

**TiGenix**  
**Naamloze vennootschap**  
**Romeinse straat 12 box 2**  
**3001 Leuven**  
**VAT No. BE 0471.340.123**  
**RLE Leuven**

(The “Company”)

**SPECIAL REPORT OF THE BOARD OF DIRECTORS**  
**as addendum to the special reports issued pursuant to article 583 and,**  
**as the case may be, article 596/598 of the Companies Code regarding**  
**warrants issued in 2004 and 2005**

**1 Introduction**

Article 47, §5 of the Law of March 26, 1999 regarding the Belgian action plan for the employment 1998 (the “**Law of March 26, 1999**”) offers companies the possibility to extend the exercise period of options without additional taxation with a maximum of 5 years. Said article 47, §5 was introduced by article 21 of the Economic Recovery Law of March 27, 2009 to take into account the reality of the financial markets and the fact that beneficiaries have paid taxes with respect to options granted to them.

The extension possibility offered by the new article 47, §5 of the Law of March 26, 1999 can be summarised as follows:

- Only applicable to share option plans entered into between January 1, 2003 and August 31, 2008.
- Extension requires the individual consent of the beneficiaries prior to June 30, 2009.
- Maximum 5 years extension.
- Limited to a number of options of the same company with an aggregate fiscal value of maximum EUR 100,000 per beneficiary.
- The extension agreement must be notified to the tax authorities prior to July 31, 2009.
- The extension possibility constitutes a deviation of article 499 of the Companies Code.

**2 Proposal to extend the exercise period for the warrants issued in 2004 and 2005**

The Company has created several pools of warrants for grant to employees, directors, and consultants. The table set out in Annex 1 to this report provides an overview of all outstanding warrants as per December 31, 2008.

The board of directors would like to propose to the extraordinary shareholders' meeting of the Company to make use of the aforementioned possibility to extend the exercise periods of outstanding warrants. The board of directors proposes to extend the duration of the warrants created by decisions of the extraordinary shareholders' meetings of May 14, 2004, April 20, 2005 and November 3, 2005 (*i.e.*, in aggregate 452,486 warrants outstanding as per December 31, 2008 ; hereafter referred to as the "**Warrants**") to May 13, 2014, to the extent such Warrants have not yet expired, been exercised or lapsed prior to the approval of the extension by the extraordinary shareholders' meeting.

The board of directors prepared this report as an addendum to the reports drawn up pursuant to article 583 and, as the case may be, articles 596/598 of the Companies Code at the time of issuance of the Warrants, to inform you why the extension is in the interest of the Company and what the consequences of such extension would be for the existing shareholders.

### **3 Justification of the extension**

On the one hand, the issuance and grant of the Warrants pursuant to a warrants plan aims at rewarding the employees and key persons of the Company for their efforts and at tying them to the Company or its subsidiaries for a longer period. On the other hand, warrant plans are also intended to attract capable persons and to create an atmosphere that motivates these future personnel members and key persons to commit themselves to the Company for a longer period.

As warrant holders and, if applicable, as shareholders, they will feel closer connected to the results of the Company. Consequently, the personal interest of these persons is directly linked to the interest of the Company.

Given the current situation of the financial markets, the incentive value of the Warrants is lower and more uncertain, while (most) beneficiaries have paid taxes with respect to Warrants granted to them.

In view of the above, the board of directors is of the opinion that an extension of the exercise period of the Warrants, within the limits and under the conditions set out in article 47, §5 of the Law of March 26, 1999, serves the interest of the Company and its shareholders.

### **4 Financial consequences of the extension for the shareholders**

#### **4.1 Evolution of the registered capital and the share in the profits**

As per December 31, 2008 the registered capital of the Company amounts to EUR 24,001,834.41, represented by 24,564,489 shares, without nominal value, each representing 1/24,564,489th of the registered capital<sup>1</sup>.

In addition, there are 1,335,736 warrants (there are no warrants outstanding that have not yet been granted and accepted), including the 452,486 Warrants, outstanding as per December 31, 2008. In accordance with the conditions of the warrants plans under which they were issued, upon exercise, the outstanding warrants entitle the warrant holders to one new share in the Company per exercised warrant, being a total of 1,335,736 new shares in the Company in case all outstanding warrants are exercised.

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<sup>1</sup> This report does not yet take into account any exercises of warrants since December 31, 2008 which have not yet been acknowledged in a notarial deed.

In case the Warrants are effectively exercised during their duration, the registered capital of the Company will be increased with EUR 1.00 per Warrant issued on May 14, 2004 or April 20, 2005 and EUR 0.997 per Warrant issued on November 3, 2005, being EUR 451,599.01 in total in case all 452,486 Warrants are effectively exercised.

The proposed extension of the exercise period of the Warrants, will extend the period during which the Warrants can be exercised and cause dilution to May 13, 2014.

In case all 452,486 Warrants are effectively exercised, 452,486 new shares will be issued. Leaving the other 883,250 warrants that are still outstanding aside and only taking into account the number of shares that are outstanding as per December 31, 2008, the exercise of all 452,486 Warrants will result in a dilution of the share of the existing shares in the Company in the profits of the Company of (rounded-off) 1.81%. In case, in addition to the number of shares that are outstanding on the date of this report, also the number of shares that can be issued upon exercise of all other warrants that are outstanding as per December 31, 2008 is taken into account, the exercise of all 452,486 Warrants will result in a dilution of up to (rounded-off) 1.75%.

#### **4.2** Effect on the par value of the shares and the accounting net assets of the Company

As the exercise price of the Warrants is higher than the current par value of the shares in the Company, the exercise of the Warrants will not negatively impact the par value of the share and will result in an increase of the net assets of the Company.

Attached to this report as Annex 2 are a number of simulations prepared by the board of directors, which demonstrate that the exercise of the Warrants can lead to an increase of the amount represented by each share in the net assets of the Company.

Upon exercise of the Warrants, the portion of the exercise price of the Warrants up to the par value of the existing shares at the time of issuance of the Warrants (i.e., EUR 1.00 per Warrant issued on May 14, 2004 or April 20, 2005 and EUR 0.977 per Warrant issued on November 3, 2005) will be recorded as capital, and the surplus as issuance premium.

### **5** Report of the auditor

The auditor shall prepare a report on the aforementioned extension of the exercise period of the Warrants.

Done in Leuven on April 9, 2009.

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Gil Beyen BVBA  
Director  
Represented by Gil Beyen  
Permanent representative

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ING België NV  
Director  
Represented by Luc Van de Steen  
Permanent representative

absent

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Frank Luyten  
Director

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Fortis Private Equity Belgium NV  
Director  
Represented by Raf Moons  
Permanent representative

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Koenraad Debackere  
Director

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Willy Duron  
Director

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Sven Andréasson  
Director

## Annex 1: Outstanding warrants as per December 31, 2008

| Issuance date     | Initial term and proposed extension                                      | Number of warrants issued <sup>(1)</sup> | Number of warrants granted | Exercise price (€)  | Number of warrants no longer exercisable | Number of warrants outstanding | Exercise periods vested warrants                  |
|-------------------|--|--|----------------------------|---|--|--------------------------------|---|
| May 14, 2004      | From May 14, 2004 to May 13, 2009<br>(Extension to May 13, 2014)         | 135,802                                  | 133,684                    | €3.00 (May 14, 2004 and May 23, 2005 grants)<br>€3.50 (December 9, 2005 grant)  | 24,347 <sup>(2)</sup>                    | 111,555                        | From March 16 to 31, and from September 15 to 30. |
| April 20, 2005    | From April 20, 2005 to April 19, 2010<br>(Extension to May 13, 2014)     | 45,268                                   | 45,268                     | €3.00 (May 23, 2005 grant)<br>€3.50 (February 6, 2006 grant)  | /  | 45,268                         | From March 1 to 31, and from September 1 to 30.   |
| November 3, 2005  | From November 3, 2005 to November 2, 2010<br>(Extension to May 13, 2014) | 454,570                                  | 301,805                    | €3.50 (February 6, 2006, March 24, 2006, May 2, 2006, July 3, 2006 and August 24, 2006 grants)  | 158,907 <sup>(3)</sup>                   | 295,663                        | From March 1 to 31, and from September 1 to 30.   |
| February 26, 2007 | From February 26, 2007 to February 25, 2017                              | 800,000                                  | 577,750                    | €6.75 (May 21, 2007 grant)<br>€5.23 (17 September 2007 grant)   | 276,250 <sup>(4)</sup>                   | 523,750                        | From May 1 to 31, and from November 1 to 30.      |
| March 20, 2008    | From March 20, 2008 to March 19, 2018                                    | 400,000                                  | 362,000                    | €4.05 (March 20, 2008 grant to employees)<br>€4.41 (March 20, 2008 grant to non-employees)<br>€4.84 (June 27, 2008 grant)<br>€3.45 (September 15, 2008 grant to employees)<br>€3.83 (September 15, 2008 grant to non-employees) | 40,500 <sup>(5)</sup>                    | 359,500                        | From May 1 to 31, and from November 1 to 30.      |

### Notes

- (1) Issuance under the condition precedent of the warrants being granted and accepted.
- (2) 2,118 warrants have not and will not be granted (for lack of exercise window prior to the expiry of the (initial) term of the warrants) and 22,229 warrants have lapsed due to their beneficiaries leaving the Company.
- (3) 152,765 warrants have not and will not be granted (for lack of exercise window prior to the expiry of the (initial) term of the warrants) and 6,142 warrants have lapsed due to their beneficiaries leaving the Company.
- (4) 222,250 warrants have not and will not be granted (for lack of grant before September 26, 2007), 54,000 warrants have lapsed due to their beneficiaries leaving the Company.
- (5) 38,000 warrants have not and will not be granted (for lack of grant before September 21, 2008), 2,500 warrants have lapsed due to their beneficiaries leaving the Company.

**Annex 2 : Simulations****A. Situation as per December 31, 2008 without taking into account the outstanding warrants.**

|                                 | Registered Capital <sup>(1)(3)</sup><br>€ | Net Assets <sup>(2)(3)</sup><br>€ |
|---------------------------------|---|-----------------------------------|
| Amount represented by one share | 0.977                                     | 1.271                             |
| <b>TOTAL</b>                    | <b>24,001,834.41</b>                      | <b>31,214,157.59</b>              |

**B. Assuming that (i) the proposed extension of the exercise period of the Warrants has been approved by the extraordinary shareholders' meeting prior to May 14, 2009, (ii) all beneficiaries of the Warrants have timely accepted such extension and the necessary filings have been made in time, and (iii) all warrants outstanding as per December 31, 2008, including the Warrants, have been exercised.**

|                                 | Registered Capital <sup>(1)(3)</sup><br>€ | Net Assets <sup>(2)(3)</sup><br>€ |
|---------------------------------|---|-----------------------------------|
| Amount represented by one share | 0.977                                     | 1.452                             |
| <b>TOTAL</b>                    | <b>25,326,843.67</b>                      | <b>37,612,249.60</b>              |

**C. Assuming that (i) the proposed extension of the exercise period of the Warrants has been rejected by the extraordinary shareholders' meeting, (ii) all Warrants have expired, and (iii) all other warrants outstanding as per December 31, 2008, excluding the Warrants, have been exercised.**

|                                 | Registered Capital <sup>(1)(3)</sup><br>€ | Net Assets <sup>(2)(3)</sup><br>€ |
|---------------------------------|---|-----------------------------------|
| Amount represented by one share | 0.977                                     | 1.419                             |
| <b>TOTAL</b>                    | <b>24,875,244.66</b>                      | <b>36,099,925.09</b>              |

*Notes*

- (1) Calculated taking the registered capital of TiGenix NV per December 31, 2008, being €24,001,834.41 represented by 24,564,489 shares.
- (2) Calculated taking the net assets of TiGenix NV per December 31, 2008, being €31,214,157.59 according to the draft annual accounts.
- (3) For the warrants issued on May 14, 2004 and April 20, 2005, €1 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on November 3, 2005 and February 26, 2007, €0.997 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on March 20, 2008, €0.977 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium.