued ordinary shares at January 1	24,341,410	17,287,397
Effect of shares issued for cash	2,165,986	2,874,247
Effect of warrants exercised	-	288,754
New shares upon acquisition through business combinations	868,758	-
Equity-settled share-based payments	17,288	-
Weighted-average number of ordinary shares at December 31	27,393,442	20,450,398
Basic earnings per share (EUR)	**(1.92)**	**(1.46)**

The calculation of basic earnings per share for the year ended December 31, 2019 has been based on the loss attributable to ordinary shareholders of EUR52,635 thousand (2018: EUR29,801 thousand) and a weighted-average number of ordinary shares outstanding during the year of 27,393 thousand (2018:20,450 thousand).

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

Diluted earnings per share

(Amounts in EUR x 1,000)	2019	2018
Weighted average number of ordinary shares (basic)	27,393,442	20,450,398
Effect of share-based payments (share options)	-	-
Effect of warrants outstanding	-	-
	27,393,442	**20,450,398**
Diluted earnings per share (EUR per share)	**(1.92)**	**(1.46)**

The calculation of diluted earnings per share for the year ended December 31, 2019, has been based on the loss attributable to ordinary shareholders of EUR52,635 thousand (2018: EUR29,801 thousand) and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares 2,292,452 dilutive options on ordinary shares were outstanding (2018: 1,161,805). These options have been awarded as share-based payments to the Management Board (see also Notes 21 Employee Benefits and 29 Related Parties) and Kiadis employees.

On December 31, 2019, an aggregate number of 116,293 dilutive warrants on ordinary shares were outstanding (2018: 116,293).

Both stock options and warrants were excluded from the diluted weighted average of ordinary shares calculation because their effect would have been anti-dilutive. As a result, diluted earnings per share equals basic earnings per share.

26. FINANCIAL INSTRUMENTS

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

The Company is responsible for implementing and evaluating policies which govern the funding, investments and any use of derivative financial instruments. The Company monitors risk exposure on an ongoing basis.

Capital management

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

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Kiadis Pharma currently has no regular sales and therefore no substantial amounts outstanding with customers. As such, customer related credit risks are not considered to be of significant influence on the Group.

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

Liquidity risk analysis

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

The Company is dependent on the issuance and sale of equity and debt securities, debt financing arrangements and other funding sources, to continue financing its operations and to proceed with the Company's current plans for clinical development and research.

If the Company is not be able to generate sufficient funds it will reduce further the scope of, eliminate or divest clinical programs, partner with others or divest one or more of its activities, and consider other cost reduction initiatives, such as withholding initiation or expansion of clinical trials or research, and slowing down patient recruitment of clinical trials. It may ultimately go into insolvency.

A debt repayment schedule and possible consequences of a breach of covenants are included in Note 13 Loans and Borrowings. Also refer to the Going concern assessment in Note 2.1 for an explanation of how the Group assessed its short-term obligations.

Exposure to interest rate risks

The effective interest rate on short-term bank deposits was negative 0.43 % on average for 2019 (2018: negative 0.35%). An increase of 25 basis points in interest rates would have increased equity and profit by EUR127 thousand (2018: EUR113 thousand). A decrease of 25 basis points in interest rates would have decreased equity and profit by EUR127 thousand (2018: EUR113 thousand).

Exposure to foreign currency risk

The Company's functional currency is the euro (symbol: EUR). The functional currency of the Dutch, German, Spanish, French, Italian and Belgium subsidiaries is also the euro. The functional currency of the Canadian subsidiary is the Canadian dollar. The functional currency of the US subsidiaries is the US dollar. After the acquisition of CytoSen the activities in USD increased resulting in an increased exposure of the foreign currency risk.

The Group operates primarily via its Dutch entities, but also conducts business in North America. The Group has therefore expenses denominated in the Canadian dollar and the US dollar in connection with, among other things, its sponsored trials, process development, loans, and the maintenance of its intellectual property portfolio. Group entities may also have intercompany balances and loans denominated in other currencies than their functional currency.

The Group's euro-denominated consolidated reported financial results can be affected by changes in the relative values of the Canadian dollar and the US dollar against the euro. Fluctuations in currency values also distort period-to-period comparisons of financial performance. Also given the high volatility of currency exchange rates, there can be no assurance that the Group will be able to effectively manage its currency risk to minimize the impact on its business. The Group's exposure to foreign currency translation gains and losses may change over time if it expands its operations and could have a material adverse effect on the Group's business, results of operations or financial condition. The Group currently does not engage in any hedging activities to limit its exposure to exchange rate fluctuations.

A strengthening of the Canadian and US dollar against the euro at December 31, 2019 of 5% would have increased equity by EUR982 thousand (2018: 26 thousand) and results in a higher loss for the year of EUR226 thousand (in 2018: 25 thousand lower loss for the year). This analysis is based on foreign currency exchange rates that the Group considered to be reasonably possible at the end of the reporting period. All other variables are considered to remain unchanged.

Fair values

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

	Carrying amount				Fair value			
	Non-current assets	Current assets						
(Amounts in EUR x 1,000)	Non-current financial assets	Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	level 3	Total
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**	**-**	**-**	**-**	**-**
December 31, 2018								
Financial assets not measured at fair value								
VAT and other receivables	-	729	-	729	-	-	-	-
Cash and cash equivalents	-	-	60,314	60,314	-	-	-	-
	-	**729**	**60,314**	**61,043**	**-**	**-**	**-**	**-**

	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities						
(Amounts in EUR x 1,000)	Other liabilities	Loans and borrowings	Trade and other payables	Loans and borrowings	Total	Level 1	Level 2	level 3	Total
December 31, 2019									
Financial liabilities measured at fair value									
Contingent Consideration	4,439	-	-	-	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	-	-	-	-
	4,439	**912**	**10,342**	**11,910**	**27,603**	**-**	**-**	**-**	**-**
December 31, 2018									
Financial liabilities measured at fair value									
Contingent consideration	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
Loan from Kreos Capital V (UK) Ltd:									
- Facility 1	-	7,740	-	4,370	12,110	-	12,110	-	12,110
- Facility 2	-	3,624	-	938	4,562	-	4,562	-	4,562
Loan from Hospira Inc.	-	9,609	-	-	9,609	-	-	9,609	9,609
Loan from University of Montreal	-	863	-	-	863	-	863	-	863
Trade and other payables	-	-	4,968	-	4,968	-	-	-	-
	-	**21,836**	**4,968**	**5,308**	**32,112**	**-**	**-**	**-**	**-**

27. CONTINGENCIES

NCH License Agreement

The Company obtained an exclusive 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 us or by any of our 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 (the "UCF License Agreement"). The UCF License Agreement expires upon the later of the expiration of the last valid claim in the licensed patents or, to the extent the licensed information and methods continue to be used, upon expiration of any (marketing) exclusivity granted by a regulatory authority for a licensed product in a particular country.

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 the 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 from any third parties in connection with sublicenses the Company grants to such third parties. 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.

28. COMMITMENTS

(a) Lease of premises

The future aggregate minimum lease payments commitments are as follows:

(Amounts in EUR x 1,000)	2019	2018
Less than one year	799	555
Between one and five years	2,288	2,063
More than 5 years	1,768	2,049
	4,855	**4,667**

The commitments as at December 31, 2019 in the table above, relate to services to be received under non-cancellable lease contracts for buildings. The lease contracts relate to a commercial manufacturing facility, laboratories and office space in Amsterdam. Following the early adoption of IFRS 16, the payments for the lease components in both new and existing lease contracts are recognized in the statement of financial position.

(b) Capital commitments

In December 2019, the Group entered into various contracts with services and products to be delivered in 2020 for a total amount of approximately EUR1.0 million (2018: EUR4.5 million) incl. approx. EUR1.0 million commitments to be paid in the first year and the remainder within no more than 5 years. EUR0.7 million relates to the development of our NK platform and EUR0.3 million relates to General and Administrative functions.

29. RELATED PARTIES

TRANSACTIONS WITH RELATED PARTIES WITH A SIGNIFICANT INFLUENCE OVER THE GROUP

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

MANAGEMENT BOARD AND SUPERVISORY BOARD

(a) Management Board salary, bonus and other emoluments

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

The Management Board included in the table below relates to three members (Chief Executive Offer (CEO), Chief Financial Officer (CFO), and Chief Scientific Officer (CSO) who were in office during the years 2019 and 2018. Mr. Robbert van Heekeren resigned as Chief Financial Officer and as member of the Management Board effective October 1, 2018. On March 29, 2019, the shareholders approved the appointment of Mr. Scott Holmes, Chief Financial Officer, as a member of the Management Board. Mr. Scott Holmes left the organization as Chief Financial Officer as of December 31, 2019.

(Amounts in EUR x 1,000)	2019	2018
Salaries and other short-term employee benefits	607	586
Pensions	15	14
Share-based payment	935	763
Social securities	30	18
Other emoluments	396	-
Total	**1,983**	**1,381**

The table below shows the remuneration received by the individual members of the Management Board for the year ended December 31, 2019.

Management Board							2019
Amounts in EUR	Base salary	Cash bonus	Share-based payment	Pension contributions	Social security costs	Other benefits	Total remuneration
Mr. Arthur Lahr	343,333	-	934,583	8,122	10,682	-	1,296,720
Mr. Scott Holmes	263,510	-	-	7,144	19,650	396,474	686,778
	606,843	-	934,583	15,266	30,332	396,474	1,983,498

The other benefits for Mr. Scott Holmes contain an amount of EUR383K related to restructuring benefits.

(b) Supervisory Board salary and other emoluments

As of December 31, 2019, the Supervisory Board consisted of 6 Board members (2018: 6). Only independent board members receive compensation for their services.

	2019	2018
Remuneration	178	120
Share-based payment	202	-
Total	**380**	**120**

The table below shows the remuneration received by the individual members of the Supervisory Board for the year ended December 31, 2019.

Supervisory Board							2019
Amounts in EUR	Base salary	Cash bonus	Share-based payment	Pension contributions	Social security costs	Other benefits	Total remuneration
Mr. Mark Wegter	-	-	-	-	-	-	-
Mr. Martijn Kleijwegt	-	-	-	-	-	-	-
Dr. Otto Schwarz	45,000	-	50,375	-	-	-	95,375
Mr. Subhanu Saxena	43,000	-	50,375	-	-	-	93,375
Dr. Robert Soiffer	35,000	-	50,375	-	-	-	85.375
Mr. Berndt Modig	55,000	-	50,375	-	-	-	105,375
	178,000	-	201,500	-	-	-	379,500

(c) Transactions of shares in the Company

No such transactions took place in 2019 and 2018.

(d) Options held in the Company

Share options held by the Management Board (including former members) are as follows:

	Number of share options held as at December 31, 2019	December 31, 2018		
Mr. Arthur Lahr	300,000	300,000	9.10	Granted April 4, 2017 as SARS, exchanged for options on July 1, 2018 with the same conditions. Vesting dates April 4, 2018, April 4, 2019 and April 4, 2020. Expiration date April 4, 2027.
Mr. Arthur Lahr	75,000	75,000	9.51	Granted July 1, 2018. Vesting dates July 1, 2019, July 1, 2020 and July 1, 2021. Expiration date July 1, 2028.
Mr. Arthur Lahr	280,000	-	8.62	Granted April 1, 2019. Vesting dates April 1, 2020, April 1, 2021 and April 1, 2022. Expiration date April 1, 2029.
Mr. Robbert van Heekeren	-	22,602	12.35	Granted July 1, 2016. Vesting dates July 1, 2017, and July 1, 2018. Expiration date July 1, 2026.

30. SUBSEQUENT EVENTS

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 (refer to note 5 Property, Plant and Equipment). The annual lease payments will be reduced by EUR0.2 million.

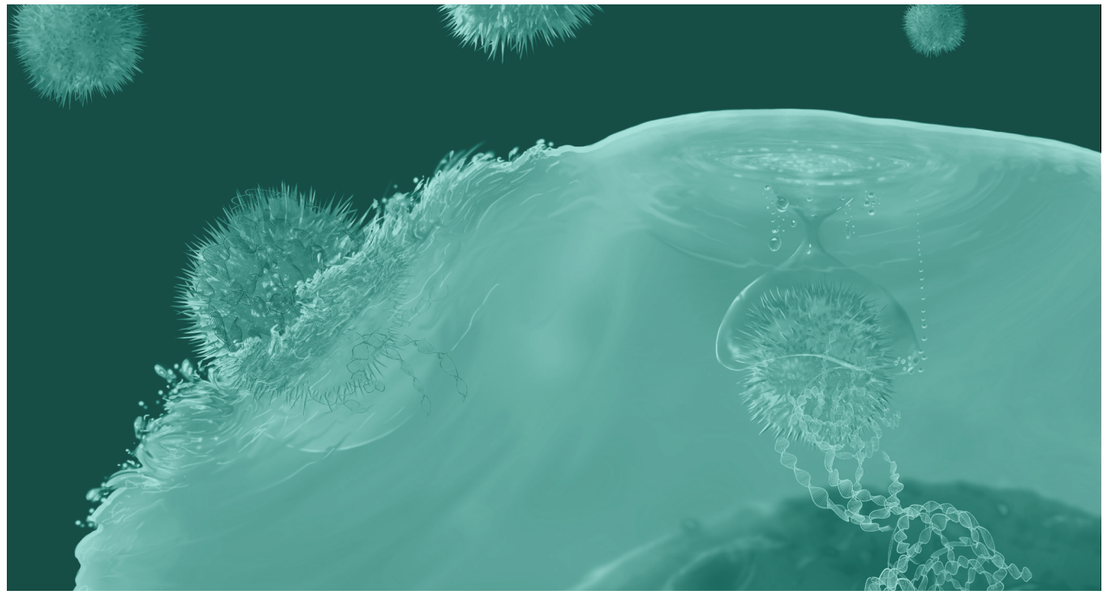
On April 1, 2020, subject to further conditions including renewed vesting, certain options previously granted to active eligible employees not being members of the Management Board were cancelled with new options granted as per that same date at the following exchange ratio: 1 new option for every option 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.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus continues to spread globally and has been declared a pandemic by the World Health Organization in 2020. The spread of COVID-19 has impacted the global economy and may impact the operations, including the potential interruption of the clinical trial activities, regulatory reviews and the supply chain.

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 impact of the coronavirus on capital markets already affects the availability, amount and type of financing and ultimately may impact the continuity of the Company, refer to note 2.1 on the going concern. There is no impact as of December 31, 2019 and the exact future financial impact for the Company at this time is difficult to estimate.

In April 2020, Kiadis announced two private placements totalling EUR 17 million with two healthcare-focused investors. Through these private placements, the investors receive approximately 10.5 million ordinary shares and approximately 5.25 million warrants, which can be exercised over a 5-year period. Both transactions are expected to be closed before May 4, 2020.

company financial statements



statement of financial position

(After appropriation of results, amounts in EUR x 1,000)	Note	As at December 31, 2019	As at December 31, 2018
ASSETS			
Property, plant and equipment		-	-
Financial non-current assets	1	25,031	12,478
Total non-current assets		**25,031**	**12,478**
Receivables and other assets	2	149	895
Cash and cash equivalents	3	27,175	59,238
Total current assets		**27,324**	**60,133**
Total assets		**52,355**	**72,611**
EQUITY			
Share capital		2,956	2,434
Share premium		220,040	180,553
Translation reserve		(132)	298
Warrant reserve		392	392
Accumulated deficit		(189,000)	(139,533)
Equity attributable to owners of the Company	4	**34,256**	**44,144**
LIABILITIES			
Loans and borrowings	6	912	21,836
Derivatives	7	-	-
Provisions		-	230
Contingent Considerations		1,297	-
Total non-current liabilities		**2,209**	**22,066**
Loans and borrowings	6	11,910	5,308
Contingent Considerations		3,142	-
Trade and other payables	8	838	1,093
Total current liabilities		**15,890**	**6,401**
Total liabilities		**18,099**	**28,467**
Total equity and liabilities		**52,355**	**72,611**

The Notes are an integral part of these consolidated financial statements.

statement of profit and loss

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2019	2018
REVENUE		**-**	**-**
Employment benefits	9	(4,464)	(2,363)
Social charges	9	(30)	(18)
Depreciation expenses	9	(13,169)	-
Other operating expenses	9	(2,866)	(3,626)
Total operating expenses		**(20,529)**	**(6,007)**
Operating loss		**(20,529)**	**(6,007)**
Share in results from participating interests	1	(53,153)	(20,663)
Interest income	11	586	558
Interest expenses	11	(3,498)	(3,841)
Other net finance (expenses) income	11	23,958	152
Net finance expenses		**(32,107)**	**(23,794)**
Loss before tax		**(52,635)**	**(29,801)**
Income tax expense		-	-
Loss for the period		**(52,635)**	**(29,801)**

The Notes are an integral part of these consolidated financial statements.

notes to the company financial statements

GENERAL INFORMATION

These company financial statements and the consolidated financial statements together constitute the statutory financial statements of Kiadis Pharma N.V. (hereafter: 'the Company'). The financial information of the Company is included in the Company's consolidated financial statements, as presented on pages 50 to 93.

On June 12, 2015, Kiadis Pharma N.V. was incorporated and became the parent of the Kiadis Pharma group of companies. The description of the Company's activities and the Group structure as included in the notes to the consolidated financial statements also apply to the Company financial statements.

BASIS OF PREPARATION

These company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of results for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, the company financial statements should be read in conjunction with the consolidated financial statements.

Information on the use of financial instruments and on related risks for the group is provided in the notes to the consolidated financial statements of the group.

All amounts in the company financial statements are presented in EUR thousand, unless stated otherwise.

FINANCIAL NON-CURRENT ASSETS

Participating interests are measured on the basis of the equity method and are reported net of non-current group receivables and intangible assets related to investments in subsidiaries. Goodwill paid upon acquisition of investments in group companies or associates is included in the value of the investment and is not shown separately on the face of the balance sheet. Participating interests with negative equity are reported under provisions. The Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

Refer to note 2.2 of the consolidated financial statements for an overview of the participating interest which are all fully owned by the Company.

Result from participating interests

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

CORPORATE INCOME TAX

The Company is the head of the fiscal unity including Kiadis Pharma Netherlands B.V., Kiadis Pharma Holding B.V. and Kiadis Pharma Intellectual Property B.V. The Company recognizes the portion of corporate income tax that it would owe as an independent taxpayer, taking into account the allocation of the advantages of the fiscal unity.

Settlement within the fiscal unity between the Company and its subsidiaries takes place through current account positions.

GOING CONCERN

See Note 2.1 Basis of Preparation of the consolidated financial statements.

1. FINANCIAL NON-CURRENT ASSETS

	2019	2018
Participating interests in group companies	**(123,889)**	**(101,940)**

The movements in participating interests can be shown as follows:

	Participating interests in group companies	
	2019	2018
Balance as at January 1	**(101,940)**	**(81,756)**
Changes		
Investments / (Divestments)	31,970	-
Share in result	(53,153)	(20,663)
Effect of changes in foreign exchange rates	(766)	479
Total changes	**(21,949)**	**(20,184)**
Balance as at December 31	**(123,889)**	**(101,940)**

In 2019 the Group underwent a restructuring, leaving Kiadis Pharma Holding B.V. as the sole subsidiary of Kiadis Pharma N.V. (see note 2.2 of the consolidated financial statements). All the subsidiaries of Kiadis Pharma N.V. were transferred to Kiadis Pharma Holding B.V. against the net asset value as of January 1, 2019 or the date of either incorporation or acquisition of the respective subsidiary during 2019.

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

	Participating interests in group companies
Participating interests as at December 31, 2019	**(123,889)**
Net value of subsidiaries in 2019	
Receivable due by group companies	148,920
Goodwill related to subsidiaries	-
In-process R&D related to subsidiaries	-
Provisions	-
Net financial non-current assets as at December 31, 2019	**25,031**

2. RECEIVABLES AND OTHER ASSETS

(Amounts in EUR x 1,000)	2019	2018
Intercompany Receivables	148,921	101,820
VAT receivables	33	100
Deferred expenses	116	795
Receivables and other assets	**149**	**895**

Receivables due by Group companies are included in financial non-current assets. VAT, other receivables and deferred expenses have an estimated maturity shorter than one year.

3. CASH AND CASH EQUIVALENTS

(Amounts in EUR x 1,000)	2019	2018
Cash at bank and in hand	27,175	59,238
Cash and cash equivalents	**27,175**	**59,238**
Bank overdrafts used for cash management purposes	-	-
Net cash as per balance sheet	**27,175**	**59,238**

4. EQUITY

See Note 11 of the consolidated financial statements.

5. DEFERRED TAX ASSETS AND LIABILITIES

See Note 12 of the consolidated financial statements.

6. LOANS AND BORROWINGS

All Loans and Borrowings of the Group are held by Kiadis Pharma NV, therefore see Note 13 Loans and Borrowings of the consolidated financial statements.

7. DERIVATIVES

All Derivatives were held by Kiadis Pharma NV, therefore see Note 15 Derivatives of the consolidated financial statements.

8. TRADE AND OTHER PAYABLES

(Amounts in EUR x 1,000)	2019	2018
Suppliers	229	391
Salaries, bonuses and vacation	-	93
Payroll tax and social premium contributions	9	8
Interest Payable	46	64
Payable to Group companies	3	347
Accrued audit fees	455	120
Accrued legal fees	56	25
Other	40	45
	838	**1,093**

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

9. EXPENSES

(Amounts in EUR x 1,000)	2019	2018
Employee benefits	4,464	2,363
Social charges	30	18
Depreciation & impairment expense	13,169	-
Consultancy	2,593	1,687
Telecom & IT	6	1
Travel	45	58
Insurance	88	32
Manufacturing	-	1,562
Other	134	287
Total operating expenses	**20,529**	**6,007**

In November 2019 the Group changed its strategy and decided to terminate all activity on the legacy platforms and programs including our Phase III patient-specific T-cell therapy program ATIR101. The goodwill (2018 EUR3,913k) and in-process research and development (EUR8,455k) related to the ATIR platform has been impaired to EUR nil. Refer to note 6 Intangible assets.

10. EMPLOYEE BENEFITS

The Company only employs Management Board members, therefore we refer to Note 29 Related Parties of the consolidated financial statements.

All costs of the Company and its subsidiaries, related to share based payments for the amount of EUR3,237 are accounted for in the Company (2018: EUR1,643).

11. FINANCE INCOME AND EXPENSES

(Amounts in EUR x 1,000)	2019	2018
Finance income		
Interest income	586	558
	586	**558**
Finance expenses		
Interest Expense on bank loans and other debt	(3,498)	(3,841)
	(3,498)	**(3,841)**
Other net finance income or (expenses)		
Net gain (loss) from changes in fair value	13,050	(589)
Net gain (loss) adjustments of loans	10,803	1,299
Net foreign exchange gain (loss)	105	(558)
	23,958	**152**
Net finance income and (expenses)	**21,046**	**(3,131)**

Finance income for the year includes EUR10.8 million (2018: EUR1.3 million) from the adjustment of the carrying value of the loan from Hospira Inc,. Finance expenses for bank borrowings and other debt include interest on third party loans for EUR3.5 million (2018: EUR3.7 million). The interest income of EUR586 thousand relates to intercompany positions within the group (2018: EUR558 thousand).

Also refer to note 13. Loans and Borrowing of the consolidated financial statements.

12. FINANCIAL INSTRUMENTS

See Note 26 Financial Instruments of the consolidated financial statements. The Company has no derivative financial instruments imbedded in contracts.

13. COMMITMENTS

As of January 1, 2016, the Company is the parent of the fiscal unity Kiadis Pharma N.V. in the Netherlands for both income tax and value added tax, and therefore liable for the liabilities of the fiscal unity as a whole.

Also refer to note 28 for the commitments of the Group.

14. EMOLUMENTS OF SENIOR MANAGEMENT

See Note 29 Related Parties of the consolidated financial statements.

15. SUBSEQUENT EVENTS

See note 30 Subsequent Events of the consolidated financial statements.

April 30, 2020

MANAGEMENT BOARD:

Arthur Lahr, Chief Executive Officer

SUPERVISORY BOARD:

Mark Wegter, Chairman

Martijn Kleijwegt

Robert Soiffer

Berndt Modig

Otto Schwarz

Subhanu Saxena

other information

PROVISIONS OF ARTICLES OF ASSOCIATION IN RESPECT OF RESULT APPROPRIATION

As per Article 21 of the Company's articles of association, the Management Board shall determine, subject to prior approval of the Supervisory Board, which part of the profits, if any, shall be added to the Company's reserves. Any remaining profits are at the disposition of the shareholders' meeting.

PROPOSED APPROPRIATION OF THE NET LOSS FOR THE YEAR

The Management Board proposes that the loss for the year of EUR52,635 thousand will be charged to accumulated deficit. This proposal is reflected in the financial statements.

independent auditor's report

Please find the independent auditor's report from KPMG attached to this annual report.

Independent auditor's report

To: the Annual General Meeting of Shareholders and the Supervisory Board of Kiadis Pharma N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of Kiadis Pharma N.V. as at December 31, 2019 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying company financial statements give a true and fair view of the financial position of Kiadis Pharma N.V. as at December 31, 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2019 of Kiadis Pharma N.V. (the Company) based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at December 31, 2019;

2 the following consolidated statements for 2019: the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as December 31, 2019;

2 the company income statement for 2019; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Kiadis Pharma N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 2.1 of the consolidated financial statements which indicates that the company has insufficient cash and cash equivalents to meet their working capital requirements through the next twelve months and therefore depends on an equity financing, a non-dilutive financing or strategic transactions along with the uncertainties on capital markets caused by COVID-19 for realizing aforementioned transactions. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The appropriateness of the going concern assumption depends on management's assessment of the future economic environment and the company's future equity financing, a non-dilutive financing or strategic transactions. Our procedures to assess the appropriateness of management's assessment primarily consisted of:

- challenge and evaluation of the aforementioned management's assessment;
- discussion with management to evaluate its plans for future financing transactions and whether management's plans are feasible in the circumstances;
- corroborate management's future business plans and to identify potential contradictory information we, amongst others, read the board minutes and supervisory board minutes.

Furthermore, we have evaluated the situation and uncertainties as described in the aforementioned disclosure and consider the disclosure to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of COVID-19.

Audit approach

Summary

Materiality

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

— Materiality of EUR 216,000
— 0.5% of total expenses normalised for non-recurring items

Group audit

— 100% of total assets
— 100% of total expenses

Key audit matters

— Classification of expenses in the statement of comprehensive income
— Accounting for significant business combination
— Discontinuation of ATIR and related restructuring

Opinion

Unqualified
— Material uncertainty related to going concern

Materiality

Based on our professional judgement, we determined the materiality for the financial statements as a whole at EUR 216,000 (2018: EUR 154,000). The materiality is determined with reference to total expenses normalised for non-recurring items (0.5%). We have excluded non-recurring expenses such as the impact of the abandonment of ATIR on the statement of other comprehensive income. Furthermore, we averaged the benchmark over two years to adjust for volatility. We consider total expenses normalised for non-recurring items as the most appropriate benchmark because this best reflects the nature of the entity being in the stage of developing a medicine. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 10,800 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Kiadis Pharma N.V. is at the head of a group of entities. The financial information of this group is included in the financial statements of Kiadis Pharma N.V.

When scoping our group audit we focused on the consolidated financial information of the whole group instead of the financial information of individual entities. By performing the procedures on the consolidated financial information, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section 'Summary' is therefore based on the procedures performed by the group engagement team on the group's financial information and covers 100% of total assets and 100% of total expenses.

Audit scope in relation to fraud

In accordance with the Dutch Standards on Auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with Management Board and Supervisory Board. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit.

In accordance with the auditing standards, we addressed the following presumed fraud risk that was relevant to our audit:

— fraud risk in relation to management override of controls

The presumed fraud risk with regard to revenue recognition is not considered applicable as the Company does not recognize revenue. However, we identified and addressed the following other fraud risk which could have a material impact on the financial statements:

— fraud risk in relation to classification of expenses in the statement of comprehensive income

Our audit procedures included an evaluation of the design and implementation of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. Refer to the respective key audit matter for additional procedures performed with regard to the fraud risk in relation to classification of expenses in the statement of comprehensive income.

In determining the audit procedures we made use of the company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident register/whistle blowing reports and follow up by management.

We communicated our risk assessment and audit response to the Management Board and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience, through discussion with Management Board and Supervisory Board and discussed the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations within our audit team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably:

— the Company is subject to laws and regulations that directly affect the financial statements, such as relevant tax laws and financial reporting standards and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items; and

— the Company is subject to other, sector specific, laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance if the Company's products don't meet regulatory standards for approval or fail to maintain patents. We identified the following areas of laws and regulation as those most likely to have such an effect: pharmaceutical and intellectual property laws and regulations.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiry of the directors, those charged with governance and other management and inspection of (board) minutes and regulatory and legal correspondence, if any. We considered the effect of actual or suspected non-compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We refer to the paragraph with regard to the 'material uncertainty related to going concern' section of our report.

Classification of expenses in the statement of comprehensive income

Description

There is a risk to inaccurately classify expenses as Research and Development ("R&D") within the statement of comprehensive income. The Company is a biotech start-up and R&D expenses are not capitalized until there is regulatory approval for a medicine. There is a risk of fraud related to the nature of the entity and the pressure management might feel to present an inflated amount of R&D expenses and a decreased amount of general and administrative expenses as these form a relevant ratio to investors.

Our response

Our audit procedures included, amongst others:

— evaluating the relevant controls surrounding the process;

— assessment of the appropriateness of the Company's accounting policies relating to the classification of R&D expenses and validate compliance with EU-IFRS;

— testing the Company's allocation to R&D expenses within the statement of comprehensive income in detail;

— evaluating key assumptions within the allocation through discussions with management and by reconciling to supporting documentation including consistent allocation with restructuring expenses;

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— critically assessing and challenging allocation key's used by management in the classification and the consistency of allocations compared to prior year;

— testing individual reclassifications between R&D and general and administrative expenses to supporting documentation.

Our observation

The results of our procedures performed on management's presentation for R&D expenses in statement of comprehensive income are satisfactory.

Accounting for significant business combination

Description

At June 5, 2019, the Company acquired 100% of outstanding shares of CytoSen Therapeutics Inc., an US domiciled private company founded in 2016 to further develop a natural killer (NK)-cell platform with broad anti-cancer potential. The total acquisition consideration of EUR 31.9M consisted of an upfront acquisition consideration of EUR 14.5M in shares and options of the Company and a deferred contingent consideration of up to 5.3M additional shares of the Company.

The Company assessed, with the assistance of third-party valuation specialists, the fair value of identifiable assets acquired and liabilities assumed by the acquiree. This assessment also included the determination of the classification and fair value of the purchase consideration, which includes shares issued, options issued, and contingent consideration.

This is included as a key audit matter because of the complexity of the fair value amount of the contingent consideration and related identifiable assets acquired and liabilities assumed.

Our response

Our audit procedures included, amongst others:

— considering the main processes and procedures in place at the company for acquisitions;

— building up our understanding of the transaction and the features relevant to the accounting by obtaining relevant documentation and make inquiries of management;

— evaluating the appropriateness of the allocation of the purchase price, classification of contingent consideration, and the fair values of the acquired assets and liabilities assumed, including intangible assets (IPR&D) and goodwill, in accordance with the requirements from IFRS-EU;

— assessing the appropriateness of and assumptions and judgements made to measure and assess the total acquisition consideration and the fair values of acquired assets and liabilities assumed in accordance with the requirement in IFRS-EU;

— involvement of valuation specialists in the evaluation of the appropriateness of the assumptions and methods used for the total acquisition consideration;

— evaluating the adequacy of the disclosures provided by the company in Note 4 in relation to its acquisition.

Our observation

The results of our procedures performed on management's accounting for this acquisition is satisfactory. Furthermore, we assessed the adequacy of the disclosure in Note 4 to the financial statements and found these to be appropriate.

Discontinuation of ATIR and related restructuring

Description

On November 12, 2019, the Company announced a strategy change based on a completed strategic portfolio review. This change resulted in a (total) focus of resources and investments on NK-cell therapy platform and programs. The Company withdrew the marketing authorization application and announced the discontinuation of the ATIR 101 development and terminated the ongoing Phase III trial. This lead to a restructuring of the organization, resulting in a reduction of the workforce. As a result, the Company recorded an impairment of goodwill, intangibles, and property, plant, and equipment, an adjustment to right-of-use assets and liabilities, a restructuring provision, and an adjustment to the carrying value of certain financial liabilities. This is included as a key audit matter due to the significance of the unusual transaction on the financial statements.

Our response

Our audit procedures included, amongst others:

— discussing and challenging the triggering event analysis of management in regards to the valuation of goodwill and intangibles and non-current assets. In particular, we focused on whether all relevant cash-generating units were identified and the completeness of factors included in the impairment of goodwill and in-process R&D analysis and amount recognized.

— evaluating whether the provision for termination benefit expenses and onerous contracts was complete and accurate.

— obtaining the approved restructuring plan by the Management Board and verified costs were recognized in the correct accounting period. This includes performing procedures on the completeness on the costs.

— assessing the completeness and accuracy of the adjustments to financial liabilities recorded as a result of the Company's change in strategy.

— evaluating the adequacy of the disclosures provided by the company in Notes 2, 5, 6, 9, 13, 14, and 17 in relation to its change in strategy.

Our observation

The results of our procedures performed on management's accounting for the discontinuation of ATIR and related restructuring is satisfactory.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board of Kiadis Pharma N.V. is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged as statutory auditor of Kiadis Pharma N.V., and its legal predecessors, since 2011. We were appointed by the General Meeting of Shareholders as auditor of Kiadis Pharma N.V. on June 24, 2019 for the audit of the financial statements of 2019.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and Supervisory Board of the Company for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing Kiadis Pharma N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate Kiadis Pharma N.V. or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing Kiadis Pharma N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

Amstelveen, April 30, 2020

KPMG Accountants N.V.

H.A.P.M. van Meel RA

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

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INVESTOR RELATIONS

Kiadis Pharma B.V.

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