KIADIS PHARMA | 2018 ANNUAL REPORT

advancing cell therapies for people with life-threatening diseases

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KIADIS PHARMA

Kiadis is re-imagining medicine by leveraging the natural strengths of humanity and our collective immune systems to source the best cells for life.

patient first

Our uncompromising approach to serve patients, their families and caregivers aims to minimize harm and maximize help – delivering personalized treatments for every single patient to offer hope, reduce suffering and provide new life.

Dear Shareholders,

2018 was a year of growth for Kiadis. As of December 31, 2018, we employed nearly 100 people, growth of more than 50 percent compared to year-end 2017. Our growing team, who are all grounded in the same principle of doing what is right for patients, is focused on two very important objectives:

1. Conducting the global phase 3 clinical study for ATIR101; and
2. Garnering EU approval and preparing to commercialize ATIR101 in the EU.

To ensure that we deliver on these objectives, we have added significant talent to our team across all areas of the organization. Our medical team has expanded with key hires in medical affairs in the US and EU, who are working to build awareness of Kiadis and ATIR101 as we continue to add sites for the phase 3 study; the medical and regulatory teams are also responsible for interacting with the EMA during the registration process for ATIR101. Our EU commercial team is growing under a new leader who joined Kiadis in the second half of 2018. This team is focused on developing dossiers to support reimbursement in the EU and developing the launch plan for ATIR101. And, finally, our operations team has also grown significantly as we work to establish our own manufacturing facility and patient-specific supply chain to ensure that we can meet our anticipated manufacturing needs for both the clinical study and the potential commercial demand for ATIR101 in the EU.

With the growth in staff and activities, we have also developed a need for more experience in both finance and human resources. In 2018, we appointed new heads of these functions to ensure that we pace our growth and remain competitive in the market. Should we receive approval in the EU for ATIR101 in 2019, our planned expansion for this year would exceed that of 2018.

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.

AT KIADIS, WE ALWAYS DO THE RIGHT THING:

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As we live these values, the culture of Kiadis should be one that attracts and retains top talent. Our uncompromising approach to serve patients, their families and caregivers aims to minimize harm and maximize help – delivering personalized treatments for every single patient to offer hope, reduce suffering and provide new life.

In our efforts to advance new therapeutics for patients with life-threatening diseases, in April 2019, we entered into a definitive agreement to acquire CytoSen Therapeutics, Inc., subject to shareholder approval and other customary closing conditions. The combination of Kiadis/CytoSen will create a leader in cell-based cancer immunotherapies, uniting NK-cell and T-cell therapy platforms. The unique combination of proprietary and synergistic cell therapy platforms has the potential to revolutionize HSCT, will enable Kiadis to create a pipeline with novel cancer treatments, and has the potential for novel science on NK/T-cell synergy.

As our company grows, we are all working to re-imagine medicine – leveraging the natural strengths of humanity and our collective immune system to source the best cells for life. I'd like to take this opportunity to thank our employees, partners and shareholders for their support and confidence as we continue this important work. We look forward to continuing this journey together to achieve our vision to improve the lives of patients suffering from life-threatening diseases.

Sincerely,

Arthur Lahr
Chief Executive Officer

VISION AND STRATEGY

Our vision is to leverage the strengths of the human immune system to help patients with life-threatening diseases as we build a fully integrated biopharmaceutical company. We aim to maximize the value of our first potential therapy, ATIR101, our proprietary cell-based immunotherapy platform being developed to help improve outcomes for blood cancer patients undergoing a haploidentical HSCT. Over time, we plan to expand our pipeline with development of ATIR for additional indications and/or through the in-license or acquisition of other cell therapy and haploidentical HSCT products, e.g. by the acquisition of Cytosen.

Our strategy to achieve this vision and long-term value creation is as follows:

- Obtain regulatory approval in the European Union for ATIR101 and launch at the end of 2019.
- Continue to advance the Phase III development of ATIR101 as a basis for regulatory approval in the United States
- Commercialize ATIR101 through our own supply chain and commercial organization
- Expand the use of ATIR within blood cancers and in other diseases of the blood and immune system
- Leverage our personalized cell-based immunotherapy platform to expand our suite of product candidates

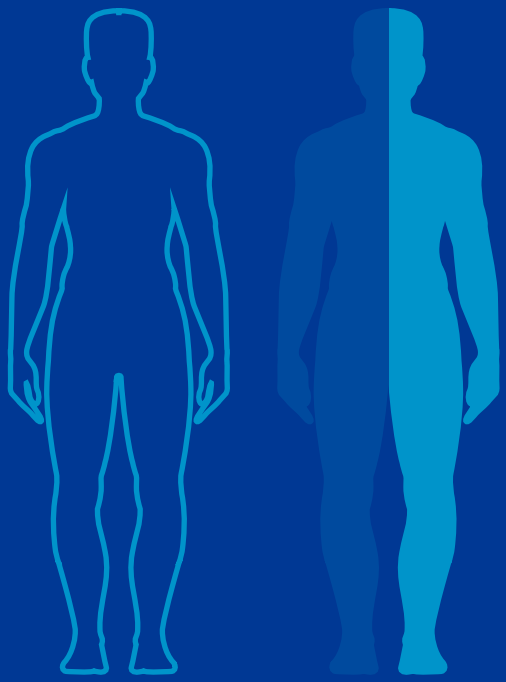
OPERATING HIGHLIGHTS

- During 2018 the organization has been strengthened across all functions, creating a robust team preparing to launch ATIR101 in 2019.
- The ATIR101 marketing authorization application (MAA) is under review by the EMA. The Company aims to obtain CHMP opinion in 2019, which, if positive, would enable a conditional marketing approval from the European Commission, followed by commercial launch of ATIR101 in a European country at the end of 2019.
- The global phase 3 trial for ATIR101, CR-AIR-009, is ongoing. The study, which will enroll approximately 250 patients, is comparing ATIR101 to the post-transplant cyclophosphamide (PTCy) or 'Baltimore' protocol.
- In April 2019, Kiadis entered a definitive agreement to acquire Cytosen, subject to shareholder approval and other customary closing conditions.

Allogeneic hematopoietic stem cell transplant:

Often the only potentially curative approach available to patients and their families.

Allogeneic HSCTs kills the diseased immune system of the patient and replaces with the healthy immune system of the donor.



Chemotherapy

Patients must achieve complete remission after chemotherapy to be eligible for an HSCT

Allogeneic hematopoietic stem cell transplant

>30,000 Allo HSCTs per year (US and EU)

We are initially developing our lead product candidate, ATIR101, for use in conjunction with haploidentical HSCT for adults with blood cancers to address key limitations of haploidentical HSCT.

Allogeneic Hematopoietic Stem Cell Transplantations (HSCT)

Allogeneic HSCT is a potentially curative therapy that replaces the diseased blood and immune system of a patient with healthy stem cells and immune cells from a donor. Prior to beginning an HSCT, patients receive high doses of chemotherapy to destroy cancer cells in order to make relapse less likely, and also destroys the patient's immune system in order to minimize the possibility of rejection of the donor graft. After this conditioning, the patient is given a graft of donor cells. The graft usually contains stem cells as well as mature leukocytes, such as T-cells, B-cells and NK cells. The stem cells migrate to the patient's bone marrow where they engraft and reconstitute the patient's immune system and the patient's red blood cells. The leukocytes help the donor stem cells engraft and can also immediately fight any residual tumor cells and infections. However, mature donor T-cells may have a severe and potentially life threatening adverse effect on patients as they are the main cause of graft vs. host disease (GVHD).

Of the allogeneic HSCT treatments, approximately 85% involved patients with blood cancers and related conditions, which are malignancies of the bone marrow and immune system, in Europe in 2015 and the United States in 2016. For many blood cancers, an HSCT may be initiated for patients who are at high risk of cancer relapse or who relapsed after prior successful treatment with chemotherapy or immunotherapy. Over the past decades, the use of allogeneic HSCT has increased significantly, with availability of donors as the limiting factor.

Allogeneic HSCTs rely on donor stem cells. There are two main types of donors, fully matched and half matched. A related or unrelated donor is usually considered a fully matched donor if 10 out of 10 HLA molecules are the same, and partially matched if six or eight out of 10 HLA molecules are the same. Depending on family size, ethnicity and genetics, between 25% and 80% of patients who are eligible for HSCT will not find a fully or partially matched donor in time. In 2012, an estimated 13,500 patients eligible for a HSCT in the United States were not transplanted.

To address the lack of matched donors, new approaches have been developed to enable the use of genetically half-matched or haploidentical donors. The term "haploidentical" indicates that the donor shares at least half of the HLA molecules with the patient. Parents, children and many other family members are haploidentical. Because parents and children are typically highly motivated donors, an ability to use half-matched donors could make transplantation available to many more patients.

Depending on donor type and protocol, the average healthcare costs of allogeneic HSCT in the United States are estimated to be as high as $549,000 per transplant during the first year of treatment. The hospital charges for treatment of acute GVHD can be as high as $324,000 per patient, while the cost of chronic GVHD can be a multiple of this over the patients' lifetime.

We are initially developing our lead product candidate, ATIR101, for use in conjunction with haploidentical HSCT for adult blood cancers to address key limitations of haploidentical HSCT, without prophylactic immunosuppression and its associated mortality or morbidity. With ATIR101 as adjunctive treatment to a haploidentical T-cell depleted HSCT, we believe we can improve overall survival and non-relapse mortality of a haploidentical T-cell depleted HSCT without ATIR101, while retaining low GVHD and relapse rates.

ATIR101

Our lead program, ATIR101, is focused on helping improve outcomes for patients with blood cancers who are in urgent need of stem cell transplants. ATIR101 is a patient-specific T-cell therapy designed to be delivered following a HSCT, in order to support the patient's newly transplanted immune system before it becomes fully functional. We manufacture ATIR101 ex vivo from donor T-cells by selectively depleting harmful donor T-cells that can attack patient tissue and cause graph vs. host disease (GVHD), while retaining those T-cells that fight relapse and infections.

We believe that ATIR101 can improve haploidentical HSCT outcomes and treatment options, thereby enabling the use of haploidentical HSCT in a broader range of patient groups and a broader range of diseases of the blood or immune system. We believe that as therapies, like ATIR101, are approved, the number of patients receiving haploidentical HSCTs will increase significantly, as physicians move away from matched unrelated donor transplants due to the time and consequences of waiting to find a donor. We estimate that, over time, a substantial target population could potentially benefit from ATIR101 as an adjunctive therapy to haploidentical HSCT.

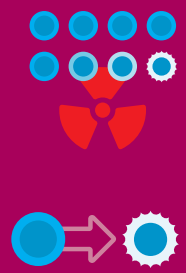
We are initially developing our lead product candidate, ATIR101, for use in conjunction with haploidentical HSCT for adult blood cancers to address key limitations of haploidentical HSCT, without prophylactic immunosuppression and its associated morbidity and mortality. Based on the positive results from our single dose Phase II CR-AIR-007 study, we submitted a marketing authorization application ("MAA"), to the European Medicines Agency ("EMA") in April 2017 for approval of ATIR101 as an adjunctive treatment in haploidentical HSCT for high risk adult hematological malignancies, and that application is currently under review. We expect a Committee for Medicinal Products for Human Use ("CHMP") opinion in 2019, which, if positive, would enable us to receive a conditional marketing approval from the European Commission, followed by commercial use of ATIR101 in a first patient in a European country at the end of 2019.

In December 2017, we commenced an international, multicenter, randomized and controlled Phase III clinical trial of ATIR101 against the PTCy protocol (post-transplant cyclophosphamide (PTCy) or 'Baltimore' protocol), the main protocol used to perform a haploidentical HSCT. The trial will be performed in 250 patients with acute leukemia and myelodysplastic syndrome ("MDS"), at approximately 50 sites in the United States, Canada, Europe and certain additional countries. The trial's primary endpoint is GVHD-Free and Relapse-Free Survival (GRFS), which is defined as survival without acute GVHD grade III/IV, without chronic GVHD requiring systemic immunosuppression, and without relapse, and is a composite endpoint widely used in HSCT trials that captures survival, quality of life and future prognosis. The first patient was enrolled in December 2017. An interim analysis of the composite primary endpoint is planned when at least 105 events of either graft-versus-host disease, relapse or death, and Kiadis estimates this interim analysis to occur in 2021 after completion of enrollment in the study.

If successful, we intend to use data from this Phase III trial as a basis for the filing of a Biologics License Application ("BLA") with the FDA. We also plan to use data from the Phase III trial to support the conversion of the anticipated conditional marketing approval of ATIR101 in Europe into a standard marketing approval. ATIR101 received regenerative medicine advanced therapy (RMAT) designation from the FDA in September 2017, which provides benefits that are materially equivalent to a breakthrough designation from the FDA. In addition, ATIR101 has been granted multiple orphan drug designations both in the European Union and the United States.

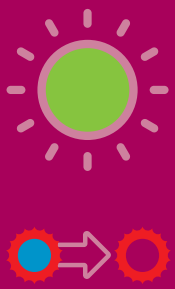
ATIR101 Manufacturing Process:

'Safe' T-cells Remain, Alloreactive T-cells Removed *Ex Vivo*

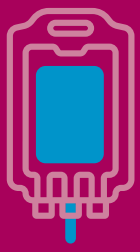


CAUSE GVHD BY MIXING DONOR IMMUNE CELLS WITH PATIENT MATERIAL, ACTIVATING ALLOREACTIVE CELLS

ADD LIGHT SENSITIVE COMPOUND THAT GETS TRAPPED IN ACTIVATED GVHD CAUSING CELLS



THEN KILL GVHD CAUSING CELLS WITH GREEN LIGHT, ATIR101 CONSISTS OF REMAINING 'SAFE' CELLS



ATIR101: INFUSE CELLS THAT PROTECT, PREVENT INFUSING CELLS THAT ATTACK; AVOID IMMUNOSUPPRESSANTS

The status of ATIR101 for adult blood cancers is as set forth in the table below.

**Filing completed in the European Union based on Phase II clinical data for conditional marketing approval.*

REGION	PHASE I	PHASE II	PHASE III	FILING	CATALYSTS	COMMERCIAL RIGHTS	COMMENTS
EU	*Orphan Drug Designation*				EU Approval '19 EU Launch: one patient, late '19	Kiadis Pharma	Received EMA Day 180 2nd List of Issues (9/2018)
US	*Orphan Drug & RMAT Designations*				Phase 3 interim read out ('21; 105 events)	Kiadis Pharma	RMAT 'breakthrough' designation (9/2017; FDA access, priority review, support)

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 risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, or our ability to develop and successfully integrate new assets and product programs into our business, can cause actual events, performance or results to differ significantly from any anticipated 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 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 forecasted 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 2018

2018 was a year in which we made significant progress as we continue on our journey to become a fully integrated biopharmaceutical company.

In 2018, we continued the procedure 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 October 2018, Kiadis received a second list of day 180 outstanding issues, to which we plan to respond by the end of May. We expect to obtain an opinion from the EMA in 2019, which if positive, would enable us to receive a conditional marketing approval from the European Commission. If we obtain conditional marketing approval, we intend to launch ATIR101 in selected countries in Europe at the end of 2019.

Our international randomized phase III study, comparing ATIR101 with the Post Transplant Cyclosphosphamide approach, continued in 2018. The study will enroll 250 adult blood cancer patients in approximately 50 sites in the US, Canada, Europe and Israel.

In 2018, we expanded our manufacturing and quality teams to ensure that we have adequate capacity to serve patients in the EU as well as patients enrolling in our global phase 3 study for ATIR101. We moved into our state of the art commercial manufacturing facility in Amsterdam that is perfectly suited for production of ATIR101, allowing in-house manufacturing.

During 2018 the organization has been strengthened across all functions creating a robust team as we prepare to launch ATIR101 in 2019. Dirk De Naeyer was appointed head of Supply Chain, Scott Holmes was appointed Chief Financial Officer, James Joy was appointed General Counsel, Mark Schaefer was appoint Chief Human Resources Officer, Jonathan Sweeting as head of Commercial Europe and Marcel Zwaal as head of Corporate Development. We also made several key appointments with a head of medical affairs US, head of medical affairs EU, and a head of market access EU as we build our commercial and medical affairs capabilities. Industry veterans Subhanu Saxena (former Novartis executive and Cipla CEO) and Otto Schwarz (former Actelion COO) were appointed to our Supervisory Board.

Financial Review 2018

(Amounts in EUR million, except per share data)	2018	2017	Change
Total revenue and other income	**-**	**-**	**-**
Total operating expenses	**(25.2)**	**(16.1)**	**(9.1)**
Research and development	(17.5)	(11.2)	(6.3)
General and administrative	(7.7)	(4.9)	(2.8)
Operating result	**(25.2)**	**(16.1)**	**(9.1)**
Net financial result	**(4.6)**	**(0.9)**	**(3.7)**
Net result	**(29.8)**	**(17.0)**	**(12.8)**
Net operating cash flow	**(24.2)**	**(15.9)**	**(8.3)**
Cash position at end of year	**60.3**	**29.9**	**30.4**
Equity	**44.1**	**15.9**	**28.2**
Earnings pershare before dilution (EUR)	**(1.46)**	**(1.14)**	**(0.32)**

Revenue & Other Income

The Group did not record revenue and/or other income in 2018 and 2017.

Operating Expenses

Operating expenses increased to EUR25.2 million in 2018 from EUR16.1 million in 2017, an increase of EUR9.1 million

Research and Development expenses increased to EUR17.5 million in 2018 from EUR11.2 million in 2017. Without the expenses for share-based compensation, Research and Development expenses increased to EUR16.6 million in 2018 from EUR10.9 million in 2017, an increase of EUR5.7 million. This increase was primarily caused by a further expansion of the workforce, clinical expenses, and the move to a larger building, which includes a commercial manufacturing facility, laboratories and office space.

General and Administrative expenses increased to EUR7.7 million in 2018 from EUR4.9 million in 2017. Without the expenses for share-based compensation, General and Administrative expenses were EUR3.0 million higher at EUR7.0 million in 2018 compared to EUR4.0 million in 2017 due to the expansion in workforce, higher consultancy expenses related to market access preparations and financing rounds.

Operating Results

As a result of the overall increase in total operating expenses, the Group's operating loss increased from EUR16.1 million in 2017 to EUR25.2 million in 2018.

Net Financial Result

Net finance expenses for 2018 increased to EUR4.6 million from EUR0.9 million in 2017. The increase of EUR3.7 million is mainly due to interest on outstanding debt for the amount of EUR 1.6 million, interest on leases of our new Amsterdam office in Amsterdam for the amount of EUR0.5 million in 2018, unfavorable results of net foreign exchange and fair value adjustment of derivatives in 2018 versus 2017 for the amount of EUR1.7 million and EUR0.6 million respectively.

Net Result

As a result of the above items, the loss for the year increased by EUR12.8 million to EUR29.8 million in 2018 versus a loss of EUR17.0 million in 2017. The undiluted loss per share for 2018 increased to EUR1.46 compared to EUR1.14 in 2017.

Cash Flows

Total cash and cash equivalents increased by EUR30.4 million from EUR29.9 million at year-end 2017 to EUR60.3 million at the end of 2018. This increase mainly results from the net proceeds of two share offerings for a total amount of EUR50.6 million and net proceeds from a new debt facility agreement (EUR20 million) of EUR4.8 million and the net cash proceeds from the exercise of warrants for the amount of EUR 2.9 million, the net operating cash outflow amounted to EUR24.2 million and further included the acquisition of PP&E, loan repayments of loans and lease liabilities for a total amount of EUR4.0 million.

Equity

The Company's equity position amounted to EUR44.1 million at year-end 2018 versus EUR15.9 million at the end of 2017, an increase of EUR28.2 million. The main drivers of this increase are net proceeds of two share offerings of EUR50.6 million in total, shares issued upon the exercise of warrants for EUR5.0 million, partly offset by the loss for the year of EUR29.8 million.

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 frst;
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2019 Outlook

For 2019, the Company aims to obtain EU regulatory approval for ATIR, treat the first patient commercially in the first EU country in 2019, and progress the global Phase 3 clinical trial for ATIR101 through the addition of sites participating in the study and the continued enrollment of patients.

The Company has incurred losses since its inception and expects to continue to incur losses for the foreseeable future. Based on the existing operating plan and in light of the proposed acquisition of CytoSen Therapeutics Inc., working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds, see also the Going concern in paragraph 2.1 of the financial statements.

The Company believes that the required additional funds after this can be raised, either by means of equity financing, non-dilutive financing or strategic transactions. To the extent the Company will raise capital by the issuance of additional shares, existing shareholders' interests in the Company will be diluted.

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, 2018, 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 2018;
- 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. The existing operating plan and in light of the proposed acquisition of CytoSen Therapeutics Inc., working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds which indicates the existence of a material uncertainty and which may cast significant doubt about the Company's ability to continue as a going concern, refer to paragraph 2.1 of the financial statements; 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, 2018, 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, 2019

Management Board

Arthur Lahr
Chief Executive Officer

Scott Holmes
Chief Financial Officer

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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, solely composed of executive directors, that manages the Company on a day-to-day basis and operates in the context of an Executive Committee, 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 2018 and Mr. Robbert van Heekeren, Chief Financial Officer, was a member until his resignation effective October 1, 2018. Mr. Lahr was appointed on April 4, 2017 for a period of four years and Mr. Van Heekeren was appointed upon incorporation of the Company in 2015 for a period of four years. Since January 1, 2019, Mr. Scott Holmes has served as the Company's Chief Financial Officer. He was appointed as member of the Management Board on March 29, 2019 for a period of four year.

Arthur Lahr – Mr. Lahr (50, Dutch) holds a master's degree in Applied Physics from the University of Delft, The Netherlands, and an MBA from INSEAD, Fontainebleau, France. Mr. Lahr also serves as a member of the supervisory board of Sanquin, the Dutch national plasma and blood product supplier.

Robbert van Heekeren – Mr. Van Heekeren (47, Dutch) holds a master's degree in Economics from Tilburg University, The Netherlands, and a master's degree in Industrial Engineering & Management Science from Eindhoven University of Technology, The Netherlands.

Scott Holmes – Mr. Holmes (44, 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. This distribution of tasks is part of the Rules of Procedure for the Management Board which can be found on the Company website. The functioning of and decision making within the Management Board 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 Committee

As per December 31, 2018, the Management Committee comprises the members of the Management Board, the Chief Operations Officer; the Chief Medical Officer; the Head of Investor Relations; the General Counsel & Corporate Secretary; the Chief HR Officer; the Head of Commercial Europe and the Head of Corporate Development. This ensures functional and operational expertise is present at the highest level in the organization. The members of the Management Committee (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. Martijn Kleijwegt, Dr. Robert Soiffer, Mr. Berndt Modig, Dr. Otto Schwarz and Mr. Subhanu Saxena. The first two members of the Supervisory Board were appointed upon incorporation of the Company in 2015 for a period of four years. 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. Mr. Stuart Chapman was a member of the Supervisory Board until his resignation as per June 4, 2018, when Dr. Schwarz replaced him. 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 with a maximum of three four-year terms.

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 of a 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 2018, the following remuneration for the Supervisory Board applied:

- annual fixed honorarium for each member: EUR 40,000;
- annual fixed honorarium for the Chairman: EUR 50,000; and
- no separate (additional) remuneration for membership/chair of the audit committee, remuneration committee or selection and appointment committee.

In addition, share options may be granted to members of the Supervisory Board subject to approval by the General Meeting.

On March 29, 2019, the Company's General Meeting approved an amended remuneration for the Supervisory Board, to be applied as of the financial year 2019. The amended remuneration is as follows:

Member: annual fixed honorarium:

(a) All members: EUR 35,000

(b) Additional for Audit Committee members: EUR 10,000

(c) Additional for Nomination and Remuneration Committee: EUR 8,000

Chairman: annual fixed honorarium:

(a) Additional for Supervisory Board chairman: EUR 25,000;

(b) Additional for Audit Committee chairman: EUR 10,000

(c) Additional for Nomination and Remuneration Committee chairman: EUR 7,000

Option grants:

The Company's General Meeting on March 29, 2019 approved the grant of 26,000 share options to each member of the Supervisory Board. These options were granted to the independent members of the Supervisory Board in April 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 amended 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 set out in the amended remuneration of the Supervisory Board.

Details of the actual remuneration of the Supervisory Board in 2018 can be found in Note 25 '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 het 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; and
- decisions of the Management Board involving a significant change in the Company's identity of character.

The Annual General Meeting is held within six months of 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 2018 the Annual General Meeting was held on June 4, 2018.

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.

Share Capital, Shares, Voting Rights and Substantial Holdings

On December 31, 2018 the Company's authorized share capital amounted to EUR 10,000,000, divided into 100,000,000 ordinary shares, each with a nominal value of EUR 0.10. On April 9, 2019, the Company's articles of association were amended and its authorized share capital increased to EUR 12,000,000 divided into 120,000,000 ordinary shares, each with a nominal value of EUR 0.10.

On December 31, 2018 the Company´s issued share capital amounted to EUR 2,434,141, divided into 24,341,410 ordinary shares, each with a nominal value of EUR 0.10.

The ordinary shares in the Company 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 share capital as per December 31, 2018:

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

Issue of Shares; Authorities 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; Authorities 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 4, 2018 this power was granted for a period of 18 months following June 4, 2018 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 general 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 general 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 interest of the Company and the sustainable success of its business, the Management Board and the Supervisory Board may decide to protect such interest 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 general 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 at http://www.kiadis.com.]

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 compliance with the Code are the following:

1. Best practice provision 2.1.1 – Profile

The supervisory board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address: (i) the desired expertise and background of the supervisory board members; (ii) the desired diverse composition of the supervisory board, referred to in best practice provision 2.1.5; (iii) the size of the supervisory board; and (iv) the independence of the supervisory board members. The profile should be posted on the company´s website.

The Supervisory Board has prepared a profile which is posted on the Company´s website, but this profile does not address the size of the Supervisory Board nor the desired diverse composition of the Supervisory Board in terms of nationality, age, gender and education. This provision was departed from as the overriding principles for the Company are (a) that the Supervisory Board should have a diverse composition of members with a valuable contribution to the Company in terms of experience and knowledge of the industry in which the Company is active, or other business knowledge, and (b) that the Company should have flexibility in attracting Supervisory Board members who will be able to provide such contribution to the Company, given its small size and specificity in terms of focus, strategy and stage of development. These overriding principles are shown by the new Supervisory Board members that have been appointed as of when the Company was listed at Euronext Amsterdam and Brussels in 2015 and who are diverse in nationality, age, educational background and work background.

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

2. Best practice provision 2.1.5 – Diversity policy

The supervisory board should draw up a diversity policy for the composition of the management board, the supervisory board and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, and education and work background.

The reasons for the departure from this provision in respect of the Supervisory Board are set out above in relation to best practice provision 2.1.1. The reason for this departure in respect of the Management Board and the Executive Committee is similar, in that the Company´s overriding principle is that the Management Board and Executive Committee should have a diverse composition with their members specifically having the necessary expertise, education and work background in the industry in which the Company is active and that the Company should have flexibility in attracting Management Board and Executive Committee members who will be able to provide a valuable contribution to the Company, given its small size and specificity in terms of focus, strategy and stage of development. This overriding principle is shown by the new members of the Executive Committee that joined the Company in 2018 and who are diverse in nationality, age, educational background and work background.

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

3. 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 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 comply with this best practice provision.

4. 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.

5. 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. In addition, the Supervisory Board has not drawn up a retirement schedule for itself yet. The reason is that it is the first term on the 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, 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.

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

6. Best practice provision 2.2.6 – Evaluation by the supervisory board

At least once per year, outside the presence of the management board, the supervisory board should evaluate its own functioning, the functioning of the various committees of the supervisory board and that of the individual supervisory board members, and should discuss the conclusions that are attached to the evaluation. In doing so, attention should be paid to: (i) substantive aspects, the mutual interaction and the interaction with the management board; (ii) events that occurred in practice from which lessons may be learned; and (iii) the desired profile, composition, competencies and expertise of the supervisory board.

The Supervisory Board did not evaluate its functioning and the functioning of its committees and its individual members in 2018 due to the Supervisory Board having been in a phase of transition as new (independent) members to the Supervisory Board were being selected to be nominated to the General Meeting in 2018.

However, the Supervisory Board does intend to comply with this best practice provision in respect of future years.

7. Best practice provision 2.3.1 – Supervisory board's terms of reference

The division of duties within the supervisory board and the procedure of the supervisory board should be laid down in terms of reference. The supervisory board's terms of reference should include a paragraph dealing with its relations with the management board, the general meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website.

The Supervisory Board's terms of reference do not yet contain a paragraph dealing with its relations with the employee participation body as there is no such body, nor with the Executive Committee.

The Company intends to comply with this best practice provision by the end of 2019.

8. 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.

9. 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.

10. 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. The amended remuneration included options being granted to the independent members 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 Executive Committee, 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 Executive Committee. The main amendments to be made included an option grant to the members of the Supervisory Board.

11. Best practice provision 4.2.3 – Meetings and presentations

Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.

Kiadis does not announce, for practical reasons, meetings with analysts and presentations to analysts and (institutional) investors, nor does Kiadis provide for shareholders to follow these meetings and presentations in real time. However, the presentation used by Kiadis for its meetings with analysts and (institutional) investors is the Company presentation that is posted on its website and regularly updated and which is therefore a public document.

Kiadis will have meetings with analysts and give presentations to (institutional) investors also shortly before the publication of its regular financial information, but such meetings and presentations will not regard such regular financial information.

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

12. 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 favour 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. In 2018 failings in the internal risk management and control systems were discovered. In the second half of 2018, the Company expanded the finance function and additional protocols, documentation and (risk management-) reporting tools are being put in place and expanded. It should be noted that our 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 departmental managers analyze in a continuous process 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 departmental managers 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 senior management 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 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 treasury, tax and 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.

Biotech Business Risks

We operate in a highly competitive and rapidly changing industry. If we are unable to compete effectively, our business, financial condition, results of operations and prospects could be materially adversely affected.

We operate in the highly competitive pharmaceutical and biotechnology industries. We seek to develop and market products that, if approved, will compete with drugs, medical devices and other therapies that currently exist or are being developed. We 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, Canada and other jurisdictions, as well as early-stage development companies that collaborate with larger competitors to bring novel products to the market. Our competitors or physicians have developed or may be developing alternative products or protocols for cancer and other indications into which we may expand, such as inborn diseases of the blood building system. Our competitors may have substantially greater financial, technological, manufacturing, marketing, managerial, regulatory and research and development resources and experience. Our competitors or physicians may also:

- develop and patent protocols, processes or products earlier than us;
- obtain regulatory approvals for competing protocols or products more rapidly than us;
- develop and commercialize protocols or products that are less expensive, safer, more effective or more convenient to administer than our products; and
- improve upon existing technologies or develop new or different therapies that render our products or technologies obsolete.

The pharmaceutical and biotechnology industries and clinical practice are characterized by rapid change and we expect competition to intensify as scientific, clinical or technical advances are made. These advances may render our products obsolete or noncompetitive. The emergence of a new standard of care in target markets may also result in our products becoming obsolete. Should any of these factors occur, our business, financial condition and results of operations could be materially adversely affected.

Commercialization and Market Risks

If Kiadis Pharma's products do not gain market acceptance by regulators, among physicians, patients, healthcare providers, healthcare payers or the medical community as a whole, Kiadis Pharma may not be able to achieve revenues and its business will be materially adversely affected.

Kiadis Pharma incurs and will incur substantial research and clinical development costs before it can confirm the scientific validity or commercial viability of a product. Even if the FDA, EMA, Health Canada or any other regulatory authority approves the marketing of ATIR, or any other products that Kiadis Pharma may develop, physicians, healthcare providers, patients or the medical community may not accept or use them. The degree of market acceptance of ATIR and any other products will depend on a variety of factors, including:

- the timing of market introduction;
- the number and clinical profile of competing products;
- Kiadis Pharma's ability to provide acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- cost-effectiveness;
- availability of coverage, reimbursement and adequate payment from health maintenance organizations and other insurers, both public and private;
- prevalence and severity of adverse side effects; and
- other potential advantages over alternative treatment methods.

If ATIR or any other products that Kiadis Pharma may develop fail to achieve market acceptance, Kiadis Pharma may not be able to generate sufficient revenue. As a result, Kiadis Pharma may be required to seek additional financing. In addition, Kiadis Pharma targets specific indications with discrete patient populations. Kiadis Pharma therefore may have to achieve significant market penetration in each target market and obtain relatively high prices for its products to achieve profitability. Kiadis Pharma may make substantial investments in clinical development and commercialization without any assurance that it will be able to attain significant market share at a price that would enable it to recover its investments. If Kiadis Pharma is unable to do so, its business, financial condition and results of operations would be materially adversely affected. The

pharmaceutical and biotechnology industries are characterized by rapid change and Kiadis Pharma expects competition to intensify as scientific, clinical or technical advances are made. These advances may render Kiadis Pharma's products obsolete or non-competitive. The emergence of a new standard of care in target markets may also result in Kiadis Pharma's products becoming obsolete. Should any of these factors occur, Kiadis Pharma's business, financial condition and results of operations could be materially adversely affected.

If Kiadis Pharma evolves from a company primarily involved in the clinical development of products to one also involved in the commercialization of products, Kiadis Pharma may encounter difficulties in expanding its operations successfully.

If Kiadis Pharma advances its products through clinical trials, it will need to expand its development, regulatory, marketing and supply chain capabilities or contract with third parties to provide these capabilities for it. Kiadis Pharma's ability to realize its commercialization strategy and manage any growth will require Kiadis Pharma to continue to recruit and train additional qualified personnel and make appropriate changes to its operational, financial and management controls. The expansion of its operations, including potential expansion into global markets outside of the European Union, the United States and Canada, may lead to significant costs, new challenges and risks and may divert the attention of Kiadis Pharma's management and Kiadis Pharma's business development resources. Any inability to manage anticipated growth and expanding operations could adversely affect its business, financial condition or results of operations.

If Kiadis Pharma fails to obtain adequate coverage and reimbursement from insurers, both public and private, commercially viable markets for its products may not develop or may be smaller than expected.

The commercial success of Kiadis Pharma's future products depends in part on whether third-party coverage and reimbursement will be available for the ordering of products by the medical profession for use by patients. In the United States, Medicare, Medicaid, health maintenance organizations and other insurers, both public and private, are increasingly attempting to manage healthcare costs by limiting both the coverage and the level of reimbursement of new products. As a result, they may not cover or provide adequate payment for Kiadis Pharma's products. In the European Union and other markets, Kiadis Pharma's ability to obtain coverage or reimbursement may be affected by laws governing public and private insurance and other factors. If these insurers, both public and private, do not view Kiadis Pharma's products as cost-effective, reimbursement may not be available to patients or may be insufficient to allow Kiadis Pharma's products to be marketed on a competitive basis. Legislative or regulatory efforts to reform government healthcare programs, changes to private coverage and reimbursement policies and cost containment initiatives could lower prices or reimbursement levels or result in rejection of Kiadis Pharma's products. Any of these factors could impair the development of a commercial market for Kiadis Pharma's products and its business, financial condition and results of operations could be materially adversely affected.

The duration and scope of Kiadis Pharma's patents and orphan drug indications may not be sufficient to effectively protect its products and business.

Kiadis Pharma's commercial success depends in part on obtaining and maintaining confidential know-how, current and future patent protection for its products and orphan drug market exclusivity. Patents have a limited lifespan. Even if additional patents covering Kiadis Pharma's product candidates are obtained, the expiration of a patent may leave Kiadis Pharma more vulnerable to competition from biosimilar or generic alternatives. Certain of Kiadis Pharma's issued patents relevant for ATIR or other aspects of Kiadis Pharma's technology have already expired, and others will expire in the coming years. Moreover, patents have a limited scope of protection. Kiadis Pharma's patents may provide protection for certain aspects of its products and business, but leave other aspects unprotected, as a consequence of which the technology protected by the patents is limited. Additionally, Kiadis Pharma's patents only cover a limited number of jurisdictions, and leave other jurisdictions uncovered, as a result of which the protection provided by the patents is geographically limited. While Kiadis Pharma has rights to patents relating to the Theralux technology, these patents would likely afford only limited protection and Kiadis Pharma does not rely on them to provide it with market exclusivity for is products. Orphan drug status confers market exclusivity upon the first product to receive marketing approval by the relevant market authorization authority for the market and entails the right to exclusively market the product for the specified disease, during a period of seven years in the United States and a

maximum of ten years for the European Union. To date, the Company has been granted orphan drug designations in the United States and in the European Union in respect of its ATIR products. There is however no assurance that Kiadis Pharma will be able to obtain or maintain market exclusivity for its products in indications that are important to its business. Once granted, exceptions to market exclusivity through orphan drug status may be granted to other applicants if Kiadis Pharma is unable to supply sufficient quantities of the product, or if a potential product based on the same compound of a second applicant is clinically superior.

Changes to the current regulatory frameworks governing orphan drugs may impact existing and future market exclusivities provided as a result of orphan drug designation. Even if Kiadis Pharma were to succeed in obtaining and maintaining market exclusivity through orphan drug status, the orphan drug regulations would not preclude competitors from developing or marketing different products for the same indications to which its products are directed, or from independently developing versions of Kiadis Pharma's products for different indications. If Kiadis Pharma fails to obtain or maintain market exclusivity for its products through orphan drug status, or if the commercial value of market exclusivity is diminished, its competitive position or financial and commercial prospects could be materially adversely affected.

Kiadis Pharma relies on third parties who exclusively license intellectual property rights relating to the Theralux platform to it. If any such exclusive license is terminated, Kiadis Pharma may be unable to commercialize and market the ATIR products.

Kiadis Pharma has an exclusive license for the exploitation of intellectual property rights relating to the Theralux platform granted by the University of Montreal and Maisonneuve-Rosemont Hospital. Under this license, Kiadis Pharma is required to, among other things, develop, obtain regulatory approval of, seek intellectual property protection for and commercialize products based on the Theralux technology. Kiadis Pharma's ability to comply with these requirements may be affected by factors including but not limited to the availability of financing, the current regulatory environment, the results of clinical trials, or physician and patient response to ATIR products. If a breach of certain important terms of the license were to occur and not be remedied, the licensors may assert their right to terminate the license. The loss of rights under this license could preclude Kiadis Pharma from further developing, commercializing and marketing ATIR and other products, which would have a material adverse effect on Kiadis Pharma's business, financial condition, results of operations and prospects.

Development Risks

Kiadis Pharma's future commercial potential depends on its ATIR products, in particular ATIR101. If Kiadis Pharma is unable to commercialize ATIR101, or experiences significant delays in doing so, its business, financial condition and results of operations would be materially adversely affected.

ATIR101 for leukemia is Kiadis Pharma's most advanced product in development and our only product in clinical testing. Kiadis Pharma's ability to generate product revenue in the future will depend significantly on the successful clinical development and commercialization of ATIR101. If the products that Kiadis Pharma is pursuing fail, it will have to develop, acquire or license new products. Any of Kiadis Pharma's products could be unsuccessful if it:

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

The results of the clinical trials to date cannot provide assurance that acceptable efficacy or safety will be shown upon completion of further clinical trials. If Kiadis Pharma is unable to make ATIR commercially available, or experiences significant delays in doing so, its business, financial condition and results of operations would be materially adversely affected.

Any delay in commencing or completing, or inconclusive or negative results from, clinical trials would harm Kiadis Pharma's ability to market a product, generate revenues and have a material adverse effect on its business, financial condition and results of operations.

Clinical trials are expensive and complex. They can take many years to complete and have uncertain outcomes. Kiadis Pharma estimates that clinical trials of ATIR will continue for a significant period of time. Failure of a product can occur at any stage of the testing and Kiadis Pharma may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent commercialization of Kiadis Pharma's products. These events include, but are not limited to:

- delays in securing clinical investigators or trial sites for Kiadis Pharma's clinical trials;
- delays in obtaining regulatory approval to commence or continue a clinical trial;
- slower than anticipated rates of patient recruitment and enrollment;
- negative results from clinical trials;
- the development of unforeseen side effects in patients or unforeseen safety issues;
- dosing issues;
- introduction of new therapies or changes in standards of practice or regulatory guidance that render Kiadis Pharma's clinical trial endpoints or the targeting of Kiadis Pharma's proposed indications obsolete;
- inability to monitor patients adequately during or after treatment or problems with investigator or patient compliance with the trial protocols; and
- inability to replicate in third-party or Kiadis Pharma's future studies the safety and efficacy data obtained from a limited number of patients in Kiadis Pharma's previous and ongoing trials.

If Kiadis Pharma suffers any significant delays, setbacks or negative results in its clinical trials or if Kiadis Pharma's clinical trials are terminated, it may be unable to continue development of its products and its development costs could increase significantly, which could have a material adverse effect on its business, financial condition and results of operations.

Regulation Risks

Our product candidates are subject to extensive regulation, which can be costly and time-consuming to comply with, and we may not obtain approvals for performing clinical trials or for the commercialization of any of our product candidates.

We are not permitted to perform clinical trials with or market any product until we receive approval from the appropriate regulatory authorities.

We must obtain prior approval for performing clinical trials with any product candidates and for commercializing any product candidates from the appropriate regulatory authority of each jurisdiction in which we wish to perform clinical trials with or market our products. We have not received marketing approval from any regulatory authority for any of our product candidates. Even if we receive conditional marketing approval in the European Union, the results generated from our ongoing Phase II and Phase III trials or future studies after approval could result in loss of marketing approval, changes in product labeling, and/or new or increased concerns about the side effects or efficacy of a product.

We invest substantial time and resources in preclinical studies, clinical trials, manufacturing and the preparation and submission of applications without any assurance that we will obtain regulatory approval or recoup our 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 the FDA or other regulatory approval will vary depending on the product candidate, the product's primary indication and the specific regulations and guidance documents applicable to any particular product candidate. The FDA, the EMA 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 product candidate for many reasons.

Regulatory approval of our clinical trials or product candidates 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 our business, financial condition, results of operations or prospects.

Operational Risks

Due to the Company's limited resources and access to capital, the Company must prioritize development of certain products and its decision to pursue these products may prove to be unsuccessful as they may never receive regulatory approval or achieve profitability.

Because Kiadis Pharma has limited resources and access to capital to fund its operations, Kiadis Pharma's management must make significant prioritization decisions on which products to pursue

and the amount of resources to allocate to each product. Kiadis Pharma's current development activities are focused on the clinical development of ATIR101. These and future decisions concerning the allocation of research, management and financial resources towards particular products 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 Kiadis Pharma to miss valuable opportunities. If Kiadis Pharma makes incorrect determinations regarding the market potential of its products or misreads trends in the biotechnology industry for cancer or non-cancer therapies, its business, financial condition and results of operations could be materially adversely affected.

Kiadis Pharma may in the future acquire businesses or engage in other transactions that could disrupt its operations.

Kiadis Pharma may selectively consider acquisitions (in addition to the proposed acquisition of CytoSen Therapeutics). Kiadis Pharma's valuation of any businesses or assets it acquires may prove incorrect and Kiadis Pharma cannot assure that it will realize the financial and strategic goals that were contemplated at the time of any transaction. Kiadis Pharma's due diligence reviews may fail to identify risks or problems, such as issues with the acquired company's product quality, clinical data or intellectual property position, unlicensed use of third-party intellectual property rights or regulatory violations. Acquisitions may result in significant write-offs and Kiadis Pharma may assume known and unknown contingencies related to product liability, intellectual property, financial disclosures, accounting practices, internal controls or other liabilities. Kiadis Pharma may also have tax exposures or lose anticipated tax benefits as a result of acquisitions or integration of merged entities.

Following an acquisition, Kiadis Pharma's ongoing business may be disrupted and Kiadis Pharma's management attention may be diverted by transition or integration issues. Kiadis Pharma may have higher than anticipated costs in continuing research and development of acquired products. If Kiadis Pharma is unable to successfully integrate acquisitions into its existing business, its relationships with current and new employees and strategic partners could suffer.

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

If third parties on which Kiadis Pharma depends to conduct its clinical studies and to manufacture certain of its products do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, Kiadis Pharma's development program could be delayed with materially adverse effects on its business, financial condition, results of operations and prospects.

Kiadis Pharma currently relies and may rely on contract manufacturing organizations for the (clinical) production of its products and related technologies. If any of Kiadis Pharma's current or future third-party suppliers fails to comply with applicable good manufacturing practices ("GMP") or other applicable manufacturing regulations, Kiadis Pharma's ability to develop and commercialize its products or product candidates could suffer significant interruptions. Clinical trials must be conducted with products that are GMP produced. Failure to comply with these regulations may require Kiadis Pharma to repeat pre-clinical and clinical trials, which would delay the regulatory approval process. If Kiadis Pharma were to experience an unexpected loss of supply of, or if any current or future supplier were unable to meet Kiadis Pharma's demand for, any of its products, it could experience delays in its research and development activities, planned clinical studies or commercialization of approved products. Kiadis Pharma could be unable to find alternative suppliers of acceptable quality who can deliver appropriate volumes at acceptable cost. The long transition periods involved in the change of manufacturers and suppliers, if necessary, would significantly delay Kiadis Pharma's clinical studies and the commercialization of its products. Kiadis Pharma also relies and may rely on contract research organizations ("CROs"), clinical data management organizations and consultants to design, conduct, supervise and monitor clinical studies. Kiadis Pharma and its CROs are required to comply with various regulations, including good clinical practices ("GCP"). If Kiadis Pharma or any of its CROs fail to comply with applicable requirements, the clinical data generated in Kiadis Pharma's clinical trials may be deemed unreliable and the FDA, EMA, Health Canada or other comparable foreign regulatory authorities may require Kiadis Pharma to perform additional clinical trials before approving its marketing applications. Kiadis Pharma cannot assure that upon inspection by a given regulatory authority, such regulatory authority will determine that any of its clinical trials comply with such requirements. If CROs do not successfully carry out their contractual duties or obligations or meet

expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to Kiadis Pharma's clinical protocols, regulatory requirements or for other reasons, Kiadis Pharma's clinical trials may be extended, delayed or terminated and Kiadis Pharma may not be able to obtain regulatory approval for or successfully commercialize its products in development. As a result, Kiadis Pharma's operations and the commercial prospects for its products in development would be harmed, its costs could increase and its ability to generate revenues could be delayed. If Kiadis Pharma cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of pre-clinical studies

or clinical trials or meet expected deadlines, Kiadis Pharma's clinical development programs could be delayed and otherwise adversely affected. Kiadis Pharma is responsible for ensuring that each of its clinical studies is conducted in accordance with the general investigational plan and protocols for the study. The FDA, EMA , Health Canada and other regulatory authorities require clinical trials to be conducted in accordance with GCP, including for conducting, recording and reporting the results of preclinical studies and clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. Kiadis Pharma's reliance on third parties that it does not control does not relieve it of these responsibilities and requirements. Any such event could have a material adverse effect on Kiadis Pharma's business, financial condition, results of operations and prospects.

Risks Related to International Operations

Our business may become subject to economic, political, regulatory and other risks associated with international operations.

As a company based in the Netherlands, our business is subject to risks associated with conducting business internationally. Many of our suppliers and collaborative and clinical trial relationships are located in different countries. Accordingly, our 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 and fires.

Risks Related to the Transaction

The Transaction subjects us and investors in our Shares to potential significant risks

On April 17, 2019, we announced that Kiadis Pharma N.V., its wholly owned subsidiary Merger Sub, Inc. ("Kiadis MergerCo"), CytoSen Therapeutics, Inc. ("CytoSen") and Phil McKee as representative of the CytoSen shareholders have entered into a binding agreement (the "CytoSen Acquisition Agreement") regarding the acquisition by Kiadis Pharma of

the entire share capital of CytoSen, subject to the approval of Kiadis Pharma's general meeting of shareholders (the "General Meeting") and other customary closing conditions (the "Transaction").

Shareholders should, among other risks, consider the following risks before completion of the Transaction:

- The Transaction is subject to approval of the General Meeting. If such approval is not obtained, the Transaction may be cancelled and we may be required to pay a break fee of USD 1 million, payable in cash or Shares.

Shareholders should, among other risks, consider the following risks after completion of the Transaction:

- Our due diligence reviews may have failed to identify risks or problems, such as issues with CytoSen's product quality, intellectual property position, unlicensed use of third-party intellectual property rights, chemistry/manufacturing/control (CMC), regulatory status of its cell therapy products, competitive position and collaboration agreements and relationships with key partners and collaborators such as the Blood and Marrow Transplant Clinical Trials Network, key opinion leaders and HSCT clinics.
- CytoSen is loss-making and does not generate any revenues, is not expected to generate revenues in the near to midterm future and may never do. Operating its business and progressing its lead product will require significant funds. Consequently, the Transaction will substantially increase our funding needs. Failure to raise capital when needed would adversely affect our business, financial condition, results of operations or prospects and could reduce the price of our Shares.
- Our valuation of CytoSen and its business or assets may prove incorrect and we cannot assure that we will realize the financial and strategic goals that were contemplated at the time of the Transaction.
- We may fail to realize some or all of the anticipated synergies, growth opportunities and other benefits of the Transaction, which could adversely affect the value of our Shares.
- The achievement of the anticipated benefits of the Transaction is subject to a number of uncertainties, including whether we are able to integrate the CytoSen businesses in an efficient and effective manner, and general competitive factors in the market place. It is possible that the process of integrating the operations of CytoSen in our existing business takes longer or is more costly than anticipated or could result in the loss of key employees, the disruption of our businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with universities, clinics, authorities, patients and employees, to achieve the anticipated benefits of the Transaction or to maintain quality standards. If we are unable to successfully integrate CytoSen into our existing business, our relationships with current and new employees and strategic partners could suffer.
- The acquisition of CytoSen may result in significant write-offs and we may assume known and unknown contingencies related to product liability, intellectual property, financial disclosures, accounting practices, internal controls or other liabilities
- We may have tax exposures or lose anticipated tax benefits as a result of the Transaction or the integration of CytoSen.
- Following the acquisition of CytoSen, our ongoing business may be disrupted and our management attention may be diverted by transition or integration issues.
- We may have higher than anticipated costs in continuing research and development of acquired products.
- The market price of the Shares could decline because of the CytoSen shareholders disposing of the Shares that they shall acquire upon completion of the Transaction and future milestones being achieved, and upon the lapse of the lock-up that certain CytoSen shareholders are subjected to as per the CytoSen Acquisition Agreement.

Financial Risks

Kiadis Pharma has never generated any revenue from product sales and its ability to generate revenue from product sales and become profitable depends significantly on its success in commercializing its product candidates that may be hard to achieve.

Kiadis Pharma has not generated any revenue from product sales and has incurred losses since its inception. Kiadis Pharma expects to continue to incur losses for the foreseeable future and expects these losses to increase significantly as it seeks to advance its products through clinical trials, regulatory approval and commercialization (if any). To achieve and maintain profitability, Kiadis Pharma will need to generate significant revenues from sales of products that it does not expect in the

foreseeable future, if at all. Should Kiadis Pharma fail to receive regulatory approval to market any or all of its products, or if such products fail to gain market acceptance, Kiadis Pharma's business, financial condition and results of operations would be materially adversely affected. If Kiadis Pharma achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that Kiadis Pharma will experience fluctuating revenues, operating results and cash flows.

If Kiadis Pharma fails in obtaining substantial additional funding, it will be unable to complete its research and development programs or commercialize any of its products.

Based on the existing operating plan and in light of the proposed acquisition of CytoSen Therapeutics Inc., working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds, see also the Going concern in paragraph 2.1 of the financial statements. These additional funds are required to conduct further research and clinical development, to obtain, maintain and enforce its patents and other intellectual property rights, to manufacture and market any products that may be approved for commercial sale, if any, to take advantage of new business opportunities to broaden and diversify its research and development portfolio and to meet its payment obligations under its loan arrangements and royalty and milestone arrangements.

Kiadis Pharma's future funding requirements will depend on many factors, including the progress and cost of its clinical trials and research and development activities; the outcome, timing and cost of regulatory approvals by the FDA, EMA, Health Canada and any other comparable regulatory authority; the cost of establishing sales, marketing, manufacturing and distribution capabilities for any product candidates for which the Company may receive regulatory approval, if any; private and government insurance reimbursement; the effects of competing technological and market developments, and the terms and timing of establishing potential license agreements or other partnerships.

Kiadis Pharma may seek additional capital necessary to fund its operations through equity offers, debt financings, collaboration and licensing arrangements, or a combination of one or more of these funding sources, if available. There can be no assurance that such funding will be available in a timely manner, on favorable terms, or at all, adversely affecting shareholders' rights, or that such funds, if raised, would be sufficient to enable Kiadis Pharma to continue to implement its long-term business strategy. If Kiadis Pharma is unable to raise such additional funds, it may need to delay, scale back or cease expenditures for some of its products or some of its long-term research, development and commercialization programs, or grant rights to third parties to develop and market products that Kiadis Pharma would otherwise prefer to develop and market itself, thereby reducing their ultimate value to Kiadis Pharma. The failure to raise capital when needed would reduce Kiadis Pharma's business, financial condition, results of operations and prospects.

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 applicable as of the financial year starting on or after January 1, 2017 ("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	50	Male	Dutch	2015[1]	2019
Mr. Martijn Kleijwegt	64	Male	Dutch	2015[1]	2019
Dr. Robert Soiffer	61	Male	American	2016	2020
Mr. Berndt Modig	60	Male	Swedish and American	2016	2020
Dr. Otto Schwarz	63	Male	Austrian	2018	2022
Mr. Subhanu Saxena	54	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.

Martijn Kleijwegt

Mr. 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. He is also a member of the board of the European Venture Capital Association.

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

Robert Soiffer

Dr. 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.

Berndt Modig

Mr. Modig graduated from the University of Lund, Sweden, with a degree in business administration, economics and German, and received his M.B.A. 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.

Otto Schwarz

Dr. 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. 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 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 they wish to receive more information or have a discussion.

Meetings And Business Topics

The Supervisory Board convened four times during 2018 with the Management Board 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 long-term value creation strategy, specifically the development program for the Company's lead product ATIR (clinical, medical, regulatory, manufacturing and quality), financial matters (actual cash flow and cash flow forecasts, budget 2018 and 2019 and potential (equity) financing), personnel matters (new Executive Committee members and amendments to a long term employee incentive plan), outlook beyond 2018 (competitive landscape and preparations for EU commercialization), corporate restructuring and potential acquisition/licensing opportunities.

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

- the Company being dependent on the success of one key product, ATIR101;
- the Company's progress on achieving clinical and regulatory milestones and successful 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;
- 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 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 2018 during at total of two meetings, were:

- amendments to a long term employee incentive plan (folding the stock appreciation right plan into the option plan);
- the remuneration policy for the Management Board as was thereafter approved by the General Meeting on June 4, 2018;
- the performance and related remuneration of the members of the Management Board, both in respect of company and individual performance in 2018, in the context of the remuneration policy; and
- new members to the Company Executive Committee.

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 2018 during at total of two meetings, were:

- the full year 2017 financial statements including the external auditor's report;
- selection external auditor for 2018;
- the financial statements for the first six months of 2018;
- funding needs and funding possibilities for the Company; and
- the current absence of an internal audit department and development of the Company's finance function.

In addition, the Committee met with the Company's external auditor KPMG Accountants N.V. in 2018 and 2019 to discuss, respectively, the auditor's audit (-plan) and observations of the 2017 and 2018 financial statements.

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. Martijn Kleijwegt	100%	100%	100%
Mr. Stuart Chapman	100%		
Dr. Robert Soiffer	100%		
Mr. Berndt Modig	100%	100%	
Dr, Otto Schwarz	100%	100%	
Mr. Subhanu Saxena	100%		100%

Evaluation

In 2018 the Supervisory Board did not evaluate its own functioning nor the functioning of its various committees or its individual members,.

The Supervisory Board did evaluate the functioning of the Management Board and its individual members, amongst others in the context of the remuneration policy, and the Supervisory Board believes they functioned well.

Internal Audit

The Supervisory Board, as per the recommendation of the Audit Committee, has 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 2018

The 2018 financial statements were approved by Resolution of the Supervisory Board on April 29, 2019. The financial statements were audited by KPMG Accountants N.V. who were elected as the Company's external auditor in 2018. The Supervisory Board established that the external auditor was independent of the Company. The Supervisory Board will submit the financial statements to the 2019 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, 2019

Supervisory Board

Mark Wegter, Chairman

Martijn Kleijwegt

Robert Soiffer

Berndt Modig

Otto Schwarz

Subhanu Saxena

REMUNERATION REPORT

Introduction

This chapter summarizes the Company's remuneration policy for the members of its Management Board that applied to the financial year 2018, as approved by the General Meeting on June 4, 2018. The remuneration policy was effective from June 4, 2018 until January 2019, as on March 29, 2019, the General Meeting approved an amended remuneration policy that shall be applicable as from the financial year 2019. Details of the actual remuneration of the Management Board in 2018 can be found in Note 25 'Related Parties' of the consolidated financial statements.

Remuneration Policy 2018

General principles and objectives

The general principles and objectives of the remuneration policy are the following:

- competitive compensation 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.

Main items

The remuneration of the Management Board consists of:

- a fixed annual salary;
- an annual bonus in cash;
- share options and stock appreciation rights;
- pension; and
- severance pay.

Fixed annual salary

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

- peer analysis against the base salaries of management board members of companies listed on Euronext Amsterdam in the Amsterdam Small Cap Index (AscX);
- 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 this Remuneration Policy.

No adjustment was made to the base salaries of the Management Board in 2018.

Annual bonus in cash

The Management Board shall be entitled to an annual cash bonus of up to 30% 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 50% of this bonus and the other 50% of the bonus relates 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 2018 the Supervisory Board established the extent to which the targets for 2018 were achieved by the Management Board and Note 25 'Related Parties' of the consolidated financial statements sets out the bonuses that were earned on the basis of results achieved in 2018. These bonuses will be paid out in 2019.

Share options and stock appreciation rights

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 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 closing sales price at which ordinary Kiadis Pharma shares are traded on the day 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 closing sales price at which ordinary Kiadis Pharma shares are traded on the day 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 the day prior to the day the stock appreciation right is exercised.
- Two days per year (January 1 and July 1) have been identified as possible grant dates to prevent insider issues. 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.
- A so-called good leaver (continued ill health, death, retirement, dismissal without cause, giving notice) 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.
- A so-called bad leaver (immediate termination for cause) shall lose all options and stock appreciation rights, whether vested or not. 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 1 January 2020, on January 1 of each year, the total number of shares in respect of which options and stock appreciation rights may be granted will be increased by 3% of Kiadis Pharma's outstanding ordinary shares on December 31 of the immediately 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 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.

Options and stock appreciation rights granted to 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.

In respect of granted options, and if the Dutch Corporate Governance Code so provides, the Management Board may not exercise any options which have vested within the first three years after the date the options were granted.

The number of options and stock appreciation rights that may be granted to the Management Board shall be related to the performance targets set out above under paragraph (IV) "Annual bonus in cash for the Management Board" as the achievement of these targets shall contribute not only to short-term Kiadis Pharma results but also to long-term value creation for Kiadis Pharma.

On the basis of the above the Supervisory Board granted 75,000 options in 2018 to Mr. Arthur Lahr, Chief Executive Officer and member of the Management Board.

Contractual Arrangements

Term of employment

The Management Board members are engaged on the basis of a service agreement with a four year term, to be renewed at reappointment.

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

Resignation by a member of the Management Board member is subject to six months' notice.

Pension

The Management Board participates in the Dutch pension scheme for the Company.

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.

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.

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 2018 as set forth in Note 16 '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 25 'Related Parties' of the consolidated financial statements, divided by the average number of FTE's as reported in Note 16 'Employee Benefits' of the consolidated financial statements. Thus calculated, the internal pay ratio in 2018 was 7 to 1. By way of comparison, in 2017 the internal pay ratio, when calculated in the same manner, was 6 to 1.

Remuneration Policy For 2019

An amended remuneration for the financial year 2019 for the Management Board and the Supervisory Board was proposed to the General Meeting of March 29, 2019 and the General Meeting adopted such proposal. The main amendments of the amended remuneration are:

- closer alignment of the structure of short term incentives to peer group market levels;
- more focus on remuneration by means of long term incentives and better alignment of the structure of long term incentives to peer group market levels, for which purpose the annual option pool shall be increased; and
- a one-off option grant to the members of the Supervisory Board.

Amsterdam, April 30, 2019

Supervisory Board

Mark Wegter, Chairman

Martijn Kleijwegt

Robert Soiffer

Berndt Modig

Subhanu Saxena

Otto Schwarz

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consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in EUR x 1,000)	Note	As at December 31, 2018	2017
ASSETS			
Property, plant and equipment	4	7,720	602
Intangible assets	5	12,368	12,830
Total non-current assets		**20,088**	**13,432**
VAT and other receivables	6	729	582
Deferred expenses	6	1,413	767
Cash and cash equivalents	7	60,314	29,906
Total current assets		**62,456**	**31,255**
Total assets		**82,544**	**44,687**
EQUITY			
Share capital		2,434	1,729
Share premium		180,553	124,413
Translation reserve		298	295
Warrant reserve		392	1,275
Accumulated deficit		(139,533)	(111,853)
Equity attributable to owners of the Company	8	**44,144**	**15,859**
LIABILITIES			
Loans and borrowings	10	21,836	21,599
Lease Liabilities	11	5,255	-
Derivatives	12	-	1,445
Employee benefits	16	-	540
Total non-current liabilities		**27,091**	**23,584**
Loans and borrowings	10	5,308	1,789
Lease Liabilities	11	1,033	-
Trade and other payables	13	4,968	3,455
Total current liabilities		**11,309**	**5,244**
Total liabilities		**38,400**	**28,828**
Total equity and liabilities		**82,544**	**44,687**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
(Amounts in EUR x 1,000)	Note	2018	2017
Revenue	14	**-**	**-**
Other income	15	**-**	**-**
Research and development expenses	16, 17	(17,468)	(11,215)
General and administrative expenses	16, 17	(7,733)	(4,905)
Total operating expenses		**(25,201)**	**(16,120)**
Operating loss		**(25,201)**	**(16,120)**
Interest income		-	-
Interest expenses		(4,302)	(2,285)
Other net finance (expenses) income		(288)	1,372
Net finance expenses	18	**(4,590)**	**(913)**
Loss before tax		**(29,791)**	**(17,033)**
Income tax expense	19	(10)	(5)
Loss for the period		**(29,801)**	**(17,038)**
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation difference for foreign operations		3	(12)
Related tax		-	-
		3	(12)
Other comprehensive income for the period, net of tax		**3**	**(12)**
Total comprehensive income for the period		**(29,798)**	**(17,050)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(29,801)**	**(17,038)**
		(29,801)	**(17,038)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(29,798)**	**(17,050)**
		(29,798)	**(17,050)**
EARNINGS PER SHARE	20		
Basic earnings per share (EUR)		**(1.46)**	**(1.14)**
Diluted earnings per share (EUR)		**(1.46)**	**(1.14)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in EUR x 1,000)

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

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumulated Deficit	Total Equity
Balance as at January 1, 2017		**1,397**	**103,200**	**307**	**-**	**(95,463)**	**9,441**
Loss for the period		-	-	-	-	(17,038)	(17,038)
Other comprehensive income		-	-	(12)	-	-	(12)
Total comprehensive income		**-**	**-**	**(12)**	**-**	**(17,038)**	**(17,050)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	8	300	22,700	-	-	-	23,000
Transaction costs	8	-	(2,367)	-	155	-	(2,212)
Business combinations	8	-	-	-	-	-	-
Fair value of warrants issued	8	-	(2,313)	-	-	-	(2,313)
Equity-settled share-based payments	16	-	-	-	11	648	659
Reclassification of warrants from derivatives	8	-	-	-	1,962	-	1,962
Warrants exercised	8	32	3,193	-	(853)	-	2,372
Balance as at December 31, 2017		**1,729**	**124,413**	**295**	**1,275**	**(111,853)**	**15,859**
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	8	650	53,950	-	-	-	54,600
Transaction costs	8	-	(3,994)	-	-	-	(3,994)
Fair value of warrant issued for services	8	-	-	-	193	-	193
Equity-settled share-based payments	8	-	-	-	-	1,198	1,198
Shares upon exercise of options	16	1	186	-	-	(63)	124
Cash-settled share-based payments converted to equity-settled	8	-	-	-	-	986	986
Warrants exercised	8	54	5,998	-	(1,076)	-	4,976
Balance as at December 31, 2018		**2,434**	**180,553**	**298**	**392**	**(139,533)**	**44,144**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2018	2017
Cash flows from operating activities			
Loss for the period		**(29,801)**	**(17,038)**
Adjustments for :			
Depreciation of property, plant & equipment (PPE)	4	1,047	177
Share-based payments	16	1,643	1,199
Net interest expenses	18	4,302	2,285
Net unrealized foreign exchange (gains) or losses		962	(752)
(Gain) or loss from adjustments of loans	10,18	(1,299)	(614)
(Gain) or loss from derivatives	12	589	(36)
Income tax expense	19	10	5
Cash used in operating activities before changes in working capital and provisions:		**(22,547)**	**(14,774)**
VAT & other receivables and deferred expenses	6	(793)	(776)
Trade & other payables and other liabilities	13	1,324	720
Total change in working capital		**531**	**(56)**
Provisions		-	-
Cash used in operating activities		**(22,016)**	**(14,830)**
Interest paid	10,11	(2,133)	(1,040)
Income taxes paid		(18)	(3)
Net cash used in operating activities		**(24,167)**	**(15,873)**
Cash flows from investing activities			
Interest received		-	8
Acquisition of PP&E	4	(1,122)	(83)
Net cash used in investing activities		**(1,122)**	**(75)**
Cash flows from financing activities			
Proceeds from issue of shares	8	54,600	23,000
Payment of share issue costs	8	(3,994)	(2,212)
Proceeds from exercise of options		124	-
Proceeds from exercise of warrants	8	2,942	2,372
Proceeds from issue of warrants	8	193	-
Proceeds from loans and borrowings	10	4,807	15,000
Payment of transaction costs related to loans and borrowings	10	(51)	(295)
Repayment of loans and borrowings	10	(2,361)	(6,561)
Payment of lease liabilities	10	(566)	-
Net cash from financing activities		**55,694**	**31,304**
Net increase (decrease) in cash and cash equivalents		**30,405**	**15,356**
Cash and cash equivalents as at January 1,		29,906	14,559
Effect of exchange rate fluctuations on cash held		3	(9)
Cash and cash equivalents as at December 31,	7	**60,314**	**29,906**

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. As of February 5, 2018, the address of its business office is Paasheuvelweg 25, 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, 2019. 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 and in light of the proposed acquisition of CytoSen Therapeutics Inc., working capital requirements of the combined Group through the 12 months following the date of these financial statements require additional funds which indicates the existence of a material uncertainty and which may cast significant doubt about the Company's ability to continue as a going concern.

Management believes that sufficient additional funds can be raised by means of equity financing, non-dilutive financing or strategic transactions, and is currently investigating funding options. In 2018, the Company issued 6.5 million new shares and raised EUR54.6 million in gross proceeds. Management is of the opinion that the Company will meet its financial obligations in the 12 months following these financials statements and the going concern assumption is justified.

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 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%
Kiadis Pharma UK Limited	United Kingdom	100.00%

(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.

As per December 31, 2018, the Group has one lead product under development being ATIR. This is considered to be the only reportable segment. All corporate activities can be assigned therefore to this segment as well. Therefore, no additional segment analysis is disclosed.

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 liabilities 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 1 January 2018 the Group applies IRFS 16 for Right-of-Use assets (ROU) also refer to note 2.13).

(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 or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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.

In 2018, management estimated the value of the Group based on discounted cash flows. In 2019, management reassessed the estimated cash flows in line with the expected conditional approval in the first half of 2019 and the commercialization in the first patient within 2019 and the commercial ramp up in the years ahead. The Company performed sensitivity analyses using different pre-tax discount rates and different terminal rates past 2035 which did not result in an impairment, in line with prior year.

2.9 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 includes 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 management 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 2.14.

(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.

2.10 Equity

(a) Ordinary shares

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

(b) Preference share capital

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.

2.11 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 enabled 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 their 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.

2.12 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.

2.13 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 EUR6.3 million as at December 31, 2018, of which EUR1.0 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.

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.

	January 1, 2018
Lease liability recognized at date of initial application of IFRS 16	
Operating lease commitments disclosed as of December 31, 2017	**14,395**
Less: service components included in operating lease commitments	(5,144)
Less: short-term leases for which no lease liability is recognized	(24)
Add: adjustments as result of different treatment of extension options	210
Commitments for lease payments	**9,437**
Discounted using the Company's incremental borrowing rate of 7.38%	(2,583)
Lease liability recognized in statement of financial position	**6,854**

On January 1, 2018, the date of initial application, the Group recognized its lease liabilities in its statement of financial position and recognized corresponding Right-of-Use assets presented under Property, plant and equipment for the same amount.

2.14 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.

2.15 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.

2.16 New relevant standards and interpretations not yet adopted

The Group applied IFRS 15, IFRS 9 and IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group. Besides IFRS 16, the Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. Since Kiadis does not have contracts with customers in the years presented in these financial statements, there will be no impact from this standard on the 2018 financial statements.

IFRS 9, published in July 2014, replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Kiadis adopted IFRS 9 per January 1, 2018 using the modified retrospective approach, meaning that the 2017 comparative numbers in the 2018 financial statements will not be restated.

The Group has reviewed the impact of this new standard and has concluded that the impact is limited since (i) the Group does not have financial assets other than tax receivables (VAT) and deposits for the lease of buildings, and (ii) the Group currently does not engage in hedging relationships.

IFRS 16, published in January 2016, establishes a revised framework for determining whether a lease is recognized on the (Consolidated) Statement of Financial Position. It replaces existing guidance on leases, including IAS 17. Kiadis implemented IFRS 16 by applying the modified retrospective method, meaning that the comparative numbers in the financial statements will not be restated to show the impact of IFRS 16.

Under the new standard lease contracts were recognized on Kiadis' balance sheet and subsequently depreciated on a straight-line basis. The liability recognized upon transition is measured based on discounted future cash flows and the future interest will be recorded in interest expenses. Lease expenses that were recorded in the income statement have therefore been replaced by depreciation and interest expense for all lease contracts within the scope of the standard.

Kiadis has only two lease arrangements that have been recorded on the Group's balance sheet as a result of IFRS 16. These leases relate to offices, laboratories and manufacturing facilities. In selecting which practical expedients to apply Kiadis has focused on reducing the complexity of implementation. Based on analysis of the options available, Kiadis has:

- measured the Right-of-Use Asset based on the lease liability recognized
- applied the short-term and low value exemptions
- not used the transition option for leases with a short remaining contract period
- applied the option to exclude non-lease components from the lease liability for real estate leases.

The following new or amended standards have no significant impact of Kiadis' consolidated financial statements:

- Classification and measurement of Share-based Payments (amendments to IFRS 2)
- Foreign Currency Transactions and Advance Consideration (IFRIC 22)
- Uncertainty over tax treatments (IFRIC 23)
- Annual Improvements to IFRS Standards 2014–2016 Cycle (amendments IFRS 1 and IAS 28).

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 management 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 management 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. Management evaluates these estimates on an ongoing basis.

Critical accounting estimates and assumptions

The Group has identified the following critical accounting policies as requiring management 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 management 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, management 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 management 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 value in use and its fair value less costs to sell. In assessing value in use, in general 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. 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 management.

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 management'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.

On December 31, 2018, Kiadis Pharma N.V. had deferred tax assets in respect of gross cumulative tax losses of EUR94 million in the Netherlands and CN$37 million in Canada. These deferred tax assets have been recognized to the extent they are used to offset the deferred tax liabilities which the Group has recognized.

(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, management has to make significant judgments and estimates about future cash flows.

(e) Derivatives

The Group exercises judgment in determining the estimated fair value of derivatives. For derivatives that are level 3 financial liabilities this means that management 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, management has 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. Property, Plant and Equipment

(Amounts in EUR x 1,000)	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	ROU Assets - Buildings	Total
Book value as at December 31, 2016	**400**	**99**	**37**	**-**	**536**
Changes in book value 2017					
Additions	152	69	22	-	243
Depreciation	(124)	(35)	(18)	-	(177)
Total changes in book value 2017	**28**	**34**	**4**	**-**	**66**
Balance as at December 31, 2017					
Cost of acquisition	1,153	363	101	-	1,617
Depreciation / impairment	(725)	(230)	(60)	-	(1,015)
Book value as at December 31, 2017	**428**	**133**	**41**	**-**	**602**
Adjustment on initial application of IFRS 16	-	-	-	6,854	6,854
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**

On January 1, 2018, the Group recognized Right-of-Use 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 amounts recognized for Right-of-Use assets were calculated as the net present value of all future lease payment due under the lease contracts. See also Note 2.13 'Lease liabilities'.

These Rights-of-Use Assets are amortized over a 10 year period, the expected lease term.

5. Intangible Assets

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
Balance as at December 31, 2016				
Cost	4,283	9,257	80	13,620
Amortization / Impairment	-	-	(80)	(80)
Book value as at December 31, 2016	**4,283**	**9,257**	**-**	**13,540**
Changes in book value 2017				
Effect of movement in foreign exchange rates	(225)	(485)	-	(710)
Total changes in book value 2017	**(225)**	**(485)**	**-**	**(710)**
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, 2018	**3,913**	**8,455**	**-**	**12,368**

Goodwill

Goodwill recognized relates to the acquisition of Celmed BioSciences Inc.

In-process research and development acquired in a business combination

The business combination effected in 2006 (acquisition of Celmed BioSciences Inc.) has 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 liabilities 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.

Impairment test of goodwill and in-process research and development

For the purpose of the impairment testing, goodwill and in-process research and development have been allocated to the total Group 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 is determined based on a value-in-use calculation (i.e. the present value of the future cash flows expected to be derived from the products, of which positive cash flows are not expected till the development period has successfully completed and a product has been launched, the commencement of the commercial sale of the product). The calculation 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 (estimated in 2019), possible revenues resulting from estimated market shares and product pricing, estimated gross margins and estimated operating expenditures. A discount rate of 14% had been used for a risk-adjusted NPV model. Reasonable possible changes in key assumptions will not lead to a materially different outcome. However, a scenario of not being able to reach commercialization of the related products will probably result in impairment.

6. VAT & Other Receivables and Deferred Expenses

(Amounts in EUR x 1,000)	2018	2017
VAT and other receivables		
VAT receivables	482	331
Deposits (lease of buildings)	236	231
Other amounts receivable	11	20
	729	**582**
Deferred expenses		
Deferred expenses	1,413	767
	1,413	**767**

Other receivables and deferred expenses have an estimated maturity shorter than one year, except for the deposits of our leased buildings which have a maturity longer than five years. The deferred expenses include EUR0.7 million expenses related to strategic & funding activities.

7. Cash and Cash Equivalents

(Amounts in EUR x 1,000)	2018	2017
Cash at bank and in hand	60,314	29,906
Cash and cash equivalents	**60,314**	**29,906**
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	**60,314**	**29,906**

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.

8. Shareholders' equity

Shares issued and share capital

On December 31, 2018, the Company's authorized share capital amounted to EUR10.0 million divided into 100 million ordinary shares, each with a nominal value of EUR0.10. As at December 31, 2018, a total number of ordinary shares issued was 24,341,410 (2017: 17,287,397). On December 31, 2018, the issued share capital totaled EUR2.434 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 January 1, 2017	**13,966,501**	**1,397**
New shares issued for cash	2,996,269	300
New shares issued upon exercise of warrants	324,627	32
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**

In June 2017, the Company raised EUR5 million in gross proceeds by issuing a total of 746,269 units, each comprising 1 ordinary share and 1 warrant, in a private placement with several existing and new shareholders. In October 2017, the Company issued 2.25 million shares for gross proceeds of EUR18 million in a private placement with several existing and new shareholders.

In September 2017, the Company issued 324,627 shares upon the exercise of 324,627 warrants with an exercise price of EUR7.307 and received EUR2.4 million in cash.

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.

Treasury shares

On December 31, 2018, the Company did not hold any of its own shares (2017: nil).

Share Premium

(Amounts in EUR x 1,000)	2018	2017
Balance as at January 1,	**124,413**	**103,200**
Share premium on new shares issued	53,950	22,700
Transaction costs	(3,994)	(2,367)
Fair value of warrants issued	-	(2,313)
Equity-settled share-based payments	186	-
Warrants exercised	5,998	3,193
Balance as at December 31,	**180,553**	**124,413**

In June and October 2017, the Company issued new shares for cash raising a total of EUR23.0 million in gross proceeds of which EUR22.7 million was recorded as share premium.

Transaction costs comprise bank fees from the syndicates that arranged the private placements in June and October 2017, legal fees and due diligence related costs of EUR2.4 million in total.

The warrants issued in the June 2017 private placement contained a so-called ratchet clause, meaning that the exercise price of the warrants could be adjusted once based upon a future dilutive financing event taking place within twelve months after the grant date. Therefore, the warrants initially did not meet the fixed-for-fixed criteria and were classified as a financial liability (derivatives). See also Note 12. Derivatives. The fair value of these warrants of EUR2.3 million is deducted from share premium.

In September 2017, the Company received EUR2.37 million in cash upon the exercise of 324,627 warrants by investors who participated in the June 2017 financing round of which EUR2.34 million was accounted for as share premium. In addition, a corresponding amount of EUR853 thousand was reclassified from Warrant reserve to Share premium.

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.

WARRANT RESERVE

(Amounts in EUR x 1,000)	2018	2017
Balance as at January 1,	**1,275**	**-**
Warrants issued for services	193	166
Reclassification from derivatives	-	1,962
Warrants exercised	(1,076)	(853)
Balance as at December 31,	**392**	**1,275**

In connection with the June 2017 private placement, the Company issued 55,970 warrants to certain service providers as consideration for the services they provided during this financing round. These warrants were classified as equity instruments and an amount of EUR166 thousand was recorded in warrant reserve. Of this amount EUR155 thousand was recognized as transaction cost and deducted from equity and the remaining EUR11 thousand was charged to the income statement as consultancy costs. The fair value of the services provided was measured indirectly, with reference to the fair value of the equity instruments granted, on the date that the services were completed. For calculating the fair value of these warrants at year-end 2017, the Black, Scholes and Merton option valuation formula (`Black and Scholes`) has been applied. As there is a potential downward adjustment in the exercise price depending on a future share price at a potential estimated moment of issuing additional equity instruments, a Monte Carlo simulation model has been applied to model the share price forward.

On August 17, 2017, Kiadis Pharma entered into a loan agreement with Kreos Capital V (UK) Ltd. As part of this loan agreement, Kiadis Pharma issued warrants to Kreos. As a consequence of the issuance of these warrants to Kreos, the exercise price of the warrants previously issued in connection with the private placement in June 2017 became fixed and as a result, this change led to a reclassification from liabilities to equity. See also Note 12. Derivatives.

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

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

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.

9. Deferred Tax Assets and Liabilities

Management 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. However, management has come to the conclusion that 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)	2018	2017	Expiry period
Kiadis Pharma N.V. (*)	93,698	71,608	2019-2027
Kiadis Pharma Canada Inc. (**)	23,458	19,572	2024-2038
	117,156	91,180	

Related tax calculation	2018	2017	Tax rate
Kiadis Pharma N.V. (*)	19,208	14,680	20.5%
Kiadis Pharma Canada Inc. (**)	6,216	5,187	26.5%
	25,424	19,867	

(*) The tax loss carry forwards in The Netherlands can only be utilized if the business carried on after a change of control 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 expects to become profitable post 2020.

(**) The tax loss carry forwards in Canada 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.

10. Loans and Borrowings

(Amounts in EUR x 1,000)	2018	2017
Non current liabilities		
Loan from Kreos capital V (UK) Ltd:		
– Facility 1	7,740	11,401
– Facility 2	3,624	-
Loan from Hospira Inc.	9,609	9,401
Loan from University of Montreal	863	797
	21,836	**21,599**

(Amounts in EUR x 1,000)	2018	2017
Current liabilities		
Loan from Kreos capital V (UK) Ltd:		
– Facility 1	4,370	1,789
– Facility 2	938	-
	5,308	**1,789**

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, 2018	**13,190**	**-**	**9,401**	**797**	**23,388**
Interest accrued during the period	2,313	290	1,053	28	3,684
Interest payments	(1,327)	(189)	-	-	(1,516)
New loan agreements	-	4,756	-	-	4,756
Repayments	(2,066)	(295)	-	-	(2,361)
Adjustment of carrying amount	-	-	(1,299)	-	(1,299)
Effect of changes in foreign exchange rates	-	-	- 454	38	492
Balance as at December 31, 2018	**12,110**	**4,562**	**9,609**	**863**	**27,144**

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	December 31, 2018		December 31, 2017	
				Face value	Carrying amount	Face value	Carrying amount
Loan from Kreos Capital V (UK) Ltd							
Facility 1	EUR	10.00%	2018-2021	15,000	12,110	15,000	13,190
Facility 2	EUR	9.00%	2019-2022	5,000	4,562	-	-
Loan from Hospira Inc.	USD	1.50%	undefined	23,775	9,609	22,372	9,401
Loan from University Montreal	USD	3.50%	undefined	863	863	797	797
				44,638	**27,144**	**38,169**	**23,388**

Loan from Kreos Capital V (UK) Ltd

In August 2017, the Company obtained debt financing from Kreos Capital V (UK) Ltd for up to EUR15 million to refinance existing loans and fund the development of the Group's ATIR products.

The first tranche of EUR10 million was immediately drawn down and partly used to repay the outstanding loans from Rijksdienst voor Ondernemend Nederland (RVO NL) of EUR5.3 million in total. In connection with this first tranche, Kiadis Pharma issued 211,348 warrants to Kreos Capital. These warrants, to be classified as liabilities, had a total combined fair value of EUR0.9 million. Taking into account this fair value of the warrants and transaction costs of EUR0.3 million to be amortized, the loan with Kreos Capital had a fair value of EUR8.8 million at initial recognition. This tranche will be repaid in 36 equal monthly installments from June 2018 until May 2021.

The second tranche of EUR5 million was drawn down in October 2017. In connection with this second tranche, Kiadis Pharma issued 42,269 warrants to Kreos Capital. These warrants, to be classified as liabilities, had a total combined fair value of EUR0.3 million. Taking into account this fair value of the warrants, the second loan with Kreos Capital had a fair value of EUR4.7 million at initial recognition. This tranche will be repaid in 36 equal monthly installments from November 2018 until October 2021.

In July 2018, the Company entered into a second debt financing agreement with Kreos Capital V (UK) Ltd 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. 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 EUR290 thousand, interest payments of EUR189 thousand and loan repayments of EUR295 thousand on the first tranche. This first tranche of Facility 2 will be repaid in 36 equal installments from May 2019 until April 2022. Kiadis issued 41,212 warrants to Kreos in relation to facility 2.

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 regarding this loan are as follows:

(a) a milestone payment of US$3 million upon the earlier of (i) the first grant of a sub-license to the Theralux platform, or (ii) the first commercial sale of a product derived from the Theralux platform by Kiadis; and

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

After initial recognition at fair value, the carrying amount of the loan is re-measured at each reporting date, should there have been a change in the (estimated) underlying cash flows. In such cases, the carrying amount of the loan is re-measured to the probability-weighted net present value of the estimated underlying cash flows discounted at the original effective interest rate of 11%. The US$3 million milestones is due upon the first commercial sale expected late 2019 and payment early 2020.

During 2018, the carrying amount of this loan has been adjusted to reflect changes in the (estimated) underlying future cash flows (EUR1.3 million decrease) and a strengthening of the US dollar against the euro (EUR0.5 million increase). These amounts have been charged to the income statement (see Note 18. Finance Income and Expenses.

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

(Amounts in EUR x 1,000)	Liabilities		Deriatives (assets) / Liabilities		Equity			Total
	Loans and borrowings	Finance Lease liabilities	Derivatives	Employee Benefits	Share Capital/ Premium	Warrant Reserve	Accumulated deficit	
Restated Balance at January 1, 2018	**23,388**	**6,854**	**1,445**	**540**	**126,142**	**1,275**	**(111,853)**	**47,791**
Changes form financing Cash flows								
Proceeds from issue of shares	-	-	-	-	54,600	-	-	54,600
Payment of share issue costs	-	-	-	-	(3,994)	-	-	(3,994)
Proceeds from exercise of options	-	-	-	-	187	-	(63)	124
Proceeds from exercise of warrants	-	-	(2,034)	-	6,052	(1,076)	-	2,942
Proceeds from loans and borrowings	5,000	-	-	-	-	-	-	5,000
- Value of issued warrants	(193)	-	-	-	-	193	-	
- Transaction cost	(51)	-	-	-	-	-	-	(51)
Changes form financing Cash flows	**4,756**	**-**	**(2,034)**	**-**	**56,845**	**(883)**	**(63)**	**58,621**
Effect of changes in foreign Fx	**492**	**-**	**-**	**-**	**-**	**-**	**-**	**492**
Changes in Fair value	**(1,299)**	**-**	**589**	**446**	**-**	**-**	**-**	**(264)**
Other Changes								
Liability related								
Payment of interest	(1,516)	-	-	-	-	-	-	(1,516)
Repayment of loans and borrowings	(2,361)	-	-	-	-	-	-	(2,361)
Interest accrued	3,684	461	-	-	-	-	-	4,145
Payment of finance lease liabilities	-	(1,027)	-	-	-	-	-	(1,027)
Total Other - Liability related	**(193)**	**(566)**	**-**	**-**	**-**	**-**	**-**	**(759)**
Total Other - Equity related	**-**	**-**		**(986)**	**-**	**-**	**986**	**-**
	27,144	**6,288**	**-**	**-**	**182,987**	**392**	**(110,930)**	**105,881**
Loss for the period	-	-	-	-	-	-	(29,801)	(29,801)
Other movements	-	-	-	-	-	-	1,198	1,198
Balances at December 31, 2018	**27,144**	**6,288**	**-**	**-**	**182,987**	**392**	**(139,533)**	**77,278**

11. Lease liabilities

	December 31, 2018	December 31, 2017
Non-current lease liabilities		
Lease liabilities related to buildings	5,255	-
	5,255	**-**

	December 31, 2018	December 31, 2017
Current lease liabilities		
Lease liabilities related to buildings	1,033	-
	1,033	**-**

Future lease payments will be adjusted annually based on a Consumer Price Index (CPI) as published by CBS, the Dutch Statistics Office, 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.

	Lease liabilities related to buildings
Balance as at January 1, 2018	**-**
Initial recognition	6,854
Interest expense in the period	461
Lease payments	
- Interest paid	(461)
- Payment leases	(566)
Balance as at December 31, 2018	**6,288**

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

(Amounts in EUR x 1,000)	December 31, 2018	December 31, 2017
Maturity analysis of contracted undiscounted cash flows		
Less than one year	1,039	-
Between one and three years	1,846	-
Between three and five years	1,846	-
More than 5 years	3,691	-
Total undiscounted lease liabilities	**8,422**	**-**

12. Derivatives

(Amounts in EUR x 1,000)	2018		2017	
	Kreos	**Investors**	**Kreos**	**Investors**
Balance as at January 1,	**1,445**	**-**	**-**	**-**
Initial recognition upon issue	-	-	1,130	2,313
Changes in fair value included in 'finance income':				
- Gain from change in fair value	-	-	-	(351)
- Loss from change in fair value	589	-	315	-
Warrants exercised	(2,034)	-	-	-
Reclassification to equity	-	-	-	(1,962)
Balance as at December 31,	**-**	**-**	**1,445**	**-**

In June 2017, the Company issued 746,269 warrants to the investors who participated in the private placement of ordinary shares. The warrants issued in this private placement contained a so-called ratchet clause, meaning that the exercise price of the warrants could be adjusted once based upon a future dilutive financing event taking place within twelve months after the grant date. Therefore, the warrants initially did not meet the fixed-for-fixed criteria and were classified as a financial liability (derivatives). The fair value of these warrants at initial recognition of EUR2.3 million was deducted from equity. See also Note 8. Shareholders' equity.

On August 17, 2017, Kiadis Pharma entered into a loan agreement with Kreos Capital V (UK) Ltd. The first tranche of EUR10 million was drawn down immediately and the second tranche of EUR5 million was drawn down on October 16, 2017. As part of this loan agreement, Kiadis Pharma issued a new series of warrants to Kreos on August 17 and October 16 with a combined fair value of EUR1.1 million at initial recognition.

As a consequence of the issuance of the warrants to Kreos in August 2017, the exercise price of the warrants previously issued to investors in connection with the private placement in June 2017 became fixed and, as a result, this change led to a reclassification from liabilities to equity. Immediately prior to this reclassification the warrants were remeasured at a fair value of EUR2.0 million and a gain of EUR351 thousand was recorded in finance income.

The warrants issued to Kreos were remeasured at each reporting date. For calculating the fair value of the warrants issued to Kreos, the Black, Scholes and Merton option valuation formula (`Black and Scholes`) has been applied at each reporting date. As there is a potential downward adjustment in the exercise price depending on a future share price at a potential estimated moment of issuing additional equity instruments, a Monte Carlo simulation model has been applied to model the share price forward. Based on these projected share prices at potential moments of issuing additional equity instruments, an average Black and Scholes value was determined. Parameters used in the model are an exercise price of EUR6.358, an expected volatility of 61%, a risk-free interest rate of 0.49%, a dividend-yield of 0%, and a forfeiture rate of 0%. Furthermore, different possible scenarios were taken into account with regard to the potential situations of issuing additional equity instruments and the potential moments thereof.

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.

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 and this amount was recognized in equity.

The Group has no derivative financial instruments embedded in contracts.

13. Trade and Other Payables

(Amounts in EUR x 1,000)	2018	2017
Suppliers	1,809	1,366
Salaries, bonuses and vacation	1,226	788
Payroll tax and social premium contributions	337	235
Interest to be paid	65	-
Accrued clinical costs	787	307
Accrued manufacturing costs	139	393
Accrued audit fees	120	73
Accrued legal fees	35	7
Accrued recruitment fees	42	95
Other	408	191
	4,968	**3,455**

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

14. Revenues

No revenues were recorded in 2018 and 2017.

15. Other Income

No other income was recorded in 2018 and 2017.

16. Employee Benefits

(Amounts in EUR x 1,000)	2018	2017
Wages and salaries	7,629	5,027
Compulsory social security contributions	767	473
Contributions to defined contribution plans	284	198
Equity-settled share-based payment	1,197	648
Cash-settled share-based payment	446	540
Company cars	-	4
Other employee benefits	158	76
Total	**10,481**	**6,966**

Headcount and Full Time Equivalents (FTEs)

(Amounts in EUR x 1,000)	2018	2017
Number of employees (headcount) as at December 31,		
Research & development positions	77	49
General & administrative positions	20	12
	97	**61**
Average FTEs during the year		
Research & development positions	71.8	40.7
General & administrative positions	18.4	7.5
	90.2	**48.2**

At the end of 2018, the Group employed 81 people in The Netherlands (2017:58), 8 people in Germany (2017: 2), 6 persons in the United States of America (2017: 1) and 2 in the United Kingdom (2017: -).

Share-based payments

The Group has a share option program in place that entitles employees to purchase shares in the Company. On December 31, 2018, a total of 1,161,805 share options with an average exercise price of EUR9.41 were issued and outstanding. On this date, 340,540 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. The options are exercisable from the vesting date. Options granted to members of the Management Board are exercisable from the third anniversary of the grant date. 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 2018 and 2017 and of the Stock Appreciation Rights, the Hull and White option valuation model is applied. Parameters used in the model;

	For the year ended	
	December 31, 2018	December 31, 2017
Exercise price (in Euro), between	7.92 - 14.48	5.42 - 9.85
Expected volatilities, between	60% - 61%	61% - 63%
Risk-free interest rates, between	0.35% - 0.54%	0.42% - 0.53%
Exercise multiple	2	2
Dividend yield	Nil	Nil
Estimated forfeiture rates	0% - 10%	0% - 5%

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

	For the year ended			
	December 31, 2018		December 31, 2017	
	Average exercise price in EUR per share	Number of options	Average exercise price in EUR per share	Number of options
At January 1	**9.04**	**428,477**	**12.35**	**169,515**
Granted	9.90	485,500	7.71	311,500
Modified SARS	9.10	300,000	-	-
Forfeited	8.47	(42,172)	11.81	(52,538)
Exercised	12.35	(10,000)	-	-
At December 31	**9.41**	**1,161,805**	**9.04**	**428,477**

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

		Share options as at	
	Average exercise price in EUR per share	December 31, 2018	December 31, 2017
2026	12.35	103,010	124,311
2027	8.46	579,296	304,166
2028	9.92	479,499	-
	9.41	**1,161,805**	**428,477**

Cash-settled share-based payment expenses relate to stock appreciations rights (SARs) granted under the Kiadis Pharma 2017 stock appreciation right plan. Under this plan 300,000 SARs were granted to Mr. Arthur Lahr, CEO of the Company, on April 4, 2017. On December 31, 2017, all 300,000 SARs were issued and outstanding. None of these SARs were exercisable on this date.

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 on or after February 17, 2017. SARS granted to members of the Management Board are exercisable from the third anniversary of the grant date. Non-vested SARS forfeit if the employee ceases to be employed with the Company and lapse 10 years after the grant date.

On July 1, 2018, all 300,000 SARs were modified into 300,000 Options. On July 1, the liability for the amount of EUR986 thousand was released to equity. The exercise price of EUR 9.10 and all other terms remained unchanged.

17. Expenses

(Amounts in EUR x 1,000)	2018	2017
Employee benefits (see Note 15)	10,481	6,966
Depreciation expense	1,047	177
Facilities	854	407
Consultancy	5,189	2,444
Telecom & IT	198	207
Travel	875	471
Insurance	76	94
Clinical costs	2,220	1,999
Manufacturing	2,310	2,235
Other	1,951	1,120
Total operating expenses	**25,201**	**16,120**

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.

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

(Amounts in EUR x 1,000)	2018	2017
Research and development expenses	17,468	11,215
General and administrative expenses	7,733	4,905
Total operating expenses	**25,201**	**16,120**

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 Netherlands Civil Code.

(Amounts in EUR x 1,000)	KPMG Accountants N.V.	Other KPMG network	Total KPMG
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**
2017			
Audit of the financial statements	134	-	134
Other audit engagements	64	-	64
Tax-related advisory services	-	4	4
Other non-audit services	-	-	-
	198	**4**	**202**

18. Finance Income and Expenses

(Amounts in EUR x 1,000)	2018	2017
Finance income		
Interest income	-	-
Net foreign exchange gain	-	722
Gain from adjustments of loans	1,299	614
Net gain from changes in fair value of derivatives	-	36
	1,299	**1,372**
Finance expenses		
Interest Expense on bank loans and other debt	(3,841)	(2,285)
Interest Expense on Leases	(461)	-
Loss from adjustments of loans	-	-
Net foreign exchange loss	(998)	-
Loss from change in fair value of derivatives	(589)	-
	(5,889)	**(2,285)**
Net finance expenses	**(4,590)**	**(913)**

Finance income for the year includes EUR1.3 million (2017: EUR0.6 million) from the carrying value adjustment of the loan from Hospira Inc, see also note 10 'Loans and Borrowing'. The net foreign exchange loss includes exchange losses of EUR0.5 million on loans (2017: EUR0.7 million gain) denominated in US dollars.

Finance expenses for bank borrowings and other debt include interest on third party loans for EUR3.7 million (2017: EUR1.9 million) and EUR0.2 million negative interest on outstanding cash and cash equivalents.

19. Income Tax Expense in the Income Statement

(Amounts in EUR x 1,000)	2018	2017
Current tax expense		
Current year	10	5
	10	**5**
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	**10**	**5**

Current year tax expense relates to subsidiaries in Germany and USA that charge their expenses with a mark-up to other group companies.

(Amounts in EUR x 1,000)	2018	2017
Reconciliation of effective tax rate		
Loss before income taxes	**29,791**	**17,033**
Tax using the Company's domestic tax rate (25.0% for both years)	(7,448)	(4,258)
Effect of tax rates in foreign jurisdictions	(70)	(98)
Tax exempt income	-	-
Non-deductible expenses	850	445
Tax incentives	-	(1)
Current year losses for which no deferred tax asset is recognized	6,678	3,917
	10	**5**

20. Earnings per Share

Basic earnings per share

(Amounts in EUR x 1,000)	2018	2017
Loss attributable to owners of the Company	**(29,801)**	**(17,038)**
Issued ordinary shares at January 1	17,287,397	13,966,501
Effect of shares issued for cash	2,874,247	900,021
Effect of warrants exercised	288,754	84,179
Weighted-average number of ordinary shares at December 31	20,450,398	14,950,701
Basic earnings per share (EUR)	**(1.46)**	**(1.14)**

The calculation of basic earnings per share for the year ended December 31, 2018 has been based on the loss attributable to ordinary shareholders of EUR29,801 thousand (2017: EUR17,038 thousand) and a weighted-average number of ordinary shares outstanding during the year of 20,450 thousand (2017:14,951 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)	2018	2017
Weighted average number of ordinary shares (basic)	20,450,398	14,950,701
Effect of share-based payments (share options)	-	-
Effect of warrants outstanding	-	-
	20,450,398	**14,950,701**
Diluted earnings per share (EUR per share)	**(1.46)**	**(1.14)**

The calculation of diluted earnings per share for the year ended December 31, 2018, has been based on the loss attributable to ordinary shareholders of EUR29,801 thousand (2017: EUR 17,038) and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares 1,161,805 dilutive options on ordinary shares were outstanding (2017: 428,477). These options have been awarded as share-based payments to the Management Board and Kiadis employees (see also Notes 16. Employee Benefits and 25. Related Parties).

On December 31, 2018, an aggregate number of 116,293 dilutive warrants on ordinary shares were outstanding (2017: 731,229).

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.

21. Financial Instruments

As a result of our operating and financing activities, we are exposed to market risks that may affect our 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.

Management is responsible for implementing and evaluating policies which govern our funding, investments and any use of derivative financial instruments. Management 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 to 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.

As at December 31, 2018, the Group did have adequate funds available to settle its payment obligations from its ongoing business operations for a period of twelve months following the date of these financial statements.

A debt repayment schedule is included in Note 10. 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 0.35 % on average for 2018 (2017: 0.0%). An increase of 25 basis points in interest rates would have increased equity and profit by EUR113 thousand (2017: EUR4 thousand). A decrease of 25 basis points in interest rates would have decreased equity and profit by EUR113 thousand (2017: EUR4 thousand).

Exposure to foreign currency risk

The Company's functional currency is the euro (symbol: EUR). The functional currency of the Dutch and German subsidiaries is also the euro. The functional currency of the Canadian subsidiary is the Canadian dollar. The functional currency of the US subsidiary is the US dollar.

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, 2018 of 5% would have increased equity by EUR26 thousand (2017: EUR22 thousand) and increased the loss for the year by EUR25 thousand (2017: EUR15 thousand decrease). 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)		Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	level 3	Total
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**	**-**	**-**	**-**	**-**
December 31, 2017								
Financial assets not measured at fair value								
VAT and other receivables	-	582	-	582	-	-	-	-
Cash and cash equivalents	-	-	29,906	29,906	-	-	-	-
	-	**582**	**29,906**	**30,488**	**-**	**-**	**-**	**-**

(Amounts in EUR x 1,000)	Carrying amount					Fair value			
	Non-current liabilities		Current liabilities						
	Derivatives	Loans and borrowings	Trade and other payables	Loans and borrowings	Total	Level 1	Level 2	level 3	Total
December 31, 2018									
Financial liabilities measured at fair value									
Derivatives	-	-	-	-	-	-	-	-	-
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**	**-**	**-**	**-**	**-**
December 31, 2017									
Financial liabilities measured at fair value									
Derivatives	1,445	-	-	-	1,445	-	-	1,445	1,445
Financial liabilities not measured at fair value									
Loan from Kreos Capital	-	11,401	-	1,789	13,190	-	13,190	-	13,190
Loan from Hospira Inc.	-	9,401	-	-	9,401	-	-	9,401	9,401
Loan from University of Montreal	-	797	-	-	797	-	797	-	797
Trade and other payables	-	-	3,455	-	3,455	-	-	-	-
	1,445	**21,599**	**3,455**	**1,789**	**28,288**	**-**	**-**	**-**	**-**

22. Contingencies

Milestone payments

Celmed Founding Shareholders

The Company is party to agreements with certain former shareholders of Celmed BioSciences Inc., including Theratechnologies Inc., Fonds de Solidarité des Travailleurs du Quebec and Investissements Santé Inc. Under these agreements, the Company is obligated to pay such shareholders CN$3.4 million, if and when all approvals required to market RhitolTM in the United States have been granted by the FDA and CN$6.9 million, if and when all approvals required to market NB1011 in the United States have been granted by the FDA. These obligations are secured by a hypothecation of certain rights to Theralux and NB1011 patents under Quebec laws and a security interest under California law.

University of Montreal

Between 1991 and 1997, Kiadis Pharma Canada Inc. and/or its predecessors entered into a series of licensing agreements with the University of Montreal which obligates the Company to pay royalties of 5% of net sales of all products derived from the Theralux product platform for the term of our commercialization of such products. The same rate of royalties applies to receipts related to sub-licenses.

Hospira Inc.

If and when the loan from Hospira Inc. (see also Note 10. Loans and Borrowings) has been repaid, Hospira will thereafter be entitled to receive royalties of 3% on net sales of products derived from the Theralux product platform in a specified territory (all countries except for those in North America and South America, China, and Mongolia) for an unlimited period of time.

23. Commitments

(a) Lease of premises:

The future aggregate minimum lease payments commitments are as follows:

(Amounts in EUR x 1,000)	2018	2017
Less than one year	555	1,480
Between one and five years	2,063	5,740
More than 5 years	2,049	7,175
	4,667	**14,395**

The commitments as at December 31, 2018 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. The comparative numbers for 2017 include both lease component and service component payments under the lease contracts.

(b) Capital commitments

In December 2018, the Group entered into various contracts with services and products to be delivered in 2019 for a total amount of approximately EUR4.5 million incl. approx. EUR3 million commitments to be paid in the first year and the remainder within no more than 5 years.

24. Business Combinations

There were no business combinations in 2018.

25. 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 2 members (Chief Executive Officer (CEO) and Chief Financial Officer (CFO) who were in office during the years 2018 and 2017.

(Amounts in EUR x 1,000)	2018	2017
Salaries and other short-term employee benefits	586	909
Pensions	14	14
Share-based payment	763	820
Social securities	18	31
Other emoluments	-	5
Total	**1,381**	**1,779**

The table below shows the remuneration received by the individual members of the Management Board for the year ended December 31, 2018.

Management Board 2018

Amounts in EUR	Base salary	Cash bonus	Share-based payment	Pension contributions	Social security costs	Other benefits	Total remuneration
Mr. Arthur Lahr	310,000	93,000	763,354	7,608	10,109	-	1,184,071
Mr. Robbert van Heekeren	183,183	-	-	6,624	7,582	-	197,389
	493,183	93,000	763,354	14,232	17,691	-	1,381,460

Expenses of share-based payments incurred in 2018 relate to share based payment grants to Mr. Arthur Lahr on April 4, 2017 and July 1, 2018 as well as options granted to Mr. Van Heekeren on July 1, 2016. On July 1, 2018, all 300,000 SARs granted to Mr. Lahr were modified into 300,000 Options. The exercise price of EUR 9.10 and all other terms remained unchanged.

Mr. Robbert van Heekeren resigned as Chief Financial Officer and as member of the Management Board effective October 1, 2018. Due to the forfeiture of part of his option grant, share based payment expenses for Mr. Van Heekeren were negative for the full year 2018 and are set at nil in the above table.

As of December 31, 2018 the Supervisory Board consisted of 6 Board members (2017: 5). Two new board members were appointed by the General Meeting of shareholders held on June 4, 2018. Both served as observatory members during the first half of 2018. Only independent board members receive compensation for their services.

	2018	2017
Remuneration	120	80
Share-based payment	-	-
Total	**120**	**80**

The table below shows the remuneration received by the individual members of the Supervisory Board for the year ended December 31, 2018.

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	-	-	-	-	-	-	-
Mr. Stuart Chapman	-	-	-	-	-	-	-
Dr. Otto Schwarz	20,000	-	-	-	-	-	20,000
Mr. Subhanu Saxena	20,000	-	-	-	-	-	20,000
Dr. Robert Soiffer	40,000	-	-	-	-	-	40,000
Mr. Berndt Modig	40,000	-	-	-	-	-	40,000
	120,000	-	-	-	-	-	120,000

(b) Transactions of shares in the Company

No such transactions took place in 2018 and 2017.

(c) 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, 2018	December 31, 2017		
Mr. Arthur Lahr	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	-	9.51	Granted July 1, 2018. Vesting dates July 1, 2019, July 1, 2020 and July 1, 2021. Expiration date July 1, 2028.
Mr. Robbert van Heekeren	22,602	33,903	12.35	Granted July 1, 2016. Vesting dates July 1, 2017, July 1, 2018. Expiration date July 1, 2026.

26. Subsequent Events

The Company has entered a definitive agreement to acquire CytoSen, subject to shareholder approval and customary closing conditions. CytoSen is a private company that 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.

CytoSen is currently preparing an investigational new drug (IND) application with the US Food and Drug Administration (FDA) with its lead candidate, CSDT002, which is expected to enter clinical development in 2020. The clinical study will evaluate CSDT002 in patients with high-risk acute myeloid leukemia (AML) undergoing a haploidentical HSCT. The clinical study has been designed with and will be supported by the Blood and Marrow Transplant Clinical Trials Network (BMT CTN). The BMT CTN was established in October of 2001 to conduct large, multi-institutional clinical trials addressing important issues in hematopoietic stem cell transplantation.

The total upfront consideration to be paid to CytoSen's shareholders for the acquisition of CytoSen consists of 1.94 million Kiadis Pharma shares, which constitutes approximately 7.4% of Kiadis Pharma' outstanding share capital following completion of the Transaction.

In addition, CytoSen's shareholders are eligible to potential future consideration of up to 5.82 million additional Kiadis Pharma shares upon the achievement of six clinical development and regulatory milestones, with the final milestone being US FDA approval of an NK-cell product based on CytoSen's technology. Partly due to the fact that the closing of the acquisition did not occur yet, the initial accounting for the business combination has not yet been finalized as the Company is in the process of evaluating the fair value of the net assets acquired. As such not all relevant disclosures are available. In the event that the transaction does not complete because the General Meeting withholds its approval, CytoSen is entitled to a USD 1 million break fee.

On April 4, 2019, The Company signed a lease contract for approximately 1,250 m2 additional office space at our headquarters in Amsterdam.

On March 29, 2019, the Company held an extraordinary general meeting of shareholders and shareholders agreed on the following:

- Appointment of Scott Holmes as a member of the Management Board (voting item)
- Remuneration Policy for the Management Board which includes the granting of options and stock appreciation rights
- Remuneration of the Supervisory Board which includes the granting of options

- Delegation to the Management Board of the authority to issue shares and grant rights to acquire shares for a period of 5 years following March 29, 2019 the date of the EGM
- Delegation to the Management Board of the authority to restrict or exclude preemptive rights upon the issue of shares and granting of rights to acquire shares for a period of 5 years following March 29, 2019 the date of the EGM
- Amend articles of association to increase the authorized share capital to EUR 12,000,000 and to create the possibility of having an amendment of the articles of association enter into force only if and when a copy thereof has been deposited at the Trade Register of the Chamber of Commerce. In this case the share capital will be divided into one hundred and twenty million (120,000,000) shares, each share with a nominal value of ten Eurocent (EUR 0.10).
- Anti-takeover protection & issuance of preference shares
  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 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 shareholders approved the implementation of an anti-takeover protection which introduces preference shares such that Kiadis Pharma's authorized share capital will be divided into ordinary shares and preference shares which will only become effective if the Management Board at any time in the future decides, after having obtained approval from the Supervisory Board, to have the amendment enter into force by depositing a copy thereof at the Trade Register of the Chamber of Commerce. If this occurs, the amendment of the articles of association will enter into force as proposed. In this case, the proposed authorization to issue shares or grant rights to subscribe for shares and shall enable the Management Board and the Supervisory Board to grant a call option that is not limited in time to subscribe for preference shares to an independent foundation then to be established, and which call option can be exercised in whole or in part, up to the authorized share capital of preference shares as per the articles of association at the time of exercise and at multiple times and occasions (including after the issuance and subsequent cancellation of preference shares).

company financial statements

BALANCE SHEET

(After appropriation of results, amounts in EUR x 1,000)	Note	As at December 31, 2018	As at December 31, 2017
ASSETS			
Property, plant and equipment		-	-
Financial non-current assets	1	12,478	12,900
Total non-current assets		**12,478**	**12,900**
VAT & other receivables	2	100	84
Deferred expenses	2	795	86
Cash and cash equivalents	3	59,238	29,562
Total current assets		**60,133**	**29,732**
Total assets		**72,611**	**42,632**
EQUITY			
Share capital		2,434	1,729
Share premium		180,553	124,413
Translation reserve		298	295
Warrant reserve		392	1,275
Accumulated deficit		(139,533)	(111,853)
Equity attributable to owners of the Company	4	**44,144**	**15,859**
LIABILITIES			
Loans and borrowings	6	21,836	21,599
Derivatives	7	-	1,445
Employee benefits	10	-	540
Provisions		230	980
Total non-current liabilities		**22,066**	**24,564**
Loans and borrowings	6	5,308	1,789
Deferred income		-	-
Trade and other payables	8	1,093	420
Provisions		-	-
Total current liabilities		**6,401**	**2,209**
Total liabilities		**28,467**	**26,773**
Total equity and liabilities		**72,611**	**42,632**

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

INCOME STATEMENT

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2018	2017
GROSS MARGIN		**-**	**-**
Employment benefits	9	(2,363)	(1,878)
Social charges	9	(18)	(21)
Depreciation expenses	9	-	-
Other operating expenses	9	(3,626)	(1,802)
Total operating expenses		**(6,007)**	**(3,701)**
Operating loss		**(6,007)**	**(3,701)**
Share in results from participating interests	4	(20,663)	(13,530)
Interest income	11	558	531
Interest expenses	11	(3,841)	(2,285)
Other net finance (expenses) income	11	152	1,947
Net finance expenses		**(23,794)**	**(13,337)**
Loss before tax		**(29,801)**	**(17,038)**
Income tax expense		-	-
Loss for the period		**(29,801)**	**(17,038)**

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 2 to 49.

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.

The Company changed the presentation of the Income statement. The Financial information for 2017 in the Income Statement have been reclassified in order to enable comparability with 2018.

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. Participating interests with negative equity are reported under provisions.

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. The Company recognises the portion of corporate income tax that it would owe as an independent tax payer, 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

	2018	2017
Participating interests in group companies	(101,940)	(81,756)

The movements in participating interests can be shown as follows:

	Kiadis Pharma Netherlands B.V.	Kiadis Pharma Intellectual Property B.V.	Kiadis Pharma Germany GmbH	Kiadis Pharma Canada Inc.	Kiadis Pharma US Inc.	Kiadis Pharma UK Ltd.	Total
Balance as at January 1, 2018	**(67,110)**	**(1,418)**	**38**	**(13,270)**	**4**	**-**	**(81,756)**
Changes in 2018							
Investments / (Divestments)	-	-	-	-	-	-	-
Other equity movements incl(SBP)	-	-	-	-	-	-	-
Share in result	(19,680)	(77)	21	(987)	60	-	(20,663)
Effect of changes in foreign exchange rates	-	-	-	479	-	-	479
Total changes in 2018	**(19,680)**	**(77)**	**21**	**(508)**	**60**	**-**	**(20,184)**
Balance as at December 31, 2018	**(86,790)**	**(1,495)**	**59**	**(13,778)**	**64**	**-**	**(101,940)**

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

	Kiadis Pharma Netherlands B.V.	Kiadis Pharma Intellectual Property B.V.	Kiadis Pharma Germany GmbH	Kiadis Pharma Canada Inc.	Kiadis Pharma US Inc.	Kiadis Pharma UK Ltd.	Total
Participating interests as at December 31, 2018	**(86,790)**	**(1,495)**	**59**	**(13,778)**	**64**	**-**	**(101,940)**
Net value of subsidiaries in 2018							
Receivable due by group companies	86,587	1,468	-	13,764	-	1	101,820
Goodwill related to subsidiaries	-	-	-	3,913	-	-	3,913
In-process R&D related to subsidiaries	-	-	-	8,455	-	-	8,455
Provisions	203	27	-	-	-	-	230
Net financial non-current assets as at December 31, 2018	**-**	**-**	**59**	**12,354**	**64**	**1**	**12,478**

Goodwill and other intangible assets relate to the investment in Kiadis Pharma Canada Inc., refer to note 5 of the consolidated financial statements.

As of December 31, 2018, the provision related to negative equity of Kiadis Pharma Netherlands B.V. and Kiadis Pharma Intellectual Property B.V. amounted to EUR 230 thousand (2017: 980 thousand). The movement in the provision is the sum of the share in results and the change in the receivable balance with Kiadis Pharma Netherlands B.V. and Kiadis Pharma Intellectual Property B.V.

2. VAT & Other Receivables and Deferred Expenses

(Amounts in EUR x 1,000)	2018	2017
VAT & Other receivables		
Intercompany Receivables	101,820	80,846
VAT receivables	100	84
VAT & Other Receivables	**100**	**84**
Deferred expenses	795	86
Deferred expenses	**795**	**86**

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)	2018	2017
Cash at bank and in hand	59,238	29,562
Cash and cash equivalents	**59,238**	**29,562**
Bank overdrafts used for cash management purposes	-	-
Net cash as per balance sheet	**59,238**	**29,562**

4. Equity

See Note 8 of the consolidated financial statements.

5. Deferred Tax Assets and Liabilities

See Note 9 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 10. Loans and Borrowings of the consolidated financial statements.

7. Derivatives

All Derivatives were held by Kiadis Pharma NV, therefore see Note 12. Derivatives of the consolidated financial statements.

8. Trade and Other Payables

(Amounts in EUR x 1,000)	2018	2017
Suppliers	391	46
Salaries, bonuses and vacation	93	156
Payroll tax and social premium contributions	8	24
Interest Payable	64	-
Payable to group companies	347	33
Accrued audit fees	120	35
Accrued legal fees	25	35
Accrued Consulting	-	71
Other	45	20
	1,093	**420**

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

9. Expenses

(Amounts in EUR x 1,000)	2,018	2017
Employee benefits	2,363	1,878
Social charges	18	21
Depreciation expense	-	-
Facilities	-	-
Consultancy	1,687	1,144
Telecom & IT	1	-
Travel	58	56
Insurance	32	32
Clinical costs	-	-
Recharge to group companies	1,562	314
Other	287	256
Total operating expenses	**6,007**	**3,701**

10. Employee Benefits

The Company only employs Management Board members, therefore we refer to Note 25. Related Parties of the consolidated financial statements.

The costs related to share based payments are accounted for in the Company.

11. Finance Income and Expenses

(Amounts in EUR x 1,000)	2018	2017
Finance income		
Interest income	558	531
Net foreign exchange gain	-	1,297
Gain from adjustments of loans	1,299	614
Net gain from changes in fair value of derivatives	-	36
	1,857	**2,478**
Finance expenses		
Interest Expense on bank loans and other debt	(3,841)	(2,285)
Interest Expense on Leases	-	-
Loss from adjustments of loans	-	-
Net foreign exchange loss	(558)	-
Loss from change in fair value of derivatives	(589)	-
	(4,988)	**(2,285)**
Net finance expenses	**(3,131)**	**193**

Finance income for the year includes EUR1.3 million (2017: EUR0.6 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 EUR3.7 million (2017: EUR1.9 million) and EUR0.2 million negative interest on outstanding cash and cash equivalents.

Also refer to note 10 ‘Loans and Borrowing’ of the consolidated financial statements.

12. Financial Instruments

See Note 21. 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.

14. Emoluments of Senior Management

See Note 25. Related Parties of the consolidated financial statements.

15. Subsequent Events

See note 26 Subsequent Events of the consolidated financial statements.

April 30, 2019

Management Board:

Arthur Lahr, Chief Executive Officer

Scott Holmes, Chief Financial 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 EUR29,801 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 2018 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, 2018 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, 2018 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 2018 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, 2018;

2 the following consolidated statements for 2018: 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, 2018;

2 the company income statement for 2018; 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 EU Regulation on specific requirements regarding statutory audits of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), 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. 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.

Audit approach

Summary

Materiality
— Materiality of EUR 154,000 — 0.5% of total expenses

Group audit
— 100% of total assets — 100% of total expenses

Key audit matters
— Classification of expenses in the statement of comprehensive income

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 154,000 (2017: EUR 85,000). The materiality is determined with reference to total expenses (0.5%). We consider total expenses 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 7,700 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.

Consideration of fraud in the audit of financial statements

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. In determining the audit procedures we have made use of the evaluation of management in relation to fraud risk management (prevention, detection and response), including ethical standards to create a culture of honesty.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with management 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.

Based on the auditing standards we addressed the following presumed fraud risks that were 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 being in Phase III clinical trial. 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 of internal controls relevant to mitigate these risks; and

— supplementary substantive audit procedures, including detailed testing of (administrative) journal entries and source documentation in relation to:

  - research and development expenses, and
  - non-routine transactions, such as financing transactions.

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.

Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Consideration of laws and regulations in the audit of financial statements

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 these laws and regulations to inquiry of the directors, those charged with governance and other

management and inspection of (board) minutes and regulatory and legal correspondence, if any. These are part of our procedures on the related financial statement items.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

In comparison with the prior year, accounting for warrants is not considered a key audit matter in the current year as the warrants to which the key audit matter related were exercised in 2018. In addition to the matter described in the 'Material uncertainty related to going concern' section of our report, we have determined the matter described below to be the key audit matter to be communicated in 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 and assessment of the appropriateness of the Company's accounting policies relating to the classification of R&D expenses and validate compliance with EU-IFRS. We tested the Company's allocation to R&D expenses within the statement of comprehensive income in detail. We evaluated key assumptions within the allocation through discussions with management and by reconciling to supporting documentation. We critically assessed and challenged allocation key's used by management in the classification and the consistency of allocations compared to prior year. Finally, we tested individual reclassifications between R&D and general and administrative expenses to supporting documentation.

Our observation

The results of our procedures performed on management's accounting for R&D expenses are 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 that consists of:

— the Business Section (including the Report of the Management Board);

— the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and

— the Corporate Governance and Risk Management and Internal Control Systems section.

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 substantially 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 4, 2018 for the audit of the financial statements of 2018.

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 the Supervisory Board 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 the Management Board 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 independent auditor's report.

Amstelveen, April 30, 2019

KPMG Accountants N.V.

H.A.P.M. van Meel RA

INVESTOR RELATIONS

Kiadis Pharma

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