TiGenix

TiGenix Financial Half-Year Results 2014

Financial results for the first half of 2014

During the first half ("H1") of 2014, the operations of TiGenix have been substantially transformed to enable the Company to fully focus on realising the value of its eASC platform and pipeline. The discontinuation of ChondroCelect operations through the licensing of marketing and distribution rights, and the selling of the Dutch manufacturing facility, has changed the presentation of the income statement of the Company.

For comparative purposes, figures for the H1 of 2013 have been adapted to show ChondroCelect as discontinued operations.

Revenues

As per the explanation above, the sales of ChondroCelect (Euro 2.6 million, representing a 16% increase over the same period in 2013) have been discontinued and included below the result of the continuing operations together with all the expenses related to the product on one line discontinued operations.

Royalties during the H1 of the year are zero. As the Sobi deal was closed in June 2014, the royalties (22% for the first year and 20% as from the second year) on net sales will be realized as from H2 2014.

Grants have increased by 12% compared to H1 2013 due to the 7th Frame Program European grant obtained by the Company.

Operating loss reduction of 2%

The H1 2014 operating loss amounts to EUR 7.1 million compared to EUR 7.3 million during H1 2013, a reduction of 2%. Such decrease can be explained as follows:

- Research and development expenses for the period ended June 30, 2014 amounted to EUR 5.1 million, compared to EUR 5.3 million for the same period in 2013 representing a 4% decrease. In H1 2013 TiGenix faced some expenses for the manufacturing facility based in Leuven while in H1 2014 no such costs were incurred.

- General and administrative expenses increased 5% to EUR 2.9 million for the H1 year of 2014, compared to EUR 2.7 million for the same period in 2013. This increase is mainly due to non-recurring expenses related to the discontinuation of ChondroCelect operations.

Discontinued operations increase of 22%

The discontinued operations mainly consist of the ChondroCelect sales, expenses and the loss of the Dutch facility disposal. The impairment recognised at the end of 2013 amounted up to EUR 0.7 million. However at the end of H1 2014, an additional loss on disposal was recognised for EUR 1.1

million. This non-recurring expense is due to the final calculation of the selling price of the Dutch facility after the closing of the PharmaCell and Sobi deals. Additional information can be found in Section 4.1., discontinued operations.

Loss for the period increase of 4%

The loss for the first six months of 2014 amounted to EUR 9.2 million, compared to EUR 8.8 million in the same period of 2013. This increase of 4% resulted from the increase of the loss from discontinued operations and the increase in financial expenses due to the Kreos loan.

Liquidity position and cash burn

At the end of June 2014, the Company had a liquidity position of EUR 19.2 million, compared to EUR 15.9 million at the beginning of the year (including discontinued operations). The EUR 19.2 million consists of EUR 13.2 million cash and EUR 6.0 million in receivables from reverse repurchase agreements free of risk and immediately available without penalty on the principal. The net cash used in operating activities during H1 2014 amounted to EUR 6.1 million.

During H1 2014, the Company withdrew 2 tranches of EUR 5 million in January and EUR 2.5 million in May respectively from the debt financing agreement secured in December 2013 with Kreos Capital.

In May 2014 and through the sale of the Dutch manufacturing facility the Company obtained EUR 3.5 million.

With the cash position at the end of June 2014 plus additional available funds from the Kreos loan facility of EUR 2.5 million, the Company is of the opinion that it has sufficient cash until at least September 2015. As such, the interim consolidated financial statements have not been restated to reflect the recognised assets and liabilities based on recognition and measurement principles if the Company would not be a going concern.

TiGenix

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

Thousands of euros (€), except for share data (in euros)	6 month period ended June 30 2014	 2013
CONSOLIDATED INCOME STATEMENT		
CONTINUING OPERATIONS		
Revenues		
Royalties	-	-
Grants	821	736
Total revenues	**821**	**736**
Research and development expenses	-5,097	-5,314
General and administrative expenses	-2,859	-2,735
Total operating charges	**-7,956**	**-8,049**
Operating Loss	**-7,135**	**-7,313**
Financial income	25	5
Financial expenses	-369	-28
Foreign exchange differences	170	-38
Loss before taxes	**-7,309**	**-7,374**
Income taxes	-	42
Loss for the period from continuing operations	**-7,309**	**-7,332**
DISCONTINUED OPERATIONS		
Loss for the period from discontinued operations	-1,842	-1,505
Loss for the period	**-9,151**	**-8,837**
Attributable to equity holders of TiGenix NV	*-9,151*	*-8,837*
Basic (diluted) loss per share (EURO)	**-0.06**	**-0.09**
Basic (diluted) loss per share from continuing operations (EURO)	**-0.05**	**-0.07**
Basic (diluted) loss per share from discontinuing operations (EURO)	**-0.01**	**-0.02**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Period ended June 30	
Thousands of euros (€)	2014	2013
Loss for the year	**-9.151**	**-8.837**
Items of other comprehensive income that may be reclassified subsequently to the income statement		
Currency translation differences	-6	61
Other comprehensive income	**-6**	**61**
Total comprehensive income	**-9.157**	**-8.776**
Attributable to equity holders of TiGenix NV	*-9.157*	*-8.776*

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

Thousands of euros (€)	June 30, 2014	Dec. 31. 2013
ASSETS		
Intangible assets	34,912	36,407
Property, plant and equipment	735	879
Available-for-sale investments	161	161
Other non current assets	1,923	1,415
Non-current assets	**37,732**	**38,863**
Inventories	86	77
Trade and other receivables	2,179	1,583
Other current financial assets	949	820
Receivables from reverse repurchase agreements	5,999	-
Cash and cash equivalents	13,186	15,565
Current assets	**22,399**	**18,045**
Assets held for sale	**-**	**6,135**
TOTAL ASSETS	**60,131**	**63,043**
EQUITY AND LIABILITIES		
Share capital	16,048	16,048
Share premium	100,118	100,125
Accumulated deficit	-83,200	-74,049
Other reserves	6,374	6,098
Equity attributable to equity holders	**39,339**	**48,222**
Total equity	**39,339**	**48,222**
Financial loans and other payables	14,238	8,263
Deferred tax liability	29	29
Other non-current liabilities	86	86
Non-current liabilities	**14,353**	**8,378**
Current portion of financial loan	789	343
Other financial liabilities	1,302	874
Trade and other payables	2,183	3,007
Other current liabilities	2,164	1,653
Current liabilities	**6,439**	**5,878**
Liabilities related to non-current assets held for sale	**-**	**566**
TOTAL EQUITY AND LIABILITIES	**60,131**	**63,043**

TiGenix

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Thousands of euros (€)	6 month period ended June 30 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**-7.135**	**-7.313**
Adjustments for:		
Depreciation and amortisation expense	1.569	2.172
Gain/(loss) on sale of property, plant and equipment	-	20
Share-based compensation	275	237
Grants income	-817	-653
Other	65	61
	-6.043	-5.476
Movements in working capital:		
(Increase)/ decrease in inventories	-9	-72
(Increase)/ decrease in trade and other receivables	-129	283
(Increase)/ decrease in other financial assets	-	-21
(Increase)/decrease in other current assets	85	-133
Increase/(decrease) in trade and other payables	-293	-541
Increase/(decrease) in other current liabilities	1.434	-435
Cash used in operations	**-4.955**	**-6.395**
Income taxes paid/received	-	42
Cash flow from discontinued operations	-1.138	-1.464
Net cash used in operating activities	**-6.093**	**-7.816**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	18	1
Acquisition of property, plant and equipment	-29	-37
Acquisition of intangible assets	-67	-129
Proceeds from disposal of property, plant and equipment	-	-23
(Increase)/Decrease of other non-current assets	25	-4
Amounts lent under reverse repurchase agreements	-5.999	-
Cash flow from discontinued operations	3.500	-33
Net cash used in investing activities	**-2.552**	**-225**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of equity instruments of the Company	-	-132
Reimbursements of subordinated loan	-	-
Proceeds from financial loans	7.166	1.395
Reimbursements of financial loans	-160	-605
Reimbursements of other financial liabilities	-441	-
Proceeds from government grants	-	63
Interest paid	-299	-14
Cash flow from discontinued operations	-	-
Net cash provided by financing activities	**6.267**	**708**
Net increase/(decrease) in cash and cash equivalents	**-2.378**	**-7.333**
Cash and cash equivalents at beginning of the period	15.565	11.072
Effect of currency translation on cash and cash equivalents	-1	-1
Cash and cash equivalents at end of period	**13.186**	**3.738**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Thousands of euros (€)	Attributable to equity holders of the Company				Other reserves		Total Equity
	Numbers of shares	Share capital	Share premium	Accumulated deficits	Equity-settled employee benefits reserve	Translation reserves	
Balance at Jan. 1, 2013	100.288.586	10.030	88.853	-55.700	5.936	-551	48.568
Loss		-	-	-8.837	-	-	-8.837
Other comprehensive income		-	-	-	-	61	61
Total comprehensive income		-	-	-8.837	-	61	-8.776
Transaction costs		-	-132	-	-	-	-132
Share-based compensation		-	-	-	237	-	237
Other		-	-	54	-51	-	3
Balance at June 30, 2013	100.288.586	10.030	88.720	-64.484	6.122	-490	39.899
Balance at Jan. 1, 2014	160.476.620	16.048	100.125	-74.050	6.283	-186	48.222
Loss		-	-	-9.151	-	-	-9.151
Other comprehensive income		-	-	-	-	-6	-6
Total comprehensive income		-	-	-9.151	-	-6	-9.157
Transaction costs		-	-19	-	-	-	-19
Share-based compensation		-	-	-	282	-	282
Other		-	11	-	-	-	11
Balance at June 30, 2014	160.476.620	16.048	100.118	-83.201	6.566	-192	39.339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

TiGenix NV, the parent company, (hereafter "TiGenix" or "the Company") is a limited liability company incorporated and domiciled in Belgium. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2014 (hereafter the interim period) comprise the financial statements of TiGenix NV/SA (Belgium legal entity), TiGenix S.A.U. (Spanish legal entity) and, TiGenix Inc. (United States legal entity) as well as TiGenix B.V. (legal entity in the Netherlands), and TiGenix Ltd (UK entity legally closed during H1 2014 as discontinued operations.

2. Summary of significant accounting policies and estimates

2.1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting) as endorsed by the European Union. These interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for those listed in 2.2. below.

The following International Standards and Interpretations have been adopted during the year:

- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)
- IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014)

- Amendments to IAS 39 – *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

The Company elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB but are not yet mandatory as per January 1, 2014:

- IFRS 9 *Financial Instruments* and subsequent amendments (but not yet endorsed in EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, (but not yet endorsed in EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, (but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (normally applicable for annual periods beginning on or after 1 January 2014, (but not yet endorsed in EU)
- Improvements to IFRS (2011-2013) (normally applicable for annual periods beginning on or after 1 January 2014, (but not yet endorsed in EU)
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016, (but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, (but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016, (but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, (but not yet endorsed in EU)
- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 1 July 2014)

The directors are currently reviewing the impact of the above-mentioned Standards and Interpretations and expect they will not have a significant impact on the financial statements of the Group in the period of initial application.

2.2. *Adjustments to accounting policies*

Financial assets

Receivables from reverse repurchase agreements are accounted initially at their fair value. These receivables are classified as receivables in accordance with IAS 39 and measured subsequently at amortized cost using the effective interest rate.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Company issued cash-settled warrant plans with put option which have been designated as at fair value through profit and loss. The assumptions used to measure the fair value are disclosed in section 4.2.

3. Segment information

TiGenix is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently disclosed in the internal reporting.

Accordingly, it has been concluded that it is not relevant to include segment disclosures as the group business activities are not organized on the basis of differences in related product.

4. Significant events during H1 2014:

4.1. Discontinued operations

The discontinuation of the ChondroCelect operations was successfully completed during the first half of 2014 through the combination of the sale of the Dutch manufacturing facility and a licensing agreement.

On May 30, 2014, the Group completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of EUR 4.3 million. Under the terms of the share purchase agreement with PharmaCell, we received an upfront payment of EUR 3.5 million when the sale became effective on May 30, 2014 and will receive a final payment of EUR 0.8 million (recognised at its present value of EUR 0.5 million) after three years. In addition, the sale includes a cost relief of EUR 1.5 million under the terms of a long-term manufacturing agreement with our former subsidiary, which is now owned by PharmaCell, to continue manufacturing ChondroCelect at the facility. The EUR 1.5 million (total net present value of EUR 1.2 million) cost relief has not been included as part of the selling price. Therefore the total loss from the TiGenix B.V. disposal recognized as of June 30, 2014 amounts to EUR 1.1 million (additional to the impairment of EUR 0.7 million recognized at December 31, 2013) included as discontinued operations.

On June 1st, TiGenix completed the licensing of the marketing and distribution rights of ChondroCelect to Swedish Orphan Biovitrum AB (‘Sobi’, NASDAQ OMX Stockholm: SOBI), the international specialty healthcare company dedicated to rare diseasesSobi will continue to market and distribute the product within the European Union, excluding Finland where we have a pre-existing distribution agreement with the Finnish Red Cross Blood Services; Switzerland; Norway; Russia; Turkey and the Middle East and North Africa region (currently excluding certain countries where we have a pre-existing distribution agreement with Genpharm). TiGenix will receive in return royalties on the net sales of ChondroCelect, and Sobi will reimburse of nearly all of TiGenix’s costs associated with the product.

Based on the manufacturing contract with PharmaCell, the company is entitled to a cost relief amounting up to a maximum of EUR 1.5 million on future purchases during the first three years since the effective date. Based on the distribution contract with Sobi, this cost relief will be transferred to Sobi on future ChondroCelect sales also with a maximum of EUR 1.5 million during the same period. Both the contracts with PharmaCell and Sobi include a clause with minimum binding quantities to be purchased. If the actual purchases made by Sobi were to be below this minimum number of units, the Company would be in any case entitled to receive a payment from Sobi for a maximum amount of EUR 5.7 million. In this case, the same amount will have to be paid by the company to PharmaCell.

As a result, the Group has repositioned its strategy and will focus on its eASC platform and developing its pipeline.

4.2. Financial loans

The Group entered into a structured debt financing agreement for a total amount of EUR 10.0 million with Kreos Capital UK Limited (further referred as “Kreos Capital”).

In January and May 2014, TiGenix drew EUR 5.0 million and EUR 2.5 million respectively from the debt financing agreement. As such, EUR 2.5 million remains available to be drawn no later than September 30, 2014.

As part of the consideration for this debt financing agreement, the Group issued a warrant plan to Kreos Capital. The warrant plan consisted of 1,994,302 warrants that were issued with an exercise price of 0.74 euros and an exercise period of 5 years. The warrants also included a put option which authorises Kreos to exercise the warrants anticipatively.

The loan is measured at amortized cost in accordance with IAS 39. At initial recognition of the loan, the nominal amount of the loan is decreased with the transactions costs related to the loan which also includes the amount of the warrants allocated to the tranches withdrawn. The interest rate is the effective interest rate (20.6%).

The warrants, including the put option, are accounted for as one instrument (not separating the put option from the warrants) and have a value of EUR 0.8 million. As Kreos has the option to settle the warrants in cash, the instrument is considered as a financial derivative liability measured at fair value with changes in fair value recognised immediately in profit or loss. The measurement of the warrant (including the put option) at fair value is based on a Black&Scholes valuation model taking into account following inputs: share price (EUR 0.6), strike price (EUR 0.74), volatility of the share (64.8%), duration (4.8 years) and risk free interest rate (0.62%).

Under the terms of a roll-over credit agreement between the Company and ING Belgium (the outstanding amount of which amounted to EUR 0.1 million as per December 31, 2013), the Company was prohibited from granting any pledge on any of its assets without the prior consent of ING Belgium. As ING Belgium did not consent to the pledge as proposed to be entered into between the Company and Kreos Capital IV (UK) Limited, the Company repaid the outstanding amount of EUR 0.1 to ING Belgium in early 2014.

4.3. Financial instruments and fair values

		As at June 30, 2014		
Thousands of euros (€)	**Notes**	**Carrying amount**	**Fair value**	**Fair value hierarchy**
Financial assets				
Loans and receivables		1.923	1.923	
Other non-current assets		*1.923*	*1.923*	Level 2
Available-for-sale financial assets		161	161	Level 2
Financial liabilities				
Amortised cost		10.592	9.982	
Borrowings	(1)	*10.592*	*9.982*	Level 2
Fair value through profit or loss		799	799	
Other financial liabilities		*799*	*799*	Level 2

(1) The borrowings are included in the lines financial loans and other payables on the balance sheet and excludes the deferred income related to government grants (EUR 4.4 million).

The fair values of the financial assets and financial liabilities measured at amortized cost in the statement of financial position have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk. The fair value of the borrowings has been determined based on a discount rate of 21% reflecting the market credit risk for a company such as TiGenix in development stage.

The fair value of the financial liability at fair value through profit or loss is measured using generally accepted pricing models using following market inputs: risk-free rate and expected volatility based on the historical share price volatility over the past 5.5 years.

The current financial assets and liabilities are not included in the table above as their carrying amounts approximate their fair values.

The receivables from reverse repurchase agreements are initially recognized at fair value. Due to the short term character of the instrument, the carrying amount approximates the fair value.

4.4. Changes in the Composition of the Company

During May 2014 TiGenix Ltd was formally dissolved. As such the Company has been deconsolidated and presented as part of our discontinued operations.
Effective as of 1st of June 2014 TiGenix B.V. has been sold. As such the Company has been deconsolidated.

5. Risks and uncertainties

The main risks and uncertainties for the remaining months of the financial year 2014 are described as follows:

- TiGenix has a history of operating losses and an accumulated deficit until today and may never become profitable
- The Company may need substantial additional funding, which may not be available on acceptable terms when required, if at all
- TiGenix depends on a third party to obtain benefits from the ChondroCelect, this might result in lower than anticipated royalties
- TiGenix's manufacturing facility and third party manufacturers are subject to regulatory requirements, which may affect the Company's development of its product pipeline.
- TiGenix's inability to manage its expansion, both internally and externally, could have a material adverse effect on its business.
- There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused
- The Company has a limited product portfolio and faces, and will continue to face, significant competition and technological change which could limit or eliminate the market opportunity for its products and future products
- TiGenix may experience delays or failure in the preclinical and clinical development of its product pipeline
- Regulatory approval of TiGenix's products as medicinal products may be delayed, not obtained or not maintained
- TiGenix is working in a changing regulatory environment. Future changes in any pharmaceutical legislation or guidelines could affect the Company's business
- TiGenix relies or may rely on third parties for certain of its research, clinical trials, technology, supplies, manufacturing and sales and marketing. TiGenix's dependence on third parties may reduce its profit margins and delay or limit its ability to develop and commercialise its products on a timely and competitive basis
- TiGenix may not be able to adequately protect its proprietary technology or enforce any rights related thereto
- TiGenix could be prevented by third party patents from developing or exploiting its products
- TiGenix's success depends on its key people and it must continue to attract and retain key employees and consultants to be in a position to continue its activities
- TiGenix could face product liability claims, resulting in damages that may, in whole or in part, not be insured

- The allocation of available resources could harm the ability to carry out the business plan

6. Significant events after balance sheet date June 30, 2014:

None

I, the undersigned, Eduardo Bravo, Chief Executive Officer, declare to the best of my knowledge, that:

1) The set of condensed financial statements prepared in accordance with the applicable accounting standards gives a true and fair view of the assets, liabilities, financial position and results of TiGenix NV and the undertakings included in the consolidation;

2) The interim report is giving a true overview of the important events and the most important transactions with related parties that have occurred during the first six months of the accounting year, and the effect thereof on the condensed financial overviews, as well as a description of the most important risks and uncertainties for the remaining months of the accounting year.

Done on August 25, 2014,

Statutory auditor's report to the Board of Directors of Tigenix NV on the review of consolidated interim financial information for the six-month period ended 30 June 2014

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Tigenix NV as of 30 June 2014 and the related interim consolidated statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, as well as the explanatory notes. The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Without modifying our conclusion, we draw your attention to the consolidated half year financial information, in which the Board of Directors justifies the application of the valuation rules in going concern. This assumption about going concern is only justified if the budget for the coming twelve months, as drawn up by Company, and referred to in the Board of Director's consolidated half year financial information, will be realized.

Zaventem, 25 August 2014

BDO Bedrijfsrevisoren Burg. Ven. CBVA / BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Gert Claes

Forward-looking information

This document may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, “believes”, “anticipates”, “expects”, “intends”, “plans”, “seeks”, “estimates”, “may”, “will” and “continue” and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond TiGenix’ control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this document. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in TiGenix’ expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.