Kiadis pharma

2020 ANNUAL REPORT

KIADIS PHARMA

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

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2020 — A transformational year; message from our CEO

2020 can be described as a year of transformation for Kiadis. Despite major and unforeseen world-wide challenges, I am extremely proud of the tremendous progress we made on advancing our cell based therapies to patients who desperately need them.

We have a clear core purpose – bringing innovative new therapies to patients with life-threatening diseases. At the start of the year we had a changed strategic focus to the NK-cell-based immunotherapy platform and pipeline, which came into Kiadis through the acquisition of Cytosen Therapeutics in June 2019. Today, Kiadis has a pipeline of clinical programs consisting of NK-cell therapy products as an adjunctive treatment for a haploidentical HSCT and for treatment of AML R/R, and preclinical programs evaluating NK-cell therapies as treatment for a broad range of cancers and infectious diseases.

TODAY, KIADIS HAS A PIPELINE OF CLINICAL PROGRAMS CONSISTING OF NK-CELL THERAPY PRODUCTS AS AN ADJUNCTIVE TREATMENT FOR A HAPLOIDENTICAL HSCT AND FOR TREATMENT OF AML R/R, AND PRECLINICAL PROGRAMS EVALUATING NK-CELL THERAPIES AS TREATMENT FOR A BROAD RANGE OF CANCERS AND INFECTIOUS DISEASES.

NK-cells have long been known to play a significant role in the body's innate immune response. These cells not only detect, identify and kill malignant cancer cells and infected cells, but also help trigger a broader adaptive immune response in order to fully engage and fight tumor and infected cells. One historical challenge for NK-cell therapy has been producing enough cells with attributes necessary to fight cancer cells. Our K-NK platform addresses these challenges, and is designed to deliver enough of the right NK cells to help each individual patient in the fastest way possible. Our platform enables us to produce large quantities of highly potent NK cells, even without any genetic engineering and without the use of feeder cells, limiting the presence of tumor cells and tumor DNA in the final product. We can manufacture off-the-shelf product and cryopreserve high doses at a low cost to make our products widely available to patients.

Based on our NK cell-based immunotherapy technology platform, we are committed to maximizing the value of our most advanced clinical programs, K-NK002 and K-NK003. We have preclinical programs evaluating the potential application of NK cells for blood cancers and solid tumors. We are also investigating the use of NK cells for influenza and SARS, and received approval on the investigational new drug (IND) application for our K-NK-ID101 program for the treatment of COVID-19 infection along with government grants to help fund the program costs.

In July 2020, as part of our K-NK004 program, we expanded application of our K-NK platform into multiple myeloma through a collaboration with Sanofi. Under this partnership, Sanofi licensed our CD38 knock out K-NK therapeutic for development with their approved antibody, Sarclisa®.

2020 WAS A YEAR UNLIKE ANY OTHER WITH A CHALLENGING PANDEMIC THAT TRIGGERED A GLOBAL HEALTH AND FINANCIAL CRISIS. DESPITE THIS HUGE EXTERNAL TURMOIL, I AM PROUD OF THE TREMENDOUS ACHIEVEMENTS OUR INCREDIBLE TEAM WAS ABLE TO ACHIEVE, NEVER LOSING FOCUS ON WHAT IS MOST IMPORTANT — SERVING PATIENTS, THEIR FAMILIES AND CAREGIVERS BY DELIVERING TREATMENTS FOR PATIENTS TO OFFER HOPE, REDUCE SUFFERING AND PROVIDE NEW LIFE.

In November 2020, we announced Sanofi's offer to acquire Kiadis and use our infrastructure and capabilities to advance the development of Kiadis' entire NK-cell technology platform and pipeline. We are very excited about this opportunity because we believe this acquisition is the absolute best path forward for our shareholders and all of our other stakeholders, and most importantly for patients who will benefit from our cell-based medicines.

2020 was a year unlike any other with a challenging pandemic that triggered a global health and financial crisis. Despite this huge external turmoil, I am proud of the tremendous achievements our incredible team was able to achieve, never losing focus on what is most important — serving patients, their families and caregivers by delivering treatments for patients to offer hope, reduce suffering and provide new life. We continued to work as OneKiadis, one team which always strives to do the right thing:

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

The significant progress we made in 2020 helps set us up for a successful 2021.

In closing, I would like to express my appreciation to our patients, partners and shareholders for their continued support and confidence as we continue this important work. Looking ahead, I am excited about the tremendous potential in the use of NK cells to help countless number of patients in their fight against cancer and other diseases.

Regards,

Arthur Lahr
Chief Executive Officer
Kiadis Pharma N.V.

our strengths & strategy

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

Our strategy, which will leverage our competitive strengths, includes:

- **Advancing our technology platform across multiple indications, including as adjunctive therapy to HSCT and for the treatment of both liquid and solid tumors and infectious disease.** We have a pipeline of therapeutic candidates based on our NK-cell therapy platform. We will advance development of these programs for the treatment of various cancers and infectious diseases.
- **Having a lead program, K-NK002, that seeks to improve outcomes of HSCT.** We are developing K-NK002 as an adjunctive therapy to the current haploidentical HSCT standard of care to improve relapse rates. We believe that more treatment options are needed for patients undergoing HSCT. Through our lead program, K-NK002, we believe we can improve outcomes for patients in need of HSCT.
- **Expanding a pipeline of cell-based immunotherapies.** The human proof-of-concept data of our K-NK003 program for the treatment of AML R/R from the MD Anderson Cancer Center and the Hospital de Clínicas de Porto Alegre show significant promise in applying our NK-cell platform to treat patients with advanced blood cancer. We are supporting a Phase 1 study of K-NK003 for the treatment of AML R/R. We have preclinical programs evaluating the use of our NK-cell therapies for the treatment of solid tumors and infectious diseases. If these preclinical programs are successful, we will advance our therapeutic candidates into clinical development.
- **Retaining worldwide commercial rights for indications and markets for which we believe we can efficiently commercialize our products, and out-license programs where there is potential for a combination with an approved medicine, or where the market is very large and could not be efficiently reached.** We have retained worldwide development and commercialization rights for our clinical programs K-NK002 and K-NK003 and the preclinical programs in our NK-pipeline, save for those licensed to Sanofi. For K-NK002, our adjunctive therapy to HSCT, commercialization will be directed towards the stem cell transplant community, which is a concentrated market with relatively few stem cell transplant centers and driven by a small group of key opinion leading physicians.
- **Setting up an efficient manufacturing and supply chain infrastructure for cell-based product candidates.** We currently utilize CMO manufacturing capacity and are building our own manufacturing capabilities to support our global requirements. We believe our manufacturing platform has the potential for an attractive cost of goods profile and lower capital expenditures relative to other cell or gene therapy approaches.
- **Having seasoned leadership.** Members of our executive and non-executive leadership teams cumulatively have a century of experience in the life sciences industry and have previously served at companies including Ablynx, Actelion, Amgen, Crucell, Dendreon, Johnson & Johnson, Medivation, Keryx and Novartis. The leadership teams have a track record in senior management roles from early research to late stage drug development, global manufacturing operations and commercialization of orphan drug and several innovative treatments, including advanced cell-based therapies.

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

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 2020

2020 was a year of transformation in which we made tremendous progress on our strategy of using our natural killer (NK) cell therapy programs to build a fully integrated biopharmaceutical company.

Over the course of 2020, we continued our work to maximize the value of our lead clinical programs, K-NK002 and K-NK003. We submitted an IND in April 2020 and received rapid approval in May 2020 to start our NK-REALM Phase 2 clinical trial that will evaluate K-NK002 produced using Kiadis' proprietary PM21 technology platform. We were able to proceed directly into a Phase 2 trial with K-NK cells produced with PM21 based on bridging data from K-NK cells produced with FC21 used in earlier clinical studies. We plan to start enrolment for this trial in 2021. For our K-NK003 program, the FDA approved a Phase 1 trial in patients with relapsed/refractory acute myeloid leukemia (R/R AML) with off-the-shelf cells from universal donors. Enrolment of patients for this trial began in June 2020.

In July 2020, as part of our K-NK004 program, we expanded application of our K-NK platform into multiple myeloma through a collaboration with Sanofi. Under this partnership, Sanofi licensed our CD38 knock out K-NK therapeutic for development in combination with their approved antibody, Sarclisa®. We received a EUR17.5 million upfront payment with the potential to receive up to EUR857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones.

Additionally, we began to evaluate the potential application of K-NK cells for a broad range of other cancers and infectious diseases. In August 2020, we initiated our K-NK-ID101 program, that will focus on the development of K-NK cells as a treatment for COVID-19. We initiated a research program and received FDA approval on an investigational new drug (IND) application for a Phase 1/2a trial to evaluate use of K-NK cells for the treatment of COVID-19 infection, along with government grants to help fund the program costs.

During the year, we raised EUR17.0 million through private placements to fund the preclinical and clinical development of our K-NK cell therapy programs. We strengthened our leadership team with the appointments of Ray Barlow, PhD, as Chief Business Officer, and Govert Schouten, PhD, as Head of Innovation.

The significant progress achieved with our NK programs was recognized by strategic partners and culminated in the proposed acquisition of Kiadis by Sanofi in November. Sanofi is offering to purchase Kiadis at a 272% premium to the closing price on October 30, 2020, representing an aggregate adjusted share equity value of approximately EUR308 million.

Subsequent to the announcement of November 2, 2020, the share price of the Company increased to EUR5.27 as per December 31, 2020 which impacts the valuation of the contingent consideration to former CytoSen shareholders and optionholders upon the achievement of certain milestones (the "Milestone Shares"). The Milestone Shares and certain outstanding warrants include change of control clauses which all increased the liability as of December 31, 2020 and non-cash expenses. The financial impact of the envisioned acquisition resulted in a negative equity as of December 31, 2020. Upon a successful acquisition in 2021, the liabilities for Milestones Shares and these warrants will be released and converted into equity. In case the acquisition is not successful the increase of liabilities of EUR48 million during the year ending December 31, 2020 will for the larger part be reversed due to lower share prices and change of control clauses which will no longer materially impact the accounting in 2020.

Financial Review 2020 – Finance

(Amounts in EUR million, except per share data)	2020	2019	Change
Total revenue and other income	**21.1**	**-**	**21.1**
Total operating expenses			
Research and development	(31.2)	(43.0)	11.8
General and administrative	(24.0)	(30.2)	6.2
Operating expenses	**(55.2)**	**(73.2)**	**18.0**
Operating result	**(34.1)**	**(73.2)**	**39.1**
Net financial result	**(47.7)**	**20.7**	**(68.4)**
Net result	**(81.9)**	**(52.6)**	**(29.3)**
Net operating cash flow	**(24.1)**	**(48.3)**	**24.2**
Cash position at end of year	**13.7**	**29.5**	**(15.8)**
Equity	**(32.9)**	**34.3**	**(67.2)**
Earnings per share before dilution (EUR)	**(2.24)**	**(1.92)**	**(0.32)**

Revenue & Other Income

Kiadis Pharma recorded a revenue of EUR17.5 million in 2020 relating to the exclusive license agreement with Sanofi signed on July 7, 2020 and other income related to grants of EUR3.6 million (2019: EUR0).

Operating Expenses

Operating expenses decreased to EUR55.2 million from EUR73.2 million in 2019, a decrease of EUR18.0 million.

Research and Development expenses decreased to EUR31.2 million from EUR43.0 million in 2019. Without the expenses for share-based compensation, Research and Development expenses decreased to EUR28.3 million from EUR41.4 million in 2019, a decrease of EUR13.2 million. The decrease was primarily caused by the increased clinical trial costs in 2019 related to the ramp up of the Phase 3 study of ATIR101, and the increase of the work force that the organization experienced prior to the discontinuation of the ATIR activities in 2019. In 2020 Kiadis Pharma fully focused on the development of K-NK002 and the other NK-programs which resulted in an increase in these program costs.

General and Administrative expenses decreased to EUR24.0 million from EUR30.2 million in 2019. Without the expenses for share-based compensation, General and Administrative expenses decreased to EUR20.7 million from EUR28.6, a decrease of EUR7.9 million. This decrease was mainly due to a decreased headcount across all departments after the discontinuation of ATIR and higher consultancy expenses for business development activities in 2019, market access and the acquisition of CytoSen in 2019. This decrease was offset by an increase caused by expenses related to the intended Sanofi acquisition.

Operating Results

As a result of the overall decrease in total operating expenses and the revenue generated in 2020, the Group's operating loss decreased from EUR73.2 million in 2019 to EUR34.1 million in 2020.

Net Financial Result

Net financial income decreased EUR68.4 million to a loss of EUR47.7 million from a net financial income of EUR20.7 million in 2019.

Finance expenses for our outstanding debt include interest on third party loans for EUR1.5 million compared to EUR3.3 million in 2019, and EUR0.1 million negative interest on outstanding cash and cash equivalents in 2020 compared to EUR0.2 million in 2019. Interest expenses on our leases decreased from EUR0.5 million in 2019 to EUR0.4 million in 2020.

The Company recognizes a contingent consideration related to the acquisition of CytoSen. As a result of the change in share price during 2020 and reflecting accelerated payment of Shares (Milestone Shares) upon a change of control, the contingent consideration increased by EUR24.6 million to a total of EUR29.0 million. The Company recorded an other financial loss of EUR24.6 million versus an other financial income of EUR13.1 million in 2019 due to the reduction in share price and accelerated payment.

In April 2020, Kiadis raised EUR17 million and the investors received 5.24 million warrants (the "2025 Warrants"). As of December 31, 2020, the Company recorded a liability of EUR26.6 million, the compensation to warrant holders in case the acquisition by Sanofi is successful. The EUR20.1 million increase in the fair value of the liability for the 2025 Warrants during the eight months period ended December 31, 2020 was recorded as other financial loss.

In December 2011, the Company entered into an agreement with Hospira, Inc. Due to the decision to terminate all ATIR activities in 2019, the Company reduced the related liability for which repayment was linked to ATIR till EUR 0 and recorded a financial gain of EUR10.8 million in 2019.

The net foreign exchange loss of EUR1.0 million in 2020 mainly includes a unrealized (non-cash) exchange loss of EUR0.9 million on intra-group loans denominated in Canadian dollars which amounted to a gain of EUR0.8 million in 2019.

Net Result

As a result of the above items, the loss increased by EUR29.3 million to EUR81.9 million in 2020 versus a loss of EUR52.6 million in 2019. The undiluted loss per share for 2020 increased to EUR2.24 compared to a loss of EUR1.92 in 2019.

Cash Flows

Total cash and cash equivalents decreased by EUR15.8 million from EUR29.5 million at year-end 2019 to EUR13.7 million at the end of 2020. This decrease mainly results from the net operating cash outflow amounting to EUR24.1 million, repayment of outstanding loans of EUR5.0 million offset by the net proceeds of a share offering for a total amount of EUR16.1 million.

Equity

The Company's equity position amounted to negative EUR32.9 million at year-end 2020 versus positive EUR34.3 million at the end of 2019, a decrease of EUR67.2 million. The main drivers of this decrease are the loss of the year of EUR81.9 million, partly offset by net proceeds of a share offerings of EUR16.1 million.

Corporate Social Responsibility

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

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

In Company townhall meetings, via onboarding presentations for new employees and other regular trainings, our employees are made aware that Kiadis is committed to ensuring the highest standards of business conduct. For situations in which these standards are not being upheld, the Company has a Whistleblower Procedure in place that is published on the Company's intranet and that describes what employees should do if they suspect or observe such behavior. As per our abovementioned values, the Company believes it is important to cultivate an open and transparent culture that allows employees to express, in good faith, any concern. Under the Kiadis Whistleblower Procedure a dedicated 24/7 helpline and an online platform is available where everyone can express concerns, report irregularities and ask questions. Reporting can be done in person, via email or via telephone. Anonymous reporting is also facilitated. Our employees are encouraged to raise concerns without fear of retaliation, knowing that their concern will be treated confidentially, seriously, fairly and promptly. During the financial year 2020 no reports were filed under the Whistleblower Procedure.

Outlook 2021

The significant progress Kiadis made in 2020 sets the stage for a promising 2021. In 2021, the Company expects to continue maximizing the value of its most advanced clinical programs consisting of NK-cell therapy products as an adjunctive treatment for a haploidentical HSCT (K-NK002) and for treatment of AML R/R (K-NK003), and pursue various new preclinical and clinical programs in other indications.

In 2021, Kiadis will start the NK-REALM Phase 2 trial for K-NK002 to confirm earlier proof-of-concept data showing that adjunctive treatment with K-NK002 has the potential to substantially improve outcomes for patients with blood cancer in need of a haploidentical hematopoietic stem cell transplant (HSCT). The first six patients for the NK-REALM study will be enrolled and evaluated as a safety lead-in that will provide interim efficacy and persistence data.

Enrollment for the investigator-initiated Phase 1 K-NK003 study with The Ohio State University in the treatment of R/R AML with off the shelf NK cells from universal donors began in 2020 and will continue in 2021. Interim data on efficacy and safety for this Phase 1 trial is expected to be available in 2021.

The Company will also advance its research program, K-NK-ID101, focused on the use of NK cells to treat COVID-19 infection. Initiation of a Phase 1/2a trial and interim read out data is expected in 2021.

In November 2020, Sanofi offered to purchase Kiadis. Sanofi intends to accelerate the development and commercialization of the Company's trajectory and pipeline programs. Sanofi will leverage its global infrastructure and capabilities in research, CMC, development, manufacturing and commercialization, as well as its financial strength, to make Kiadis' off the shelf K-NK cell technology products rapidly and economically available for a broad patient population across a wide range of indications. The transaction is expected to close in the second quarter of 2021.

On January 13, 2021, Sanofi and the Company entered into a credit facility (the "Bridge Loan"). The Company received EUR20.0 million under the Bridge Loan and is allowed to draw further under the credit facility to pay back the remaining Kreos debt facility. If the intended acquisition by Sanofi is successful, funding for the Group for the period after the intended acquisition has to be arranged by Sanofi.

On February 2, 2021, Kiadis and Sanofi reached agreement with the 2025 Warrant holders, former CytoSen shareholders and option holders and Kreos in relation to their rights to acquire shares and their irrevocable commitment to tender all their shares under the Sanofi offer. All irrevocable commitments are subject to Sanofi declaring the offer unconditional and the Merger Agreement not being terminated. Approximately 36.6% shares outstanding as at settlement of the offer are now committed under the offer.

If the intended acquisition by Sanofi would not be successful, the Group will need additional sources of financing, which could include equity financing, non-dilutive financing or strategic transactions, starting in the third quarter of 2021. The Bridge Loan shall be immediately cancelled and all outstanding advances, interest and other amounts will become immediately due and payable in case of a change of control of Kiadis (not being a change of control by Sanofi) or if the merger agreement signed by Sanofi and the Company on November 1, 2020 (the "Merger Agreement") is terminated following a material breach thereof by the Company or is terminated following a superior offer for the Kiadis shares.

Management believes that sufficient additional funds can be raised to meet its financial obligations in the twelve months following these financial statements, also in case the intended acquisition is not successful, and is therefore of the opinion that application of the going concern assumption is justified.

In the event the Group is not able to generate sufficient funds, it may be unable to continue as a going concern, its business, financial condition and/or results of operations could be materially and adversely affected and it may ultimately go into insolvency.

statement of the management board

The Management Board confirms, in accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code 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 2020;
- this Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the control systems provide reasonable assurance that the financial statements do not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis; and
- this Annual Report addresses those material risks and uncertainties that may have a significant impact on the Company's continuity for the twelve months following the date of this Annual Report.

The Management Board declares that to the best of its knowledge, the consolidated financial statements for the year ended December 31, 2020, 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 7, 2021
Management Board

Arthur Lahr
Chief Executive Officer

corporate governance

AND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

corporate governance

Introduction

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

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

Management Board

The Management Board consists of one or more members, to be determined by the Supervisory Board. Mr. Arthur Lahr, Chief Executive Officer, was the sole member of the Management Board for the full year 2020 and was appointed on April 4, 2017 for a period of four years. Mr. Lahr was re-appointed by the General Meeting for a period of four years in the extraordinary general meeting of shareholders held on March 30, 2021.

ARTHUR LAHR – Mr. Lahr (52, Dutch) holds a master's degree in Applied Physics from the University of Delft, The Netherlands, and an MBA from INSEAD, Fontainebleau, France.

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 may be assigned to individual members. The functioning of and decision making within the Management Board as well as the distribution of tasks between its members are governed by the Rules of Procedure for the Management Board which can be found on the Company website.

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

Management Team

In 2020 the Management Team comprised of the member of the Management Board; the Chief Operating Officer; the Chief Medical Officer; the Chief Scientific Officer; the SVP Corporate Affairs; the General Counsel & Corporate Secretary; the SVP Finance; the SVP Corporate Development (partly), the Chief Business Officer (partly), the Head of Innovation (partly) and the SVP Quality. This ensures functional and operational expertise is present at the highest level in the organization. The members of the Management Team (not being Management Board members) are appointed by the Chief Executive Officer of the Management Board after consultation with the Supervisory Board and they report to the Chief Executive Officer. They assist the Management Board in its day-to-day management of the operations of the Company.

Supervisory Board

The Supervisory Board consists of three or more members. During the year 2020, the Supervisory Board was composed of Mr. Mark Wegter (Chairman), Mr. Berndt Modig (Vice-Chairman), Mr. Martijn Kleijwegt, Dr. Robert Soiffer, Dr. Otto Schwarz and Mr. Subhanu Saxena. Mr. Wegter and Mr. Kleijwegt were appointed upon incorporation of the Company in 2015 for a period of four years and reappointed by the General Meeting of June 24, 2019 . Dr. Soiffer and Mr. Modig were appointed in 2016 for a period of four years and reappointed by the General Meeting of June 25, 2020. Dr. Schwarz and Mr. Saxena were appointed in 2018, also for a period of four years. Further details in respect of the Supervisory Board members can be found in the Section entitled 'Report of the Supervisory Board' in this Annual Report.

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

Members of the Supervisory Board are appointed (and, if necessary, dismissed) by the General Meeting. The Articles of Association provide that the General Meeting appoints members of the Supervisory Board and that the Supervisory Board may draw up a non-binding nomination of one or more nominees for each vacancy to be filled for the appointment of a person 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 2020, the following remuneration for the Supervisory Board applies as approved by the General Meeting held on June 25, 2020.

MEMBER, ANNUAL FIXED HONORARIUM

a. All members: EUR35,000

b. Additional for Audit Committee members: EUR10,000

c. Additional for Nomination and Remuneration Committee members: EUR8,000

CHAIRMAN, ANNUAL FIXED HONORARIUM:

d. Additional for Supervisory Board chairman: EUR25,000

e. Additional for Audit Committee chairman: EUR10,000

f. Additional for Nomination and Remuneration Committee chairman: EUR7,000

OPTION GRANTS

On June 25, 2020 the General Meeting approved the grant of 145,000 share options to each member of the Supervisory Board. These options were thereafter granted to the members of the Supervisory Board as per June 25, 2020. Further share options may be granted to members of the Supervisory Board subject to approval by the General Meeting.

EXPENSES

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

The remuneration applies equally to all members of the Supervisory Board, including members of the Supervisory Board that do not qualify as independent with the meaning of the Dutch Corporate Governance Code.

Details of the actual remuneration of the Supervisory Board in 2020 can be found in Note 29 'Related Parties' of the consolidated financial statements.

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

General Meeting

The main powers of the General Meeting relate to:

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

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

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

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

The 2020 Annual General Meeting was held on June 25, 2020.

Amendment of the Articles of Association

The General Meeting decides on an amendment of the Articles of Association by an absolute majority of votes cast. A decision to amend the Articles of Association may only be taken at the proposal of the Management Board, subject to approval of the Supervisory Board. The General Meeting resolved in its annual meeting on June 25, 2020 to amend the articles of association as explained hereunder in the "Corporate Governance" paragraph.

Share Capital, Shares, Voting Rights and Substantial Holdings

On December 31, 2020 the Company's authorized share capital amounted to EUR20,000,000, divided into 100,000,000 ordinary shares and 100,000,000 preference shares, each with a nominal value of EUR0.10.

On December 31, 2020 the Company´s issued share capital amounted to EUR4,030,850.10 divided into 40,308,501 ordinary shares, each with a nominal value of EUR0.10. No preference shares were issued in 2020 and no preference shares are outstanding as per December 31, 2020.

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

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

Pursuant to the Dutch Financial Supervision Act (Wet op het financieel toezicht), substantial holdings in the Company must be disclosed to the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten; AFM). According to the register kept by the AFM the following shareholders disclosed that they have a direct or indirect (potential) interest between 3% and 25% in the Company's total issued share capital as per December 31, 2020:

- Empery Asset Management LP
- LSP Advisory B.V.
- Achmea Pensioen- en Levensverzekeringen N.V.
- Esprit Nominees Limited
- UBS Group AG
- Kreos Capital V (UK) Limited

- Pentwater Capital Management LP
- Oddo BHF Asset Management SAS
- Life Sciences Partners II B.V.
- JP Morgan Chase & Co

Issue of Shares; Authorization of the Management Board

The issuance of Company shares takes place upon a decision by the Management Board which decision is subject to the approval of the Supervisory Board. The scope of this power of the Management Board is determined by the General Meeting. In the General Meeting of June 25, 2020, this power was granted for a period of five years following June 25, 2020, up to the Company's authorized share capital included in the Articles of Association from time to time.

Repurchase of Own Shares; Authorization of the Management Board

The acquisition of fully paid-up Company shares by way of repurchase, via the stock exchange or otherwise, takes place upon a decision by the Management Board which decision is subject to the approval of the Supervisory Board. The scope of this power of the Management Board is determined by the General Meeting. In the General Meeting of June 25, 2020 this power was granted for a period of 18 months following June 25, 2020 for a maximum of 10% of the issued capital and for a consideration of at least EUR0.01 per share and which may not exceed the average closing price of the shares on Euronext Amsterdam and Euronext Brussels during five consecutive trading days preceding the day of repurchase increased by 10%.

Corporate Governance

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

Many Dutch listed companies have anti-takeover protection in the form of a call option, which is not limited in time and that is granted to an independent foundation, the statutory goal of which is to protect the listed company's interests by, amongst others, protecting the company from influences that may threaten its continuity, independence and identity. Such a call option typically entitles the foundation to acquire a number of preference shares in the company, which have the same voting rights as ordinary shares, not exceeding the total issued number of ordinary shares, and on which upon exercise of the call option, 25% of the nominal value of such preference shares needs to be paid by the foundation. As per this structure, in the event of any circumstances where the company in question is subject to influences as described above, the board of the foundation may decide to exercise the call option, with a view to enable the company to determine its position in relation to the circumstances as referred to above, and seek alternatives.

The Company currently has only partly implemented the anti-takeover protection as described above as no independent foundation has been incorporated and no call option to such foundation has been granted. The General Meeting did resolve on June 25, 2020 to approve and adopt an amendment to the Articles of Association which introduced preference shares such that the Company's authorized share capital is divided into ordinary shares and preference shares. These amended Articles of Association are effective as from June 26, 2020.

The General Meeting resolved on March 29, 2019, to approve a conditional amendment of the Articles of Association, introducing preference shares in the Company's authorized share capital. In the General Meeting of June 25, 2020 the Management Board and the Supervisory Board informed the General Meeting that they had decided to implement the previously approved introduction of preference shares in the Company's authorized share capital. After the further amendment of the Articles of Association as approved by the General Meeting on June 25, 2020,

the delegated authority to issue shares and grant rights to subscribe for shares as from that moment effectively regarded and encompassed both the Company's ordinary shares as well as its preference shares, which empowers the Management Board, with the approval of the Supervisory Board, to grant one or more call options which are not limited in time and can be exercised in whole or in part, up to the authorized share capital of preference shares as per the Articles of Association at the time of exercise and at multiple times and occasions (including after the issuance and subsequent cancellation of preference shares) and which can also be made conditional upon the preceding cancellation of preference shares that have been issued following the exercise of an option or otherwise. The authorization granted in the General Meeting on June 25, 2020 replaced the authorization granted to the Management Board on March 29, 2019.

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

Dutch Corporate Governance Code

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

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

Governance Framework

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

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

Non-Compliance with the Code

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

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

1. BEST PRACTICE PROVISION 2.1.6 – ACCOUNTABILITY ABOUT DIVERSITY

The corporate governance statement should explain the diversity policy and the way that it is implemented in practice, addressing:

i. the policy objectives;

ii. how the policy has been implemented; and

iii. the results of the policy in the past financial year.

If the composition of the management board and the supervisory board diverges from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved.

In October 2019, the Company introduced a diversity policy for the composition of the Management Board, the Supervisory Board and the Management Team. This policy is available on the Company's website. Due to the public offer by Sanofi on the Company's shares as announced in November 2020, the implementation of the policy and further deployment of the policy objectives has not been prioritized.

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

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

there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.

The Supervisory Board is not independent as two of the six present members of the Supervisory Board are not independent within the meaning of best practice provisions 2.1.7 and 2.1.8. These Supervisory Board members are employed by and have been appointed upon nomination of two of the Company's significant Shareholders. These two significant Shareholders have a long-term interest in the Company and were willing to back this up by making senior partners with relevant knowledge and experience available to Kiadis. The Supervisory Board considers that Messrs. Wegter and Kleijwegt fit the intended profile of the Supervisory Board and that their contributions outweigh any perceived disadvantage of non-independence. In addition, Kiadis deems continuity in the composition of the Supervisory Board to be of great importance, also taking into account the small size of the Company and its specificity in terms of focus, strategy and stage of development.

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

3. 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 June 12, 2015, he was a member of the management board of Kiadis Pharma B.V. from September 4, 2009 through February 22, 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.

4. BEST PRACTICE PROVISION 2.2.4 – SUCCESSION

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

There is not yet a definitive plan in place for the succession of the Management Board and Supervisory Board members. The Supervisory Board did adopt a composition and rotation schedule for itself that is posted on the Company's website. The reason for not entirely complying with this best practice provision is that it is the first or second term in such position of a listed company for all Supervisory Board and Management Board members. In addition, with regard to the present Supervisory Board, two members were appointed upon the incorporation of the Company in June 2015 and reappointed in 2019, two members were appointed in June 2016 and reappointed in 2020 and a further two members were appointed in June 2018. As all of these members have a term of four years, there is already a natural succession plan/retirement schedule in place for the Supervisory Board and these terms have also been included in the Supervisory Board's composition and rotation schedule.

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

5. 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.

6. 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.

7. 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.

In accordance with Dutch law and implementing the revised EU Shareholders' Rights Directive, the General Meeting of June 25, 2020 adopted a revised Remuneration Policy for the Management Board and the Supervisory Board. The Remuneration Policy became effective with retrospective effect from January 1, 2020 and replaced the Remuneration Policy for the Management Board and remuneration for the Supervisory Board that was approved by the General Meeting on March 29, 2019. The Remuneration Policy is available on the Company's website.

On June 25, 2020, the General Meeting further resolved to amend the remuneration of the Supervisory Board. Assisted by an independent compensation consultancy firm, the Nomination and Remuneration Committee had further reviewed and analyzed whether the remuneration of Kiadis Pharma's members of the Supervisory Board was competitive with its peer group. Based on a benchmark of the relevant peer group, the Nomination and Remuneration Committee had concluded that to be competitive from a compensation perspective with peers and to align its remuneration offering with market compensation levels specifically in relation to the members of the Supervisory Board, the members of the Supervisory Board should also be granted options in 2020 under Kiadis Pharma's share option and stock appreciation rights plan. Although not in line with best practice provision 3.3.2 of the Code, the Management Board and the Supervisory Board regard the granting of options to represent a critical remuneration component to attract and retain needed industry experience and competence.

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

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

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

risk management and internal control systems

In order to manage the main risks faced by Kiadis Pharma and to offer reasonable assurance that the Company's targets can be realized, that the financial information is reliable and that applicable laws and regulations are observed, the Management Board has the responsibility to develop, implement and operate adequate risk management and internal control systems. The Supervisory Board has a control function with respect to the systems of risk management and internal control. Based on internal evaluations, discussions with the Supervisory Board, Audit Committee and audits from external parties, these systems are reviewed, updated and optimized as an ongoing process within the Company. Within Kiadis Pharma no separate internal audit function is established and therefore the Supervisory Board assesses annually whether adequate alternative measures have been taken. The Supervisory Board makes such assessments also on the basis of a recommendation from the Audit Committee and will consider whether it is necessary to establish an internal audit function. In 2020 no material failings in the internal risk management and control systems were discovered. It should be noted that our internal risk management and control systems cannot provide absolute assurance as to the realization of the Company's targets or that they can prevent all misstatements, errors and non-compliances with legislation, rules and regulations.

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

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

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

Commercialization and Market Risks

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

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

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

The results of the research and trials to date cannot provide assurance that acceptable efficacy or safety will be shown upon completion of ongoing or planned clinical trials. Many investigational products that show promise in proof-of-concept, Phase 1 and/or Phase 2 trials fail in later clinical trials or in a commercial setting. If Kiadis Pharma is unable to make its products commercially available, or the Company experiences significant delays in doing so, its business, financial condition, results of operations and prospects would be materially adversely affected.

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

Kiadis Pharma makes projections of both the number of people who have the cancers and the other indications that the Company is targeting, as well as the number of individuals within the Company's target patient population that are in a position to receive a transplantation and who have the potential to benefit from treatment with Kiadis Pharma's product candidates. These projections are derived from scientific literature and patient foundations but are highly contingent on a number of variables that are difficult to predict and may prove to be too high, resulting in a smaller population of patients who could benefit from our product candidates than we currently anticipate which would result in lower potential revenue.

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

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

Development and Clinical Testing Risks

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

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

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

Kiadis Pharma is developing therapeutics based on its NK-cell-based immunotherapy technology platform. The Company's NK-platform and the technologies it is using are new and unproven and the scientific evidence to support the feasibility of developing the Company's NK-programs from its NK-platform is both preliminary and limited. The core concept of the Kiadis Pharma NK-program regards firstly the use of NK-cells expressed with PM21 particles, secondly the use of universal donors for NK-cells, and third the imprinting of NK-cells, which are all three an approach that differs from current means of NK-cell expression and current means of availing of NK-cells, and for which the Company has no clinical data. Studies in humans with NK-cells produced with PM21 particles

have not yet been performed and Kiadis Pharma has not generated any data on using NK-cells from universal donors nor on using imprinted NK-cells.

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

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

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

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

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

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

Regulation Risks

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

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

Kiadis Pharma invests substantial time and resources in preclinical studies, clinical trials, manufacturing and the preparation and submission of applications without any assurance that it will obtain regulatory

approval or recoup its investment. The EMA, the FDA and other regulatory authorities exercise substantial discretion in the clinical trial development phase and approval process. The number, size and design of preclinical studies and clinical trials that will be required for regulatory approval will vary depending on the program, the primary indication and the specific regulations and guidance documents applicable to any particular program. The EMA, the FDA and other regulatory authorities can delay, limit or deny (i) clinical trial development (i.e., placing a clinical trial under clinical hold) and (ii) approval of a program for many reasons, including:

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

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

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

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

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

In addition, new statutory requirements or additional regulations may be enacted. Kiadis Pharma cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, in the European Union, the United States or elsewhere. If the Company is not able to maintain regulatory compliance, it might not be permitted to market or continue to market its products and its business could suffer materially. Failure to comply with the requirements of the EMA, the FDA and other applicable regulatory authorities may subject Kiadis Pharma to administrative or judicially imposed sanctions. These sanctions include warning letters, civil and criminal penalties, injunctions, product seizure or recall, import bans, restrictions on the conduct of its operations, total or partial suspension of production and refusal to approve a pending new drug application ("NDA"),

supplements to approved NDAs or their equivalents in other jurisdictions and financial penalties. If the Company is subject to any of these sanctions, our competitive position or financial and commercial prospects could be materially adversely affected.

Operational Risks

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

Kiadis Pharma has limited experience manufacturing on a clinical scale, and no experience manufacturing on a commercial scale. The Company may use one or more additional CMOs, as well as establish its own manufacturing capabilities and infrastructure. If the Company cannot establish sufficient supply through third-party CMOs or in its own facilities should it develop these, Kiadis Pharma's ability to conduct the planned and future clinical trials and its plans for commercialization would be materially adversely affected. In addition, submission of products and new development programs for regulatory approval, as well as the Company's plans for commercialization, could be delayed. Kiadis Pharma's competitive position and its prospects for achieving profitability could be materially and adversely affected. Additionally, it is possible that Kiadis Pharma's product candidates will need to be made within an appropriate geographic location for the area in which the product will be utilized. Accordingly, the Company may need to establish multiple manufacturing facilities, which may lead to regulatory delays or prove to be costly as Kiadis Pharma attempts to establish, qualify and perform technology transfer to additional manufacturing facilities. If the Company is unable to obtain necessary regulatory approval for any such additional manufacturing facilities, it may not be able to produce the necessary quantity or quality of its product candidates for clinical trials or commercial sales. Kiadis Pharma expects that development of its own manufacturing facilities could provide the Company with enhanced control of material supply for its investigational cell therapy products for the clinical trials and the commercial market. However, Kiadis Pharma has no experience as a stand-alone company in developing a manufacturing facility and may never be successful in developing its own manufacturing facility or capability should it decide to do so.

In addition, the manufacturing process for any products that Kiadis Pharma may develop is subject to EMA and FDA approval processes for the jurisdictions in which the Company or our future collaborators will seek marketing approval. Kiadis Pharma will need to work with manufacturing facilities that can meet all applicable EMA, FDA and other regulatory authority requirements on an ongoing basis. If the manufacturing process is changed during the course of product development, the EMA, the FDA or other regulatory authorities could require the Company to repeat some or all previously conducted trials or conduct additional trials to obtain bridging data, which could delay or impede the Company's ability to obtain marketing approval. If Kiadis Pharma or its CMOs are unable to reliably produce and release product candidates or products to specifications acceptable to the EMA, the FDA or other regulatory authorities, such as the FDA's current Good Manufacturing Practices, Kiadis Pharma may not obtain or maintain the approvals it needs to further develop, conduct clinical trials for, and commercialize such products in the relevant territories. Similarly, the FDA approval of Kiadis Pharma's product candidates could be delayed or denied if the intended manufacturing site fails to pass the required preapproval inspection. Even if the Company obtains regulatory approval for any of its product candidates, there is no assurance that either Kiadis Pharma or our CMOs will be able to manufacture the approved product to specifications acceptable to the EMA, the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product, or to meet potential future demand. Any of these challenges could delay completion of clinical trials, require clinical trials to obtain bridging data or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of Kiadis Pharma's product candidates, impair commercialization efforts, increase its cost of goods, and have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

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

Risks Related to International Operations

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

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

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

Risk Coronavirus, COVID-19

If a pandemic, epidemic or outbreak of an infectious disease occurs, the Company's business may be adversely affected. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This virus has been declared a pandemic by the World Health Organization. The spread of COVID-19 has impacted the global economy and impacted the operations, including through interruptions of the, or delays to, clinical trial activities, regulatory reviews, manufacturing activities and supply chain. The COVID-19 outbreak has delayed, and may continue to delay, enrollment in the clinical trials due to prioritization of hospital resources toward the outbreak, and some patients may be unwilling to enroll in the trials or be unable to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services, which would delay the ability to conduct clinical trials or release clinical trial results and could delay the ability to obtain regulatory approvals and commercialize the product candidates. In addition, even with the distributed operations and the observation of social distancing measures, there remains the possibility that key personnel may become ill or are otherwise unable to work, which could affect the operations. Furthermore, the spread of the virus may affect the operations of key governmental agencies, such as the FDA, which may delay the development of the product candidates. The spread of an infectious disease, including COVID-19, may also result in the inability of the suppliers to deliver components or raw materials, and the inability of the CMOs to provide supplies of the product candidates for the planned clinical trials, on a timely basis or at all. Further, it may impact the ability of the CROs, including non-clinical CROs, to provide services to support the clinical program. In addition, hospitals may reduce staffing and reduce or postpone certain treatments in response to the spread of an infectious disease. Such

events may result in a period of business disruption, and in reduced operations, or doctors and medical providers may be unwilling to participate in the clinical trials, any of which could materially affect our business, financial condition and results of operations. The extent to which the COVID-19 pandemic impacts our business will depend on future developments, which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and the actions to contain COVID-19 or treat its impact, among others. If the Company is unable to meet our milestones it might jeopardize our funding opportunities. In addition, the COVID-19 pandemic has already caused, and is likely to result in further, significant disruptions and uncertainties in global financial markets, which may reduce our ability to access capital on favorable terms or at all. A recession, depression or other sustained adverse market event resulting from the spread of COVID-19 could also materially and adversely affect our business and the value of our ordinary shares. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is uncertain and subject to change. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk management and internal control systems" section, such as those relating to our clinical and preclinical development operations, manufacturing activities, the supply chain for our ongoing and planned clinical trials and our ability and need to raise additional capital to support our operations.

Financial Risks

Kiadis Pharma as a stand-alone Company does not generate cash from product revenues and the cash receipts under the license agreement with Sanofi are insufficient to meet its current working capital requirements.

If the intended acquisition by Sanofi would not be successful, Kiadis Pharma as a stand-alone Company will be required to seek a significant amount of additional funds. The most likely scenario then would be that Kiadis Pharma will seek to raise equity, enter into debt or convertible financing arrangements and/or delay, reduce the scope of, eliminate or divest clinical programs, partner with others or divest one or more of its activities, and consider other cost reduction initiatives, such as withholding initiation or expansion of clinical trials or research, and slowing down patient recruitment of clinical trials.

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

Developing pharmaceutical products is expensive, and there is typically a significant amount of time prior to realizing a return on an investment in product development, if a return is realized at all. A significant amount of time and funds shall need to be invested in the development of Kiadis Pharma's NK-cell therapy programs, which all are in the early stage of development, to have any prospects of realizing any return on investment in product development, if a return is realized at all. Kiadis Pharma has incurred losses in each year since inception. Until November 2019, the Company was advancing its ATIR101 program and incurring costs related to the ATIR program. Currently, Kiadis Pharma does not have any products that have been approved for marketing, and the Company incurs costs for preclinical and clinical research and development, and manufacturing in relation to the development of its NK-cell programs, as well as general and administrative expenses. Kiadis Pharma expects to continue to incur losses for the foreseeable future and expect these losses to increase significantly as it continues the development and manufacturing, and seek regulatory approval for, its programs and the commercialization thereof. In addition, as the Company seeks to advance its programs through clinical trials it will incur increased costs as it expands its development, manufacturing, regulatory and eventually commercial capabilities.

Further, Kiadis Pharma as a stand-alone company is incurring significant costs related to being a public company, including directors' and officers' liability insurance, accounting and legal compliance costs, investor relations programs and professional and advisory fees. The Company's losses, among other things, have caused and will continue to cause its working capital to decrease.

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

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

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

In the event that Kiadis Pharma breaches any of its covenants or an event of default becomes applicable to the Company – which may occur if the Company does not succeed in keeping its operations properly funded or its business, operations, property or financial conditions are otherwise materially adversely affected – Kreos Capital may require Kiadis Pharma to immediately prepay the loans outstanding under the Kreos Capital Facility Agreements.

On January 13, 2021, Sanofi and the Company entered into the Bridge Loan. The Company received EUR20.0 million under the Bridge Loan and is allowed to draw further under the credit facility to pay back the remaining Kreos debt facility. The Bridge Loan shall be immediately cancelled and all outstanding advances, interest and other amounts will become immediately due and payable in case of a change of control of Kiadis (not being a change of control by Sanofi) or if the Merger Agreement is terminated following a material breach thereof by the Company or is terminated following a superior offer for the Kiadis Shares. The Bridge Loan also contain various affirmative and negative covenants and events of default.

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

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

Intellectual Property Risks

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

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

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

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

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

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

Kiadis Pharma's patent protection in respect of its product candidates and technologies may be limited or lost if patents that may be issued to the Company or patents Kiadis Pharma uses under the terms of exclusive commercial licenses were to be declared invalid, rendered unenforceable or narrowed in scope as a result of any re-examination, post grant review, inter partes review, interference proceedings, derivation proceedings, equivalent proceedings in other jurisdictions or judicial action. If one of the Company's licensing partners or the Company initiate legal proceedings against a third party to enforce a patent covering one of Kiadis Pharma's product candidates or technologies, the defendant could counterclaim that the patent covering the Company's product candidate is invalid or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty,

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

Risks related to Sanofi's offer to acquire Kiadis Pharma

In November 2020, Kiadis and Sanofi jointly announced Sanofi's offer to acquire Kiadis Pharma. In addition to the risks set forth above, Sanofi's offer to acquire Kiadis Pharma presents the following additional risks to our business and operations.

The acquisition is subject to customary closing conditions and a number of the conditions are not within our control, and may prevent, delay or otherwise materially adversely affect the completion of the transaction. If the acquisition does not receive, or timely receive, the required shareholder approvals, or if another event occurs delaying or preventing the acquisition, such delay or failure to complete the acquisition may cause uncertainty or other negative consequences that may materially and adversely affect the operating results and financial performance and operating results, and the price per Kiadis Pharma share and perceived acquisition value. Additionally, if the acquisition is not completed for any reason, the Kiadis Pharma share price may decline. Furthermore, Kiadis Pharma will be required to pay certain costs relating to the acquisition, whether or not it is completed, such as significant fees and expenses relating to legal and accounting services. In addition, Kiadis Pharma could be subject to litigation related to any failure to complete the acquisition. If it is not completed, these risks may materially and adversely affect the share price, operating results and ongoing business. Further, Kiadis Pharma and our directors and Sanofi could become subject to lawsuits relating to the acquisition that may be filed. Additional lawsuits arising out of the acquisition may be filed in the future. While Kiadis Pharma intends to defend against any such actions vigorously, the costs of the defense of such lawsuits and other effects of such litigation could have an adverse effect on our business, financial condition and operating results.

If the Merger Agreement is terminated, in certain circumstances, Kiadis Pharma would be required to pay Sanofi a termination fee of EUR2.9 million. If the Merger Agreement is terminated, the termination fee Kiadis Pharma may be required to pay, if any, under the Merger Agreement may require Kiadis Pharma to use available cash that would have otherwise been available for general corporate purposes. In addition, the failure to complete the merger may negatively impact the ability to raise additional funds on acceptable terms, or at all. For these and other reasons, a failed merger could materially and adversely affect the business, operating results or financial condition, which in turn would materially and adversely affect the business or financial condition and the price per Kiadis Pharma share.

The Merger Agreement with Sanofi includes restrictions on the conduct of our business prior to the completion of the acquisition, generally requiring Kiadis Pharma to conduct our business in the ordinary course, consistent with past practice, and subjecting Kiadis Pharma to a variety of specified limitations absent Sanofi's prior written consent. Kiadis Pharma may find that these and other contractual arrangements in the Merger Agreement may delay or prevent Kiadis Pharma from or limit the ability to execute initiated plans which may delay the development of the K-NK technology. The pendency of the acquisition may also divert management's attention and the resources from ongoing business and operations. Employees and partners may have uncertainties about the effects of the acquisition. Similarly, current and prospective employees may experience uncertainty about their future roles with Kiadis Pharma following completion of the acquisition,

which may materially adversely affect Kiadis Pharma ability to attract and retain key employees. If any of these effects were to occur, it could materially and adversely impact the operating results, cash flows and other business results and financial condition, as well as the market price of the common stock, regardless of whether the acquisition is completed. In addition, whether or not the acquisition is completed, while it is pending Kiadis Pharma will continue to incur costs, fees, expenses and charges related to the proposed acquisition, which may materially and adversely affect the business results and financial condition.

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 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	Position/Committees Chairman of the Supervisory Board
Mr. Mark Wegter	51	Male	Dutch	2015[1]	2023	Chairman of the Supervisory Board
Mr. Berndt Modig	62	Male	Swedish and American	2016	2020	Vice-Chairman of the Supervisory Board Chairman of the Audit Committee
Mr. Martijn Kleijwegt	66	Male	Dutch	2015[1]	2023	Supervisory Board Member Chairman of the Nomination and Remuneration Committee Audit Committee Member
Dr. Robert Soiffer	63	Male	American	2016	2020	Supervisory Board Member
Dr. Otto Schwarz	65	Male	Austrian	2018	2022	Supervisory Board Member Audit Committee Member
Mr. Subhanu Saxena	56	Male	British	2018	2022	Supervisory Board Member Nomination and Remuneration Committee

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

MARK WEGTER

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

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

BERNDT MODIG

Mr. Modig graduated from the University of Lund, Sweden, with a degree in business administration, economics and German, and received his MBA from INSEAD, Fontainebleau, France. Mr. Modig was previously Chief Financial Officer of Prosensa Holding N.V. and before that Chief Financial Officer at Jerini AG. He is now also a Supervisory Board Member of Centogene N.V., a Board Member of Sio Gene Therapies and CEO of Pharvaris N.V.

Mr. Modig is 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.

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 currently a Professor at Harvard University Medical School, Chief of the Division of Hematologic Malignancies at the DFCI and co-director of the Adult Stem Cell Transplantation Program at the DFCI.

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

Information

The Management Board is the most important source of information for the Supervisory Board. Information is mainly submitted for Supervisory Board meetings but also provided around those meetings and in bilateral contacts between Supervisory Board and Management Board members. This keeps the Supervisory Board members 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 nineteen times during 2020 with the Management Board being present and in addition had regular contact with the Management Board throughout the year by means of telephone conferences and individual discussions. The Chairman and CEO also had regular meetings throughout the year, including preparatory meetings prior to the Supervisory Board meetings.

The meetings addressed the Company's performance in 2019 and the Company targets for 2020, updates on key milestones and business development, risk assessment (impact of COVID-19 pandemic), compliance and corporate governance matters, financial matters (actual cash flow and cash flow forecasts, budget 2020 and 2021), the 2019 annual report, the external auditor's report related to the 2019 annual report, potential (equity) financing, acquisition and/or licensing opportunities, the licensing agreement with Sanofi, the status of the Sanofi collaboration and Sanofi's offer to acquire the Company.

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

- the Company relying on third parties to manufacture its products;
- for the NK-cell platform, the Company is early in its development efforts and all of its programs are in early stage clinical development or preclinical development. If the Company is unable to advance its programs through clinical development, obtain regulatory approval and commercialize one or more of its product candidates, it may never generate any product revenue;
- the Company's NK-cell platform and the technologies it is using are new and unproven. The use of NK-cells expressed with PM21 particles, the use of universal donors for NK-cells and the imprinting of NK-cells is a novel and unproven therapeutic approach without any clinical studies in humans having been performed yet, and the Company's development of its NK-platform and its NK-programs may never lead to a marketable product;
- for the NK-cell platform in order to have sufficient NK-cells for the Company's planned clinical trials it must improve and scale up its NK-cell manufacturing process. This could require the process or parts thereof to be changed, which may require revalidation, additional comparability or bridging clinical trials and regulatory vetting and the Company may experience setbacks in our trials if it does not succeed in improving and upscaling this process or experience delays;
- the Company being active in a highly competitive and rapidly changing industry;
- the Company not yet having a positive operational cash flow and therefore being dependent on financial markets and/or licensing/partnership revenues for funding. If such funding cannot be obtained, the Company will be unable to complete its development programs or commercialize its products;
- the impact of the COVID-19 pandemic;
- the Company being dependent on the availability and commitment of key, skilled employees;
- the duration and/or scope of the Company's patents not being sufficient to effectively protect its products and business.

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

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

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

Committees

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

NOMINATION AND REMUNERATION COMMITTEE

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

The main topics discussed by the Committee in 2020 during numerous discussions and email exchanges, were:

- the actual 2019 performance of the members of the Management Board and Management Team against the 2019 corporate and individual targets as well as the related bonus payments over 2019;
- the determination of the 2020 corporate targets for both the Management Board and the Company's Management Team;
- a Remuneration Policy for Management Board and Supervisory Board, as required by the amended EU Shareholder Rights Directive as implemented for listed companies in The Netherlands;
- the option exchange program and the amendment of the Company's Share Option and Stock Appreciation Right Plan; and
- the 2020 remuneration and option grants for the members of the Supervisory Board, Management Board and Management Team.

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

AUDIT COMMITTEE

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

The main topics discussed by the Committee in 2020 during at total of seven meetings, were:

- the full year 2019 financial statements including the external auditor's report;
- the condensed consolidated interim financial statements for the first six months of 2020;
- the selection of the external auditor for 2020 and introduction of a new audit partner;
- the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations and supervision of the operation of codes of conduct;
- the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the financial statements, forecasts and external auditors);
- relations with the external auditor, including the audit plan and the external auditor's independence and remuneration;
- compliance with recommendations and observations of external auditors;
- the financing of the Company;
- the tax principles of the Company;
- the need for an internal audit function; and
- various updates on the application of information and communication technology, including cyber security matters.

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

	Supervisory Board meetings	Audit Committee meetings
Mr. Mark Wegter	84%	
Mr. Berndt Modig	100%	100%
Mr. Martijn Kleijwegt	74%	86%
Dr. Robert Soiffer	100%	
Dr, Otto Schwarz	95%	100%
Mr. Subhanu Saxena	84%	

Evaluation

The Supervisory Board spent time during its meetings in 2019 to evaluate its functioning but did not do so in 2020.

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

Internal Audit

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

Financial Statements 2020

The 2020 financial statements were approved by Resolution of the Supervisory Board on April 7, 2021. The financial statements were audited by KPMG Accountants N.V. who were elected as the Company's external auditor in 2020. The Supervisory Board established that the external auditor was independent of the Company. The Supervisory Board will submit the financial statements to the 2021 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 7, 2021

SUPERVISORY BOARD

Mark Wegter, Chairman

Berndt Modig, Vice-Chairman

Martijn Kleijwegt

Robert Soiffer

Otto Schwarz

Subhanu Saxena

remuneration report

Introduction

The Supervisory Board, on recommendation of its Nomination and Remuneration Committee, determines the remuneration of the members of the Management Board taking into account the Company's Remuneration Policy for Management Board and Supervisory Board ("Remuneration Policy"). The revised Remuneration Policy was adopted by the General Meeting on June 25, 2020 and applies as of January 1, 2020 onwards. The remuneration of the members of the Management Board is accounted for in Kiadis Pharma N.V.

In this Remuneration Report, an overview is provided of the Remuneration Policy and the application thereof in 2020. More details of the actual remuneration of the Management Board in 2020 can be found in Note 29 'Related Parties' of the consolidated financial statements.

This Remuneration Report comprises information within the meaning of articles 2:135b Dutch Civil Code and Section 3.4.1 of the Dutch Corporate Governance Code and is also published as part of this 2020 Annual Report.

Remuneration Policy 2020

GENERAL PRINCIPLES AND OBJECTIVES

The Remuneration Policy for the Management Board is designed to support Kiadis Pharma's long-term success by building on the following general remuneration principles and objectives:

- competitive compensation aligned with Kiadis Pharma's peer group, so as to enable Kiadis Pharma to recruit, motivate and retain qualified and expert individuals that Kiadis Pharma needs in order to achieve its strategic and operational objectives;
- focus management on the creation of sustainable long-term 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;
- consistent and aligned remuneration between the Management Board and the wider employee population in, amongst others, remuneration changes, design of incentive plans and salary structures where possible. This is amongst other achieved by applying annual bonus and option programs cascaded throughout Kiadis Pharma's employee base.

COMPOSITION REMUNERATION MANAGEMENT BOARD

The remuneration of the members of the Management Board based on incurred accounting expenses in 2020, 2019, 2018 and 2017 was as follows (in EUR thousands):

			Fixed										
Board of Management Member	Financial Year	Base Salary	Pension	Social Securities	Other Benefits	Total Fixed	% Fixed	Short Term (Cash Bonus)	Long Term (Options/ SARS)	Total Variable	% Variable	Total Remuneration	Relative proportion (ratio fixed % - variable %)
A. Lahr	2020	350	15	10	55	430	13%	175	2,729	2,904	87%	3,334	15%
	2019	343	8	11	-	362	28%	-	935	935	72%	1,297	39%
	2018	310	8	10	-	328	28%	93	763	856	72%	1,184	38%
	2017	233	5	9	-	247	29%	70	540	610	71%	857	40%
S. Holmes	2019	264	7	20	396	687	100%	-	-	-	-	687	100%
R. van Heekeren	2018	183	7	8	-	198	100%	-	-	-	-	198	100%
	2017	173	7	10	-	190	59%	39	94	133	41%	323	143%
M. Rüdiger	2017	79	2	12	320	413	69%	-	186	186	31%	599	222%

MAIN ITEMS

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

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

FIXED ANNUAL SALARY

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

- a market benchmark for corresponding positions in relevant peer companies of similar size, presence and complexity which is assessed periodically;
- the pay ratios between all levels of employees within the Kiadis Pharma group of companies;
- the anticipated cost of replacing a member of the Management Board;
- wider economic and market conditions; and
- executive remuneration guidelines and expectations of institutional investors.

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 broader factors into account, including but not limited to, the market positioning, internal pay relativity, individual and business performance.

Following the recommendation of the Nomination and Remuneration Committee and based on the advice from an independent compensation consultancy firm, in 2019 and effective as of March 1, 2019, the Supervisory Board increased the annual base salary of the Chief Executive Officer and sole member of the Management Board from EUR310,000 to EUR350,000. In 2020, the Chief Executive Officer did not receive an increase in the annual base salary due to the Company's cash position at that time.

ANNUAL BONUS IN CASH

The members of the Management Board shall be entitled to an annual cash bonus of up to 50% of the annual base salary based on achieving certain performance targets. The part of the bonus that is related to Kiadis Pharma targets accounts for at least 60% of this bonus with the remainder of the bonus being related to individual targets

The Kiadis Pharma targets and individual targets are determined each year by the Supervisory Board based on historical performance, the operational and strategic outlook of Kiadis Pharma in the short-term and expectations of Kiadis Pharma's management and stakeholders, among other things. The Supervisory Board ensures that a balanced mix of financial and individual performance targets is selected in order to incentivize the members of the Management Board to achieve the annual business strategy and the realization of the objective of long-term value creation for Kiadis. At fiscal year-end, measurement by the Supervisory Board will occur to determine actual performance versus the set targets.

For 2020 the Supervisory Board has determined that the cash bonus for the members of the Management Board shall be related entirely to the achievement of the 2020 Company targets. The Supervisory Board established the extent to which the targets for 2020 were achieved by the members of Management Board and determined that the Chief Executive Officer and sole member of the Management Board earned a bonus of 50% of his annual base salary of EUR350,000.

SHARE OPTIONS AND STOCK APPRECIATION RIGHTS

The members of the Management Board may be granted options to ordinary Kiadis Pharma shares and stock appreciation rights in accordance with Kiadis Pharma's share option and stock appreciation right plan. It is designed to encourage Kiadis' long-term sustainable growth by supporting the attraction and retention of needed industry experience and competence and the alignment of the interests of the Management Board and shareholders by linking reward to the Company's share price performance in a cost-efficient manner. The value and number of the annual grants of share options and/or stock appreciation rights is set based on a percentage of the fixed annual salary of the Management Board members.

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

- The plan generally applies to employees, advisors and members of the Kiadis Management Board and Supervisory Board.
- The options are rights to acquire ordinary Kiadis Pharma shares, whereby one option gives the right to acquire one ordinary share. The option exercise price shall be the average closing sales price at which ordinary Kiadis Pharma shares are traded during the three trading days prior to the day the option is granted.

- Stock appreciation rights provide the right to receive a cash payment equal to the excess of the exercise price over the initial price, multiplied by the number of ordinary Kiadis Pharma shares with respect to which the stock appreciation right is exercised. The initial price shall be the average closing sales price at which ordinary Kiadis Pharma shares are traded on during the three trading days prior to the day the stock appreciation right is granted and the exercise price shall be the closing sales price at which ordinary Kiadis Pharma shares are traded on during the three trading days prior to the day the stock appreciation right is exercised.
- Options and stock appreciation rights shall generally be granted annually on April 1st or on the date of start of employment.
- It may be determined that options and stock appreciation rights which have vested may nevertheless not be exercised for a certain period of time after their grant date.
- It may be determined that Kiadis Pharma shares that shall be received upon the exercise of options shall be subject to a lock-up for a certain period of time.
- Leavers shall remain entitled to vested options and stock appreciation rights with the non-vested options and stock appreciation rights lapsing. Such vested options and stock appreciation rights are to be exercised within one year. The Supervisory Board may however, if this rule would produce an unfair result determine otherwise.
- There shall be accelerated vesting of non-vested options and stock appreciation rights amongst other in case of a change of control of Kiadis Pharma.
- Options may be settled in cash.
- Granted options may be modified to stock appreciation rights and vice versa.

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

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

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

On the basis of the above the Supervisory Board granted 2,130,833 options in 2020 to the Chief Executive Officer and sole member of the Management Board. This grant also included the amendment of previously granted options.

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

Board of Management Member	Financial Year	Grant Dates	Type of Security	Options Vested / Unvested	Vesting Dates	Share Price at Vesting	Exercised Price	Exercised / Not exercised	Exercise Dates	Lock-Up term applicable?
A. Lahr	2020	01-Apr-20	Option	Vested: 0 Unvested: 1,700,000	Granted April 1, 2020. Vesting dates April 1, 2021, April 1, 2022 and April 1, 2023. Expiration date April 1, 2030	Not applicable	1.31	Exercised: 0 Not exercised: 1,700,000	Not applicable	No
	2020	01-Apr-20	Option	Vested: 0 Unvested: 430,833	Options granted in 2017, 2018 and 2019 were amended as per April 1, 2020 (refer to Note 21 Employee Benefits). Vesting dates April 1, 2021, April 1, 2022 and April 1, 2023. Expiration date April 1, 2030.	Not applicable	1.31	Exercised: 0 Not exercised: 430,833	Not applicable	No

Contractual Arrangements

PENSION, FURTHER ARRANGEMENTS AND BENEFITS FOR THE MANAGEMENT BOARD

The Management Board participates in the Dutch pension scheme for Kiadis Pharma, unless another pension scheme or arrangement is more appropriate in view of the personal circumstances of a member of the Management Board. The members of the Management Board are eligible to receive benefits, including but not limited to, (a contribution to) a healthcare plan, disability insurance and life insurance. Other benefits could also be offered to the members of the Management Board if considered appropriate and reasonable. These may include the provision of relocation expenses in the circumstance of a relocation. The levels of the benefits will be competitive in the relevant local market and could be changed on an annual basis.

The Chief Executive Officer and sole member of the Management Board participates in the Dutch pension scheme for Kiadis Pharma. In 2020 the Chief Executive Officer and sole member of the Management Board received benefits in an amount of EUR55,000 for accrued outstanding vacation days.

TERM OF EMPLOYMENT

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

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

NOTICE PERIOD

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

SEVERANCE PAYMENT

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. In case of a change of control, the management board member could be eligible, depending on certain conditions, of a severance payment of one year of the fixed annual base salary. At balance sheet date an assessment of the liability cannot be made.

CLAW-BACK

The Supervisory Board is entitled (a) to adjust a variable remuneration component if it would produce an unfair result due to extraordinary circumstances during the period in which the predetermined

performance criteria have been or should have been achieved and (b) to recover a variable remuneration awarded on the basis of incorrect financial or other data.

No variable remuneration has been clawed-back in 2020.

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 2020 as set forth in Note 21 'Employee Benefits' of the consolidated financial statements, from which has been subtracted the total compensation paid to the Management Board and Supervisory Board as set out in Note 29 'Related Parties' of the consolidated financial statements, divided by the average number of FTE's as reported in Note 21 'Employee Benefits' of the consolidated financial statements. Thus calculated, the internal pay ratio in 2020 was 19 to 1 (2019: 6 to 1). The increase was mainly caused by an increase of the long term incentives.

Share Buy-Backs

In 2020 no shares in the capital of Kiadis Pharma were repurchased and no shares were redeemed.

Overview options employees / non-Management Board and Management Board

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

	Number of options	Weighted average fair value at grant date (EUR)
Outstanding January 1, 2017	169,515	6.28
Exercisable January 1, 2017	-	-
Granted	169,515	6.28
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding January 1, 2018	775,081	4.83
Exercisable January 1, 2018	85,235	5.67
Granted	776,015	4.83
Exercised	-	-
Forfeited	934	4.46
Expired	-	-
Outstanding January 1, 2019	1,161,805	4.90
Exercisable January 1, 2019	350,540	5.01
Granted	1,261,515	4.95
Exercised	10,000	6.28
Forfeited	89,710	5.41

Expired	-	-
Outstanding December 31, 2019	2,292,452	4.82
Exercisable December 31, 2019	833,256	5.75
Granted	3,117,443	4.67
Exercised	35,332	3.89
Forfeited	758,258	4.23
Expired	31,401	5.34
Outstanding December 31, 2020	7,862,656	0.98
Exercisable December 31, 2020	535,712	2.74
Granted	10,583,693	1.82
Converted	1,598,454	4.79
Exercised	35,332	3.89
Forfeited	972,549	3.54
Expired	114,706	3.06

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

Range of exercise price (EUR) options (years)	Number of outstanding options	Weighted average remaining contractual life of outstanding per December 31, 2020
1.00 – 1.50	5,723,781	9.25
1.50 – 2.00	1,571,465	9.31
2.00 – 2.50	1,000	8.84
2.50 – 3.00	85,000	8.92
4.00 – 4.50	25,000	8.81
4.50 – 5.00	16,000	8.64
5.00 – 5.50	13,900	9.02
5.50 – 6.00	9,534	0.11
7.50 – 8.00	19,999	2.69
8.00 – 8.50	30,467	2.74
8.50 – 9.00	144,591	6.05
9.00 – 9.50	104,901	5.28
9.50 – 10.00	31,610	3.16
10.00 – 10.50	5,000	0.25
12.00 – 12.50	80,408	5.50
Total	**7,862,656**	**7.59**

Amsterdam, April 7, 2021

SUPERVISORY BOARD

Mark Wegter, Chairman

Berndt Modig, Vice-Chairman

Martijn Kleijwegt

Robert Soiffer

Otto Schwarz

Subhanu Saxena

consolidated financial statements

consolidated statement of financial position

(Amounts in EUR x 1,000)	Note	As at December 31, 2020	2019
ASSETS			
Intangible assets and goodwill	6	32,397	35,451
Property, plant and equipment	5	11,724	12,031
Non-current financial assets	7, 26	294	294
Total non-current assets		**44,415**	**47,776**
VAT and other receivables	8, 26	3,952	1,705
Deferred expenses	8	737	509
Cash and cash equivalents	10, 26	13,658	29,459
		18,347	**31,673**
Assets held for sale	5, 9	-	53
Total current assets		**18,347**	**31,726**
Total assets		**62,762**	**79,502**
EQUITY			
Share capital	11	4,031	2,956
Share premium	11	228,985	220,040
Translation reserve		(1,631)	(132)
Warrant reserve	11	392	392
Accumulated deficit		(264,696)	(189,000)
Equity attributable to owners of the Company	11	**(32,919)**	**34,256**
LIABILITIES			
Loans and borrowings	13, 26	-	912
Lease Liabilities	14	5,365	6,615
Contingent Consideration	16	-	1,297
Deferred tax liability	12	5,632	6,163
Total non-current liabilities		**10,997**	**14,987**
Derivatives	15	26,600	-
Loans and borrowings	13, 26	8,005	11,910
Lease Liabilities	14	936	1,235
Provisions	17	101	3,630
Contingent Consideration	16	29,043	3,142
Trade and other payables	18, 26	19,999	10,342
Total current liabilities		**84,684**	**30,259**
Total liabilities		**95,681**	**45,246**
Total equity and liabilities		**62,762**	**79,502**

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

consolidated statement of comprehensive income

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
Revenue	19	**17,500**	**-**
Other income	20	**3,647**	**-**
Research and development expenses	21, 22	(31,245)	(43,043)
General and administrative expenses	21, 22	(24,007)	(30,191)
Total operating expenses		**(55,252)**	**(73,234)**
Operating profit / (loss)		**(34,105)**	**(73,234)**
Interest income	23	-	-
Interest expenses	23	(2,042)	(4,013)
Other net finance (expenses) income	23	(45,681)	24,676
Net finance income or (expenses)		**(47,723)**	**20,663**
Loss before tax		**(81,828)**	**(52,571)**
Income tax expense	24	(112)	(64)
Loss for the period		**(81,940)**	**(52,635)**
OTHER COMPREHENSIVE INCOME			
Foreign currency translation difference for foreign operations		(1,499)	(430)
Related tax		-	-
		(1,499)	(430)
Other comprehensive income for the period, net of tax		**(1,499)**	**(430)**
Total comprehensive income for the period		**(83,439)**	**(53,065)**
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(81,940)	(52,635)
		(81,940)	**(52,635)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		(83,439)	(53,065)
		(83,439)	**(53,065)**
EARNINGS PER SHARE	25		
Basic earnings per share (EUR)		**(2.24)**	**(1.92)**
Diluted earnings per share (EUR)		**(2.24)**	**(1.92)**

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

consolidated statement of changes in equity

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumu-lated Deficit	Total Equity
Balance as at January 1, 2020		**2,956**	**220,040**	**(132)**	**392**	**(189,000)**	**34,256**
Loss for the period		-	-	-	-	(81,940)	(81,940)
Other comprehensive income		-	-	(1,499)	-	-	(1,499)
Total comprehensive income		**-**	**-**	**(1,499)**	**-**	**(81,940)**	**(83,439)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	1,048	15,937	-	-	-	16,985
Transaction costs	11	-	(910)	-	-	-	(910)
Issuance shares related to business combinations	4,11	27	(27)	-	-	-	-
Fair value of derivatives issued	11, 13, 15	-	(6,055)	-	-	-	(6,055)
Equity-settled share-based payments	21	-	-	-	-	6,244	6,244
Shares upon exercise of options	11	-	-	-	-	-	-
Balance as at December 31, 2020		**4,031**	**228,985**	**(1,631)**	**392**	**(264,696)**	**(32,919)**

(Amounts in EUR x 1,000)	Note	Share Capital	Share Premium	Translation Reserve	Warrant Reserve	Accumu-lated Deficit	Total Equity
Balance as at January 1, 2019		**2,434**	**180,553**	**298**	**392**	**(139,533)**	**44,144**
Loss for the period		-	-	-	-	(52,635)	(52,635)
Other comprehensive income		-	-	(430)	-	-	(430)
Total comprehensive income		**-**	**-**	**(430)**	**-**	**(52,635)**	**(53,065)**
Transactions with owners, recorded directly in equity							
Issue of shares for cash	11	368	27,263	-	-	-	27,631
Transaction costs	11	-	(2,299)	-	-	-	(2,299)
Issuance shares related to business combinations	11	151	14,307	-	-	-	14,458
Equity-settled share-based payments	21	-	-	-	-	3,237	3,237
Shares upon exercise of options	11	3	216	-	-	(69)	150
Balance as at December 31, 2019		**2,956**	**220,040**	**(132)**	**392**	**(189,000)**	**34,256**

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

consolidated statement of cash flows

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2020	December 31, 2019
Cash flows from operating activities			
Profit or (loss) for the period		**(81,940)**	**(52,635)**
Adjustments for:			
Depreciation & Impairment of property, plant and equipment (PP&E)	5	2,287	2,561
Impairment of Intangible Assets and Goodwill	6	-	13,169
Net interest expenses	23	2,042	4,013
Share-based payments	21	6,244	3,237
Net unrealized foreign exchange (gain) or loss	23	990	(866)
(Gain) or loss from changes in fair value	23	44,704	(13,050)
(Gain) or loss from adjustments of loans	13	-	(10,803)
(Gain) or loss on disposals of fixed assets	5	(249)	(57)
Income tax expense		112	64
Cash used in operating activities before changes in working capital and provisions:		**(25,810)**	**(54,367)**
VAT & other receivables and deferred expenses	8	(1,961)	95
Trade & other payables and other liabilities	18	8,691	4,630
Total change in working capital		**6,729**	**4,725**
Change in provisions	17	(3,529)	3,630
Cash used in operations		**(22,610)**	**(46,012)**
Interest paid	13, 14	(1,341)	(2,210)
Income tax paid		(151)	(29)
Net cash used in operating activities		**(24,102)**	**(48,251)**
Cash flows from investing activities			
Acquisition of PP&E	5	(2,018)	(4,495)
Disposals of property, plant and equipment	5	110	13
Investment in new legal entities		-	(23)
Acquisition through business combination net of cash	4	-	3,056
Net cash used in investing activities		**(1,908)**	**(1,449)**
Cash flow from financing activities			
Proceeds from issuance of shares	11	16,985	27,631
Payment of share issue costs	11	(910)	(2,299)
Proceeds from exercise of warrants	11	-	-
Proceeds from exercise of options	11	-	150
Proceeds from issue of warrants		-	-
Proceeds from loans and borrowings	13	-	-
Payment of transaction costs of loans and borrowings	13	-	-
Repayment of loans and borrowings	13	(5,014)	(5,705)
Payment of lease liabilities	14	(808)	(847)
Net cash from/(used in) financing activities		**10,253**	**18,930**
Net increase/(decrease) in cash and cash equivalents		**(15,757)**	**(30,770)**
Cash and cash equivalents at beginning of period		29,459	60,314
Effect of exchange rate fluctuations on cash held		(44)	(85)
Cash and cash equivalents at end of period	10	**13,658**	**29,459**

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

Notes to the consolidated financial statements

1. Corporate Information

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

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

These financial statements were authorized for issue by the Management Board and Supervisory Board of the Company on April 7, 2021. 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.

Intended acquisition by Sanofi and impact on the Consolidated financial statements, including a negative equity as of December 31, 2020

Subsequent to the announcement of November 2, 2020, Kiadis and Sanofi jointly announced on February 12, 2021 that Sanofi is making a recommended all-cash offer to acquire all Company shares at an offer price of EUR5.45 in cash per share cum dividend. The acceptance period started on February 15, 2021 and will end on April 12, 2021. Management assessed it highly probable that the transaction will be successful and therefore included the financial impact of the envisioned acquisition in the 2020 Consolidated financial statements, where applicable.

Subsequent to the announcement of November 2, 2020, the share price of the Company increased to EUR5.27 as per December 31, 2020 which impacts the valuation of the contingent consideration to former CytoSen shareholders and optionholders upon the achievement of certain milestones (the "Milestone Shares"). The Milestone Shares and certain outstanding warrants include change of control clauses which all increased the liability as of December 31, 2020 and non-cash expenses to the statement of Comprehensive income. The financial impact of the envisioned acquisition resulted in a negative equity as of December 31, 2020. If the share price would decrease and/or a change of control is not likely to occur any longer, the liability related to the contingent consideration and warrants would decrease and the gain from the changes in the liabilities would increase equity.

Going concern assessment

The consolidated financial statements have been prepared on a going concern basis. Based on the existing operating plan, anticipated working capital requirements of the Group through the 12 months following the date of these financial statements require additional funds which indicates the existence of a material uncertainty and which may cast significant doubt about the Company's ability to continue as a going concern.

On January 13, 2021, Sanofi and the Company entered into a credit facility (the "Bridge Loan"). The Company received EUR20.0 million under the Bridge Loan and is allowed to draw further under the credit facility to pay back the remaining Kreos Capital V (UK) Limited ("Kreos") debt facilities.

If the intended acquisition by Sanofi is successful, funding for the Group for the period after the intended acquisition has to be arranged by Sanofi. If the intended acquisition by Sanofi would not be successful, the Group will need additional sources of financing, which could include equity financing, non-dilutive financing or strategic transactions starting in the third quarter of 2021. The Bridge Loan shall be immediately cancelled and all outstanding advances, interest and other amounts will become immediately due and payable in case of a change of control of Kiadis (not being a change of control by Sanofi) or if the merger agreement signed by Sanofi and the Company on November 1, 2020 (the "Merger Agreement") is terminated following a material breach thereof by the Company or is terminated following a superior offer for the Kiadis shares.

Management believes that sufficient additional funds can be raised to meet its financial obligations in the 12 months following these financial statements, also in case the intended acquisition is not successful and is therefore of the opinion that application of the going concern assumption is justified.

In the event the Group is not able to generate sufficient funds, it may be unable to continue as a going concern, its business, financial condition and/or results of operations could be materially and adversely affected and it may ultimately go into insolvency.

Impact Corona virus

As a result of the outbreak of COVID-19 in 2020, all our critical accounting judgments, estimates and assumptions have been reviewed and updated when necessary following this situation. The Group is monitoring the situation regarding the coronavirus and evaluating the potential interruption of the clinical trial activities, regulatory reviews and the supply chain production and deliveries, and will try to mitigate via alternative plans where necessary. The exact financial impact for the financial year 2020 as well as the future financial impact for the Group remains difficult to estimate. The coronavirus may impact the continuity of the Group.

2.2 CONSOLIDATION

The Company is the holding company of a group of companies. The following legal entities together form the Group:

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

* Due to the change in strategy in 2019, the Group liquidated the subsidiaries in Belgium and Sweden in 2020. Kiadis Pharma Spain SL and Kiadis Pharma Italy S.r.l. were liquidated in 2021.

(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, at least, 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.

The NK-cell therapy acquired from CytoSen is considered to be the only reportable segment which comprises discovery, development, and commercialization. Therefore, all corporate activities can be assigned to this segment.

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 Group'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 prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate as 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 as 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 as at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates as 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 and income taxes paid are included in Cash from operating activities.

2.6 INTANGIBLE ASSETS

(a) Goodwill

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

Separately recognized goodwill is tested at least 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 initially recognized 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 an 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.

(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 (unless the Right-of-Use is for a shorter period)

Depreciation methods, useful lives and residual values are reassessed at the reporting date and accounted for as a change in estimates according to IAS 8.

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

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

2.8 IMPAIRMENT

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

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

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

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

On June 5, 2019, the Company acquired CytoSen with an NK platform with a pre-clinical R&D pipeline. Due to CytoSen's pre-clinical phase of development the Group considers the full platform currently and conditionally as one CGU. In case, the NK platform would be split in various CGU's, IPR&D and Goodwill needs to be allocated to the various CGU's for impairment purposes which allocation requires a valuation by an external party and might impact the outcome of future impairment analyses. As of December 31, 2020 the Group has one CGU, the NK platform. The assessment of the Goodwill and In-process Research & Development related to NK-cell technology did not result in an impairment (refer to Note 6 Intangible Assets).

2.9 ASSETS HELD FOR SALE

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

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group, if applicable, is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be

measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

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

2.10 FINANCIAL INSTRUMENTS

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

(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 that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less are measured at the transaction price.

Cash and cash equivalents include cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities on the statement of financial position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash for the Group 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 2.18.

(b) Derivative financial instruments

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

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

2.11 EQUITY

(a) Ordinary shares

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

(b) Preference share capital

On June 25, 2020, the shareholders approved and adopted an amendment to the Articles of Association which introduced preference shares such that the Company's authorized share capital is divided into ordinary shares and preference shares. These amended Articles of Association are effective as from June 26, 2020. For further details refer to Note 11 Shareholders Equity.

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

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

(c) Treasury shares

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

(d) Warrants

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

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

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

(e) Transaction costs

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

2.12 PROVISIONS

Restructuring

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

Onerous contracts

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

2.13 REVENUE RECOGNITION

On July 8, 2020 the Group announced that it had entered into an exclusive license agreement with Sanofi. As part of the agreement, the Group received a EUR17.5 million up front non-refundable payment and will be entitled to receive up to EUR857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones. The Group will also receive up to low double-digit royalties based on commercial sales of approved products resulting from this agreement.

Depending on the type of the agreement, there can be one or more distinct performance obligations under IFRS 15. The Group performed an assessment of whether the license and services included in a license agreement are distinct performance obligations and are distinct from the other promises to transfer goods and/or services in the context of the agreement.

The Group concluded that the License agreement with Sanofi is distinct from other performance obligations with Sanofi. If the license to the intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Group recognize revenues from non-refundable upfront fees allocated to the license at the point in time the license is transferred to the customer and the customer has the right to use the license. In case a license is bundled with other promises, the Group utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. If over time, revenue is then recognized based on a pattern that best reflects the transfer of control of the service to the customer.

The Group concluded that the Sanofi license is transferred to the customer and that Sanofi has the right to use the license in the year ended December 31, 2020. The Group accordingly recorded the EUR17.5 million up front payment as revenue in 2020.

The preclinical, clinical, regulatory and commercial milestone payments represent variable considerations that are not initially recognized within the transaction price as they are fully constrained under the guidance in IFRS 15. Management will continue to assess the probability of significant reversals for any amounts that become likely to be realized prior to recognizing the variable consideration associated with these payments within the transaction price. During the year ended December 31, 2020, no milestone met the threshold to record revenue.

Milestone related royalty payments

Milestone related royalty payments are expensed in the same period as the related milestones.

2.14 GOVERNMENT GRANTS

The Group receives certain government grants, which support its research effort in defined projects. These grants generally provide for reimbursement of approved costs incurred as defined in the respective grants. Income is recognized when costs under each grant are incurred in accordance with the terms and conditions of the grant and the collectability of the receivable is reasonably assured.

Government grants for reimbursement of certain costs are recognized in the income statement over the period necessary to match them with the costs they are intended to compensate. When the cash in relation to recognized government grants is not yet received the amount is included as a receivable on the balance sheet.

The Group recognizes income from government grants under 'Other income' in the income statement.

2.15 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 and the expected date the rights will vest on.

(c) Pension plans

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

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

(d) Bonus plans

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

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

(e) Termination benefits

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

2.16 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.

2.17 LEASES

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes 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 recognizes 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

In June 2019 the Group entered into a new lease agreement for additional office space at the head office at Paasheuvelweg, Amsterdam. For this lease contract a weighted average IBR of 6.04 percent was applied. As of June 1, 2020 the Group added additional office space under an existing lease contract at its headquarters in Amsterdam for a period of 9 years. For this addition an IBR of 7.04 percent was applied.

2.18 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, foreign currency losses and effects of negative interest rate on cash on bank.

2.19 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.

2.20 NEW RELEVANT STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

3. Accounting estimates and judgments

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group has identified the following critical accounting policies as requiring the Group to make the most significant estimates and judgments in the preparation of its consolidated financial statements. The Group considers an accounting policy to be critical if it requires the Group 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, primary users of the financial statements should consider the effect of estimates on its critical accounting policies, the judgments and other uncertainties affecting application of these policies and the sensitivity of the Group's reported financial results to changes in conditions and assumptions. The Group's actual results may differ materially from these estimates under different assumptions.

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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

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

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

(b) Income Tax Expense

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

(c) Share-based payments

The amount recognized as an expense for equity-settled share-based payments reflects the latest estimate of the number of rights that will vest. At each balance sheet date, the Group revises its estimates of the number of rights which are expected to vest. As of December 31, 2020 management expects the acquisition by Sanofi to be successful in which case all non-vested outstanding options vest (accelerated vesting). The Group recognizes the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity.

(d) Loans and borrowings

The Group exercises judgment in determining which financial liabilities qualify as loans and subsequently exercises judgment in determining the estimated fair value of these loans. For level 2 financial liabilities, the Group had to make significant judgments and estimates about future cash flows.

(e) Contingent Consideration

The group exercises judgement in determining the contingent consideration related to the acquisition of CytoSen. At December 31, 2020 the Group assumed the acquisition by Sanofi will cause a change of control which will result in the settlement of the contingent consideration to former CytoSen shareholders and optionholders in the form of the Milestone Shares in 2021. The contingent consideration has changed its classification from non-current to current as at 31 December 2020 (refer to Note 16 Contingent Consideration).

In 2019 the Group had to make significant judgements and estimates about the assumed probability rates of success (PoS) of the different milestones.

(f) Derivatives

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

(g) Revenue recognition & other income

In July 2020 the Group entered into a licence agreement with Sanofi. Upon signing the Group received EUR17.5 million as a non-refundable upfront payment. The Group exercises judgment in determining the revenue recognition, refer to Note 2.13 Revenue and 19 Revenue.

DETERMINATION OF FAIR VALUES

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

(a) Share-based payments

Measurement inputs to calculate the fair value of employee stock options include the share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life

of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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

(b) Loan from Hospira, Inc.

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

(c) Derivatives

On December 31, 2020, the fair value of the warrants is based upon the expected compensation to warrant holders in case the acquisition by Sanofi is successful (refer to Note 15 Derivatives).

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

4. Business combinations

On June 5, 2019 the Company acquired 100% of the outstanding shares of CytoSen Therapeutics, Inc. (CytoSen). CytoSen was founded in 2016 based on technology from the University of Central Florida, Nationwide Children's Hospital and the MD Andersen Cancer Center in Texas. The results of CytoSen have been included in the consolidated financial statements from June 6, 2019 onwards. If the acquisition had taken place at the beginning of 2019, a loss of USD 7.9 million would have been added to the Loss for the year 2019.

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

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

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

Contingent acquisition consideration

Previous CytoSen shareholders received potential future consideration of up to 5,340,162 additional Kiadis shares upon the achievement of six clinical development and regulatory milestones with the final milestone being the first FDA approval of an NK-cell product based on CytoSen's technology. Former CytoSen's option holders received potential future consideration of up to 479,304 Kiadis shares also upon the achievement of clinical development and regulatory milestones with the final milestone being the first FDA approval of an NK-cell product based on CytoSen's technology. The Company estimates the fair value of the contingent acquisition consideration on each reporting date (refer to Note 16 Contingent Consideration).

The Company has finalized the valuation of assets and liabilities as of the end of 2019. The fair values of the acquired identified tangible assets and assumed liabilities of CytoSen as at the date of acquisition were:

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

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

5. Property, Plant and Equipment

(Amounts in EUR x 1,000)	Laboratory Equipment	Furniture & Hardware	Leasehold Improvements	ROU Assets - Buildings	Total
Book value as at December 31, 2018	**998**	**255**	**405**	**6,062**	**7,720**
Changes in book value					
Additions	2,375	974	1,054	2,689	7,092
Remeasurements	-	-	-	175	175
Acquisitions through business combinations	106	-	-	-	106
Depreciation	(446)	(152)	(136)	(1,111)	(1,845)
Impairment loss	(43)	(83)	(590)	-	(716)
Reclassification to Assets held for Sale	(53)	-	-	-	(53)
Retirements & Disposals	(181)	(89)	-	(600)	(870)
Depreciation Retirements & Disposals	158	84	-	180	422
Effect of movement in foreign exchange rates	-	-	-	-	-
Total changes in book value	**1,916**	**734**	**328**	**1,333**	**4,311**
Balance as at December 31, 2019					
Cost of acquisition	4,086	1,433	1,486	9,118	16,123
Depreciation / impairment	(1,172)	(444)	(753)	(1,723)	(4,092)
Book value as at December 31, 2019	**2,914**	**989**	**733**	**7,395**	**12,031**
Changes in book value					
Additions	1,914	424	497	246	3,081
Remeasurements	-	-	-	(1,028)	(1,028)
Retirements & Disposals	(867)	(349)	(81)	(162)	(1,459)
Depreciation	(936)	(330)	(186)	(831)	(2,283)
Impairment loss	-	(4)	-	-	(4)
Reclassification to Assets held for Sale	-	-	-	-	-
Effect of movement in foreign exchange rates	(7)	-	-	-	(7)
Depreciation Retirements & Disposals	672	349	77	295	1,393
Total changes in book value	**776**	**90**	**307**	**(1,480)**	**(307)**
Balance as at December 31, 2020					
Cost of acquisition	5,126	1,509	1,901	8,173	16,709
Depreciation / impairment	(1,436)	(430)	(861)	(2,258)	(4,985)
Book value as at December 31, 2020	**3,690**	**1,079**	**1,040**	**5,915**	**11,724**

The Group recognizes Right-of-Use (ROU) assets in its statement of financial position for the buildings it uses under two separate lease contracts. The main lease contract commenced on January 1, 2018, with a lease term of ten years. This contract concerns a commercial manufacturing facility, laboratories and office space that the Group uses as its global headquarters. As of June 1, 2019 the Group rents additional office space at its headquarters in Amsterdam for a period of 10 years adding EUR2.1 million to the Right-of-Use Assets – Buildings. The Group is entitled to cancel the lease agreement after 4 years, with a break-up fee of EUR0.2 million.

On January 29, 2020 the Group amended the sub lease agreement of the headquarters in Amsterdam and reducing office space resulting in a decrease of the the right-of-use assets in 2020 of EUR0.9 million.

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

The amounts recognized for Right-of-Use assets were calculated as the net present value of all future lease payment due under the lease contracts. The additions accounted for in 2020 contain future lease payments for these two contracts which have been updated with the Customer Price Index for EUR146 thousand. See also Note 14 'Lease liabilities'.

In 2020 the Group sold laboratory equipment with an acquisition cost of EUR566 thousand, realizing a book profit of EUR119 thousand.

6. Intangible Assets

(Amounts in EUR x 1,000)	Goodwill	In-process Research & Development	Patents	Total
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**
Changes in book value				
Additions	-	-	-	-
Acquisitions through business combinations	6,140	29,181	-	35,321
Impairment loss	(4,166)	(9,003)	-	(13,169)
Effect of movement in foreign exchange rates	276	655	-	931
Total changes in book value	**2,250**	**20,833**	**-**	**23,083**
Balance as at December 31, 2019				
Cost	10,329	38,291	80	48,700
Amortization / Impairment	(4,166)	(9,003)	(80)	(13,249)
Book value as at December 31, 2019	**6,163**	**29,288**	**-**	**35,451**
Changes in book value				
Additions	-	-	-	-
Effect of movement in foreign exchange rates	(531)	(2,523)	-	(3,054)
Total changes in book value	**(531)**	**(2,523)**	**-**	**(3,054)**
Balance as at December 31, 2020				
Cost	9,798	35,768	80	45,646
Amortization / Impairment	(4,166)	(9,003)	(80)	(13,249)
Book value as at December 31, 2020	**5,632**	**26,765**	**-**	**32,397**

Goodwill

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

In-process research and development acquired in a business combination

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

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

Impairment test of goodwill and in-process research and development

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

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. At a share price of EUR5.275 as of December 31, 2020, the recoverable amount assigned to the Group (CGU at which Goodwill and In-Process Research & Development are tested for impairment) exceeded the carrying amount of Group's assets and liabilities. As a result no impairment loss is recognised in 2020.

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

In November 2019 the Group changed its strategy and decided to terminate all activity on the legacy platforms and programs including the Phase 3 patient-specific T-cell therapy program ATIR101. The goodwill (EUR3,913 thousand) and in-process research and development (EUR8,455 thousand) related to these platforms have been impaired to EUR 0 in 2019.

Effect of movement in foreign exchange rates

The carrying value of the Group's intangible assets decreased by EUR3,054 thousand due to a decrease of strength of the USD compared to EUR.

7. Non-current financial assets

On December 31, 2020 the deposit for leased buildings has an expected maturity between five and ten years.

8. VAT & Other Receivables and Deferred Expenses

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
VAT and other receivables		
Grants related receivables	2,475	–
VAT receivables	677	957
Deposits (lease of buildings)	6	287
Other amounts receivable	794	461
	3,952	**1,705**
Deferred expenses		
Deferred expenses	737	509
	737	**509**

Other receivables and deferred expenses have an estimated maturity shorter than one year. For disclosures on Grants related income refer to Note 20 Other income. Other amounts receivable mostly relate to the sale of the Group's lab equipment (EUR312 thousand) of which EUR182 thousand was received in 2021.

9. Assets held for sale

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

The Group does not intend to sell any of its assets as of December 31, 2020.

10. Cash and Cash Equivalents

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Cash at bank and in hand	13,658	29,459
Short-term bank deposits	-	-
Cash and cash equivalents	**13,658**	**29,459**
Bank overdrafts used for cash management purposes	-	-
Net cash as per statement of cash flows	**13,658**	**29,459**

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

11. Shareholders' equity

Shares issued and share capital

On December 31, 2020, the Company's authorized share capital pursuant to the Articles of Association amounts to EUR20,000,000 and is divided into 100,000,000 ordinary shares and 100,000,000 preference shares, each with a nominal value of EUR0.10. Kiadis' Articles of Association also state that as soon as the Company files with the Trade Register of the Dutch Chamber of Commerce that the issued capital amounts to at least EUR10,000,000, the authorized share capital as set out in the Articles of Association shall be amended and shall amount to EUR50,000,000 and be divided into 250,000,000 ordinary shares and 250,000,000 preference shares, each with a nominal value of EUR0.10.

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

The Company currently has only partly implemented the anti-takeover protection as described above as no independent foundation has been incorporated and no call option to such foundation has been granted. The General Meeting did resolve on June 25, 2020 to approve and adopt an amendment to the Articles of Association as set out above, through which preference shares were introduced such that the Company's authorized share capital is divided into ordinary shares and preference shares. These amended Articles of Association are effective as from June 26, 2020.

The General Meeting resolved on March 29, 2019, to approve a conditional amendment of the Articles of Association, introducing preference shares in the Company's authorized share capital. In the General Meeting of June 25, 2020 the Management Board and the Supervisory Board informed the General Meeting that they had decided to implement the previously approved introduction of preference shares in the Company's authorized share capital. After the further amendment of the Articles of Association as approved by the General Meeting on June 25, 2020, the delegated authority to issue shares and grant rights to subscribe for shares as from that moment effectively regarded and encompassed both the Company's ordinary shares as well as its preference shares, which empowered the Management Board, with the approval of the Supervisory Board, to grant one or more call options which are not limited in time and can be exercised in whole or in part, up to the authorized share capital of preference shares as per the Articles of Association at the time of exercise and at multiple times and occasions (including after the issuance and subsequent cancellation of preference shares) and which can also be made conditional upon the preceding cancellation of preference shares that have been issued following the exercise of an option or otherwise. The authorization granted in the General Meeting on June 25, 2020 replaced the authorization granted to the Management Board on March 29, 2019.

As at December 31, 2020, a total number of ordinary shares issued was 40,308,501 (2019: 29,563,994). On December 31, 2020, the issued share capital totaled EUR4,031 thousand.

Ordinary shares hold the right to one vote per share.

(Amounts in EUR x 1,000)	Number of Issued Shares Ordinary Shares	Issued Share Capital in EUR x1,000
Balance as at December 31, 2018	**24,341,410**	**2,434**
New shares issued for cash	3,684,200	368
New shares issued upon acquisition through business combinations	1,513,052	151
Equity-settled share-based payments	25,332	3
Balance as at December 31, 2019	**29,563,994**	**2,956**
New shares issued for cash	10,477,495	1,048
New shares issued upon acquisition through business combinations	267,012	27
Equity-settled share-based payments	-	-
Balance as at December 31, 2020	**40,308,501**	**4,031**

In April 2020, the Company raised EUR17 million in gross proceeds through two private placements, both of which closed on April 30, 2020. Pursuant to the first EUR12.0 million private placement with a U.S.-based healthcare focused investment fund, 7,490,637 new ordinary shares were issued at a subscription price of EUR1.60 per share, and 3,745,318 five-year warrants with an exercise price of EUR2.22 were granted. Pursuant to the second EUR5 million private placement with LSP Advisory, the public investment arm of Life Sciences Partners, on behalf of the LSP Life Sciences Fund N.V. and several mandate clients, 2,986,858 new ordinary shares were issued at a subscription price of EUR1.67 per share, and 1,493,429 five-year warrants with an exercise price of EUR2.32 were granted.

In December 2020 267,012 so-called holdback shares were issued to the former CytoSen shareholders under the CytoSen acquisition agreement. These holdback shares were contingently committed in the acquisition agreement subject to the expiration of an 18-month indemnity and other claims period, which expired on December 5, 2020. As this period ceased, the Company issued the related number of shares to the former CytoSen shareholders.

Treasury shares

On December 31, 2020, the Company did not hold any of its own shares (2019: nil).

Share Premium

(Amounts in EUR x 1,000)	2020	2019
Balance as at January 1,	**220,040**	**180,553**
Share premium on new shares issued	15,937	27,263
Transaction costs	(910)	(2,299)
Share premium upon acquisition through business combinations	(27)	14,307
Fair value of dervatives issued	(6,055)	-
Equity-settled share-based payments	-	216
Balance as at December 31,	**228,985**	**220,040**

In May 2019, the Company raised EUR25.3 million in net proceeds of which EUR25.0 million was recorded as premium. Transaction costs comprise bank fees from the syndicates that arranged the private placement, legal fees and due diligence related costs of EUR2.2 million in total.

Upon the completion of the purchase of CytoSen on June 5, 2019, Kiadis shares and Kiadis share options were issued resulting in an increase of share premium of EUR14.3 million, refer to Note 4 Business Combinations.

In April 2020, the Company raised EUR17 million in gross proceeds of which EUR15.9 million was recorded as premium. Transaction costs comprise bank fees from the syndicates that arranged the private placement, legal fees and due diligence related costs of EUR0.9 million in total. Part of this financing related to issuance of 5-year warrants with an initial fair value of EUR6.5 million, which were recorded as a liability (refer to Note 15 Derivatives).

Upon the issuance of the convertible loan to Kreos the equity component of the convertible loan of EUR0.4 million has been accounted for in share premium (refer to Note 13 Loans and Borrowings).

Warrant Reserve

(Amounts in EUR x 1,000)	2020	2019
Balance as at January 1,	**392**	**392**
Warrants issues in connection with loans	-	-
Warrants exercised	-	-
Balance as at December 31,	**392**	**392**

Warrant reserve relate mainly to the warrants issued to Kreos Capital in 2018.

Translation reserve

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

12. Deferred Tax Assets and Liabilities

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

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

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

Tax loss carry forwards

(Amounts in EUR x 1,000)	2020	2019	Expiry period
Kiadis Pharma N.V. (*)	169,406	136,341	2021-2027
CytoSen Therapeutics, Inc..	8,280	11,290	Unlimited
	177,686	**147,631**	

Related tax calculation	2020	2019	Tax rate
Kiadis Pharma N.V. (*)	42,352	27,950	25% (20.5%)
CytoSen Therapeutics, Inc..	1,739	2,371	21.0%
	44,091	**30,321**	

(*) After a change of control, tax loss carry forwards in The Netherlands can only be utilized if the business carried on is similar to the business carried on before such change in control, which is expected to be the case.

The corporate tax rate in The Netherlands will remain unchanged at 25% (in 2019 the Group expected the corporate tax rate to decrease to 20.5% but in 2020 the Dutch Government decided not to decrease the corporate tax rate). The Group does not expect the Dutch entity to become profitable in the near future.

The tax loss carry forwards in Canada of EUR29.0 million (2019 EUR28.4 million) can only be utilized to the extent that the business carried on prior to a change of control is carried on after such change in control with a reasonable expectation of profit and only to the extent of the profit of that business or a similar business. The Group does not expect these losses to be utilized as the development of ATIR has been stopped.

Deferred tax liabilities

(Amounts in EUR x 1,000)	2020	2019
Balance as at January 1,	**6,163**	**-**
Acquisitions through business combinations	-	6,140
Effect of movement in foreign exchange rates	(531)	23
Balance as at December 31,	**5,632**	**6,163**

The Group recognizes a deferred tax liability related to the acquisition of CytoSen in 2019 (refer to Note 4 Business Combinations).

13. Loans and Borrowings

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

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Current liabilities		
Loan from University of Montreal	862	–
Loan from Kreos Capital V (UK) Ltd:		
– Facility 1	984	8,105
– Facility 2	1,388	3,805
– Convertible Loan	4,771	-
	8,005	**11,910**

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	Kreos convertible loan	Hospira Inc.	University of Montreal	Total
Balance as at January 1, 2020	**8,105**	**3,805**	**-**	**-**	**912**	**12,822**
Interest accrued during the period	855	431	213	-	31	1,530
Interest payments	(513)	(265)	-	-	-	(778)
New loan agreements	-	-	4,558	-	-	4,558
Repayments	(3,827)	(1,187)	-	-	-	(5,014)
Modifications	(3,636)	(1,396)	-	-	-	(5,032)
Effect of changes in foreign exchange rates	-	-	-	-	(81)	(81)
Balance as at December 31, 2020	**984**	**1,388**	**4,771**	**-**	**862**	**8,005**

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	December 31, 2020 Face value	December 31, 2020 Carrying amount	December 31, 2019 Face value	December 31, 2019 Carrying amount
Loan from Kreos Capital V (UK) Ltd							
Facility 1	EUR	10.00%	2018-2021	15,000	984	15,000	8,105
Facility 2	EUR	9.00%	2019-2022	5,000	1,388	5,000	3,805
Convertible bond	EUR	9.00%	2021-2022	5,000	4,771	-	-
Loan from University Montreal	USD	3.50%	undefined	862	862	912	912
				25,862	**8,005**	**20,912**	**12,822**

Secured Loan from Kreos Capital V (UK) Ltd

On October 1, 2020 the Company announced the placement of EUR5 million of secured convertible bonds to Kreos in consideration for Kreos waiving the equivalent amount of EUR5 million (undiscounted) in cash repayments under the Kreos debt facilities 1 and 2 that the Company entered into with Kreos in 2017 and 2018. Those modifications have been determined to be significant and in line with IFRS 9 resulted in derecognition of the existing facilities and initial recognition of the new liabilities with a resulting financial gain of EUR5.0 million. At the same time the issuance of the convertible bond has resulted in a EUR5.0 million financial loss due to the initial recognition of a EUR4.6 million liability and a EUR0.4 million equity component in line with IFRS 9 guidance.

Under the convertible bond agreement between Kiadis and Kreos, Kreos has the irrevocable right to, at any time before the repayment date, convert the whole or part of the principal amount of the bonds then outstanding including interest accrued thereon into Company shares at a conversion price of EUR2.00 per Share. Reference is also made to Note 30 Subsequent Events.

Loan from Hospira, Inc.

In December 2011, the Company entered into an agreement with Hospira, Inc. for which an amount of US$24.5 million had been judged as a loan. The loan bears a contractual interest rate of 1.5% per annum and the conditional payment obligations are dependent on the commercial sale derived from the Theralux platform the Company only used for the ATIR platform or from a sub-license to the Theralux platform. For this financial liability, the Company had to make significant judgments and estimates previously about future cash flows towards Hospira, Inc. Due to the decision to terminate all ATIR activities in 2019, the repayment of the outstanding amount is remote and therefore the outstanding loan balance as of December 31, 2020 and 2019 is EUR 0.

University of Montreal and Hospital Maisonneuve-Rosemont Letter Agreement

Pursuant to a letter agreement with the University of Montreal and the Hospital Maisonneuve-Rosemont that the Company entered into on September 19, 2012 the Company agreed to pay the University of Montreal an amount of USD750,000, subject to a low-single digit percentage interest amount per annum (effective as of January 1, 2011), which is recorded as a loan on the balance sheet that amounted to EUR0.9 million as at December 31, 2020. Repayment is contractually contingent upon a change of control, net sales of licensed ATIR products or partly (50%) upon granting a sublicense to any of the licensed ATIR products. Management assesses a successful completion of the intended acquisition by Sanofi as highly likely and therefore the liability is expected to be due within a year.

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	
Balance at January 1, 2020	**12,822**	**7,850**	**-**	**-**	**222,996**	**392**	**(189,000)**	**55,060**
Changes from financing Cash flows								
Proceeds from issue of shares	-	-	-	-	16,985	-	-	16,985
Payment of share issue costs	-	-	-	-	(910)	-	-	(910)
Proceeds from exercise of options	-	-	-	-	-	-	-	-
Proceeds from exercise of warrants	-	-	-	-	-	-	-	-
Proceeds from loans and borrowings								
- Value of issued warrants	-	-	-	-	(6,055)	-	-	(6,055)
- Transaction cost	-	-	-	-	-	-	-	-
Changes from financing Cash flows	**-**	**-**	**-**	**-**	**10,020**	**-**	**-**	**10,020**
Effect of changes in foreign FX	**(81)**	**-**	**-**	**-**	**-**	**-**	**-**	**(81)**
Changes in Fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Changes								
Liability related								
Payment of interest	(778)	-	-	-	-	-	-	(778)
Repayment of loans and borrowings	(5,014)	-	-	-	-	-	-	(5,014)
Interest accrued	1,530	406	-	-	-	-	-	1,936
Modifications	(474)	-	-	-	-	-	-	(474)
Payment of finance lease liabilities	-	(1,243)	-	-	-	-	-	(1,243)
Total Other - Liability related	**(4,736)**	**(838)**	**-**	**-**	**-**	**-**	**-**	**(5,575)**
Total Other - Equity related	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	8,005	**7,012**	**-**	**-**	**233,016**	**392**	**(189,000)**	**59,425**
Loss for the period	-	-	-	-	-	-	(81,940)	(81,940)
Other non cash movements								
- New finance leases	-	(712)	-	-	-	-	-	(712)
- Share based payments	-	-	-	-	-	-	6,244	6,244
- Issuance shares through business combinations	-	-	-	-	-	-	-	-
Balances at December 31, 2020	**8,005**	**6,301**	**-**	**-**	**233,016**	**392**	**(264,696)**	**(16,982)**

14. Lease liabilities

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Non-current lease liabilities		
Lease liabilities related to buildings	5,329	6,615
Other lease liabilities	36	-
	5,365	**6,615**

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Current lease liabilities		
Lease liabilities related to buildings	936	1,235
	936	**1,235**

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

On January 2, 2020 the Group amended the sub lease agreement of the headquarters in Amsterdam and reducing the office space resulting in a decrease of the lease liability of EUR 1.0 million. Future lease payments are adjusted annually based on a Consumer Price Index (CPI) as published by CBS, the Dutch Statistics Office.

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

(Amounts in EUR x 1,000)	Lease liabilities related to buildings and other	Total lease liabilities
Balance as at January 1, 2020	**7,850**	**7,850**
Remeasurement	(1,042)	(1,042)
New lease agreement	330	330
Interest expense in the period	406	406
Lease payments	-	-
– Interest paid	(435)	(435)
– Payment leases	(808)	(808)
Balance as at December 31, 2020	**6,301**	**6,301**

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

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Maturity analysis of contracted undiscounted cash flows		
Less than one year	1,064	1,252
Between one and three years	2,106	2,433
Between three and five years	2,106	2,433
More than 5 years	2,543	4,054
Total undiscounted lease liabilities	**7,819**	**10,172**

The lease contract entered on June 1, 2019 contains a break option after 5 years which when used would reduce the undiscounted lease liabilities with EUR1.6 million.

15. Derivatives

(Amounts in EUR x 1,000)	2020	2019
Balance as at January 1,	**-**	**-**
Initial recognition upon issue	6,500	-
Changes in fair value included in 'finance income':		
- Gain from change in fair value	-	-
- Loss from change in fair value	20,100	-
- Warrants exercised	-	-
Balance as at December 31,	**26,600**	**-**

On April 30, 2020, the Company raised EUR17 million in gross proceeds through the two private placements

(refer to Note 11 Shareholders' equity). Pursuant to the first EUR12.0 million private placement, 3,745,318 5-year warrants (the "2025- I Warrants") with an exercise price of EUR2.22 were granted and pursuant to the second EUR5.0 million private placement, 1,493,429 5-year warrants (the "2025- II Warrants") with an exercise price of EUR2.32 were granted (jointly the '2025 Warrants').

As of April 30, 2020, the fair value of the 2025 Warrants was estimated at EUR6.5 million. The 2025 Warrants are classified as a level 2 financial instrument and the Company calculated the fair value of the 2025 Warrants on initial recognition using a Black-Scholes-Merton pricing model.

The Black-Scholes-Merton pricing model requires the use of highly subjective assumptions to estimate the fair value of share-based awards. These assumptions include the following estimates:

- Volatility: the Company calculates the estimated volatility rate based on the volatilities of ordinary shares of comparable companies in its industry in line with the probability of the volatility used for calculating share-based payment expense.
- Change of control: the estimated probability of a change of control and the time this might occur. In case of a change of control, the volatility is set at the contractual maximum for the remainder of the contractual term.
- Contractual term: the expected life of the warrants, which is based on the contractual term of the warrants.
- Expected dividend yield: the Company has never declared or paid any cash dividends and does not currently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.
- Risk-free rate: the risk-free interest rate is based on the Euro Treasury rate for similar periods as those of expected volatility.

The following summarizes certain key assumptions used in estimating the fair values as of April 30, 2020.

Average volatility*	87.5%
Contractual term (years)	5
Expected dividend yield	-%
Risk-free rate	0.5%

* based on probability of change of control

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

Management estimates the intended acquisition by Sanofi highly likely to occur. As of December 31, 2020, the Company recorded a liability of EUR26.6 million, the compensation to warrant holders in case the acquisition by Sanofi is successful. The EUR20.1 million increase in the fair value of the liability for the 2025 Warrants during the eight months period ended December 31, 2020 was recorded as other financial loss.

The conversion option in the convertible Kreos loan has been booked though equity (refer to Note 13 Loans and Borrowings). The Group has no further derivative financial instruments embedded in contracts.

16. Contingent Consideration

Amounts in EUR x 1,000)	2020	2019
Balance as at January 1,	**4,439**	**-**
Acquisitions through business combinations	-	17,489
Change in fair value	24,604	(13,050)
Balance as at December 31,	**29,043**	**4,439**

Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Current	29,043	3,142
Non-current	-	1,297
Total Contingent Consideration	**29,043**	**4,439**

The Group recognizes a contingent consideration related to the acquisition of CytoSen. Previous CytoSen shareholders and former CytoSen option holders received a potential future consideration of additional Kiadis shares in the form of Milestone Shares upon the achievement of six clinical development and regulatory milestones. The fair value of the contingent acquisition consideration is determined using the assumed probability rates of success (PoS) of the different milestones and the closing price as of each reporting date, refer to Note 4.

The Company has a contractual right to accelerated payment of Milestone Shares upon a change of control which acceleration was reflected in the valuation as of December 31, 2020. On February 2, 2021 Kiadis, Sanofi and the former CytoSen shareholders and option holders have agreed, that upon a successful acquisition the Milestone Shares shall, subject to a discount mechanism, accelerate and become immediately payable by the Company and that upon such acceleration, the Milestone Shares will be tendered for EUR5.45.

As a result of the change in share price from December 31, 2019 to December 31, 2020 and the accelerated payment of Milestone Shares upon the change of control, the contingent consideration increased by EUR24,604 thousand to a total of EUR29,043 thousand through the income statement (other net finance income).

The Company expects the payment will take place upon completion of the Sanofi acquisition and has classified the contingent consideration as current.

17. Provisions

	Onerous contracts	Restructuring	Total
Balance as at December 31, 2018	**-**	**-**	**-**
Changes in 2019			
Provisions made during the year	1,003	4,114	5,117
Provisions used during the year	(68)	(1,419)	(1,487)
Balance as at December 31, 2019	**935**	**2,695**	**3,630**
Changes in 2020			
Provisions made during the year	-	-	-
Provisions released during the year	(834)	(2,695)	(3,529)
Balance as at December 31, 2020	**101**	**-**	**101**

On November 12, 2019 the Group announced that it had completed a strategic portfolio review and had decided to change strategy and to focus all resources and investments on the NK-cell therapy platform and programs. The Group withdrew the marketing authorization application and announced that the Group discontinued development of ATIR101, terminated the ongoing Phase 3 trial and that the Group would restructure the organization, resulting in a reduction the workforce.

As of December 31, 2020 EUR101 thousand has not been released yet. The Group expects this remaining provision to be released in 2021.

18. Trade and Other Payables

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Suppliers	3,427	3,940
Salaries, bonuses, vacation and restructuring	3,682	2,495
Payroll tax and social premium contributions	235	796
Interest to be paid	23	46
Accrued clinical costs	173	729
Accrued manufacturing costs	559	1,295
Accrued audit fees	326	455
Accrued legal fees	647	115
Acquisition related fees	8,650	-
Consulting	694	359
License fees	1,005	-
Other	578	112
	19,999	**10,342**

All trade and other payables have an estimated maturity shorter than one year. The license fees relate to the license agreements as included in Note 27 Contingencies.

19. Revenues

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Licensing fees	17,500	-
	17,500	**-**

On July 8, 2020 the Group announced that it had entered into an exclusive license agreement with Sanofi. As part of the agreement, the Group received a EUR17.5 million up front non-refundable payment and will be entitled to receive up to EUR857.5 million upon Sanofi's achievement of preclinical, clinical, regulatory and commercial milestones. The Group will also receive up to low double-digit royalties based on commercial sales of approved products resulting from this agreement.

Depending on the type of the agreement, there can be one or more distinct performance obligations under IFRS 15. The Group performed an assessment of whether the license and services included in the license agreement are distinct performance obligations and are distinct from the other promises to transfer goods and/or services in the context of the agreement. The Group concluded that the License with Sanofi is distinct from other performance obligations with Sanofi included in the license agreement. If the license to the intellectual property is determined to be distinct from the other performance obligations identified in the arrangement and the nature of the promise is to provide the customer with a right to use the Group's intellectual property, the Group recognizes revenues from non-refundable upfront fees allocated to the license at the point in time the license is transferred to the customer. The Group concluded that the Sanofi license is transferred to the customer and that

Sanofi has the right to use the license in the year ended December 31, 2020. The Group accordingly recorded the EUR17.5 million up front payment as revenue in 2020. The preclinical, clinical, regulatory and commercial milestone payments represent variable consideration that is not initially recognized within the transaction price as they are fully constrained under the guidance in IFRS 15. Management will continue to assess the probability of significant reversals for any amounts that become likely to be realized prior to recognizing the variable consideration associated with these payments within the transaction price. During the year ended December 31, 2020, no milestone met the threshold to recognize revenue.

20. Other Income

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Other income		
Grants	3,647	-
	3,647	**-**

Other income relates to received funding from the U.S. Department of Defense (DoD) through the Advanced Regenerative Manufacturing Institute (ARMI) for an amount of USD9.5 million that will fund the K-NK-ID101 COVID-19 program as costs are incurred and to WBSO, the tax credit for research and development commissioned from the Dutch Ministry of Economic Affairs and Climate Policy.

21. Employee Benefits

(Amounts in EUR x 1,000)	2020	2019
Wages and salaries	14,937	15,528
Compulsory social security contributions	1,013	1,647
Contributions to defined contribution plans	510	551
Equity-settled share-based payment	6,244	3,237
Restructuring expenses	-	4,114
Other employee benefits	441	410
Total	**23,145**	**25,487**

Headcount and Full Time Equivalents (FTEs)

(Amounts in EUR x 1,000)	2020	2019
Number of employees (headcount) as at December 31,		
Research & development positions	76	127
General & administrative positions	27	43
	103	**170**
Average FTEs during the year		
Research & development positions	79	99
General & administrative positions	29	36
	108	**135**

At the end of 2020, the Group employed 81 people in The Netherlands (2019:125), 19 persons in the United States of America (2019: 24), 1 person in Germany (2019: 18), and 2 in other European countries (2019: 3).

Share-based payments

The Group has a share option program in place that entitles employees to purchase shares in the Company.

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

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

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

The incremental fair value of these options granted is the difference between (i) the fair value of the replacement options and (ii) the fair value of the cancelled options (i.e. based on original terms and conditions), both fair values determined at the date the replacement equity instruments are granted. The weighted average incremental value of the granted new options is EUR0.43. The incremental fair value granted is recognized over the period from the replacement date until the date when the replacement options vest.

For calculating the fair value of the employee share based options granted in 2020 and 2019, the Hull and White option valuation model is applied. After stopping with the development of ATIR the Company changed its peer group to a peer group of companies in the same stage of product development.

Parameters used in the model for the options outstanding:

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

On December 31, 2020, a total of 7,862,656 share options with an average exercise price of EUR1.88 were issued and outstanding. On this date, 535,712 of these share options were exercisable.

In the event of a reorganisation, such as the public offer by Sanofi, there will be an accelerated vesting of un-vested Options immediately prior to and subject to the reorganization event taking place. As of December 31, 2020 the intended acquisition by Sanofi is highly probable and the accelerated vesting of the outstanding options has been reflected in the calculation of the total expense as of December 31, 2020. The estimated forfeiture rate is nil. The additional expense of EUR2,047 thousand relating to the highly probable intended acquisition has been accounted for in 2020 resulting in a total expense of EUR6,244 thousand.

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

	2020		2019	
	Average exercise price in EUR per share	Number of options	Average exercise price in EUR per share	Number of options
At January 1,	**8.78**	**2,292,452**	**9.41**	**1,161,805**
Granted	1.41	7,475,578	8.11	1,855,928
Converted	9.05	(1,598,454)	-	-
Forfeited	3.42	(223,615)	8.03	(668,548)
Exercised	-	-	5.93	(25,332)
Lapsed	7.35	(83,305)	10.45	(31,401)
At December 31,	**1.88**	**7,862,656**	**8.78**	**2,292,452**

As of December 31, 2020, 7,436,147 options are in the money and are expected to be converted into shares upon the Sanofi acquisition becoming final.

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

			Share options as at	
	Average exercise price (EUR per share 2020)	Average exercise price (EUR per share 2019)	December 31, 2020	December 31, 2019
2021	8.41	-	101,600	-
2022	3.83	-	93,269	-
2026	12.35	12.35	80,408	80,408
2027	8.45	8.88	12,667	502,295
2028	9.49	10.20	82,109	344,934
2029	5.84	8.18	258,857	1,364,815
2030	1.41	-	7,233,746	-
	1.88	**8.78**	**7,862,656**	**2,292,452**

22. Expenses

(Amounts in EUR x 1,000)	2020	2019
Employee benefits (see Note 21)	23,145	25,487
Depreciation & impairment expense (see Note 5 and 6)	2,287	15,663
Restructuring (onerous contracts, see Note 17)	-	1,003
Facilities	922	1,079
Consultancy	9,064	12,284
Acquisition related fees	9,434	1,100
Telecom & IT	598	624
Travel	356	2,506
Insurance	232	169
Clinical costs	1,499	4,100
Manufacturing	6,097	5,570
Other	1,618	3,649
Total operating expenses	**55,252**	**73,234**

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

(Amounts in EUR x 1,000)	2020	2019
Research and development expenses	31,245	43,043
General and administrative expenses	24,007	30,191
Total operating expenses	**55,252**	**73,234**

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, M&A related services and other administrative costs.

In 2020 research and development expenses decreased by EUR11.8 million. In 2019 the clinical expenses were higher due to the ramp up of the Phase 3 study of ATIR101, and the increase of the work force that the organization experienced prior to the discontinuation of the ATIR activities. Following the June 2019 acquisition of CytoSen, research and development expenses also include expenses associated with the development of the NK-cell therapy platform and programs (incl. K-NK002 and other NK-programs). The research & development expenses in 2020 only relate to the NK-cell therapy platform and programs.

In 2020 general and administrative expenses decreased by EUR6.2 million. The costs of 2019 contain EUR13.2 million related to the impairment loss on the intangible assets (refer to Note 6 Intangible assets). These expenses were classified as general and administrative expenses as the impairment is not related to specific research and development work. The remaining increase of general and administrative expenses is mainly caused by costs related to the intended Sanofi acquisition.

Auditor's fees

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

(Amounts in EUR x 1,000)	KPMG Accountants N.V.	Other KPMG network	Total KPMG
2020			
Audit of the financial statements	626	-	626
Other audit engagements	131	-	131
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	757	**-**	**757**
2019			
Audit of the financial statements	751	-	751
Other audit engagements	354	-	354
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
	1,105	**-**	**1,105**

23. Finance Income and Expenses

(Amounts in EUR x 1,000)	2020	2019
Finance income		
Interest income	-	-
	-	**-**
Finance expenses		
Interest Expense on bank loans and other debt	(1,636)	(3,496)
Interest Expense on Leases	(406)	(517)
	(2,042)	**(4,013)**
Other net finance income or (expenses)		
Net gain (loss) from changes in fair value:		
– Contingent consideration	(24,604)	13,050
– Warrants	(20,100)	-
Net gain (loss) adjustments of loans	-	10,803
Net foreign exchange gain (loss)	(977)	823
	(45,681)	**24,676**
Net finance income and (expenses)	**(47,723)**	**20,663**

Finance expenses for bank borrowings and other debt include interest on third party loans for EUR1.5 million (2019: EUR3.3 million) and EUR0.1 million negative interest on outstanding cash and cash equivalents (2019 EUR0.2 million). The interest on third party loans decreased with EUR1.7 million due to a decrease of the outstanding debt (refer to Note 13 Loans & Borrowings).

The loss of EUR24.6 million related to the contingent consideration is caused by a changed share price and change of control assumption where in 2019 a lower share price caused a financial gain of EUR13.0 million (refer to Note 16 Contingent consideration).

The warrants were granted upon the equity raise in April 2020. The loss of EUR20.1 million is also caused by the use of the changed share price and the change of control assumption (refer to Note 15 Derivatives).

The net gain on adjustments of loans of EUR10.8 million in 2019 related to the revaluation of the Hospira loan to EUR0. In 2020 the valuation of the loan remained EUR0 (refer to Note 13 Loans & Borrowings).

Net foreign exchange loss of EUR977 thousand in 2020 includes amongst others unrealized (non-cash) exchange loss of EUR892 thousand on intra-group loans denominated in Canadian dollars and a (non-cash) exchange loss of EUR93 thousand on intra-group loans denominated in USD.

24. Income Tax Expense in the Income Statement

(Amounts in EUR x 1,000)	2020	2019
Current tax expense		
Current year	112	64
	112	**64**
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	**112**	**64**

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

(Amounts in EUR x 1,000)	2020	2019
Reconciliation of effective tax rate		
Loss before income taxes	**81,828**	**52,572**
Tax using the Company's domestic tax rate (25.0% for both years)	(20,457)	(13,143)
Effect of tax rates in foreign jurisdictions	(90)	(1)
Tax exempt income	-	-
Non-deductible expenses	13,669	3,146
Tax incentives	-	-
Current year losses for which no deferred tax asset is recognized	6,990	10,062
	112	**64**

25. Earnings per Share

Basic earnings per share

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Loss attributable to owners of the Company	**(81,940)**	**(52,635)**
Issued ordinary shares at January 1	29,563,994	24,341,410
Effect of shares issued for cash	7,032,839	2,165,986
Effect of warrants exercised	-	-
New shares upon acquisition through business combinations	18,288	868,758
Equity-settled share-based payments	-	17,288
Weighted-average number of ordinary shares at end of period	**36,615,121**	**27,393,442**
Basic earnings per share (EUR)	(2.24)	(1.92)

The calculation of basic earnings per share for the year ended December 31, 2020 has been based on the loss attributable to ordinary shareholders of EUR81,940 thousand (2019: EUR52,635 thousand) and a weighted-average number of ordinary shares outstanding during the year of 36,615 thousand (2019:27,393 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)	December 31, 2020	December 31, 2019
Weighted average number of ordinary shares (basic)	**36,615,121**	**27,393,442**
Effect of warrants outstanding	-	-
Effect of share-based payments (share options)	-	-
	36,615,121	**27,393,442**
Diluted earnings per share (EUR per share)	**(2.24)**	**(1.92)**

The calculation of diluted earnings per share for the year ended December 31, 2020, has been based on the loss attributable to ordinary shareholders of EUR81,940 thousand (2019: EUR52,635 thousand) and a the weighted-average number of ordinary shares outstanding. The Company is loss making and therefore any dilutive additional shares, e.g. stock options and warrants that were excluded from the diluted weighted average of ordinary shares calculation because their effect would have been anti-dilutive. Upon the acquisition by Sanofi, the total outstanding ordinary shares will amount to 61,084,776 which includes the accelerated Milestone Shares, 2025 Warrants, shares from in-the-money options and shares from the conversion of the Kreos secured convertible bonds.

26. Financial Instruments

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

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

Capital management

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

Credit risk

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

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

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

Liquidity risk analysis

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

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

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

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

Exposure to interest rate risks

The objective of market risk (which comprises interest rate and foreign exchange risk) management is to manage and control market risk exposures within acceptable parameters, while optimising the return and not jeopardizing the ongoing running of the business.

The effective interest rate on short-term bank deposits was negative 0.65 % on average for 2020 (2019: negative 0.43%). As at December 31, 2020 the Group did not have financial assets or liabilities measured at fair value that were interest rate sensitive. An increase of 25 basis points in interest rates would have increased equity and profit by EUR41 thousand (2019: EUR127 thousand). A decrease of 25 basis points in interest rates would have decreased equity and profit by EUR41 thousand (2019: EUR127 thousand).

Exposure to foreign currency risk

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

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

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

A strengthening of the Canadian and US dollar against the euro at December 31, 2020 of 5% would have increased equity by EUR1,622 thousand (2019: EUR982 thousand) and results in a higher loss for the year of EUR1,440 thousand (in 2019: EUR226 thousand higher loss for the year). This analysis is based on foreign currency exchange rates that the Group considered to be reasonably possible at the end of the reporting period. All other variables are considered to remain unchanged.

Fair values

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

	Carrying amount				Fair value			
	Non-current assets	Current assets						
(Amounts in EUR x 1,000)	Non-current financial assets	Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	level 3	Total
December 31, 2020								
Financial assets not measured at fair value								
Deposits (building leases)	294	-	-	294	-	-	-	-
VAT and other receivables	-	3,952	-	3,952	-	-	-	-
Cash and cash equivalents	-	-	13,658	13,658	-	-	-	-
	294	**3,952**	**13,658**	**17,904**	**-**	**-**	**-**	**-**
December 31, 2019								
Financial assets not measured at fair value								
Deposits (building leases)	294	-	-	294	-	-	-	-
VAT and other receivables	-	1,705	-	1,705	-	-	-	-
Cash and cash equivalents	-	-	29,459	29,459	-	-	-	-
	294	**1,705**	**29,459**	**31,458**	**-**	**-**	**-**	**-**

	Carrying amount						Fair value			
	Non-current liabilities		Current liabilities							
(Amounts in EUR x 1,000)	Other long term liabilities	Loans and borrowings	Trade and other payables	Other short term liabilities	Loans and borrowings	Total	Level 1	Level 2	level 3	Total
December 31, 2020										
Financial liabilities measured at fair value										
Contingent Consideration	-	-	-	29,043	-	29,043	-	29,043	-	29,043
Derivatives	-	-	-	26,600	-	26,600	-	26,600	-	26,600
Financial liabilities not measured at fair value										
Loan from Kreos Capital V (UK) Ltd:										
- Facility 1	-	-	-	-	984	984	-	984	-	984
- Facility 2	-	-	-	-	1,388	1,388	-	1,388	-	1,388
- Convertible loan	-	-	-	-	4,771	4,771	-	4,771	-	4,771
Loan from University of Montreal	-	-	-	-	862	862	-	862	-	862
Trade and other payables	-	-	19,999	-	-	19,999	-	-	-	-
	-	**-**	**19,999**	**55,643**	**8,005**	**83,647**				
December 31, 2019										
Financial liabilities measured at fair value										
Contingent Consideration	1,297	-	-	3,142	-	4,439	-	-	4,439	4,439
Financial liabilities not measured at fair value										
Loan from Kreos Capital V (UK) Ltd:										
- Facility 1	-	-	-	-	8,105	8,105	-	8,105	-	8,105
- Facility 2	-	-	-	-	3,805	3,805	-	3,805	-	3,805
Loan from University of Montreal	-	912	-	-	-	912	-	912	-	912
Trade and other payables	-	-	10,342	-	-	10,342	-	-	-	-
	1,297	**912**	**10,342**	**3,142**	**11,910**	**27,603**				

As at December 31, 2020, Contingent consideration and Derivatives are classified as level 2 financial liabilities instead of level 3 financial liabilities as the determination of the fair values are not based on significant unobservable inputs.

27. Contingencies

Nationwide Children's Hospital (NCH) License Agreement

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

University of Central Florida (UCF) License Agreement

In relation to the intellectual property underlying the NK-platform, UCF has granted the Group an exclusive worldwide license for certain patents and patent applications and a non-exclusive license for certain information and methods as necessary to exploit, utilize and commercialize such patents and patent applications (the "UCF License Agreement"). The UCF License Agreement expires upon the later of the expiration of the last valid claim in the licensed patents or, to the extent the licensed information and methods continue to be used, upon expiration of any (marketing) exclusivity granted by a regulatory authority for a licensed product in a particular country.

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

Change of Control clauses in employee contracts

Several employees have a change of control clause included in their employment contract which could result in a commitment if the employees (decide to) leave the Group. At balance sheet date an assessment of the liability cannot be made as an obligating event did not occur.

28. Commitments

(a) Lease of premises

The future aggregate minimum lease payments commitments are as follows:

(Amounts in EUR x 1,000)	December 31, 2020	December 31, 2019
Less than one year	392	799
Between one and five years	1,568	2,288
More than 5 years	847	1,768
	2,807	**4,855**

The commitments as at December 31, 2020 in the table above, relate to services to be received under non-cancellable lease contracts for buildings. The lease contracts relate to a commercial manufacturing facility, laboratories and office space in Amsterdam. Following the early adoption of IFRS 16, the payments for the lease components in both new and existing lease contracts are recognized in the consolidated statement of financial position.

(b) Capital commitments

In December 2020, the Group entered into various contracts with services and products to be delivered in 2021 for a total amount of approximately EUR3.1 million (2019: EUR1.0 million) incl. approx. EUR3.1 million commitments to be paid in the first year and the remainder within no more than five years. EUR2.9 million relates to the development of the NK platform and EUR0.2 million relates to General and Administrative functions.

29. Related Parties

TRANSACTIONS WITH RELATED PARTIES WITH A SIGNIFICANT INFLUENCE OVER THE GROUP

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

APRIL 2020 PRIVATE PLACEMENTS

Because of their positions at Life Sciences Partners, Mr. Wegter and Mr. Kleijwegt (both members of the Supervisory Board) did not participate in the deliberations and decision making regarding the private placements that were closed on April 30, 2020 for the total amount of EUR17 million with two investors including LSP Advisory, the public investment arm of Life Sciences Partners, on behalf of the LSP Life Sciences Fund N.V. and several mandate clients.

MANAGEMENT BOARD 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 one member (Chief Executive Officer) in 2020 and to two members (Chief Executive Officer and Chief Financial Officer) who were in office during the year 2019. Mr. Scott Holmes, Chief Financial Officer, left the Company as of December 31, 2019.

(Amounts in EUR x 1,000)	2020	2019
Salaries and other short-term employee benefits	580	607
Pensions	15	15
Share-based payment	2,729	935
Social securities	10	30
Other emoluments	-	396
Total	**3,334**	**1,983**

The table below shows the remuneration received by the individual members of the Management Board for the year ended December 31, 2020.

Management Board							2020
Amounts in EUR x 1000	Base salary	Cash bonus	Share-based payment	Pension contributions	Social security costs	Other benefits	Total remuneration
Mr. Arthur Lahr	350	175	2,729	15	10	55	3,334
	350	175	2,729	15	10	55	3,334

Other benefits contain costs related to the holiday reservation.

(b) Supervisory Board salary and other emoluments

As of December 31, 2020, the Supervisory Board consisted of 6 Board members (2019: 6).

	2020	2019
Remuneration	178	178
Share-based payment	752	202
Total	**930**	**380**

The table below shows the remuneration received by the individual members of the Supervisory Board for the year ended December 31, 2020.

Supervisory Board							2020
Amounts in EUR	Base salary	Cash bonus	Share-based payment	Pension contributions	Social security costs	Other benefits	Total remuneration
Mr. Mark Wegter	-	-	90,299	-	-	-	90,299
Mr. Martijn Kleijwegt*	-	-	90,299	-	-	-	90,299
Dr. Otto Schwarz	45,000	-	142,743	-	-	-	187,743
Mr. Subhanu Saxena	43,000	-	142,743	-	-	-	185,743
Dr. Robert Soiffer	35,000	-	142,743	-	-	-	177,743
Mr. Berndt Modig	55,000	-	142,743	-	-	-	197,743
	178,000	-	751,570	-	-	-	929,570

*The base salary of Mr. Kleiwegt has been donated by the Company to a good cause.

(c) Transactions of shares in the Company

No such transactions took place in 2020 and 2019.

(d) Options held in the Company

Share options held by the Management Board are as follows:

	Number of share options held as at December 31, 2020	December 31, 2019		
Mr. Arthur Lahr	1,700,00	-	1.31	Granted April 1, 2020. Vesting dates April 1, 2021, April 1, 2022 and April 1, 2023. Expiration date April 1, 2030.
Mr. Arthur Lahr	430,833	-	1.31	Options granted in 2017, 2018, and 2019 were amended as per April 1, 2020 (refer to Note 21 Employee Benefits). Vesting April 1, 2021, April 1, 2022 and April 1, 2023. Expiration date April 1, 2030.
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. Arthur Lahr	-	280,000	8.62	Granted April 1, 2019. Vesting dates April 1, 2020, April 1, 2021 and April 1, 2022. Expiration date April 1, 2029.

The Company also refers to the remuneration paragraph on page 34 of the annual report.

30. Subsequent Events

On January 13, 2021, Kiadis and Sanofi Finance Ireland Limited, a wholly owned subsidiary of Sanofi, entered into the Bridge Loan. The total principal amount agreed upon in the Bridge Loan amounts to EUR27.7 million of which EUR7.7 million is for prepayment of the existing debt facilities with Kreos and prepayment of secured convertible bonds with Kreos. Kiadis has already drawn EUR20.0 million under the Bridge Loan.

On February 2, 2021, Kiadis and Sanofi reached agreement with the 2025 Warrant holders, former CytoSen shareholders and option holders and Kreos in relation to their rights to acquire shares and their irrevocable commitment to tender all their shares under the Sanofi offer. All irrevocable commitments are subject to Sanofi declaring the offer unconditional and the Merger Agreement not being terminated. As of February 2, 2021, approximately 36.6% shares outstanding as at settlement of the offer are now committed under the offer.

Kiadis, Sanofi and the 2025 Warrant holders, pursuant to two separate agreements, agreed, conditional upon the offer being declared unconditional and the Merger Agreement not being terminated: (i) to adjust the exercise price, such that the net proceeds to be received by the 2025 Warrant holders is equal to the Black-Scholes-Merton value of the 2025 Warrants which would otherwise be due and payable upon settlement of the Sanofi offer; (ii) that the 2025 Warrants will be exercised for an adjusted exercise price of EUR0.38; and (iii) that upon exercise of the 2025 Warrants, the corresponding shares will be tendered under the offer in exchange for the offer price. Kiadis, Sanofi and the former CytoSen shareholders and option holders have agreed that, conditional upon the Sanofi offer being declared unconditional and the Merger Agreement not being terminated, and subject to the discount mechanism in the agreement made in relation to the Company's acquisition of CytoSen in June 2019: (i) the Milestone Shares shall accelerate and be immediately payable by the Company to the former CytoSen shareholders and option holders against nil consideration; and (ii) upon such acceleration, the Milestone Shares will be tendered under the offer in exchange for the offer price.

Kiadis and Kreos have agreed that: (i) Kreos will convert into shares, at an exercise price of EUR2 per share, its entire convertible bond of EUR5.0 million plus an additional amount of EUR0.2 million interest. In addition, Kiadis, Sanofi and Kreos have agreed, on customary terms and conditions and conditional upon the Sanofi offer being declared unconditional and the Merger Agreement not being terminated, that Kreos: (i) will vote with its holdings of shares in favor of the resolutions at the March 30, 2021 extraordinary general meeting of Kiadis Pharma; and (ii) commits to tender all its holdings of shares under the offer in exchange for payment of the offer price. On February 15, 2021 the Company issued 2,585,507 Company shares with a nominal value of EUR0.10 to Kreos Capital and released the liability. Following the conversion, Kreos Capital holds in aggregate 2,656,989 Company shares.

On February 12, 2021 Kiadis and Sanofi jointly announced that Sanofi is making a recommended all-cash offer to acquire all Company shares at an offer price of EUR5.45 in cash per share (cum dividend). The acceptance period started on February 15, 2021 and will end on April 12, 2021. During the extraordinary general meeting of shareholders on March 30, 2021, it was decided to accept the post-offer restructuring resolution lowering the acceptance threshold of the all-cash offer by Sanofi to all shareholders from 95% to 80% of Kiadis Pharma's aggregate issued and outstanding ordinary share capital on a fully diluted basis.

Subsequently, following delisting, Sanofi intends to convert Kiadis Pharma into a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid), as soon as possible after the delisting from Euronext Amsterdam and Euronext Brussels.

company financial statements

statement of financial position

(After appropriation of results, amounts in EUR x 1,000)	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Property, plant and equipment		-	-
Financial non-current assets	1	53,033	25,031
Total non-current assets		**53,033**	**25,031**
Receivables and other assets	2	269	149
Cash and cash equivalents	3	5,172	27,175
Total current assets		**5,441**	**27,324**
Total assets		**58,474**	**52,355**
EQUITY			
Share capital		4,031	2,956
Share premium		228,985	220,040
Translation reserve		(1,631)	(132)
Warrant reserve		392	392
Accumulated deficit		(264,696)	(189,000)
Equity attributable to owners of the Company	4	**(32,919)**	**34,256**
LIABILITIES			
Loans and borrowings	6	-	912
Contingent Consideration		-	1,297
Total non-current liabilities		**-**	**2,209**
Derivatives	7	26,600	-
Loans and borrowings	6	8,005	11,910
Contingent Consideration		29,043	3,142
Trade and other payables	8	27,745	838
Total current liabilities		**91,393**	**15,890**
Total liabilities		**91,393**	**18,099**
Total equity and liabilities		**58,474**	**52,355**

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

statement of profit and loss

(Amounts in EUR x 1,000)	Note	For the year ended December 31, 2020	2019
Revenue		-	-
Employment benefits	9	(7,092)	(4,464)
Social charges	9	(10)	(30)
Depreciation expenses	9	-	(13,169)
Other operating expenses	9	(12,542)	(2,866)
Total operating expenses		**(19,644)**	**(20,529)**
Operating loss		**(19,644)**	**(20,529)**
Share in results from participating interests	1	(16,048)	(53,153)
Interest income	11	589	586
Interest expenses	11	(1,635)	(3,498)
Other net finance (expenses) income	11	(45,202)	23,958
Net finance expenses		**(62,296)**	**(32,107)**
Loss before tax		**(81,940)**	**(52,635)**
Income tax expense		-	
Loss for the period		**(81,940)**	**(52,635)**

The Notes are an integral part of these company 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. The financial information of the Company is included in the Company's consolidated financial statements, as presented on pages 40 to 86.

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

Basis of Preparation

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

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

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

Financial Non-current Assets

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

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

Result from participating interests

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

Corporate income tax

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

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

Going Concern

See Note Basis of Preparation of the consolidated financial statements.

1. Financial Non-current Assets

(Amounts in EUR x 1,000)	2020	2019
Participating interests in group companies	**53,027**	**(123,889)**

The movements in participating interests can be shown as follows:

	Participating interests in group companies	
(Amounts in EUR x 1,000)	2020	2019
Balance as at January 1	**(123,889)**	**(101,940)**
Changes		
Investments / (Divestments)	194,469	31,970
Share in result	(16,048)	(53,153)
Effect of changes in foreign exchange rates	(1,505)	(766)
Total changes	**176,916**	**(21,949)**
Balance as at December 31	**53,027**	**(123,889)**

In December 2020, The Company made a capital contribution of EUR194.5 million in its sole subsidiary Kiadis Pharma Holding B.V. Subsequently Kiadis Pharma Holding B.V. made a capital contribution in three subsidiaries by forgiving of outstanding intercompany liabilities.

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

(Amounts in EUR x 1,000)	2020	2019
Participating interests as at December 31	**53,027**	**(123,889)**
Net value of subsidiaries		
Receivable due by group companies	6	148,920
Goodwill related to subsidiaries	-	-
In-process R&D related to subsidiaries	-	-
Provisions	-	-
Net financial non-current assets as at December 31	**53,033**	**25,031**

2. Receivables and other assets

(Amounts in EUR x 1,000)	2020	2019
Intercompany Receivables	7	148,921
VAT receivables	124	33
Deferred expenses	145	116
Receivables and other assets	**269**	**149**

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.

The change in Intercompany Receivables is due to the capital contribution of Intercompany Receivables to Kiadis Pharma Holding B.V. (refer to Note 1 Financial Non-Current Assets).

3. Cash and Cash Equivalents

(Amounts in EUR x 1,000)	2020	2019
Cash at bank and in hand	5,172	27,175
Cash and cash equivalents	**5,172**	**27,175**
Bank overdrafts used for cash management purposes	-	-
Net cash as per balance sheet	**5,172**	**27,175**

4. Equity

See Note 11 of the consolidated financial statements.

5. Deferred Tax Assets and Liabilities

See Note 12 of the consolidated financial statements.

6. Loans and Borrowings

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

7. Derivatives

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

8. Trade and Other Payables

(Amounts in EUR x 1,000)	2020	2019
Suppliers	253	229
Salaries, bonuses and vacation	256	-
Payroll tax and social premium contributions	14	9
Interest Payable	23	46
Payable to group companies	17,505	3
Accrued audit fees	285	455
Accrued legal fees	367	56
Acquisition related fees	8,650	-
Other	392	40
	27,745	**838**

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

9. Expenses

(Amounts in EUR x 1,000)	2020	2019
Employee benefits	7,092	4,464
Social charges	10	30
Depreciation & impairment expense	-	13,169
M&A related services	9,434	1,100
Consultancy	2,782	1,493
Telecom & IT	27	6
Travel	-	45
Insurance	174	88
Other	125	134
Total operating expenses	**19,644**	**20,529**

10. Employee Benefits

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

All costs of the Company and its subsidiaries, related to share based payments for the amount of EUR6,244 thousand are accounted for in the Company (2019: EUR3,237 thousand).

11. Finance Income and Expenses

(Amounts in EUR x 1,000)	2020	2019
Finance income		
Interest income	589	586
	589	**586**
Finance expenses		
Interest Expense on bank loans and other debt	(1,635)	(3,498)
	(1,635)	**(3,498)**
Other net finance income or (expenses)		
Net gain (loss) from changes in fair value		
– Contingent Consideration	(24,604)	13,050
– Warrants	(20,100)	-
Net gain (loss) adjustments of loans	-	10,803
Net foreign exchange gain (loss)	(498)	105
	(45,202)	**23,958**
Net finance income and (expenses)	**(46,246)**	**21,046**

The loss of EUR24.6 million related to the contingent consideration is caused by a changed share price and change of control assumption where in 2019 a lower share price caused a financial gain of EUR13.0 million (refer to Note 16 Contingent consideration of the consolidated financial statements).

The warrants were granted upon the equity raise in April 2020. The loss of EUR20.1 million is also caused by the use of the changed share price and the change of control assumption (refer to Note 15 Derivatives of the consolidated financial statements).

The net gain on adjustments of loans of EUR10.8 million in 2019 related to the revaluation of the Hospira loan to EUR0. In 2020 the valuation of the loan remained EUR0 (refer to Note 13 Loans & Borrowings of the consolidated financial statements).

Finance expenses for bank borrowings and other debt include interest on third party loans for EUR1.6 million (2019: EUR3.5 million). The decrease is caused by lower outstanding debt during 2020.

The interest income of EUR589 thousand relates to intercompany positions within the group (2019: EUR586 thousand). Also refer to Note 13. Loans and Borrowing of the consolidated financial statements.

12. Financial Instruments

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

13. Commitments

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

Also refer to Note 28 of the consolidated financial statements for the commitments of the Group.

14. Emoluments of Senior Management

See Note 29 Related Parties of the consolidated financial statements.

15. Subsequent Events

See Note 30 Subsequent Events of the consolidated financial statements.

April 7, 2021

MANAGEMENT BOARD:

Arthur Lahr, Chief Executive Officer

SUPERVISORY BOARD:

Mark Wegter, Chairman

Martijn Kleijwegt

Robert Soiffer

Berndt Modig

Otto Schwarz

Subhanu Saxena

other information

PROVISIONS OF ARTICLES OF ASSOCIATION IN RESPECT OF RESULT APPROPRIATION

As per Article 22 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 EUR81,940 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 2020 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, 2020 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, 2020 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 2020 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, 2020;

2 the following consolidated statements for 2020: 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, 2020;

2 the company income statement for 2020; and

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

Basis for our opinion

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

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

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

Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 2.1 of the consolidated financial statements which indicates that the company has insufficient cash and cash equivalents to meet their working capital requirements under the existing operating plan through the next twelve months and therefore depends on additional financing. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The appropriateness of the going concern assumption depends on the successful completion of the Sanofi acquisition, the future economic environment and management's funding strategy. Our procedures to assess the appropriateness of management's assessment primarily consisted of:

— challenging and evaluating the aforementioned management's assessment of the Company's ability to continue as a going concern and to continue its operations for at least the next 12 months from when the financial statements are authorized for issue and inquire with management on the medium-term funding requirements thereafter;

— discussing with management to evaluate the potential of the proposed acquisition by Sanofi to succeed and resulting effects on available funding, and in addition assessing of management's plans for future financing transactions in case the proposed acquisition will be unsuccessful and whether management's plans are feasible in the circumstances;

— corroborating management's future business plans and, to identify potential contradictory information, amongst others, reading the board and supervisory board minutes;

— obtaining an understanding on how management's assessment, including the forecast information, was compiled and compare previous periods' forecasts to actual results and assess whether management has a record of preparing accurate predictions;

— verifying the cash flow projections with the budget 2021 and forecast until mid April 2022 and evaluating the scenarios and challenge the underlying data and assumptions, amongst others by comparing it to external data, used in the forecast information;

— discussing with management to evaluate its plans for future actions to assess whether management's plans are feasible in the circumstances and take notice of supporting documentation to substantiate management's future actions;

— confirming the existence, validity and enforceability of the financing facilities;

— analyzing and assessing latest available (interim) financial information and identify subsequent events which may impact on the accuracy of the forecast;

— evaluated whether the use of the going concern assumption is appropriately disclosed in the financial statements, and;

— reported the going concern issue to those charged with governance and requested a confirmation in writing relating to management future plans to ensure going concern.

Furthermore, we have evaluated that the events and conditions resulting in the material uncertainties as described in the aforementioned disclosure are adequately disclosed in the financial statements.

Audit approach

Summary

Materiality
— Materiality of EUR 400,000 — 1% of total expenses normalised for non-recurring items

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

Key audit matters
— Classification of expenses in the statement of comprehensive income — Accounting for license revenue — Intended acquisition by Sanofi

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 400,000 (2019: EUR 216,000). The materiality is determined with reference to total expenses normalised for non-recurring items (1%). We have excluded non-recurring expenses such as the impact of the intended acquisition by Sanofi on the statement of comprehensive income. We consider total expenses normalised for non-recurring items as the most appropriate benchmark because this metric 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 20,000 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 components. 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 components as all audits are performed by the same (group) audit team. 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.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

— to identify and assess the risks of material misstatement of the financial statements due to fraud;

— to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and

— to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

— to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and

— to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board. We refer to the chapter Risk Management & Internal Control Systems and the chapter Report of the Supervisory Board of the Annual Report where the Management Board included its risk assessment and where the Supervisory Board reflects on this assessment respectively.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the company and we discussed with Management Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, 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.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company's ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of key management, the Supervisory Board, and Management Board as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

In accordance with the auditing standards, we evaluated the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks:

— fraud risk in relation to management override of controls (a presumed risk)

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

We also evaluated and assessed the material revenue transaction related to the recognition of the upfront license payments as revenue at a point in time which is considered a key audit matter due to the risk of error associated with this transaction. However, the presumed fraud risk with regard to revenue recognition is rebutted as limited incentives and opportunities are identified.

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit.

In our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

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

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

— We evaluated the design and the implementation of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.

— We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.

— Assessment of matters reported on the company's incident register/whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.

— With respect to the risk of fraud in the classification of expenses we refer to the key audit matter "Classification of expenses in the statement of comprehensive income".

— We incorporated elements of unpredictability in our audit, by amongst others, 1) performing audit procedures with specific focus on the cut-off of revenues from licensing fees and government grants income recorded in 2020 and 2) investigating journal entries debiting expenses with an unexpected associated credit;

— We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

— We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.

We do note that our audit is based on the procedures described in line with applicable auditing standards. In addition to the requirements of the auditing standards we have performed the following additional procedures:

— We obtained an understanding of the company's assessment of cyber security business risks and analyzed how the company respond to these cyber security business risks, and

— We obtained an understanding of the policies and procedures regarding compliance with pharmaceutical regulations and intellectual property laws and regulations through discussions with Management Board and Supervisory Board and inspection of (board) minutes.

Our procedures to address identified risks of fraud and related to non-compliance with laws and regulations did not result in a key audit matter.

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

material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

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

Our key audit matters

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

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

Based on its nature, a material uncertainty related to events and/or conditions which may cast significant doubt about the company's ability to continue as a going concern, is a key audit matter. We refer to the paragraph with regard to the 'material uncertainty related to going concern' section of our report.

Compared to last year the key audit matter with respect to accounting for significant business combination and the discontinuation of ATIR and related restructuring are not included as these specifically relate to the financial year 2019.

Classification of expenses in the statement of comprehensive income

Description

There is a risk to inaccurately classify expenses as Research and development ("R&D") and General and administrative within the Consolidated 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's activities 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. Furthermore, the risk of fraud relates to the pressure management might feel to inflate general and administrative expenses and decrease R&D expenses to increase the appearance of future synergies for the intended acquisition by Sanofi.

We identified the classification of expenses in statement of comprehensive income as a key audit matter in our audit due to the significance of this classification and the identified risk of fraudulent financial reporting.

Our response

Our audit procedures included, amongst others:

— evaluating the design and implementation of relevant controls surrounding the classification of expenses;

- assessment of the appropriateness of the Company's accounting policies relating to the classification of R&D and general and administrative expenses and validating compliance with EU-IFRS;
- evaluate the Company's allocation to R&D and general and administrative expenses within the statement of comprehensive income via tests of detail;
- evaluating key assumptions within the allocation through discussions with management and by reconciling to supporting documentation;
- apply professional sceptiscm in assessing and challenging allocation keys used by management in the classification and the consistency of allocations compared to prior year;
- testing individual reclassifications between R&D and general and administrative expenses to supporting documentation.

Our observation

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

Accounting for license revenue

Description

As described in Note 2.13 and Note 19 to the financial statements as at July 8, 2020, the Company entered into an exclusive license agreement with Sanofi. As part of this agreement, the Company received an upfront payment of EUR 17.5 million in July 2020 and will be entitled to receive up to EUR 857.5 million upon the achievement of preclinical, clinical, regulatory and commercial milestones by Sanofi upon achievement of certain conditions. The Company has recognized the upfront payment of EUR 17.5 million as revenue at a point in time and therefore the full amount is recognised as revenue income in the current financial year. The milestone payments are considered by the Company as variable consideration for which revenue recognition conditions have not yet been met.

We identified the accounting for the license agreement as a key audit matter due to the magnitude of the transaction on the financial statements.

Our response

The primary procedures we performed to address this key audit matter included the following:

- we have obtained an understanding of management's accounting assessment of the license agreement and related revenue recognition;
- we have inspected the license agreement to gain an understanding of the key contract elements and completeness of terms;
- we evaluated the appropriateness of selected accounting policies based on the requirements of IFRS 15 and our understanding of the transaction;

— we evaluated and challenged key assumptions supporting the revenue recognition through discussions with management and by reconciling to supporting documentation;

— we assessed the adequacy of the disclosures regarding the license revenue recognition.

Our observation

The results of our procedures performed on management's accounting for this license revenue are satisfactory. Furthermore, we found the disclosures in Note 2.13 and Note 19 to the financial statements to be adequate in accordance with EU-IFRS.

Intended acquisition by Sanofi

Description

As described in Notes 15, 16 and 21, at November 2, 2020, the Company and Sanofi publicly announced they had reached a conditional agreement on a recommended all-cash public offer by Sanofi for Kiadis of EUR 5.45 in cash for each outstanding ordinary share in the capital of Kiadis. Management assessed the likelihood of the transaction to be successful highly probable and evaluated the financial impact on the consolidated financial statements as of December 31, 2020.

The Company assessed that the announcement of the public offer impacts:

— the valuation of outstanding warrants;

— the valuation of the contingent consideration; and;

— the vesting period estimate of the share-based payments.

We identified this assessment as a key audit matter due to its financial significance to the consolidated financial statements.

Our response

Our audit procedures performed to address this key audit matter included, amongst others:

— obtaining a detailed understanding of the impact to the consolidated financial statements of the public offer and the features relevant to the accounting by obtaining relevant documentation and through inquires with management, reading the offer memorandum, merger agreement and board minutes;

— discussing and challenging the impact analysis of management in regards to the consolidated financial statements and considering the main processes and procedures in place at the company for the valuation of warrants, contingent consideration and share-based payments;

— evaluating the appropriateness of selected accounting policies based on the requirements of EU-IFRS and our understanding of the transaction, more specific with regards to the valuation of warrants and contingent consideration and the vesting period estimate of the share-based payments;

- testing and recalculating the Company's valuation models for warrants and contingent consideration, assessing the vesting period of the share option expenses, and agreeing the recalculated amounts to the account balances presented on the consolidated statement of financial position and the amounts presented in the consolidated statement of comprehensive income;
- we assessed the adequacy of disclosures regarding the impact of the public offer on the valuation of the outstanding warrants and contingent consideration and the vesting period estimate of the share-based payments.

Our observation

The results of our procedures performed on management's accounting for the intended acquisition by Sanofi on the consolidated financial statements, and specifically in regards to warrants, contingent consideration and share-based payments are satisfactory. Furthermore, we assessed the disclosures in Note 15, 16 and 21 respectively to the financial statements to be adequate in accordance with EU-IFRS.

Report on the other information included in the annual report

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

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

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged as statutory auditor of Kiadis Pharma N.V., and its legal predecessors, since 2011. We were appointed by the General Meeting of Shareholders as auditor of Kiadis Pharma N.V. on June 25, 2020 for the audit of the financial statements of 2020.

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Amstelveen, April 7, 2021

KPMG Accountants N.V.

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INVESTOR RELATIONS

Kiadis Pharma B.V.

Maryann Cimino

Director Investor Relations & Corporate Affairs

m.cimino@kiadis.com

Kiadis Pharma N.V.

Paasheuvelweg 25A
1105 BP
Amsterdam
The Netherlands

T +31 (0)20 240 52 50
F +31 (0)20 240 52 51

kiadis.com