Regulated information

INTERIM FINANCIAL REPORT H1 2013

This report is prepared in accordance with article 13 of the Belgian Royal Decree of 14 November 2007.

Cardio3 BioSciences publishes its Interim Financial Report in French. Cardio3 BioSciences has also produced an English translation of this Interim Financial Report. In the event of differences of interpretation between the English and the French versions of the Report, the original French version will prevail.

1 BUSINESS UPDATE

Over the past six months, Cardio3 BioSciences ("Cardio3" or the "Company") continued to extend its leadership in regenerative medicine for the treatment of heart failure. The Company also secured financing of its operations until the completion of CHART-1 clinical trial of its lead product candidate C-Cure which is expected to occur end of 2015.

Initiation of CHART-1 trial

End of 2012, Cardio3 BioSciences received authorization from Belgian Ministry of Health to begin the world's first Phase III clinical trial in regenerative medicine for the treatment of heart failure. Since end of 2012, Cardio3 received approval from several European competent authorities for initiation of the CHART-1 (Congestive Heart failure Cardiopoietic Regenerative Therapy). Cardio3 was the first company worldwide, and believes is still to-date the only, with an approved Phase III clinical trial in regenerative medicine for heart failure.

As of 30 June 2013, CHART-1 trial was approved in Belgium, UK, Serbia, Hungary and Israel. The Company is actively working with authorities of other EU countries to get approval to treat patients in these new geographies. Enrolment pace is dependent on the ability of the Company to open new countries and sites. On June 30th, the Company was on target for its patient enrolment with the goal to complete enrolment in CHART-1 by the end of 2014.

Publication of C-Cure Phase II data in JACC

In April 2013, the Phase II data of the C-Cure trial completed in January 2012 were published in the Journal of American College of Cardiology (JACC). The publication reported statistically significant improvement in cardiac function and exercise capacity of the treated patients.

R&D pipeline

At 30 June 2013, Cardio3 BioSciences had 3 programs in its R&D pipeline: one cell product for the treatment of heart failure and two a-cellular programs for the treatment of acute myocardial infraction and warm reperfusion injury.

GQR-1 is a a-cellular product candidate for myocardial regeneration comprising a group of proteins. Preliminary preclinical studies showed very encouraging data in large animals. Additional GLP

preclinical studies will soon be initiated aiming at preparing GQR-1 for a first in man trial by end of 2014.

GQR-4 is an early stage preclinical protein based product candidate for the prevention of warm reperfusion injury. GQR-4 will soon be tested in in-vivo in a ischemia reperfusion injury animal model.

Corporate development

End of May 2013, Cardio3 completed successfully a €19.0 million capital increase through a contribution in kind of shareholders debt for €12.0 million and new cash for €7.0 million. In June, the Company announced its intention to raise additional funding through an Initial Public Offering on NYSE Euronext Brussels and NYSE Euronext Paris. The IPO was successfully closed early July with a total of €26.5 million raised. The proceeds of the IPO should secure operations of the Company until the readout of the primary endpoint of the CHART-1 clinical trial.

Risks and uncertainties for the remaining months of the financial year

The Board refers to its description of risks factors in the IPO Prospectus available on the Company's website, which remains valid for the second half of the year. In summary, the principal risks and uncertainties faced by Cardio3 Biosciences include: financial and liquidity risk, risks associated with the ongoing clinical trial and preclinical development, competition, reliance on key personnel and intellectual property and risks associated with the regulatory and legislative environment.

In addition to historical facts or statements of current condition, this report contains forward-looking statements, which reflect our current expectations and projections about future events, and involve certain known and unknown 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. These forward-looking statements are further qualified by important factors, which could cause actual results to differ materially from those in the forward-looking statements, including timely submission and approval of anticipated regulatory filings; the successful initiation and completion of required Phase III studies; additional clinical results validating the use of adult autologous stem cells to treat heart failure; satisfaction of regulatory and other requirements; and actions of regulatory bodies and other governmental authorities.

2 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – FIRST HALF RESULTS 2013

2.1 *Interim condensed consolidated statement of comprehensive income*

(€'000)	For the 6 months period ended 30 June	
	2013	**2012**
	(reviewed)	(unaudited)
Revenue	**-**	**-**
Manufacturing expenses	(992.57)	(1,342.86)
Clinical, Quality & Regulatory expenses	(2,199.11)	(1,807.97)
Research and Development expenses	(1,083.36)	(2,078.05)
General administrative expenses	(890.00)	(998.51)
Other operating income	167.71	1,456.34
Other operating expenses	(1,020.00)	(1,729.20)
Operating profit (Loss) – EBIT	**(6,017.33)**	**(6,500.25)**
Financial income	11.64	1.41
Financial expenses	(422.08)	(252.75)
Profit (Loss) before taxes	**(6,427.77)**	**(6,751.59)**
Income taxes	-	-
Profit (Loss) for the period [1]	**(6,427.77)**	**(6,751.59)**
Net result per share (in €) [2]	**(3.43)**	**(5.58)**

[1] As there is no other Comprehensive Income, profit/loss for the period equals total comprehensive income.

[2] Basic and diluted loss per share. As the Company is suffering operating losses, warrants and the convertible loan have an anti-dilutive effect. As such, there is no difference between the basic and the diluted earnings per share. In case the Warrants would be included in the calculation of the loss per share, this would decrease the loss per share.

2.2 *Interim condensed consolidated statement of financial position*

(€'000)	As of 30 June 2013 (reviewed)	As of 31 December 2012 (audited)
NON-CURRENT ASSETS	**10,051.21**	**10,148.41**
Intangible assets	9,561.55	9,614.76
Property, Plant and Equipment	290.30	383.12
Other non-current assets	199.36	150.53
CURRENT ASSETS	**4,994.34**	**2,336.62**
Trade and Other Receivables	302.98	442.84
Other current assets	748.30	248.75
Cash and cash equivalents	3,943.06	1,645.03
TOTAL ASSETS	**15,045.55**	**12,485.03**
EQUITY	**(1,121.95)**	**(2,259.89)**
Share Capital	16,484.97	9,974.51
Share premium	12,434.56	-
Convertible loan	-	11,406.35
Share-based payments	428.51	1,006.11
Retained loss	(30,469.99)	(24,646.86)
NON-CURRENT LIABILITIES	**12,212.81**	**11,265.92**
Finance leases	64.89	108.89
Advances repayable	12,147.92	11,157.03
CURRENT LIABILITIES	**3,954.69**	**3,479.00**
Finance leases	102.29	160.49
Advances repayable	633.78	684.66
Trade payables	2,626.10	1,770.31
Other current liabilities	563.95	807.23
Current tax liabilities	28.57	56.31
TOTAL EQUITY AND LIABILITIES	**15,045.55**	**12,485.03**

2.3 *Interim condensed consolidated statement of cash flows*

(€'000)	For the 6 months period ended 30 June	
	2013	**2012**
	(reviewed)	(unaudited)
Net Profit/(loss) for the period	(6,427.77)	(6,751.59)
Non-cash adjustments		
Depreciation of Property, Plant & Equipment	125.89	150.82
Amortisation of Intangible Assets	330.97	319.32
Interests on convertible loans	357.33	226.00
Advances received – previously derecognized	1,020.00	1,729.20
Share-based payments	27.04	88.64
Change in working capital		
Trade receivables, other receivables	(742.72)	(1,205.09)
Trade payables, other payable and accruals	584.78	720.03
Net cash (used)/from in operations	**(4,724.48)**	**(4,722.67)**
Cash flows from investing activities		
Acquisitions of Property, Plant & Equipment	(33.08)	(50.40)
Acquisitions of Intangible assets	(277.76)	(246.62)
Net cash used in investing activities	**(310.84)**	**(297.02)**
Cash flows from financing activities		
Repayments of finance leases	(102.19)	(120.95)
Proceeds from issuance of shares and warrants (net of costs)	6,931.34	
Proceeds from convertible loans	250.00	1,840.00
Proceeds from advances and subsidies	284.20	1,646.80
Repayment of advances	(30.00)	-
Net cash used in financing activities	**7,333.35**	**3,365.85**
Change in net cash and cash equivalents	**2,298.03**	**(1,653.84)**
Net cash and cash equivalents at beginning of the period	**1,645.03**	**1,751.38**
Net cash and cash equivalents at the end of the period	**3,943.06**	**97.54**

2.4 *Interim condensed consolidated statement of change in shareholder's equity*

(€'000)	Share capital	Share premium	Convertible Loans	Share-based payments	Retained loss	Total Equity
Balance as of 1 January 2012	**9,974.51**	**-**	**4,036.10**	**855.33**	**(11,122.61)**	**3,743.33**
Proceeds from convertible loans			1,840.00			1,840.00
Interests on convertible loans			226.00			226.00
Share-based payments				88.64		88.64
Loss of the period					(6,751.59)	(6,751.59)
Balance as of 30 June 2012	**9,974.51**	**-**	**6,102.10**	**943.97**	**(17,874.20)**	**(853.62)**
Balance as of 1 January 2013	**9,974.51**	**-**	**11,406.35**	**1,006.11**	**(24,646.86)**	**(2,259.89)**
Capital increase in cash	1,552.73	5,447.02				6,999.75
Exercise of warrants	24.09					24.09
Issuance of convertible loan			250.00			250.00
Interests on convertible loans			357.33			357.33
Contribution in kind of convertible loans	5,026.14	6,987.54	(12,013.68)			-
Transaction costs associated with capital increases	(92.50)					(92.50)
Shares-based payments				(577.60)	604.64	27.04
Loss of the period					(6,427.77)	(6,427.77)
Balance as of 30 June 2013	**16.484,97**	**12,434.56**	**-**	**428.51**	**(30,469.99)**	**(1,121.95)**

3 EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT ENDED 30 JUNE 2013

3.1 *General information*

Cardio3 BioSciences SA ("the Company") is a limited company ("Société Anonyme"), incorporated on 24 July 2007, governed by Belgian law with its registered office at Axis Parc, Rue Edouard Belin 12, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115).

Cardio3 BioSciences is listed on NYSE Euronext Brussels and NYSE Euronext Paris.

Cardio3 BioSciences is a Belgian biotechnology company specializing in stem cell-based therapies for the treatment of cardiovascular diseases. It is acting in the field of cardiac regenerative medicine. It is currently developing several curative therapies based on a unique technology. Cardio3 BioSciences is developing its most advanced therapy, C-Cure®, for the treatment of heart failure, one of the world's greatest unmet medical needs. C-Cure® is a unique cell therapy aimed at repairing damaged tissue and improving heart function, clinical outcomes and quality of life. It builds on research conducted at Mayo Clinic (Rochester, Minnesota, USA), Cardio3 BioSciences and Cardiovascular Centre Aalst (Aalst, Belgium). The supporting science is the result of Mayo Clinic innovation leading to advanced product development, manufacturing scale-up, and clinical trial execution by Cardio3 BioSciences.

These interim consolidated financial statements of Cardio3 BioSciences for the six months ended 30 June 2013 (the 'Interim period') include Cardio3 BioSciences SA and its subsidiary Cardio3 Inc and constitute the Cardio3 BioSciences Group. These statements were approved by the Board of Directors on 26 August 2013. These statements were subjected to a review by Ernst & Young Reviseurs d'Entreprise SCCRL, the statutory auditor of the Company.

The interim report is available to the public free of charge and upon request to the above mentioned address or via the website of the Company (http://www.c3bs.com/en/financial-reports).

3.2 *Summary of significant accounting policies*

All important accounting policies used for preparing the interim condensed consolidated financial statements are explained here below.

3.2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, as endorsed by the European Union, on a historical cost basis except for financial liabilities as well as certain monetary items in foreign currencies that are measured at fair value. The interim condensed consolidated financial statements have been approved for issue by the Company's Board of Directors 26 August 2013. These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with IFRS.

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The principal risks during the interim period have not materially changed from those mentioned in the IPO Prospectus available on the Company's website (http://www.c3bs.com/en/financial-reports).

All statements and information relate to the interim period unless otherwise stated.

The interim condensed consolidated interim financial statements are presented in thousand Euros and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

3.2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretation as of 1 January 2013, noted below:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
- IFRS 1 Government Loans – Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The adoption of these changes and new interpretation did not have an impact on the financial position, performance or disclosures in the interim condensed consolidated financial statements.

The Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

Standards issued but not yet effective

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements which the Company believes are applicable to the Company are listed below.

- IFRS 9 Financial Instruments: Classification and Measurement, effective 1 January 2015
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective 1 January 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, effective 1 January 2014

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements which the Company believes are not applicable to the Company are listed below:

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, effective 1 January 2014
- IFRS 11 Joint Arrangements, effective 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014

3.2.3 Impairment of non-financial assets

At each reporting date the Management assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The Company has two cash-generating units which consist of the development and commercialization activities on its two products, C-Cath$_{ez}$ and C-Cure. Indicators of impairment used by the Company are the pre-clinical and clinical results obtained with the technology.

During the first six months of 2013, no such indications were found.

3.2.4 Consolidation

The Company has a subsidiary, incorporated in the United States of America with a share capital of $10,000. Cardio3 Inc is a dormant company with no operational activities and showing a net loss for the year ended 31 December 2012 of $3,292. There is no material change in results, financial position and activities as of 30 June 2013 compared to 31 December 2012.

3.3 *Details of the interim condensed consolidated unaudited financial statements*

The interim condensed consolidated financial statements presented here after were approved by the Board of Directors of the Company on 26 August 2013. The Board of Directors is responsible for the preparation and the presentation of the condensed consolidated financial information. The financial statements of the period ended 30 June 2013 were reviewed by the statutory auditor of the Company.

3.3.1 Result of the period

Manufacturing expenses for the six months period ending 30 June 2013 decreased by €0.3 million compared to same period in 2012 as a result of decrease of services costs associated to the industrialization process (€1.0 million versus €1.3 million).

Clinical, quality and regulatory expenses for the six months period ending 30 June 2013 increased by €0.4 million compared to same period in 2012. This increase is linked to the initiation of the CHART-1 Phase III trial (€2.2 million versus €1.8 million).

For the six months period ending 30 June 2013, Research & Development expenses amounted €1.1 million compared to €2.1 million for the same period of 2012. The decrease of €1.0 million from 2012 to 2013 is mainly resulting from the capitalization of the development costs of C-Cath$_{ez}$ for €0.5 million and a timing difference of the yearly direct research funding owned to Mayo Clinic under the existing License Agreement ($0.5 million). The 2013 direct research funding is expected in the second half of 2013.

As of 30 June 2013, general and administrative expenses decreased by €0.1 million in 2013 as compared to the same period in 2012.

As of 30 June 2013, the total operating expenses of the Company amounted to €5.2 million compared to €6.2 million for the same period in 2012.

Other operating income corresponds to amounts received from the Walloon Region under existing patent and research and development funding agreements. As of 30 June 2013, other operating income decrease as compared to 30 June 2013 as a result of a reduction of the amounts received from the Region over the period.

For the six months period ended in 2013 and 2012, the Company decided to further develop initial programs funded by the Region through cash advances (Agreements n°6003 and 6633). As a consequence, the Company recorded a liability against an “Other operating expenses” for respectively €1.0 million and €1.7 million in 2013 and 2012.

As a result of the foregoing, the loss from operations before interest and taxes amounts to €6.0 million versus a loss of €6.5 million for the same period in 2012.

The financial expenses increase from €0.3 million to €0.4 million on 30 June 2013 as a result of higher financial debt (shareholders convertible loans).

As the Company incurred losses in the period, the Company had no taxable income.

The net loss for the six months period ended 30 June 2013 amounts to €6.4 million versus a net loss of €6.7 million for the six months period ended 30 June 2012.

3.3.2 Financial position

Assets

The Company's total assets are mainly composed of intangible assets and cash. Intangible assets correspond to the Mayo License, entered into in August 2007 and expanded in October 2010, and starting 2012 the development costs of C-Cath$_{ez}$ (capitalized since May 2012).

Currently, the Company leases its facilities and laboratories and owns all office and laboratory equipment. Laboratory equipment is financed by finance leases over a period of 36 months.

Trade and Other Receivables correspond mostly to amounts due by the Region on non-dilutive funding agreements (recoverable cash advances and subsidies).

Cash and cash equivalents amounted to €3.9 million as of 30 June 2013.

Liabilities

On 31 May 2013, the Company closed its fourth financing round. The Round D financing amounted in total to €19.0 million. The convertible loans previously recorded as quasi equity were contributed in kind for a total amount of €12.0 (o.w. €5 million as share capital and €7 million as share premium) and the share capital and share premium were increased by an amount of €7.0 through a contribution in cash brought by existing shareholders of the Company.

The non-current liabilities correspond to amounts due to the Region and to finance leases. Amounts due to the Region (booked as advances payables) correspond to funding received under the contracts for which the Company confirmed the Region of its willingness to further develop the outcome of the research. Out of the total amount recognized as liabilities, only a fraction (30%) is due over the coming years.

The remaining 70% of the liabilities will be reimbursed to the Region when the R&D projects financed will generate cash flows. Reimbursements are turnover dependent and capped at 0.3% of the future revenues.

In April 2013, the Company communicated to the Region its decision to exploit the outcome of the agreements 6633, which triggered the recognition of liabilities of €1,020,000 in the 30 June 2013 interim condensed consolidated financial statements of the Company.

The current liabilities relate primarily to trade payables, social debt and the current part of the Advances payables. The increase of the current liabilities as of 30 June 2013 compared to year end 2012 is mostly explained by an increase of the trade payables.

3.3.3 Cash flow

Compared to the six months period ended 30 June 2012, the net cash outflow from operating activities remains stable at €-4.7 million.

Cash flow from investing activities corresponded to investments made by the Company in non-current assets paid in cash.

Cash flow from financing activities represented a net cash inflow €7.3 million as of 30 June 2013 versus €3.4 million as of 30 June 2012. The Company financed its operating and investing activities by dilutive funding from its shareholders and by non-dilutive financing brought by the Region through cash advances and subsidies.

3.3.4 Changes in equity

On 30 June 2013, the capital of the Company is represented by 4,744,067 shares versus 1,210,518 on 31 December 2012. This increase results from two capital increases occurred in May 2013:

- the contribution in kind of all the convertible loans contracted until December 2012 by the Company for a total of 905,357 shares; and,
- the contribution in cash for a total of 2,628,192 shares.

As a result of these capital increases, the share capital and the share premium were respectively increased by €6.5 million and €12.4 million.

The share based payments decreased by €0.6 million to €0.4 million. The net decrease of €0.6 million results from (i) the cancellation of warrants granted in 2008 and 2010, and (ii) the issuance of two new warrants plan in January and May 2013 (see IPO Prospectus for further details on warrants).

The loss of the period ended 30 June 2013 which amounts to €6.4 million is carried over, which brings the retained losses on 30 June 2013 at €-30.5 million.

3.4 *Related party transactions*

In the first six months of 2013, no transactions with related parties were made which have material impact on the financial position and results of the Company. There were also no changes to related party transactions disclosed in the IPO Prospectus that potentially had material impact to the financials of the first six months of 2013.

3.5 *Events occurring after 30 June 2013*

Initial Public Offering

On 5 July 2013, Cardio3 BioSciences SA successfully completed its Initial Public Offering with €26,5 million (including the over-allotment option) of cash. The proceeds of the IPO will mostly be dedicated to the financing of the CHART-1 Phase III trial of C-Cure, the Company lead product candidate for the treatment of heart failure.

3.6 *Declaration of responsible persons*

The Board of Directors of Cardio3 BioSciences SA, represented by all its members, declares that, as far as it is aware, (i) the financial statements in this Interim Report, are made up according to the applicable standards for financial statements, and (ii) give a true and fair view of the equity, financial position and the results of the Company and its consolidated companies. The Board further declares that this communication to the shareholders gives a true and fair view on the information that has to be contained therein.

4 LIMITED REVIEW REPORT

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CARDIO3 BIOSCIENCES SA AS OF 30 JUNE 2013 AND FOR THE SIX MONTH PERIOD THEN ENDED

Introduction

We have reviewed the interim condensed consolidated financial statements of Cardio3 BioSciences SA and its subsidiary (collectively referred to as "The Group") as at 30 June 2013 and the related interim condensed consolidated statements of income, statement of changes in equity and cash flows for the six month period then ended, and explanatory notes which show a consolidated statement of financial position of €15,045.55 thousand and a consolidated loss for the six month period of €6,427.77 thousand. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. 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 the 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 interim condensed consolidated financial statements do not present fairly, in all material respects the financial position of the Group as at 30 June 2013, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34.

Brussels, 26 August 2013

Ernst & Young Réviseurs d'Entreprises SCCRL

represented by

Danny Wuyts

Partner