TiGenix
Limited liability company
(limited liability company that makes or has made a public call on funds from the public)
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(the “Company”)

SPECIAL REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLES 596 AND 598 OF THE BELGIAN COMPANIES CODE WITH RESPECT TO THE CANCELLATION OF THE PREFERENTIAL SUBSCRIPTION RIGHT

This special report was drawn up pursuant to articles 596 and 598 of the Companies Code and relates to the proposed cancellation of the preferential subscription right of the existing shareholders with respect to the proposed issuance of 11,651,778 new shares (the "**Offered Shares**") by the board of directors in the framework of the authorised capital, by way of a private placement for the benefit of Takeda Pharmaceuticals International AG (the "**Transaction**").

In this report, you will find (i) a description of the authorised capital, (ii) a description of the proposed Transaction, (iii) the justification of the cancellation of the preferential subscription right and (iv) the financial consequences of the Transaction for the shareholders.

1. Authorised capital

1.1 *Description of the authorised capital*

As set out in Article 6.1 of the Articles of Association of the Company, the extraordinary shareholders’ meeting of September 8, 2014 has explicitly authorised the board of directors to increase the capital in one or more times for a (total) amount of EUR 16,047,662.00 in the framework of the authorised capital.

The board of directors can use this authorisation for a period of five years as of the publication of this authorisation in the Annexes to the Belgian State Gazette on October 8, 2014, i.e. until October 8, 2019. The extraordinary shareholders’ meeting made the authorisation subject to the conditions mentioned below.

The capital increase, which can be decided upon pursuant to the aforementioned authorisation, can take place in accordance with the modalities to be determined by the board of directors, through a contribution in cash or in kind or through the conversion of reserves and issuance premiums, with or without the issuance of new shares, with or without voting rights. The board of directors can also use this authorisation for the issuance of convertible bonds, subordinated or not subordinated, warrants or bonds to which warrants or other tangible values are connected or other securities.

When using the authorisation, the board of directors can, in the interest of the Company, within the limits of and in accordance with the conditions set out in the Belgian Companies Code, limit or cancel the preferential subscription right of the existing shareholders. This limitation or cancellation can also occur for the benefit of the employees of the Company or its subsidiaries and for the benefit of one or more specific persons even if these are not employees of the Company or its subsidiaries.

If, at the occasion of the capital increase decided upon within the framework of the authorised capital, an issuance premium is paid, this will automatically be booked on the account "Issuance Premium", which will, in the same manner as the registered capital, serve as a guarantee for third parties and of which, without prejudice to the possibility of the conversion of this reserve into capital, can only be disposed in accordance with the conditions set out in the Belgian Companies Code for modification of the Articles of Association.

1.2 ***Available amount of the authorised capital***

Since the authorisation by the extraordinary shareholders' meeting held on September 8, 2014, the board of directors has used the authorised capital:

(a) On February 26, 2015, for a conditional capital increase in an amount of up to EUR 3,319,612.20 (excluding issuance premium) in relation to the issuance by the Company of 250 convertible bonds with a nominal value of EUR 100,000.00 per convertible bond completed on March 6, 2015;

(b) On July 31, 2015, for a capital increase of EUR 771,275.70 (excluding issuance premium) in relation to the acquisition of Coretherapix S.L.;

(c) On November 24, 2015, for a capital increase of EUR 910,618 (excluding issuance premium) completed in two tranches on, respectively, November 27, 2015 and December 3, 2015 further to a private placement of 9,106,180 new shares;

(d) On December 7, 2015, for a conditional capital increase of maximum EUR 225,000 (excluding issuance premium) in relation to the issuance of 2,250,000 warrants to the benefit of the current and future employees of the Company and its subsidiaries, the current and future independent directors of the Company and the CEO of the Company;

(e) On March 14, 2016, for a capital increase of EUR 2,500,000 (excluding issuance premium) further to a private placement of 25,000,000 new shares; and

(f) On December 5, 2016, for a conditional capital increase in an amount of up to EUR 8,300,000 (excluding issuance premium) in relation to the Company's initial public offering of American Depositary Shares ("**ADSs**") to retail and institutional investors in the United States as completed on December 20, 2016 for an amount of EUR 4,600,000, representing 46,000,000 new ordinary shares (underlying the sold ADSs). As the underwriters have a 30-day option to subscribe for an additional 6,900,000 new ordinary shares to cover over-allotments, a further amount of EUR 690,000 is being reserved as authorised capital until the end of the exercise period of the over-allotment option.

The available authorised capital therefore amounts to EUR 3,031,156.10.

2. Description of the Transaction

2.1 *Structure of the Transaction*

On July 4, 2016, Takeda Pharmaceuticals International AG, a company organized and existing under the laws of Switzerland, having its registered office at Thurgauerstrasse 130, 8152 Glattpark-Opfikon, Zurich, Switzerland, registered with the commercial registry of Canton of Zurich under number CHE-113.444.401 (the "**Subscriber**") and TiGenix SAU (a subsidiary of the Company) entered into a license agreement under which the Subscriber has been granted certain development, commercialization and manufacturing rights in relation to the Company's product Cx601 (the "**License Agreement**").

Clause 9.4 of the License Agreement provides for an undertaking of the Subscriber to subscribe for new shares of the Company in the framework of a capital increase of the Company. On August 31, 2016 the Subscriber and the Company entered into a subscription agreement (the "**Subscription Agreement**") whereby the Subscriber irrevocably undertakes to subscribe for and acquire, at the option of the Company and pursuant to the terms and conditions set out in this Subscription Agreement, for an aggregate cash subscription price of ten million euro (EUR 10,000,000) (including any issuance premium and taxes, if any) a number of newly issued ordinary shares of the Company. According to article 1 of the Subscription Agreement, the subscription price per new share shall be equal to the average of the closing share prices of the Company's shares listed on Euronext Brussels during the period of thirty (30) calendar days immediately preceding the date on which the board of directors has resolved in the presence of a notary public to issue the new shares, subject to subscription to and paying-up by the Subscriber of such new shares in accordance with the Subscription Agreement.

The board of directors now intends to increase the registered capital of the Company, using the authorized capital, by way of a contribution in cash of EUR 10 million (including issuance premium), through the issuance of 11,651,778 new shares at a subscription price of EUR 0.858238095 per share as further described below, subject to and to the extent of subscription of these Offered Shares in the framework of the private placement described herein.

In the framework of the proposed capital increase, the board of directors intends to cancel the preferential subscription rights of the existing shareholders of the Company with a view to offering the Offered Shares in a private placement to the Subscriber.

The Subscriber will be asked to underwrite the capital increase, in accordance with the Subscription Agreement. On or around the date set for settlement of the transaction and after issuance of the Offered Shares, the Company (or a person designated by it) will deliver to the Subscriber the Offered Shares effectively subscribed for by the Subscriber.

Should the capital increase not be fully subscribed by the Subscriber, the capital will only be increased up to the amount of the placed subscriptions, subject to the approval of the board of directors or any of its proxy holders.

The moment of opening and the duration of the subscription period will be determined by the board of directors or any of its proxy holders and will provide for the possibility of an early closing. If the subscription period has not been closed within twenty (20) business days at the latest as of the resolution of the board of directors of the Company to conditionally increase the capital, no placement of the Offered Shares will take place and hence no capital increase will be realized.

The Offered Shares have to be fully paid in cash at the latest at the time of the completion of the capital increase.

Each director individually will be authorized to establish the completion of the capital increase by notarial deed on the basis of the submission of the documents which evidence the Transaction in accordance with Article 589 of the Companies Code.

2.2 ***Issue price***

The issue price per Offered Share will be EUR 0.858238095, which is equal to the average closing price of the Company's share on Euronext Brussels over the 30 day period preceding the date on which issuance of the Offered Shares commenced (i.e., December 20, 2016).

The portion of the issue price per share up to the accounting par value of EUR 0.10 will be recorded on the "Capital" account. The balance will be recorded on the "Issuance Premium" account, which in the same manner as the Company's share capital serves as guarantee for third parties and which, save for the possibility of conversion into capital, can only be decided on in accordance with the conditions required for an amendment of the articles of association.

Hence, the amount of the capital increase as a result of the Transaction will be EUR 1,165,177.80 (i.e. 11,651,778 shares x EUR 0.10 per share) and the effective amount of the capital increase will consist of the number of effectively issued Offered Shares multiplied by the accounting par value of EUR 0.10.

2.3 ***The Offered Shares***

The Offered Shares will be registered shares with the same rights as the existing shares of the Company. The Offered Shares will not have a nominal value and will each represent the same fraction of the capital as the other outstanding shares of the Company.

The Offered Shares will carry the same rights as all outstanding shares as to dividends in the current financial year, if any, and in all subsequent financial years.

2.4 ***Listing***

It is the intention that the issued Offered Shares will be listed on Euronext Brussels. The listing on Euronext Brussels of the Offered Shares will be requested within 90 days of the issuance of the Offered Shares.

3. **Justification of the proposed Transaction**

The purpose of the proposed capital increase and issue of Offered Shares is to strengthen the cash resources and the equity capital of the Company. The Transaction will generate means that the Company will mainly use for the following purposes:

- With respect to Cx601 in the United States, to complete the process of technology transfer to Lonza, a U.S.-based contract manufacturing organization, to file an investigational new drug application to conduct a pivotal Phase III trial in the United States supporting a biologics license application with the FDA and to commence recruitment of patients for the Phase III trial. The pivotal Phase III trial in the United States is expected to start in the first half of 2017.

- To advance the Phase II clinical development of Cx611 in severe sepsis until well into the stage of recruitment. The initiation of a Phase I/II clinical trial in severe sepsis in Europe is expected in the fourth quarter of 2016.

- To advance the development of AlloCsC-01 in acute myocardial infarction until the end of Phase I/II clinical development. Final results of the ongoing Phase I/II trial are expected to be available during the first half of 2017.

- The remainder for general corporate purposes, including research and development and working capital requirements.

4. **Justification of the issue price**

In accordance with article 598 of the Companies Code, the issue price per Offered Share will not be lower than the average closing price of the Company's share on Euronext Brussels over the 30 day period preceding the date on which issuance of the Offered Shares commenced.

5. **Justification of the cancellation of the preferential subscription right**

The board of directors intends to cancel the preferential subscription rights of the existing shareholders.

The board is of the opinion that the cancellation of the subscription rights allows the Company to (i) rapidly have access to additional financing thereby respecting the provisions of the Subscription Agreement and (ii) raise additional capital at a price that is substantially higher than its current share price on Euronext Brussels. The contractual commitments with the Subscriber and the speed at which one must act in such cases does not allow the Company to wait for the expiry of the terms that should be taking into account in a capital increase with preferential subscription rights.

The cancellation of the preferential subscription rights in the framework of the Transaction enables the board to offer the Offered Shares to the Subscriber, which allows the Company to raise an important amount of additional funding at a price that is substantially higher than its current share price on Euronext Brussels and in market conditions where additional financial means for companies such as the Company are not readily available at such conditions.

Furthermore, the Transaction allows the Company to expand its shareholder structure, which can be beneficial for the stability of the shareholding structure and the liquidity of the Company's shares traded on Euronext Brussels.

Therefore, the board of directors is of the opinion that both the issue of the Offered Shares and the method of a private placement with cancellation of the preferential subscription rights of the existing shareholders for the benefit of the Subscriber are in the interest of the Company.

6. Financial consequences of the Transaction for the shareholders

6.1 *Evolution of the registered capital and the share in the profits*

The registered capital of the Company currently amounts to EUR 24,830,458.70 represented by 248,304,587 shares, without nominal value, each representing 1/248,304,587th of the registered capital.

In addition, as per June 30, 2016:

- there are 9,898,500 granted and outstanding warrants (i.e. warrants that have been granted and that have not yet become null and void for any reason as per June 30, 2016) (the "**Outstanding Warrants**"). 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 9,898,500 new shares in the Company in case all 9,898,500 Outstanding Warrants are exercised.

- there are 250 outstanding convertible bonds due 2018 ("**Convertible Bonds**") which, at their current conversion price[1] of EUR 0.8983, can be converted into 27,830,346 new shares in the Company in case all 250 Convertible Bonds are converted.

Leaving the 9,898,500 Outstanding Warrants and the 250 Convertible Bonds aside and only taking into account the number of shares that were outstanding immediately prior to the Transaction, the issue of 11,651,778 Offered Shares at the occasion of the Transaction will result in a dilution of the share of the existing shares in the Company in the profits of the Company of (rounded-off) 4.48%.

In case, in addition to the number of shares that were outstanding immediately prior to the Transaction, also the maximum number of shares that can be issued upon exercise of all Outstanding Warrants and conversion of all 250 Convertible Bonds is taken into account, the issue of 11,651,778 Offered Shares at the occasion of the Transaction will result in a dilution of up to (rounded-off) 3.91%.

[1] For the Convertible Bonds, an adjusted conversion price of EUR 0.8983 is used as a result of the adjustment of the conversion price to be made in accordance with Condition 6.2 (f) of the Terms and Conditions of the Convertible Bonds, following the announcement by the Company on December 15, 2016 of the pricing of its initial public offering in the United States.

The dilution relating to the share in the Company's profits also applies, mutatis mutandis, to the voting and other rights attached to the shares of the Company, as well as to the share in the liquidation proceeds, if any, and the preferential subscription rights.

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

As the issue price of the Offered Shares will not be lower than the current par value of the shares in the Company, the issue of the Offered Shares will not negatively impact the par value of the share and will result in an increase of the net assets of the Company. Annex 1 demonstrates the impact of the issue of all Offered Shares on the amount represented by each share in the net assets of the Company on a consolidated basis under IFRS.

As already indicated above, upon issue of the Offered Shares, the portion of the issue price of the Offered Shares up to the par value of the existing shares (being EUR 0.10) will be recorded as "Capital", and the surplus as "Issuance Premium".

7. **Report of the auditor**

The auditor shall prepare a report on the aforementioned issuance of Offered Shares with cancellation of the preferential subscription right of the existing shareholders, in accordance with Articles 596 and 598 of the Companies Code.

For the board of directors, on the basis of a power of attorney

Date: December 20, 2016

Innosté SA, represented by Jean Stéphenne Director	Eduardo Bravo Director

Annex 1

		Not diluted for Outstanding Warrants and Convertible Bonds [(1)]		Fully diluted for Outstanding Warrants and Convertible Bonds[(2)]	
		Prior to the Transaction	Upon completion of the Transaction	Prior to the Transaction	Upon completion of the Transaction
Number of securities with voting rights attached					
A	**Existing shares prior to the Transaction**	248,304,587	248,304,587	286,033,433	286,033,433
B	**Offered Shares**	0	11,651,778	0	11,651,778
C	**Total (A + B)**	248,304,587	259,956,365	286,033,433	297,685,211
D	**Dilution as a result of the Transaction (B : C)**		4.48%		3.91%
Share capital (statutory basis) (EUR) [(3)]					
E	**Share capital prior to the Transaction**	24,830,458.70	24,830,458.70	29,573,374.46	29,573,374.46
F	**Capital increase as a result of the issue of Offered Shares[(4)]**	0	1,165,177.80	0	1,165,177.80
G	**Total (E + F)**	24,830,458.70	25,995,636.50	29,573,374.46	30,738,552.26
H	**Per share (G : C)**	0.100	0.100	0.103	0.103
Net equity (consolidated basis) (EUR) [(5), (6)]					
I	**Net equity prior to the Transaction**	60,608,461.10	60,608,461.10	98,498,506.99	98,498,506.99
J	**Increase of net equity as a result of the Transaction**	0	10,000,000	0	10,000,000
K	**Total (I + J)**	60,608,461.10	70,608,461.10	98,498,506.99	108,498,506.99
L	**Per share (K : C)**	0.244	0.272	0.344	0.364

Remarks:

(1) Assuming that none of the 9,898,500 Outstanding Warrants are exercised and that none of the 250 outstanding Convertible Bonds are converted. Furthermore assuming that the over-allotment option granted to the underwriters in connection with the US IPO to subscribe for up to 6,900,000 new shares will not be exercised.

(2) Assuming that all 9,898,500 Outstanding Warrants are exercised and all 250 outstanding Convertible Bonds are

converted at a conversion price of EUR 0.8983, as adjusted following the announcement by the Company on December 15, 2016 of the pricing of its initial public offering in the United States. For the warrants issued on February 26, 2007, EUR 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, EUR 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. For the warrants issued on June 19, 2009 and March 12, 2010, EUR 0.978 (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 July 6, 2012, March 20, 2013, December 16, 2013, April 22, 2014, and December 7, 2015, EUR 0.10 (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. Assuming, however, that the over-allotment option granted to the underwriters in connection with the US IPO to subscribe for up to 6,900,000 new shares will not be exercised.

(3) As starting point for the calculation of the share capital (on a statutory basis), the registered capital of TiGenix NV as per December 20, 2016 was taken.

(4) Excluding issuance premium.

(5) As starting point for the calculation of the net assets (on a consolidated basis), the unaudited net assets of TiGenix NV on a consolidated basis under IFRS per June 30, 2016 were taken, increased with the amount (including issuance premium) of the capital increase of 20 December 2016. The results of the TiGenix group after June 30, 2016 have not been taken into account.

(6) The computation of the increase of the net equity as a result of the Transaction is based on an issuance price of the Offered Shares amounting to EUR 0.858238095.