

TiGenix Financial Half-Year Results 2012

Financial results for the first half of 2012

ChondroCelect sales of EUR 2.1 million

ChondroCelect sales for the first half of 2012 amounted to EUR 2.1 million, this figure comprises EUR 1.5 million from 2012 sales and EUR 0.7 million of deferred sales from 2011.

Gross sales of ChondroCelect for the period ended June 30, 2012 amounted to EUR 1.5 million, a 115% of increase compared to the same period of last year.

Operating result reduction of 28%

The H1 2012 operating result for the period amount to EUR 9.2 million compared to EUR 12.7 million which represents a reduction of 28%. Such reduction compared to the same period last year can be explained as follows:

- R&D expenses for period ended June 30, 2012, amounted to EUR 7.4 million, compared to EUR 5.3 million for the same period in 2011. This 40% increase in R&D expenses results primarily from the inclusion of 6 months of TiGenix SA in the 2012 results versus only 2 months in the H1, 2011 results, and the initiation of the ADMIRE-CD Phase III trial of the Company's lead program Cx601.
- Sales and marketing expenses amounted to EUR 1.2 million compared to EUR 1.2 million for the same period in 2011, in line with the company's sustained effort to obtain reimbursement for ChondroCelect in additional countries.
- General and administrative expenses decreased 15% to EUR 3.1 million for the first half year of 2012, compared to EUR 3.6 million for the same period in 2011. Despite the G&A inclusion of six months related to TiGenix SAU compared to only two months for the H1 2011 results, the Company has been successful in reducing overall G&A expenses due to strict cost control and cash management.
- Other operating expenses were only related to the transaction cost of the business combination between TiGenix NV and TiGenix SAU (formerly Cellerix SA) in 2011 and therefore do not impacts the H1 2012 results.
- Other operating income has increased with EUR 0.7 million as a result of the successful effort of the Company in obtaining non dilutive funds, such as national and European grants.

Net loss reduction of 23%

Net loss for the first half of 2012 amounted to EUR 10.0 million, compared to EUR 13.0 million in H1 2011, which represents a reduction of 23%.

Cash position and cash burn

At the end of June 2012 the Company had a cash position of EUR 11.7 million, compared to EUR 19.8 million at the beginning of the year. The net cash used during the period amounted to EUR 8.1 million.

Based on our current cash position, and taken into account our projected commercial revenues of ChondroCelect, expected additional limited financial sources from TiGenix Ltd divestment, the best use of our current assets, expected different sources of non-dilutive funding, such as grants and soft loans, we are confident that TiGenix is sufficiently financed until at least well into the third quarter of 2013.

CONDENSED UNAUDITED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR SIX MONTHS ENDED JUNE 30, 2012 AND 2011

	Period ended June 30	
	2012	2011
<i>Thousands of Euro (€)</i>		
CONSOLIDATED INCOME STATEMENT		
CONTINUING OPERATIONS		
Sales	2.129	370
Gross sales	1.471	781
Deferred sales	658	-411
Cost of sales	-391	-182
Gross profit	1.738	188
Research and development expenses	-7.396	-5.296
Sales and marketing expenses	-1.153	-1.248
General and administrative expenses	-3.143	-3.676
Other operating expenses	0	-2.779
Total operating charges	-11.691	-12.999
Other operating income	787	103
Operating Result	-9.166	-12.707
Interest income	50	82
Interest expenses	-33	-93
Foreign exchange differences	-358	-664
Profit/(Loss) before taxes	-9.507	-13.383
Income taxes	0	380
Profit/(Loss) for the period from continuing operations	-9.507	-13.003
DISCONTINUED OPERATIONS		
Profit/(Loss) for the period from discontinued operations	-461	0
Profit/(Loss) for the period	-9.968	-13.003
<i>Attributable to equity holders of TiGenix NV</i>	<i>-9.968</i>	<i>-13.003</i>
Cash and cash equivalents	11.727	24.881
Number of employees and mandate contractors	69	80
Basic (diluted) loss per share (EURO)	-0,11	-0,27
Basic (diluted) loss per share from discontinued operation:	-0,01	0,00

	Period ended June 30	
	2012	2011
<i>Thousands of Euro (€)</i>		
STATEMENT OF COMPREHENSIVE INCOME		
Net Profit/(Loss)	-9.968	-13.003
Currency translation differences	-302	564
Other comprehensive income	-302	564
Total comprehensive income	-10.270	-12.439
<i>Attributable to equity holders of TiGenix NV</i>	<i>-10.270</i>	<i>-12.439</i>

(*) The June 30, 2011 condensed unaudited consolidated income statement has been modified compared to the published statements as a result of reclassifications between lines in order to compare the comparability with the June 30, 2012 figures.

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2012 COMPARED TO DECEMBER 31, 2011

	Period ended June 30	
	June 30,	Dec. 31,
<i>Thousands of Euro (€)</i>	2012	2011
ASSETS		
Intangible assets	40.608	42.026
Property, plant and equipment	8.032	8.008
Available-for-sale investments	278	278
Other non current assets	484	485
Non-current assets	49.403	50.797
Inventories	136	301
Trade and other receivables	3.241	1.826
Other current financial assets	620	342
Other current assets	618	482
Cash and cash equivalents	11.727	19.771
Current assets	16.342	22.723
Non-current assets held for sale	761	1.149
TOTAL ASSETS	66.505	74.669

	June 30, Dec. 31,	
	2012	2011
<i>Thousands of Euro (€)</i>		
EQUITY AND LIABILITIES		
Share capital	2.788	82.713
Share premium	89.806	88.035
Shares to be issued	0	2.296
Retained earnings	-45.923	-116.407
Other reserves	4.791	4.731
Equity attributable to equity holders	51.461	61.368
Total equity	51.461	61.368
Subordinated loan	0	0
Financial loan	6.298	6.298
Deferred tax liability	27	27
Other non-current liabilities	104	113
Non-current liabilities	6.429	6.438
Subordinated loan	65	130
Financial loan	506	109
Finance lease obligations	0	0
Trade and other payables	4.114	4.196
Other current liabilities	3.428	2.271
Current liabilities	8.112	6.706
Liabilities related to non-current assets held for sale	802	157
TOTAL EQUITY AND LIABILITIES	66.505	74.669

CONDENSED UNAUDITED STATEMENT OF CASH FLOWS FOR SIX MONTHS ENDED JUNE 30, 2012 AND 2011

	Period ended June 30	
	2012	2011
	<i>Thousands of Euro (€)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Result	-9.166	-12.707
Adjustments for:		
Depreciation, amortisation and impairment results	1.929	1.781
Capitalized development costs	0	-353
Share-based compensation	363	746
Other	-63	78
	<u>-6.937</u>	<u>-10.456</u>
Movements in working capital:		
(Increase)/ decrease in inventories	165	26
(Increase)/ decrease in trade and other receivables	-2.311	464
(Increase)/ decrease in other financial assets	-277	0
(Increase)/decrease in other current assets	-136	265
Increase/(decrease) in trade and other payables	-82	-695
Increase/(decrease) in other current liabilities	409	790
	<u>-9.169</u>	<u>-9.605</u>
Cash generated from operations	-9.169	-9.605
Income taxes paid	0	0
Interest paid	-26	-88
Cash flow from discontinued operations	-447	0
Net cash provided by/(used in) operating activities	-9.641	-9.693
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6	28
Acquisition of property, plant and equipment	-433	-1.886
Acquisition of intangible assets	-132	-38
Proceeds from / Payments to other non-current assets	1	7
Payments on other non-current assets	0	0
Deferred payment for the acquisition of financial assets	0	-125
Acquisition of subsidiaries, net of cash acquired	0	18.421
Cash flow from discontinued operations	0	0
Net cash provided by/(used in) investing activities	-358	16.407
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity instruments (net of issue costs)	0	14.046
Proceeds from subordinated loan	0	0
Reimbursements of subordinated loan	-65	-65
Proceeds from financial loans	362	0
Reimbursements of financial loans	-40	-1.343
Proceeds from government grants	1.904	0
Proceeds from lease debts	0	0
Reimbursement of lease debts	0	-12
Cash flow from discontinued operations	0	0
Net cash provided by/(used in) financing activities	2.161	12.826
Net increase/(decrease) in cash and cash equivalents	-8.038	19.340
Cash and cash equivalents at beginning of year	19.771	5.555
Effect of currency translation on cash and cash equivalents	-6	-11
Cash and cash equivalents at end of period	11.727	24.884

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY CHANGES DURING THE SIX MONTHS ENDED JUNE 30, 2012 and June 30, 2011

Thousands of Euro (€)	Attributable to equity holders of the Company							Total Equity
	Numbers of shares	Share capital	Share premium	Shares to be issued	Retained earnings	Equity-settled employee benefits reserve	Other reserves Translation reserves	
Balance at Dec. 31, 2010	91.121.154	28.197	73.367	2.296	-78.860	4.185	-336	28.829
Issuance of shares	60.001.513	57.523	14.679					72.202
Shares to be issued*								0
Share-based compensation						746		746
Total comprehensive income					-13.003		564	-12.439
Balance at June 30, 2011	91.122.667	85.720	88.046	2.296	-91.863	4.931	200	28.129
Balance at Dec. 31, 2011	91.112.967	82.712	88.024	2.296	-118.407	5.323	-393	61.362
Issue of shares	536.534	526	1.771	-2.296				0
Decrease in share capital		-80.452						-80.452
Decrease in retained earnings					80.452			80.452
Share-based compensation						363		363
Total comprehensive income					-9.967		-302	-10.270
Other								0
Balance at June 30, 2012	91.649.501	2.788	89.804	0	-128.374	5.686	-695	61.461

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 2012 (hereafter the interim period) comprise the financial statements of TiGenix NV/SA (Belgium legal entity), TiGenix Inc. (United States legal entity), TiGenix BV (legal entity in the Netherlands), TiGenix S.A. (Spanish legal entity) and TiGenix Ltd (UK legal entity) as an asset to be held for sale.

2. Summary of significant accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting) as adopted 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 2011.

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 2011.

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

- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Derecognition* (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2012)

The Company elected not to early adopt the following new Standards, Interpretations and Amendments, which have been endorsed by the by the EU but are not yet mandatory as per December 31, 2012:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Government Loans (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 19 Employee Benefits – Measurement of pension and all other long term benefits + presentation changes in respect of the pensions (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements – Consolidation requirements previously forming part of IAS 27 have been revised and are now contained in IFRS 10 (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Accounting methods for investments in associates (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

The directors anticipate that the above-mentioned Standards and Interpretations will not have a significant impact on the financial statements of the Group in the period of initial application.

3. Segment information

TiGenix does not distinguish different operating segments, neither business nor geographical segments.

4. Risks and uncertainties

The main risks and uncertainties for the remaining months of the financial year 2012 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 may fail in successfully commercialising ChondroCelect and future products, resulting in lower than anticipated revenues
- 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 in the preclinical and clinical development of its product pipeline

- Regulatory approval of TiGenix' products as medicinal products or devices may be delayed, not obtained or not maintained
- TiGenix is working in a changing regulatory environment. Future changes in any pharmaceutical or medical device 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' 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 related rights thereto
- TiGenix could be prevented by third party patents to develop or exploit its products
- TiGenix' 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
- Exchange rate fluctuations may negatively affect TiGenix' financial position
- The allocation of the proceeds could harm the ability to carry out the business plan

5. Significant events after balance sheet date June 30, 2012:

- On 4 July 2012, a new warrant plan was approved by the Board of Directors. The warrants were issued and granted by two consecutive board meetings held on 6 July 2012. The number of warrants issued was 4,000,000.

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 23, 2012,



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 2012

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of TiGenix NV as of 30 June 2012 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

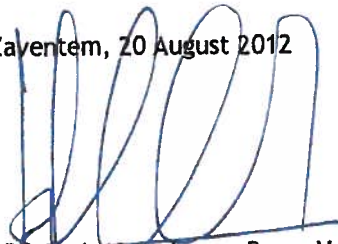
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

We want to 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, 20 August 2012



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

TIGENIX

About TiGenix

TiGenix NV (NYSE Euronext Brussels: TIG) is a leading European cell therapy company with a marketed cell therapy product for cartilage repair, ChondroCelect®, and a strong pipeline with clinical stage allogeneic adult stem cell programs for the treatment of autoimmune and inflammatory diseases. TiGenix is based out of Leuven (Belgium) and has operations in Madrid (Spain), and Sittard-Geleen (the Netherlands). For more information please visit www.tigenix.com.

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.

