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**(The “Company”)**

## **SPECIAL REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLES 596 AND 598 OF THE 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 up to 777,000 warrants intended for the personnel of the Company or its subsidiaries, its independent directors, its executive directors and other key persons (the “Warrants”).

### **1 Description of the transaction**

The issuance of the Warrants and the accompanying conditional capital increase will be submitted for approval to an extraordinary shareholders’ meeting convened for such purposes.

The shares that will be issued upon exercise of the Warrants will have the same rights as the existing shares.

The board of directors has drawn up a special report pursuant to article 583 of the Companies Code in which the issuance of the Warrants is described in more detail and is justified.

The list below contains an overview of persons who currently are a consultant of the Company or its subsidiaries or an independent or an executive director of the Company and who, in principle, qualify as a beneficiary of the new Warrants in this capacity. The inclusion of these persons on this list does not imply, however, that the board of directors commits itself to effectively grant Warrants to them in the future. Furthermore, the board of directors is free to grant Warrants in the future (or to propose the grant thereof to the general meeting) to consultants of the Company or its subsidiaries, independent and executive directors of the Company, or other key persons, whose identity is still unknown at present and who would join the Company or its subsidiaries after the date of this report.

- Gil Beyen BVBA (CBO), represented by Gil Beyen
- Greig Biotechnology Global Consulting, Inc., independent director, represented by Russell G. Greig,
- Innosté SA, independent director, represented by Jean Stéphenne,
- Willy Duron, independent director,

- Eduard Enrico Holdener, independent director, and
- R&S Consulting BVBA, independent director, represented by Dirk Reyn.

The Warrants are granted to the beneficiaries free of charge.

Each Warrant entitles its holder to subscribe to one share in the Company at the fixed exercise price.

Unless the shareholders' meeting (with respect to the independent directors) or the board of directors prior to or at the time of the grant of the Warrant determines a higher exercise price, the exercise price of a Warrant will be equal to the lowest of the following prices:

- the last closing price of the TiGenix share on the stock exchange prior to the date on which the Warrant is offered; or
- the average closing price of the TiGenix share on the stock exchange over the 30 day period preceding the date on which the Warrant is offered,

it being understood that, for beneficiaries of the warrants plan that are not employees of the Company or its subsidiaries, the exercise price cannot be lower than the average closing price of the TiGenix share on the stock exchange over the 30 day period preceding the date of issuance of the Warrants.

Upon exercise, the portion of the exercise price up to the par value of the existing shares needs to be recorded as capital. The portion of the exercise price exceeding the par value of the existing shares needs to be recorded on a separate account unavailable for distribution called "Issuance premiums".

For further information on the conditions of the warrants plan, we refer to the separate report drawn up by the board of directors pursuant to article 583 of the Companies Code with respect to the issue of the Warrants.

## **2 Financial consequences of the transaction for the shareholders**

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

The registered capital of the Company currently amounts to EUR 10,028,858.60 represented by 100,288,586 shares, without nominal value, each representing 1/100,288,586<sup>th</sup> of the registered capital.

In addition, there are 5,617,683 outstanding warrants (there are no warrants outstanding that have not yet been granted and accepted). 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 5,617,683 new shares in the Company in case all 5,617,683 outstanding warrants are exercised.

In case the Warrants are effectively exercised during their duration, the registered capital of the Company will be increased with EUR 0.10 per Warrant, being EUR 77,700 in total in case all 777,000 Warrants are effectively granted and exercised.

In case all 777,000 Warrants are effectively granted and exercised, 777,000 new shares will be issued. Leaving the 5,617,683 warrants that are still outstanding aside and only taking into account the number of shares that are outstanding at the date of this report, the exercise of all 777,000 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) 0.77%. In case, in addition to the number shares that are outstanding on the date of this report, also the maximum number of shares that can be issued upon exercise of all warrants that are outstanding on the date of this report is taken into account, the exercise of all 777,000 Warrants will result in a dilution of up to (rounded-off) 0.73%.

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

As the exercise price of the Warrants cannot be lower 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.

The amount of the increase of the net assets will depend on the applicable exercise price and the number of exercised Warrants, which makes it impossible at this time for the board of directors to make an accurate assessment of the possible financial consequences of the issuance and the potential exercise of these Warrants for the existing shareholders.

Consequently, the board of directors has prepared a number of simulations on the basis of hypothetical exercise prices. The results of these simulations are attached to this report as Annex 1 and demonstrate that, depending on the exercise price, the exercise of the Warrants can lead to a decrease or an increase of the amount represented by each share in the net assets of the Company on a consolidated basis under IFRS.

As already indicated above, upon exercise of these new Warrants, the portion of the exercise price of the new Warrant up to the par value of the existing shares (being EUR 0.10) will be recorded as capital, and the surplus as Issuance Premium.

## **2.3** Other accounting (IFRS) consequences of the offering of the Warrants

Upon acceptance of the Warrants that are offered, the Company will determine a market value ("fair value") for the Warrants on the basis of the commonly used actuarial methods to this effect and this market value will be accounted for spread over the period of service that is expected from the warrant holders ("vesting period") in accordance with the relevant warrants plan. This market value can only be determined on the date of the acceptance of the Warrants. It will be determined in function of the following parameters: (i) stock price of the share in the Company on the date of the offer; (ii) the exercise price of the Warrants; (iii) the expected volatility of the share of the Company; (iv) the exercise period of the Warrants (being 10 years) and (v) the applicable interest rate.

## **3** Report of the auditor

The auditor shall prepare a report on the aforementioned issuance of warrants 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: 15 January 2013

Eduardo Bravo

Director and CEO

## Annex 1: Simulations

| <b>A. Situation before the issuance of the new Warrants - fully diluted<sup>(1)</sup></b>                                |   |                                 |
|--|---|---------------------------------|
|  | <b>Registered Capital<sup>(2)</sup></b> | <b>Net Assets<sup>(3)</sup></b> |
|  | €                                       | €                               |
| Amount represented by one share  | 0.114                                   | 0.656                           |
| <b>TOTAL</b>   | <b>12,097,716.82</b>                    | <b>69,461,170.30</b>            |
| <b>B. Situation after the issuance of the new Warrants with an exercise price of €0.60 - fully diluted<sup>(4)</sup></b> |   |                                 |
|  | <b>Registered Capital<sup>(2)</sup></b> | <b>Net Assets<sup>(3)</sup></b> |
|  | €                                       | €                               |
| Amount represented by one share  | 0.114                                   | 0.655                           |
| <b>TOTAL</b>   | <b>12,175,416.82</b>                    | <b>69,927,370.30</b>            |
| <b>C. Situation after the issuance of the new Warrants with an exercise price of €0.80 - fully diluted<sup>(4)</sup></b> |   |                                 |
|  | <b>Registered Capital<sup>(2)</sup></b> | <b>Net Assets<sup>(3)</sup></b> |
|  | €                                       | €                               |
| Amount represented by one share  | 0.114                                   | 0.657                           |
| <b>TOTAL</b>   | <b>12,175,416.82</b>                    | <b>70,082,770.30</b>            |
| <b>D. Situation after the issuance of the new Warrants with an exercise price of €1.00 - fully diluted<sup>(4)</sup></b> |   |                                 |
|  | <b>Registered Capital<sup>(2)</sup></b> | <b>Net Assets<sup>(3)</sup></b> |
|  | €                                       | €                               |
| Amount represented by one share  | 0.114                                   | 0.658                           |
| <b>TOTAL</b>   | <b>12,175,416.82</b>                    | <b>70,238,170.30</b>            |
| <b>E. Situation after the issuance of the new Warrants with an exercise price of €1.20 - fully diluted<sup>(4)</sup></b> |   |                                 |
|  | <b>Registered Capital<sup>(2)</sup></b> | <b>Net Assets<sup>(3)</sup></b> |
|  | €                                       | €                               |
| Amount represented by one share  | 0.114                                   | 0.660                           |
| <b>TOTAL</b>   | <b>12,175,416.82</b>                    | <b>70,393,570.30</b>            |

### Remarks

- (1) Assuming that all 5,617,683 outstanding granted warrants are exercised. For the warrants issued on 14 May 2004 and 20 April 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 3 November 2005 and 26 February 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 20 March 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. For the warrants issued on 19 June 2009 and 12 March 2010, €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 6 July 2012, €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.
- (2) As starting point for the calculation of the registered capital on a fully diluted basis, the registered capital of TiGenix NV as per 27 December 2012 was taken, being € 10,028,858.60 represented by 100,288,586 shares.
- (3) As starting point for the calculation of the net assets on a fully diluted basis, the net assets of TiGenix NV on a consolidated basis under IFRS per 30 June 2012 was taken, after correction for the capital increase dated 27 December 2012, being € 58,192,160.30.
- (4) Assuming that (i) all outstanding granted warrants are exercised (see remark (1)) and (ii) all new Warrants are granted and exercised whereby €0.10 of the exercise price per Warrant shall be recorded as capital and the excess shall be recorded as issuance premium.