TiGenix
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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 one million nine hundred ninety-four thousand three hundred and two (1,994,302) warrants (the "**Warrants**") intended for Kreos Capital IV (Expert Fund) Limited, a company incorporated in Jersey whose registered office is at 47 Esplanade, St. Helier, Jersey JE1 0BD (the "**Beneficiary**").

1 Description of the transaction

The board of directors proposes to the shareholders of the Company to issue the Warrants and to approve the accompanying conditional capital increase of the Company.

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

The Warrants will be granted free of charge to the Beneficiary, *i.e.* Kreos Capital IV (Expert Fund) Limited, a company incorporated in Jersey whose registered office is at 47 Esplanade, St. Helier, Jersey JE1 0BD. This requires the cancellation of the preferential subscription right of the existing shareholders.

Each Warrant entitles its holder to subscribe to one share in the Company at the fixed exercise price, which shall be equal to 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, provided that the exercise price shall in no event be lower than the current par value of the shares in the Company (i.e., EUR 0.10).

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 and justification of the proposed Warrants, 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 and containing an annex setting out the conditions and characteristics of the Warrants (the "**Plan**").

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 16,047,662, represented by 160,476,620 shares, without nominal value, each representing 1/160,476,620th of the registered capital.

In addition, as per 31 December 2013, there are 7,419,105 outstanding warrants (i.e. warrants that have been granted and accepted (or that can still be accepted) and that have not yet become null and void for any reason as per 31 December 2013) (the "**Outstanding Warrants**")[1]. 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 7,419,105 new shares in the Company in case all 7,419,105 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 199,430.20 in total in case all one million nine hundred ninety-four thousand three hundred and two (1,994,302) Warrants are effectively granted and exercised.

In case all one million nine hundred ninety-four thousand three hundred and two (1,994,302) Warrants are effectively granted and exercised, one million nine hundred ninety-four thousand three hundred and two (1,994,302) new shares will be issued. Leaving the 7,419,105 Outstanding Warrants aside and only taking into account the number of shares that are outstanding at the date of this report, the exercise of all one million nine hundred ninety-four thousand three hundred and two (1,994,302) 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) 1.23%. 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 Outstanding Warrants is taken into account, the exercise of all one million nine hundred ninety-four thousand three hundred and two (1,994,302) Warrants will result in a dilution of up to (rounded-off) 1.17%.

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

Typically the Warrants will only be exercised if the exercise price is lower than the stock price of the share. Therefore the financial dilution of the shareholders / existing warrant holders will depend on the difference between the exercise price and the stock price on the date of exercise.

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

[1] This number of 7,419,105 Outstanding Warrants also includes 848,820 warrants that have been granted on 16 December 2013 but not yet accepted on the date of this report, and that can still be accepted until 16 March 2014.

Annex 1 and demonstrate that, depending on the exercise price, the exercise of the Warrants can lead to e.g. a status quo 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 Accounting (IFRS) and other consequences of the offering of the Warrants

The Warrants (including the Put Option (as defined in the Plan)) will be recognised as a financial liability (derivative instrument) in accordance with IAS 32 – *Financial Instruments: presentation* and IAS 39 – *Financial Instruments: Recognition and Measurement*. This financial liability will be measured at fair value at each reporting date with changes in fair value recognised immediately in profit or loss. The fair value is measured using a valuation model taking into account the following inputs: share price, strike price, volatility of the share, duration, the interest rate (including the spread related to TiGenix) and the probability of exercising the Put Option. Furthermore, the loan received under the Loan Facility Agreement (as defined in the Plan) to which the Warrants are related will be recognised as a financial liability at amortised cost using the effective interest rate method.

The granting of the free Warrants and the Put Option implies that the consideration under the Loan Facility Agreement is de facto higher than the nominal interest cost.

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: 27 February 2014

Eduardo Bravo

Director and CEO

Annex 1: Simulations

A.	**Situation before the issuance of the new Warrants - *fully diluted*[(1)]**	
	Registered Capital[(2)] €	**Net Assets[(3)] €**
Amount represented by one share	0.109	0.413
TOTAL	**18,241,458.17**	**69,319,165.47**

B.	**Situation after the issuance of the new Warrants with an exercise price of €0.40 - *fully diluted*[(4)]**	
	Registered Capital[(2)] €	**Net Assets[(3)] €**
Amount represented by one share	0.109	0.413
TOTAL	**18,440,888.37**	**70,116,886.27**

C.	**Situation after the issuance of the new Warrants with an exercise price of €0.60 - *fully diluted*[(4)]**	
	Registered Capital[(2)] €	**Net Assets[(3)] €**
Amount represented by one share	0.109	0.415
TOTAL	**18,440,888.37**	**70,515,746.67**

D.	**Situation after the issuance of the new Warrants with an exercise price of €0.80 - *fully diluted*[(4)]**	
	Registered Capital[(2)] €	**Net Assets[(3)] €**
Amount represented by one share	0.109	0.417
TOTAL	**18,440,888.37**	**70,914,607.07**

E.	**Situation after the issuance of the new Warrants with an exercise price of €1.00 - *fully diluted*[(4)]**	
	Registered Capital[(2)] €	**Net Assets[(3)] €**
Amount represented by one share	0.109	0.420
TOTAL	**18,440,888.37**	**71,313,467.47**

Remarks

(1) Assuming that all 7,419,105 Outstanding 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, 20 March 2013 and 16 December 2013, €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 31 December 2013 was taken, being € 16,047,662 represented by 160,476,620 shares.

(3) As starting point for the calculation of the net assets on a fully diluted basis, the unaudited net assets of TiGenix NV on a consolidated basis under IFRS per 30 June 2013 was taken, after correction for the net capital increases dated 24 and 26 July 2013 and 22 November 2013.

(4) Assuming that (i) all Outstanding 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.