TiGenix
Living Medicines

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS PER DECEMBER 31, 2013

Dear shareholders,

We are pleased to present to you the consolidated financial statements and the statutory financial statements for the fiscal year ended December 31, 2013.

1. Main events in 2013

ChondroCelect

In March 2013, TiGenix obtained Spanish reimbursement for ChondroCelect, which should allow Spanish orthopaedic centers to routinely make this therapy available to the right patients. However, regional reimbursement must be further obtained before being able to effectively develop the market. In 2013, ChondroCelect was being commercialized in Belgium, the Netherlands, Spain and the UK through TiGenix's own commercial team. In Finland, ChondroCelect was being sold through the Finnish Red Cross Blood Services under a distribution agreement.

Stem cell platform

In January 2013, TiGenix successfully renewed the GMP licence for its stem cell manufacturing facility in Madrid. This GMP facility is key within the TiGenix organization to manufacture high-quality, clinical grade allogeneic stem cell products to fuel our key clinical programs.

In 2013, patient recruitment in the Cx601 Phase III clinical trial advanced, with around 60% of the targeted number of patients recruited to date. Recruitment should be finalized in 2014. Study results are expected in the third quarter of 2015 and, if positive, should allow TiGenix to file for European marketing approval of Cx601 soon thereafter.

On April 22, 2013, TiGenix reported positive Phase IIa study results in refractory rheumatoid arthritis with allogeneic stem cell product Cx611as well as a first indication of therapeutic activity on standard outcome measures and biologic markers of inflammation for at least three months after dosing.

As from May 2013, the Company has been working closely together with an advisory board of international key opinion leaders to determine the appropriate design of potential follow-up studies for the Company's products Cx611 and Cx621 in inflammatory and autoimmune disorders. The Company expects to finalize this analysis and to announce the next steps (if any) of the development plan for Cx611 and Cx621 in the first half of 2014. It is very likely that the Company will first concentrate its efforts on Cx611 and will wait for the results of Cx611 trials before engaging in trials with Cx621.

Capital increases

In 2013, the Company increased its capital twice, in July and in November.

On July 26, 2013, TiGenix completed a EUR 6.5 million capital increase. The private placement allowed TiGenix to place 26 million new shares with investors selected via the accelerated bookbuilding procedure, at a price of EUR 0.25 per share, a 50% discount on the closing price of July 17, 2013.

On November 22, 2013, TiGenix completed a EUR 12 million capital increase with strategic investor Grifols. In total 34,188,034 new ordinary shares were issued to Gri-Cel S.A., a fully-owned subsidiary of global healthcare company Grifols S.A. Having such a reference shareholder increases the Company´s financial stability and strengthens its position for future partnering negotiations with third parties. In addition, TiGenix entered into an agreement with Gri-Cel S.A. pursuant to which it will in the future offer to Gri-Cel SA the possibility to evaluate and negotiate potential partnering opportunities in relation to the development and the commercialization of TiGenix products other than ChondroCelect. By virtue of this agreement, Gri-Cel S.A. (Grifols) could in the future become a strategic partner for TiGenix.

Loan facility agreement

Finally, on December 20, 2013, the Company secured a EUR 10 million in financing from Kreos Capital (the Europe´s largest and leading provider of growth debt to high-growth companies). The conditions of the loan are as follows:

- Draw down: three tranches at the Company's discretion: EUR 5 million in early February 2014; EUR 2.5 million by end of May, 2014; EUR 2.5 million by end of September, 2014
- Term: four years
- Amortization: starts at first anniversary
- Interest: 12.5% fixed annual interest rate
- Structure: security over certain assets (including a pledge over certain intellectual property and bank accounts); no financial covenants
- Warrants: 1,994,302 warrants to be granted to Kreos, subject to shareholder approval; exercise price to equal 30-day average closing price of TiGenix share at date of issue of warrants; if shareholders do not approve the issue of warrants, Kreos is entitled to a payment of EUR 890,000 over 3 years.

2. Discussion and analysis of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS and have been drawn up by the Board of Directors on March 10, 2014. The financial statements will be communicated to the shareholders at the annual general shareholders' meeting on April 22, 2014.

Products & sales

ChondroCelect:

- As mentioned above, in March 2013, TiGenix received reimbursement for ChondroCelect in Spain. This makes the product reimbursed in Belgium, the Netherlands and Spain and available in over 50 specialized treatment centers.
- In addition to the countries where reimbursement was obtained, TiGenix will continue to sell ChondroCelect in the UK under managed access and private insurance schemes, as well as in Finland through its distribution agreement with the Finnish Red Cross Blood Service; TiGenix will also continue to pursue the commercialization of ChondroCelect in the Middle East region through its distribution agreement with Genpharm.

Sales:

- During 2013, TiGenix billed sales of EUR 4,3 million which represents an increase of 25% compared to the gross sales of 2012 on a like-for-like basis (excluding the revenues in 2012 related to the retroactive reimbursement in the Netherlands KEUR 657) (and which represents a total of 212 patients treated in 2013 compared to 169 patients treated in 2012).
- According to the numbers in the financial statements, sales increased 5% from EUR 4.1 million in 2012 (including EUR 0.7 million revenues received in 2012 but relating to sales in 2011 due to the retroactive reimbursement in the Netherlands) to EUR 4.3 million in 2013
- During 2013, sales in ChondroCelect increased significantly compared to 2012 due to the strengthening of the sales in the Netherlands and in Belgium.
- Although ChondroCelect obtained national reimbursement in Spain in 2013, national reimbursement first needs to be supplemented with regional reimbursements, before being able to effectively develop the market and get hospital buy-in and budgets. The Company's

commercial priority for Spain in 2014 will be to master this hurdle. If no regional reimbursements were to be obtained, the development of sales in Spain will be extremely low.

- Sales in Finland (which have been limited so far) and the Middle East (no sales so far) are dependent on the activities of TiGenix's distribution partners, the Finnish Red Cross Blood Systems (FRCBS) and GenPharm. TiGenix is working with FRCBS to increase market penetration in Finland and with GenPharm to clarify the pathway towards registration of the product in the Middle East.
- In other European countries, the Company does not have any sales.

Pipeline development

- Phase III in perianal fistula (Cx601) ongoing as planned, 171 patients recruited end 2013

  Cx601 is TiGenix's most advanced clinical stage product and has completed a Phase II study for the treatment of complex perianal fistulas in patients suffering from Crohn's Disease. Based on the Phase II clinical trial report, scientific advice was sought from the EMA. In a final clarification letter, the Committee for Medicinal Products for Human Use (CHMP) stated that the presented preclinical data package can be considered sufficient for an MAA (Marketing Authorisation Application) submission so no further preclinical work will be required. CHMP also indicated that the proposed single Phase III (ADMIRE-CD) study should suffice to demonstrate the efficacy required to support the MAA.

  The protocol of the Phase III program has been submitted to the ethics committees and regulatory agencies of all participating countries, and recruitment started in mid 2012.

  Cx601 has been granted orphan designation by the EMA. An application for an orphan drug designation has been submitted with the US Food and Drug Administration.

  The ADMIRE-CD (Adipose Derived Mesenchymal stem cells for Induction of REmission in perianal fistulising Crohn's Disease) Phase III trial has been designed in accordance with EMA requirements. It is a randomized, double-blind, placebo controlled international trial conducted in 46 centers, across 8 countries. Approximately 200 patients are to be treated. Key inclusion criteria are up to 2 internal openings and up to 3 external openings, and nonactive luminal Crohn´s disease. The objective is to demonstrate safety and efficacy, which is defined as closure and/or remission after 24 weeks. The Company has received approvals from Ethical Committees/Regulatory Agencies in all 8 participating countries (Spain, Italy, Austria, Belgium, Germany, France, the Netherlands and Israel).

  In 2013, patient recruitment in this Phase III clinical trial advanced, with around 60% of the targeted number of patients recruited to date. Recruitment should be finalized in 2014. Study results are expected in the third quarter of 2015 and, if positive, should allow TiGenix to file for European marketing approval of Cx601 soon thereafter. A EUR 4.95 million innovation credit from the "Madrid Network" has been granted between 2011 and 2013 to finance this Phase III study. The three tranches of the loan, representing 100% of the total amount, have been received by the Company for a total of EUR 4.95 million.

- Positive 6-month safety data of its Phase IIa study of Cx611 in refractory rheumatoid arthritis (RA)

  On April 22, 2013, TiGenix reported positive 6-month safety data of its Phase IIa study of Cx611 in refractory rheumatoid arthritis (RA), as well as a first indication of therapeutic activity on standard outcome measures and biologic markers of inflammation for at least hree months after dosing.

  Cx611 is an intravenously injected suspension of expanded allogeneic adult stem cells derived from human adipose (fat) tissue. The multicenter, randomized, double blind, placebo-controlled Phase IIa trial enrolled 53 patients with active refractory rheumatoid arthritis (mean time since diagnosis 15 years), who failed to respond to at least two biologics (mean previous treatment with 3 or more disease-modifying antirheumatic drugs and 3 or more biologics). The study design was based on a three-cohort dose-escalating protocol. For both the low and medium dose regimens

20 patients received active treatment versus 3 patients on placebo; for the high dose regimen 6 patients received active treatment versus 1 on placebo. Patients were dosed at day 1, 8, and 15 and were followed up monthly over a six-month period. Follow-up consisted of a detailed monthly workup of all patients measuring all pre-defined parameters. The aim was to evaluate the safety, tolerability and optimal dosing over the full 6 months of the trial, as well as exploring therapeutic activity.

Only one patient suffered serious adverse events that led to discontinuation of the treatment. All other side effects were mild and transient. Importantly, the first results show no signs of hematological side effects or thrombosis.

As from May 2013, the Company has been working closely together with an advisory board of international key opinion leaders to determine the appropriate design of potential follow-up studies for Cx611 in inflammatory and autoimmune disorders. TiGenix expects to finalize this analysis and to announce the next steps (if any) of the development plan for Cx611 in the first half of 2014. It is very likely that the Company will first concentrate its efforts on Cx611 and will wait for the results of Cx611 trials before engaging in trials with Cx621.

- Positive results of Cx621 Phase I to assess intra-lymphatic administration for autoimmune disorders

  Cx621 is an allogeneic eASC product candidate for the treatment of autoimmune diseases via a proprietary technique of lymphatic administration. Based on positive preclinical data on toxicology, biodistribution and efficacy, the ethical committee of Clínica Universitaria de Navarra (Spain) approved a Phase I protocol to assess safety, tolerability and pharmacodynamics of intranodal injected allogeneic eASCs in healthy volunteers. TiGenix started the recruitment for this study in the fourth quarter of 2011 and had final results in 2012.

  The confirmation of the safety of intra-lymphatic administration of TiGenix's expanded adipose stem cells (eASCs) has potentially important clinical and commercial implications. It opens up the possibility of achieving efficacy at much lower dosage, which would further increase the safety profile of TiGenix's eASCs, while it would simultaneously significantly reduce the cost of goods (COGS) and improve margins. An additional benefit is that the subcutaneous lymph nodes are superficial and readily visible by ultrasound, and thus allow for a rapid and easy injection.

  As from May 2013, the Company has been working closely together with an advisory board of international key opinion leaders to determine the appropriate design of potential follow-up studies for Cx621 in inflammatory and autoimmune disorders. TiGenix expects to finalize this analysis and to announce the next steps (if any) of the development plan for Cx621 in the first half of 2014. It is very likely that the Company will first concentrate its efforts on Cx611 and will wait for the results of Cx611 trials before engaging in trials with Cx621.

<u>Consolidation scope</u>

The consolidated financial statements consist of TiGenix NV, TiGenix Inc., TiGenix BV, TiGenix SAU (for 8 months) and TiGenix Ltd (the latter as discontinued operation) for the financial year ended December 31, 2011; TiGenix NV, TiGenix Inc., TiGenix BV, TiGenix SAU and TiGenix Ltd (the latter as discontinued operation) for the financial year ended December 31, 2012; and TiGenix NV, TiGenix Inc., TiGenix SAU, TiGenix BV and TiGenix Ltd (the two latter as discontinued operation) for the financial year ended December 31, 2013.

TiGenix Living Medicines

Sales

Thousands of Euro (€)	Years ended December 31 2013	2012	2011
Sales billed	4.301	4.084	1.804
Sales discounts	0	0	-657
Total Sales	**4.301**	**4.084**	**1.146**

ChondroCelect sales for the twelve months ended December 31 2013 have grown 25,5% to EUR 4.3 million, compared to EUR 3.4 million in the same period of last year on a like-for-like basis (excluding the revenues in 2012 related to the retroactive reimbursement in the Netherlands KEUR 657). Revenues in 2013 have been mainly fueled by the sales in Belgium and the Netherlands.

During 2012, sales in ChondroCelect increased significantly compared to 2011 due to the national retroactive reimbursement (as of January 1, 2011) of ChondroCelect in the Netherlands.

Cost of Sales

Thousands of Euro (€)	Years ended December 31 2013	2012	2011
Employee benefits expenses	455	363	206
Depreciations, amortisations and impairment losses	4	3	13
Other operating costs	677	540	237
Total	**1.136**	**905**	**455**

Cost of sales includes all costs directly attributable to the production of ChondroCelect, such as consumables, quality control tests, personnel and fix expenses. The cost of sales reflects the economic reality of the costs incurred in producing one unit of ChondroCelect. The cost of sales has increased through the years in accordance with the increase in the number of units sold.

Gross Profit

Thousands of Euro (€)	Years ended December 31 2013	2012	2011
CONSOLIDATED INCOME STATEMENT			
CONTINUING OPERATIONS			
Sales	**4.301**	**4.084**	**1.146**
Gross sales	*4.301*	*4.084*	*1.804*
Deferred sales and discounts			*-657*
Cost of sales	-1.136	-905	-455
Gross profit	**3.165**	**3.179**	**691**

Gross profit for the twelve months ended December 31, 2013 has grown 25% to EUR 3.2 million, compared to EUR 2.5 million in the same period of last year on a like-for-like basis (excluding the revenues in 2012 related to the retroactive reimbursement in the Netherlands KEUR 657).

Operating expenses

Thousands of Euro (€)	Years ended December 31 2013	2012*	2011*
Research and development expenses	-10.905	-13.264	-10.200
Sales and marketing expenses	-3.416	-2.863	-2.639
General and administrative expenses	-5.796	-5.924	-6.544
Other operating expenses	0	0	-2.974
Total operating expenses	**-20.117**	**-22.051**	**-22.357**

*The 2011 and 2012 consolidated income statements have been adjusted to present TiGenix BV as discontinued operations (see note 6).

Decrease in 2013 expenses compared to 2012 is mainly related to the completion in 2012 of the Cx611 Phase IIa clinical trial in RA, the completion of the Cx621 clinical trial Phase I for intra-lymphatic administration to treat autoimmune disorders as well as the reduction in the manufacturing facilities once the Dutch facility was fully operative in 2013.

The increase in 2012 compared to 2011 is mostly explained by the fact that the full year expenses related to the products in development by TiGenix SAU are included as well as the full year amortization of the intellectual property acquired in the context of the business combination with TiGenix SAU (in line with IFRS 3, only the expense for the period May to December was included in 2011).

Sales and marketing expenses have increased compared with previous years, this is the result of the increase of the operational taxes in Belgium in line with the increase in sales and due to the increase in obtaining the Spanish reimbursement.

General and administrative expenses continue decreasing in 2013 showing the effort of the Company to keep the costs under tight control. During 2012 and despite the inclusion of the full year of TiGenix SAU (2011 figures included only 8 months), the Company successfully reduced the overall G&A expenses due to strict cost control, cash management and the identification of several synergies after the business combination with TiGenix SAU. Furthermore, depreciation and amortisation expenses have decreased as in 2011 depreciation and amortisation included the impairment of receivables within TiGenix Inc. while no such impairment was done in 2012.

The other operating expenses in 2011 consist of the acquisition related costs incurred during the business combination with TiGenix SAU in May 2011. These costs represent mainly lawyer fees, financial advisors and auditors.

Other operating income

Thousands of Euro (€)	Years ended December 31 2013		2012		2011
Other operating income	939		1.389		393
Other operating income	**939**	**0**	**1.389**	**0**	**393**

Other operating income has decreased significantly in 2013, due to a general reduction of national government grants in favour of an increase of soft loans.

The increase in 2012 compared to the previous year was the result of the obtention of the 7th Framework Program grant and national and additional regional grants.

Operating result (EBIT) and net result

Thousands of Euro (€)	Years ended December 31 2013	2012*	2011*
CONSOLIDATED INCOME STATEMENT			
CONTINUING OPERATIONS			
Sales	4.301	4.084	1.146
Cost of sales	-1.136	-905	-455
Gross profit	3.165	3.179	691
Operating expenses	-20.117	-22.051	-22.357
Other operating income	939	1.389	393
Operating Result	-16.014	-17.482	-21.274
Financial result	-389	-167	734
Profit/(Loss) before taxes	-16.402	-17.649	-20.540
Income taxes	59	-1	0
Profit/(Loss) for the period from continuing operations	-16.343	-17.650	-20.540
DISCONTINUED OPERATIONS			
Profit/(Loss) for the period from discontinued operations	-2.048	-2.743	-16.765
Profit/(Loss) for the period	-18.391	-20.393	-37.305

*The 2011 and 2012 consolidated income statements have been adjusted to present TiGenix BV as discontinued operations

The operating result (EBIT) decreased to EUR -16.0 million in 2013 from EUR -17.5 million in 2012 in line with the decrease in other operating expenses for the completion of two clinical trials (Cx611 and Cx621) in 2012.

The net loss of the continuing operations amounted to EUR -16.3 million in 2013, compared to EUR -17.7 million in 2012, in line with the decrease of the operating result.

The net loss for the period has decreased to EUR -18.4 million in 2013 from EUR -20.4 million in 2012.

Taxation

The tax losses attributable to TiGenix SAU (KEUR 23.722) have an average maturity of 14 years. The other tax losses do not have an expiry date. The tax credits have an average remaining maturity of 11 years.

The losses of the Group in the past imply that no income taxes were payable. On December 31, 2013 the Group had a loss carried forward amounting to EUR 125.6 million (2012: EUR 113.2 million), including a potential deferred tax asset of EUR 41.8 million. Due to the uncertainty surrounding TiGenix's ability to realise taxable profits in the near future, the Company did not recognise any deferred tax assets on its balance sheet.

Next to tax losses, the Group has unused tax credits (2013: EUR 13.9 million; 2012: EUR 12.1 million) and deductible temporary differences (2013: EUR 7.6 million; 2012: EUR 8.3 million) for which no deferred tax assets have been recognised.

Cash flow

Thousands of Euro (€)	2013	2012*	2011*
	Years ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Result	**-16.013**	**-17.482**	**-21.274**
Adjustments for:			
Depreciation, amortisation and impairment results	3.258	3.687	2.789
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**-12.755**	**-13.796**	**-18.485**
Other adjustments	-1.719	-3.878	-107
Net cash provided by/(used in) operating activities	**-14.474**	**-17.674**	**-18.592**
Net cash provided by/(used in) investing activities	**-1.321**	**-722**	**15.109**
Net cash provided by/(used in) financing activities	**20.285**	**9.695**	**17.697**
Net increase/(decrease) in cash and cash equivalents	**4.489**	**-8.701**	**14.214**
Cash and cash equivalents at beginning of year	11.072	19.771	5.555
Effect of currency translation on cash and cash equivalents	4	1	2
Cash and cash equivalents at end of period	**15.565**	**11.072**	**19.771**

*The 2011 and 2012 consolidated statements of cash flows have been adjusted to present TiGenix BV as discontinued operations

The net cash used in operating activities decreased to EUR -14.5 million in 2013 from EUR -17.7 million in 2012. Main drivers of the decrease are the decrease in the operating activities, as explained before the completion of the Cx611 Phase IIa clinical trial and the completion of the Cx621 Phase I clinical trial have a significant impact in the reduction of the operating loses in 2013 as well as the elimination of synergies after the merger.

The net cash used in investing activities amounted to EUR -1.3 million in 2013, compared to EUR -0.7 million in 2012. The main investments in 2013 is related to a guarantee for the last of the Madrid Network soft loan while the investments in 2012 relate to the finalization of works in the new manufacturing facility in the Netherlands and IP. In 2011 investing activities were related to the leasehold improvements of the manufacturing facility in the Netherlands, which were highly compensated by the cash and cash equivalents acquired through the business combination with TiGenix SAU in May 2011.

The net cash provided by financing activities amounted to EUR 20.3 million, which mainly related to the private placement that took place in July, the capital increase of November, the proceeds from different grants and soft loans and the proceeds from the ING factoring service, the proceeds for 2012 relate to the private placement that took place in July 2012, the proceeds from different grants and soft loans and the proceeds from the ING factoring service, while 2011 financing activities of EUR 17.7 million were the result of the rights issue net of costs that took place after the business combination with TiGenix SAU and EUR 3.7 million resulted from the proceeds from financial loans (obtained in substitution of grants).

Statement of financial position

The balance sheet at December 31, 2013 remained solid as evidenced by the following key ratios:

	Years ended December 31		
Thousands of Euro (€)	2013	2012*	2011*
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash and cash equivalents as a % of total assets	25%	17%	26%
Working capital as a % of total assets	19%	10%	21%
Solvency ratio (equity / total assets)	76%	76%	82%
Gearing ratio (financial debt / equity)	18%	14%	11%

*The 2011 and 2012 consolidated financial statements have been adjusted to present TiGenix BV as discontinued operations

The major assets of the balance sheet at December 31, 2013 are:

- Cash and cash equivalents of EUR 15.6 million for about 25% of the total assets,
- Intangible assets of EUR 36.4 million, mainly the fair value of the intangible assets out of the acquisition of TiGenix SAU, for about 58% of the total assets,
- Tangible assets of EUR 0.9 million, mainly the leasehold improvements of the offices in Belgium and the incorporated assets from the acquisition of TiGenix SAU, for about 1% of the total assets,
- Available for sale investments related to the Arcarios participation representing 0.3% of the total assets,
- Other non-current assets related to the guarantees of both TiGenix NV and TiGenix SAU for rental of buildings and the guarantee for one of the Madrid Network soft loans that represent 2% of the total assets,
- Inventories with a slight decrease due to the reduction of the stock of TiGenix SAU for about 0.1% of the total assets,
- Receivables that have significantly decreased from 2012 due to the repayment of the retroactive reimbursement in the Netherlands for about 2.5% of the total assets,
- Other current financial assets related to grant guarantees representing 1.0% of the total assets, and
- Other current assets related to accrued income and deferred charges for about 0.3% of the total assets.

Total equity of EUR 48.2 million accounts for 76% of the total balance sheet at December 31, 2013. The other major liabilities are:

- Non-current liabilities of EUR 8.4 million, mainly related to the soft loans of TiGenix SAU, for about 13% of the total balance sheet,
- Other financial liabilities of EUR 0.9 million, related to the proceeds from the ING factoring, for about a 1.4% of the total balance sheet
- Trade payables of EUR 3 million for about 4.8% of the total balance sheet, and
- Other current liabilities of EUR 1.7 million representing about 2.6% of the total balance sheet.

Off-balance sheet commitments

The Group has off-balance sheet commitments related to rent for leased facilities, vehicles and equipment. At December 31, 2013, these commitments amounted to EUR 4.0 million. There are no other off-balance sheet commitments.

Going concern

For the reasons set out in section 8 of this report below, the Board of Directors decided to maintain the valuation rules in the assumption of the continuity of the Company.

3. Discussion and analysis of the statutory financial statements

The annual accounts cover the accounting period from January 1, 2013 to December 31, 2013.

The annual accounts give a true and fair view of the course of affairs of the Company during the past fiscal year.

Balance sheet - assets

- The cash at bank and in hand amounts to EUR 2.8 million on December 31, 2013;
- The non-current assets represent an amount of EUR 83.6 million, including EUR 79.3 million of financial assets, mainly representing TiGenix SAU for an amount of EUR 73.4 million and intercompany loans with TiGenix BV for an amount of EUR 5.6 million; the remainder consists of the formation expenses of EUR 2.2 million, being the costs (after depreciation) associated with the various capital increases, the tangible assets of EUR 0.3 million and the intangible assets of EUR 1.8 million;
- The current assets, excluding the cash at bank and in hand, amount to EUR 1.5 million. They mainly consist of receivables within one year and deferred charges and accrued income.

Balance sheet - liabilities

- The issued capital of the Company amounts EUR 16.0 million and the share premium account increased to EUR 108.2 million;
- Accumulated losses reached EUR 44.2 million at December 31, 2013 (see section 4 of this report below);
- The amounts payable of EUR 7.9 million consist mainly of TiGenix trade payables (EUR 0.9 million); short and long term financial debt (EUR 3.4 million) most of which comes from intra-group loans; liabilities in respect of remuneration and social security obligations (EUR 0.5 million); other amounts payable (EUR 1.8 million); and accrued charges and deferred income (EUR 1.2 million).

Results of the fiscal year

The operating income amounts to EUR 5.4 million and concerns other operating income of EUR 1.1 million that is recharged to its subsidiaries and a turnover of EUR 4.3 million related to the ChondroCelect sales.

The operating charges of EUR -11.4 million consist of:

- The expenses for services and other goods for an amount of EUR -4.6 million; costs mainly connected with clinical, medical and regulatory activities, sales & marketing outsourced costs, expenses for protection of intellectual property rights and the costs of the mandate contractors;
- The total personnel costs of EUR -2.5 million; reduced in line with the reduction in the R&D activities and the synergies after the business combination with TiGenix SAU (in 2012 severance compensations were included);
- Depreciation costs and amounts written off of EUR -2.1 million (increase in respect of 2012 due to the closing and full depreciation of the R&D activities in Belgium);

- Raw materials, consumables and goods for resale of EUR -1.1 million increased in respect with last year in line with the increase in the number of units od ChondroCelect sold; and
- Other operating charges of EUR-1.0 million, half of it consisting of costs made in TiGenix NV that are recharged to its subsidiaries and can be off set against the other operating income and another half due to the Belgium taxes for the selling of ChondroCelect.

The operating losses of the continuing operations before taxes in 2013 amount to EUR -5.4 million compared to EUR -6.6 million losses in 2012 and EUR -15.3 million losses in 2011.

The extraordinary charges of EUR -4.6 million are mainly due to the write-off of the intercompany loan and some receivables from TiGenix B.V.

The Company has closed its annual accounts with respect to the financial year 2013 with a loss of EUR 10.0 million.

Statutory and non-distributable reserves

The Company has a share capital of EUR 16.0 million. The Company has no statutory reserves. As the Company has closed its annual accounts with respect to the past financial year with a loss, the Company is not legally obliged to reserve additional amounts.

Allocation of the results

The Board of Directors proposes to carry forward the loss for the financial year to the next financial year.

4. Capital increases, decreases and issuance of financial instruments

The following capital increases and decreases occurred in 2013:

- Increase of the registered capital of the Company in the framework of the authorised capital (with cancellation of the preferential subscription right of the existing shareholders) with an amount of EUR 2,600,000 and payment of an issuance premium of EUR 3,900,000 through a private placement via an accelerated bookbuilding procedure that placed 26,000,000 shares, completed on July 24 and July 26, 2013;
- Increase of the registered capital of the Company in the framework of the authorised capital (with cancellation of the preferential subscription right of the existing shareholders) with an amount of EUR 3,418,803.40 and payment of an issuance premium of EUR 8,581,196.60 through a private placement via an accelerated bookbuilding procedure that placed 34,188,034 shares, completed on November 22, 2013;

At December 31, 2013, a total of 6,570,285 warrants were outstanding at an average weighted exercise price of EUR 1,77.

Under the existing warrant plans, 135,802, 45,268, 454,570, 800,000, 400,000, 500,000, 500,000, 4,000,000, 777,000 and 1,806,000 warrants were created in May 2004, April 2005, November 2005, February 2007, March 2008, June 2009, March 2010, July 2012, March 2013 and December 2013 respectively.

Under the 2004, 2005, 2007, 2008, 2009 and 2010 plans, in principle 25% of the warrants granted vests on each anniversary of the date of the grant. Under the July 2012 and the March 2013 plans, in principle 1/3rd of the warrants granted vests on the first anniversary of the date of the grant and 1/24th of the remaining 2/3rd of the warrants granted vests on the last day of each of the 24 months following the month of the first anniversary of the date of the grant[1]. Under the December 2013 plan, in principle 10% of the warrants granted vests on the date of acceptance of the warrants, 25% of the warrants granted vests on the first anniversary of the granting of the warrants and 1/24th of the remaining 65% of the warrants granted vests, if the Company effectively enters into certain business transactions, on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. Under all plans, warrants granted will only vest provided that the beneficiary still has a relationship with the Company via an employment contract, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested. All warrants were granted for free. The duration of the warrants is 5 years (March 2013 plan) or about 10 years (all other plans) as of the respective issue date of the warrants. Warrants that have not been exercised within such periods become null and void.

The initial term of the warrants issued in May 2004, April 2005 and November 2005 was extended to May 13, 2014, within the limits and under the conditions set out in article 47, §5 of the Law of March 26, 1999 regarding the Belgian action plan for the employment 1998 as introduced by article 21 of the Economic Recovery Law of March 27, 2009. The other terms and conditions of the respective warrants remained unchanged.

Prior to the business combination of the Company with TiGenix SAU, TiGenix SAU had created two Equity Based Incentive Plans ("**EBIPs**").

Under the existing EPIB plans 415,700, 37,850, 61,479, 49,446 and 77,751 TiGenix SAU (then still Cellerix) shares were created in June 2008, September 2008, November 2009, May 2010 and October 2010 respectively. These shares were held by CX EBIP Agreement, SLU.

In the framework of the contribution of all TiGenix SAU (previously Cellerix SA) shares to TiGenix NV on May 3, 2011 (the "**Contribution**"), CX EBIP Agreement, SLU contributed its 642,226 TiGenix SAU shares into TiGenix NV and received 1,905,144 TiGenix NV shares in return. Therefore, as a result of the Contribution, CX EBIP Agreement, SLU no longer held TiGenix SAU shares, but received 1,905,144 TiGenix NV shares instead. Pursuant to the agreements reached in relation to the Contribution, the underlying assets of the options are no longer the TiGenix SAU shares, but the TiGenix NV shares received by CX EBIP Agreement, SLU. Therefore, upon the exercise of its options under any of the EBIPs, a beneficiary will receive a number of TiGenix NV shares corresponding to approximately 2.96 shares per option (rounded down to the nearest integer) under any of the EBIPs.

As per December 31, 2013, a total of 611,215 EBIP options, corresponding to 1,813,152 TiGenix shares, was outstanding.

5. Discussion of the main risks and uncertainties

The main risks and uncertainties involved in the Company's business include the following:

- TiGenix has a history of operating losses and an accumulated deficit until today and may never become profitable.
- TiGenix may need substantial additional funding, which may not be available on acceptable terms when required, if at all.
- TiGenix may fail in successfully commercialising ChondroCelect and future products, resulting in lower than anticipated revenues.

[1] However, the 160,000 warrants granted to Gil Beyen BVBA, represented by Gil Beyen, under the March 20, 2013 warrant plan, vest as follows: (i) 80,000 warrants vested upon the acceptance of the warrants on July 6, 2013, and (ii) 80,000 warrants will vest on 1 June 2014, subject to Gil Beyen BVBA complying until such time with its commitments under the consultancy agreement between Gil Beyen BVBA and the Company, as amended following the resignation of Gil Beyen BVBA (represented by Gil Beyen) from its positions as managing director, Chief Business Officer and member of the executive committee of the Company.

- TiGenix has a limited product portfolio and faces, and will continue to face, significant competition and technological change which could limit or eliminate the market opportunity for its products and future products.
- There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused.
- TiGenix may experience delays or failure in the preclinical and clinical development of its product pipeline.
- Regulatory approval of TiGenix's products as medicinal products may be delayed, not obtained or not maintained.
- TiGenix's manufacturing facilities and third party manufacturers are subject to regulatory requirements, which may affect the Company's development of its product pipeline and the Company's successful commercialisation of ChondroCelect and future products.
- TiGenix's inability to manage its expansion, both internally and externally, could have a material adverse effect on its business.
- TiGenix is working in a changing regulatory environment. Future changes in any pharmaceutical legislation or guidelines could affect the Company's business.
- TiGenix relies or may rely on third parties for certain of its research, clinical trials, technology, supplies, manufacturing and sales and marketing. TiGenix's dependence on third parties may reduce its profit margins and delay or limit its ability to develop and commercialise its products on a timely and competitive basis.
- TiGenix may not be able to adequately protect its proprietary technology or enforce any rights related thereto.
- TiGenix could be prevented by third party patents from developing or exploiting its products.
- TiGenix's success depends on its key people and it must continue to attract and retain key employees and consultants to be in a position to continue its activities.
- TiGenix could face product liability claims, resulting in damages that may, in whole or in part, not be insured.
- The allocation of available resources could harm the ability to carry out the business plan.

6. Use of financial instruments

Besides the investments in time deposits, during 2013 the Company did not use any financial instruments during the financial year, given the highly volatile financial markets.

7. Corporate governance statement

7.1 Corporate governance code

The Company's corporate governance charter has been adopted in accordance with the recommendations set out in the Belgian Code on Corporate Governance (the "**Code**") that has been issued on March 12, 2009 by the Belgian Corporate Governance Committee.

7.2 Compliance with corporate governance code

The Board of Directors complies with the Belgian Code for Corporate Governance, but believes that certain deviations from its provisions are justified in view of the Company's particular situation. These deviations include the following:

- Provision 6.1. of the Code: as there is only one executive director (the Chief Executive Officer or "CEO") and there is no executive committee (*directiecomité / comité de direction*), the Company has not drafted specific terms of reference of the executive management, except for the terms of reference of the CEO (and of a Chief Business Officer ("CBO") although currently the Company has not appointed a CBO).
- Provision 7.7. of the Code: only the independent directors shall receive a fixed remuneration in consideration of their membership of the Board of Directors and their attendance at the meetings of committees of which they are members. In principle, they will not receive any performance related remuneration in their capacity as director. However, upon advice of the nomination and remuneration committee, the Board of Directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of performance related remuneration would be necessary to attract independent directors with the most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors. On February 26, 2013, the shareholders' meeting approved such deviation and the grant of warrants (which were effectively issued by the shareholders' meeting on March 20, 2013) to the independent directors.

7.3 Internal control and risk management systems

Internal control and financial reporting

The executive management is responsible for creating and maintaining adequate processes designed to control and asses the reliability of the financial reporting and the compliance with laws and regulations.

The Company has established internal controls over the financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Internal control policies aim to:

- Pertaining the maintenance of records that reflect the transactions of the Company,
- Ensuring the fair recording of the dispositions and assets of the Company,
- Providing assurance that the expenditures of the Company are duly approved,
- Ensuring the segregation of powers that prevent unauthorized transactions or fraud, and
- Assessing the risk over deficiencies or material weaknesses in the procedures.

Risk analysis

Financial risk management involved primarily the following:

- Capital risk: the Company's group policy with respect to managing capital is to safeguard the Company's group ability to continue as a going concern and to obtain over time an optimal capital structure;
- Credit risk: creditors will be mainly public medical centers supported by the National Health Insurance;

- Interest risk: the Company's group is not subject to material interest risk;
- Currency risk: the Company's group may be subject to limited currency risk. The Company's group has cash outflows in U.S. Dollars and Pound sterling for the operations of its U.S. and UK subsidiaries. The Company has no commercial revenues denominated in U.S. Dollars. The Company's group reports in Euro and has tried to match foreign currency inflows with foreign cash outflows. The Company has not engaged in hedging of the foreign currency risk via derivative instruments;
- Liquidity risk: the Company's group aims to maintain adequate reserves and continuously monitors forecast and actual cash flows. The Company has soft borrowing arrangements with long term liabilities at December 31, 2013 and has no derivative instruments.

7.4 Shareholder structure

To the best of the Company's knowledge, based on the transparency declarations most recently received by the Company, the shareholders' structure is as follows on the date of publication of this registration document:

Shareholder	Number of shares declared in transparency declaration	% of shares at time of transparency declaration[2]	% of shares (simulation) as per December 31, 2013[3]
Gri-Cel SA	34,188,034	21.30%	21.30%
Novartis Bioventures Ltd.	5,534,905	4.55%	3.45%
Roche Finanz AG	5,261,446	4.33%	3.28%
Subtotal[4]	**44.984.385**		**28.03%**
Other shareholders	115.492.235		71.97%
TOTAL	**160,476,620**		**100.00%**

[2] Percentages based on number of shares and denominator at time of transparency declaration.

[3] Percentages based on number of shares at time of transparency declaration, but denominator as per December 31, 2013.

[4] The above shareholders are acting independently.

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7.5 Board of Directors and Board committees

Composition of the Board of Directors

On the date of publication of this registriation document, the Board of Directors consists of the following eight (8) members.

Name	Age (as per December 31, 2013)	Position	Term[1]	Professional Address
Innosté SA, represented by Jean Stéphenne[2]	64	Chairman / Independent director	2016	Avenue Alexandre 8, 1330 Rixensart, Belgium
Eduardo Bravo Fernández de Araoz[3]	48	Managing Director (executive) / CEO	2015	Romeinse straat 12, 3001 Leuven, Belgium
Dirk Büscher[4]	49	Director (non-executive)	2016	Calle Pujolar 44 08198 Sant Cugat del Vallés La Floresta, Spain
Willy Duron[5]	68	Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig[2]	61	Independent director	2016	1241 Karen Lane, Wayne, PA 19087, USA
Eduard Enrico Holdener[3]	68	Independent director	2015	Buchenrain 6, 4106 Therwil, Switzerland
R&S Consulting BVBA[3], represented by Dirk Reyn	52	Independent director	2015	Populierstraat 4, 1000 Brussels, Belgium
José Terencio[4]	46	Director (non-executive)	2016	Pasea Bonanova 92, 6-2 08017 Barcelona Spain

Notes

(1) The term of the mandates of the directors will expire immediately after the annual shareholders' meeting held in the year set forth next to the director's name.

(1) First appointed on a provisional basis by the meeting of the Board of Directors on September 19, 2012, in order to replace Ms. Mounia Chaoui-Roulleau (who had been appointed director herself on January 18, 2012 in replacement of Ventech S.A.) and Mr. Koenraad Debackere, both having resigned effective as of September 19, 2012. The shareholders' meeting of February 26, 2013 has confirmed their appointment.

(2) First appointed on April 26, 2011 with effect as of May 3, 2011.

(3) Appointed on a provisional basis by the meeting of the Board of Directors on December 4, 2013, in order to replace Ysios Capital Partners SGECR SA (represented by Joël Jean-Mairet) and LRM Beheer NV (represented by Nico Vandervelpen), both having resigned effective as of December 4, 2013. A shareholders' meeting has been convened on April 2, 2014 to decide on the confirmation of their appointment.

(4) First appointed by the shareholders' meeting on February 26, 2007. Appointment renewed on April 20, 2011 and on April 26, 2011 with effect as of May 3, 2011. Willy Duron resigned as Chairman of the Board of Directors on September 19, 2012 and was replaced as Chairman by Innosté SA, represented by Jean Stéphenne.

Functioning of the Board of Directors in 2013

In 2013, the Board of Directors met 27 times.

Individual presence of the members of the Board of Directors in 2013

Name	Number of meetings attended
Gil Beyen BVBA, represented by Gil Beyen	22
Eduardo Bravo	26
Dirk Büscher	2
Willy Duron	21
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	22
Eduard Enrico Holdener	23
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	20
R&S Consulting BVBA, represented by Dirk Reyn	22
Innosté SA, represented by Jean Stéphenne	23
José Terencio	1
LRM Beheer NV, represented by Nico Vandervelpen	23

Audit Committee

The following directors are member of the audit committee:

Name	Position
Willy Duron	Chairman of the audit committee; Independent Director
Innosté SA, represented by Jean Stéphenne	Member of the audit committee; Chairman of the Board of Directors; Independent Director
Dirk Büscher(1)	Member of the audit committee; Director (non-executive)

Note

(1) Dirk Büscher has been a member of the audit committee since December 4, 2013, replacing LRM Beheer NV (represented by Nico Vandervelpen).

The audit committee met twice in 2013. All members of the audit committee were present at both meetings.

As proof of the independence and expertise of the audit committee in the area of audit and accountancy, and as required by Article 96, §1, 9° of the Companies Code, we refer to the biographies of the members of the audit committee as set out below:

Willy Duron: Independent Director

Mr. Willy Duron has been an independent board member of TiGenix since February 2007. He was the Company's Chairman from September 2007 to September 2012. He started his career at ABB Verzekeringen in 1970, becoming a member of the executive committee in 1984. Mr. Duron holds a MSc degree in mathematics from the University of Gent and a MSc degree in actuarial sciences from the Katholieke Universiteit Leuven. He currently is a member of the board of directors of Ravago NV, Vanbreda Risk & Benefits NV, Universitaire Ziekenhuizen Leuven, Universitair Centrum St Jozef Kortenberg, Agfa-Gevaert NV and Van Lanschot Bankiers NV. In addition, he serves as chairman of the board of Windvision BV. Previously, Mr. Duron was CEO of KBC Groep NV and KBC Bankverzekeringsholding NV, Chairman of the board of Argosz, Secura, ADD and W&K, as well as member of the board of directors of KBC Asset Management NV, Synes NV, CSOB, Warta, FBD and Amonis.

Jean Stéphenne, permanent representative of Innosté SA: Chairman and Independent Director

Jean Stéphenne was until April 2012 Member of the Corporate Executive Team of GlaxoSmithKline (GSK), and Chairman and President of GSK Biologicals in Wavre, Belgium, which he built into a world leader in vaccines. He currently serves as Chairman of BESIX, Vesalius Biocapital, Nanocyl, Bepharbel, BioWin and Welbio, and as Board member of BNP Paribas Fortis, VBO/FEB, Groupe Bruxelles Lambert (GBL), OncoDNA, Theravectys and Ronveaux. He used to serve as Board member of Auguria Residential Real Estate Fund, which is currently in liquidation.

Dirk Büscher: Director (non-executive)

Dr. Dirk Büscher, PhD, is CEO of Gri-Cel SA. Gri-Cel invests in advanced therapies and innovative therapeutics. Previously he was Vice President R&D of Cellerix. Dr. Büscher obtained his PhD in biology and immunology from the University of Hannover, Germany, and as a postdoc specialized in molecular developmental biology and stem cell research at the Salk Institute in La Jolla, California. Dr. Büscher has served as industry expert on mesenchymal stem cells at the European Medicines Agency. He is a member of the board of directors of VCN Biosciences and Araclon Biotech.

Nomination and remuneration committee

The following directors are member of the nomination and remuneration committee:

Name	Position
R&S Consulting BVBA, represented by Dirk Reyn	Chairman of the nomination and remuneration committee; Independent Director
Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig	Member of the nomination and remuneration committee; Independent Director
Eduard Enrico Holdener	Member of the nomination and remuneration committee; Independent Director

The nomination and remuneration committee met 18 times in 2013. At 12 meetings, all members of the nomination and remuneration committee were present; at 6 meetings, only 2 members of the committee were present.

Evaluation of the Board of Directors, the Board committees and the directors

Periodically, the Board of Directors undertakes a formal evaluation of its own size, composition and performance and that of the Board committees and of its interaction with the executive management. The purpose of this evaluation is to assess how the Board and its committees operate, to check whether important issues are suitably prepared and discussed, to evaluate whether each director makes a constructive contribution to the decision making, and to check the Board's or the Board committees' current composition against the Board's or Board committees' desired composition. Such formal evaluation is done at least once every three year by the Nomination and Remuneration Committee at the initiative of the Chairman and, if required, with the assistance of external advisors. The directors shall not attend the discussions on their evaluation.

7.6 Overview of the efforts made to ensure that at least one third of the board members is of another gender than the other members

The nomination and remuneration committee will draw up a plan to ensure that the composition of the Board of Directors timely complies with the requirement that at least one third of the board members is of another gender than the other members.

7.7. Remuneration report

7.7.1 Procedure for establishing remuneration policy and setting remuneration for members of the Board of Directors and for members of executive management

The remuneration policy is established and the remuneration for members of the Board of Directors and members of the executive management is set by the Board of Directors on the basis of proposals from the nomination and remuneration committee.

Warrant plans are determined by the Board of Directors on proposal from the nomination and remuneration committee.

7.7.2 Remuneration of Directors

Remuneration policy

Only the independent directors shall receive a fixed remuneration in consideration of their membership or chairmanship of the Board of Directors and board committees. The other directors will not receive any fixed remuneration in consideration of their membership of the board.

Pursuant to the Company's corporate governance charter, the independent directors do not in principle receive any performance related remuneration, nor will any option or warrants be granted to them in their capacity as director. However, upon advice of the nomination and remuneration committee, the Board of Directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of any performance related remuneration would be necessary to attract or retain independent directors with the most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors.

The nomination and remuneration committee recommends the level of remuneration for independent directors, including the chairman of the board, subject to approval by the board and, subsequently, by the shareholders' meeting.

The nomination and remuneration committee benchmarks independent directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various committees. The Directors' remuneration has been last determined by the shareholders' meeting of February 26, 2013. Currently, a fixed annual fee of EUR 25,000 is granted to each independent director. The chairman's fee amounts to EUR 40,000. An additional fixed annual fee of EUR 5,000 is granted to each independent director who is also a member of a committee. Such additional fixed annual fee amounts to EUR 7,500 for each independent director who is also the chairman of a committee. The aforementioned fixed annual fees are based on six board meetings and two committee meetings a year. The fixed fee is supplemented with an amount of EUR 2,000.00 for each additional meeting. Changes to these fees will be submitted to the shareholders' meeting for approval.

On February 26, 2013, the shareholders' meeting approved the principle that independent directors may receive performance related remuneration. In addition, the February 26, 2013 shareholders' meeting approved the grant of 54,600 warrants (which were effectively issued by the shareholders' meeting on March 20, 2013) to each of the independent directors.

The warrants were granted to the independent directors free of charge. Each warrant entitles its holder to subscribe to one share in the Company at a fixed exercise price of EUR 1.00. The warrants have a duration of five (5) years as from the date of their issuance. Subject to the end of the cooperation and certain situations in which warrants can become null and void, (i) 1/3rd of the warrants granted to a warrant holder will be deemed definitively vested for the latter on the first anniversary of the granting of the warrants and (ii) 1/24th of the remaining 2/3rd of the warrants granted to such warrant holder will definitively vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. The warrants can only be exercised by the warrant holder if they have definitively vested. The other terms and conditions of the warrants are described in the "Warrant Plan 2013", as attached to the special board report dated January 15, 2013 which is available on the Company's website.

Apart from the above remuneration for independent directors, all directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred to participate to board meetings.

The board sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one of the board committees and the rules for reimbursement of directors' business-related out-of-pocket expenses.

TiGenix has not made any loans to the members of the Board of Directors, except that the Company pre-pays the Belgian salary taxes payable by Eduardo Bravo on the part of his remuneration that is taxable under Belgian law, until such amounts are refunded (on an annual basis) by the Spanish fiscal authorities to Eduardo Bravo, at which time Eduardo Bravo repays the relevant amounts to the Company.

In the next two years, 2014 and 2015, the remuneration of the members of the Board of Directors will be on the same basis as approved by the shareholders' meeting of February 26, 2013.

Remuneration of the members of the Board of Directors in 2013

In 2013, the following amounts were accrued for fees of the independent directors as member of the Board of Directors (not as member of a Board committee) for the performance of their mandate during the financial year 2013:

Name	Fee
Gil Beyen BVBA, represented by Gil Beyen	-
Eduardo Bravo	-
Dirk Büscher	-
Willy Duron	25,000
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	25,000
Eduard Enrico Holdener	25,000
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	-
R&S Consulting BVBA, represented by Dirk Reyn	25,000
Innosté SA, represented by Jean Stéphenne	40,000
José Terencio	-
LRM Beheer NV, represented by Nico Vandervelpen	-
TOTAL	140,000

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Remuneration of the audit committee in 2013

In 2013, the following amounts were accrued for fees of the independent directors as member of the audit committee for the performance of their mandate during the financial year 2013:

Name	Position	Fee
Willy Duron	Chairman of the audit committee; Independent Director	7,500
Innosté SA, represented by Jean Stéphenne	Member of the audit committee; Chairman of the Board of Directors; Independent Director	5,000
Dirk Büscher(1)	Member of the audit committee; Director (non-executive)	-
LRM Beheer NV, represented by Nico Vandervelpen(2)	Member of the audit committee; Director (non-executive)	-
TOTAL		12,500

Notes

(1) Dirk Büscher has been a member of the audit committee since December 4, 2013.

(2) LRM Beheer NV, represented by Nico Vandervelpen, was a member of the audit committee until December 4, 2013.

Remuneration of the nomination and remuneration committee in 2013

In 2013, the following amounts were accrued for fees of the independent directors as member of the nomination and remuneration committee for the performance of their mandate during the financial year 2013:

Name	Position	Fee
R&S Consulting BVBA, represented by Dirk Reyn	Chairman of the nomination and remuneration committee; Independent Director	7,500
Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig	Member of the nomination and remuneration committee; Independent Director	5,000
Eduard Enrico Holdener	Member of the nomination and remuneration committee; Independent Director	5,000
TOTAL		17,500

Shares and warrants held by independent and other non-executive directors

The table below provides an overview (as at December 31, 2013) of the shares, EBIP options on shares and warrants held by the independent and other non-executive directors. This overview must be read together with the notes referred to below.

	Shares		Options on existing shares under EBIPs[4]		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	%[1]	Number	%[1]	Number	%[2]	Number	%[3]
Gil Beyen BVBA, represented by Gil Beyen[5][6]	264,751	0.1650%	0	0%	262,749	3.9991%	527,500	0.3158%
Dirk Büscher	172,126	0.1037%	0	0%	0	0%	172,126	0,1030%
Willy Duron	6,000	0.0037%	0	0%	54,600	0.8310%	60,600	0.0363%
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	0	0%	0	0%	54,600	0.8310%	54,600	0.0327%
Eduard Enrico Holdener	0	0%	73,989	0.0461%	54,600	0.8310%	128,589	0.0770%
R&S Consulting BVBA, represented by Dirk Reyn[7]	4,000	0.0025%	0	0%	54,600	0.8310%	58,600	0.0351%
Innosté SA, represented by Jean Stéphenne	0	0%	0	0%	54,600	0.8310%	54,600	0.0327%
José Terencio	0	0%	0	0%	0	0%	0	0%
Total	**446,877**	**0.2785%**	**73,989**	**0.0461%**	**535,749**	**8.1541%**	**1,056,615**	**0.6325%**

Notes:

(1) Calculated on the basis of the total number of issued voting financial instruments on December 31, 2013.

(2) Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013.

(3) Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2013 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013.

(4) This column refers to the number of existing shares that the beneficiary of the EBIP options would receive upon exercise of his options with delivery of 2.96 existing TiGenix shares per EBIP option. In this respect for the EBIP 2008 options it has been assumed that they shall all be exchanged for options on existing TiGenix shares. For more information on the EBIP options, see section 4 of this report above.

(5) Until May 13, 2013, Gil Beyen BVBA was managing director, Chief Business Officer and member of the executive management of the Company. Effective March 10, 2014, Gil Beyen BVBA resigned as director from the Board of Directors of the Company.

(6) Gil Beyen BVBA is controlled by Gil Beyen, who also controls Axxis V&C BVBA, one of the founding shareholders. Axxis V&C BVBA holds 224,248 shares (0.1397% of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2013). Therefore Gil Beyen controls through Gil Beyen BVBA and Axxis V&C BVBA in aggregate 488,999 shares and 262,749 warrants (0.45% of the issued and outstanding

voting financial instruments, calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2013 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013).

(7) *R&S Consulting BVBA is controlled by Dirk Reyn, who also controls Horizon Pharmaventures BVBA. Horizon Pharmaventures BVBA holds 7,000 shares (0.0044% of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2013). Therefore Dirk Reyn controls through R&S Consulting BVBA and Horizon Pharmaventures BVBA in aggregate 11,000 shares and 54,600 warrants (0.0393% of the issued and outstanding voting financial instruments, calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2013 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013)*

7.7.3 Remuneration of executive management

Remuneration policy

The remuneration of the members of the executive management is determined by the Board of Directors upon recommendation by the nomination and remuneration committee, after recommendation by the CEO to such committee.

The remuneration of the executive management is designed to attract, retain and motivate executive managers.

The remuneration of the members of the executive management currently consists of the following elements:

- Fixed remuneration: the members of the executive management are entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions. The amount of the fixed remuneration is evaluated and determined by the Board of Directors each year.

- Short-term variable remuneration: the members of the executive management are entitled to a variable remuneration in cash dependent on the executive management members meeting individual, team and/or company objectives in a certain year. The maximum short-term variable remuneration, or maximum bonus, is set at a percentage of the yearly fixed remuneration, and is not spread in time. The maximum bonus of the CEO amounts to 75% of his yearly fixed remuneration. The maximum bonus of the CFO and the CTO amounts to 45% of their yearly fixed remuneration. This short-term variable remuneration cannot be claimed back by the Company once it is granted.

  The individual, team and/or company objectives that determine the amount of the bonus are determined at the beginning of each year and are all formulated in such a way that they are measurable and that it can be clearly concluded whether or not, or to what extent, they have been met. They are set, among others, in respect of cash consumption, sales, corporate development transactions and clinical trials (e.g. numbers of patients included in a trial, timing of interim or final results). Each member of executive management has various objectives, and each objective represents a pre-identified percentage of the overall potential bonus (with all objectives together representing 100% of the potential bonus). Every year in the month of January or February, the Board of Directors (upon recommendation by the nomination and remuneration committee, after recommendation by the CEO to such committee) evaluates and determines the extent to which the various objectives have been met and determines the amount of the variable remuneration (as the sum of the percentages allocated to the objectives that have been met). The variable remuneration relating to a certain calendar year is paid in the first quarter of the following year.

  On May 11, 2012, the extraordinary shareholders' meeting of the Company approved a modification of the Company's articles of association as a result of which the restrictions provided for in Article 520*ter*, first and second paragraph of the Belgian Companies Code (including a spread in time of variable remuneration) do not apply to the Company in respect of all persons who either directly or by reference fall within the scope of that Article.

- Long-term incentive plan: warrants may be granted to the members of the executive management, in accordance with the recommendations set by the nomination and remuneration committee, after recommendation by the CEO to such committee.
- Other benefits: members of the executive management who are salaried employees may be entitled to a number of fringe benefits, which may include participating in a defined contribution pension or retirement scheme, disability insurance, a company car, a mobile telephone, a laptop computer and/or a lump sum expense allowance according to general Company policy, and other collective benefits (such as hospitalisation insurance and meal vouchers). Members of executive management who are engaged on the basis of a service agreement do not receive fringe benefits, except that they may be provided with a mobile phone and laptop computer according to general Company policy.

The members of the executive management do not receive any remuneration based on the overall financial results of the Company or the Company's group, nor do they receive any long-term variable remuneration in cash.

In the next two years, 2014 and 2015, the remuneration of the members of the executive management will be on the same basis as in 2013.

Termination payments

Eduardo Bravo (CEO) is engaged as CEO of TiGenix SAU on the basis of his corporate responsibility as a member of the Board of Directors of TiGenix SAU and as Managing Director (*Consejero Delegado*) governed by the applicable Spanish Law on capital companies (*Ley de Sociedades de Capital*). His relationship with TiGenix SAU can be terminated at any time, without notice period, subject to the payment, in case TiGenix SAU terminates the relationship, of a termination fee equal to his yearly remuneration applicable at such time. An additional termination fee of maximum two years is payable in case the relationship is terminated by TiGenix SAU within one year of a corporate transaction involving the company (such as a merger, sale of shares, sale of assets, etc).

Claudia D'Augusta (CFO) has an employment contract with TiGenix SAU. The employment contract is for an indefinite term and may be terminated at any time by TiGenix SAU, subject to a three month notice period and, in case TiGenix SAU terminates the agreement, a severance payment of minimum nine month. An additional severance payment of maximum one year is payable in case the agreement is terminated by TiGenix SAU within one year of a corporate transaction involving the company (such as a merger, sale of shares, sale of assets, etc).

Wilfried Dalemans (CTO) has an employment contract with TiGenix NV. The employment contract is for an indefinite term and may be terminated at any time by the Company, subject to a notice period and a severance payment in accordance with applicable law.

Remuneration of the CEO in 2013

	2013
Fix remuneration (gross)	322.000
Variable remuneration (short term)	111.573
Pension/Life	20.516
Other benefits	20.837
TOTAL	**474.926**

In addition, in 2013, Eduardo Bravo (in his capacity as CEO) was granted and accepted 523,740 warrants under the December 16, 2013 warrant plan. The exercise price of the warrants is EUR 0.50. A description of the main characteristics of the December 16, 2013 warrant plan can be found in section 4 of this report above.

No other warrants, shares, options on shares or rights to acquire shares were granted to Eduardo Bravo in 2013. No warrants, options on shares or rights to acquire shares were exercised by Eduardo Bravo in 2013 or expired in 2013.

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Remuneration of the other members of the executive management in 2013

	2013
Fix remuneration (gross)	441.217
Variable remuneration (short term)	75.563
Pension/Life	30.145
Other benefits	37.101
TOTAL	**584.025**

In addition, in 2013, the other members of the executive management were granted (and accepted) the following warrants under the March 20, 2013 and the December 16, 2013 warrant plans. The exercise price of the warrants is EUR 1.00 (under the March 20, 2013 warrant plan) and EUR 0.46 (under the December 16, 2013 warrant plan). A description of the main characteristics of the March 20, 2013 and the December 16, 2013 warrant plans can be found in section 4 of this report above.

	Number of warrants under the March 20, 2013 warrant plan	Number of warrants under the December 16, 2013 warrant plan
Gil Beyen BVBA, represented by Gil Beyen(1)	160,000	-
Claudia D'Augusta	-	325,080
Wilfried Dalemans	-	270,900 (2)

Notes:

(1) Gil Beyen BVBA was a member of the executive management until May 13, 2013.

(2) Warrants not yet accepted as per December 31, 2013; they were accepted on February 28, 2014.

No other warrants, shares, options on shares or rights to acquire shares were granted to Claudia D'Augusta or Wilfried Dalemans in 2013. No warrants, options on shares or rights to acquire shares were exercised by them in 2013 or expired in 2013.

Shares and warrants held by executive management

The table below provides an overview (as at December 31, 2013) of the shares, EBIP options on shares and warrants held by the executive management, including the executive directors. This overview must be read together with the notes referred to below.

	Shares		Options on existing shares under EBIPs(4)		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	%(1)	Number	%(1)	Number	%(2)	Number	%(3)
Eduardo Bravo, CEO	150,263	0.09%	782,771	0.49%	1,883,740	28.67%	2,816,774	1.69%
Claudia D'Augusta	127,682	0.08%	206,492	0.13%	805,080	12.25%	1,139,254	0.68%
Wilfried Dalemans	0	0%	0	0%	815,900(5)	12.42%	815,900	0.49%
Total	**277.945**	**0.17%**	**989,263**	**0.62%**	**3,504,720**	**53.34%**	**4,771,928**	**2.86%**

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Notes:

(1) Calculated on the basis of the total number of issued voting financial instruments on December 31, 2013.

(2) Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013.

(3) Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2013 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2013.

(4) This column refers to the number of existing shares that the beneficiary of the EBIP options would receive upon exercise of his options with delivery of 2.96 existing TiGenix shares per EBIP option. In this respect for the EBIP 2008 options it has been assumed that they shall all be exchanged for options on existing TiGenix shares. For more information on the EBIP options, see section 4 of this report above.

(5) 270,900 warrants granted under the December 16, 2013 warrant plan were not yet accepted as per December 31, 2013; they were accepted on February 28, 2014.

8. Continuity of the Company

On December 31, 2013, the Company had a cash position of EUR 15.9 million (including discontinued operations). Taking into account this cash position, the EUR 10 million loan facility agreement entered into with Kreos, and the expected cash proceeds from additional grants (in particular EUR 0.9 million from the 7th Framework Program received in January 2014), the Board of Directors is of the opinion that the cash position is sufficient to continue the Company's current operations during at least the next twelve months (until the next ordinary shareholders' meeting of April 2015).

In accordance with Article 96, 6° of the Belgian Companies Code, taking into account two consecutive financial years of losses, the Board of Directors has decided, after consideration, to apply the valuation rules assuming "going concern", for the reasons set out above.

Since the Company is currently able to satisfy all financial liabilities and is able to fulfil all payments, the Board of Directors is of the opinion that the continuity of the Company is not threatened.

9. Conflicts of interest

In 2013, during five (5) Board meetings, decisions were taken that required the application of the conflict of interests procedure pursuant to Article 523 of the Belgian Companies Code. The relevant parts of the minutes are copied below.

Meeting of the Board of Directors of January 31, 2013

"**Preliminary statement**

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to their evaluation and bonus relating to 2012 and their remuneration for 2013, as well as, as far as Gil Beyen BVBA is concerned, with respect to the management and termination fees payable to Gil Beyen BVBA pursuant to a scaled down consultancy agreement between the Company and Gil Beyen BVBA.

In accordance with Article 523 of the Companies Code, the auditor of the Company, BDO Bedrijfsrevisoren BV CVBA, represented by Gert Claes, will be informed of the existence of the conflict of interests.

Furthermore, the minutes of the resolutions regarding the evaluation and bonus of Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, relating to 2012, their remuneration for 2013, and the amended consultancy agreement between the Company and Gil Beyen BVBA, will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2013.

Following this statement, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, left the meeting in accordance with Article 523, §1, last paragraph of the Companies Code and the remaining directors continued the meeting.

Deliberation and resolutions

Dirk Reyn, representative of R&S Consulting, chairman of the nomination and remuneration committee, presented to the board of directors the proposal of the nomination and remuneration committee on (i) the evaluation of the 2012 Company objectives, (ii) the evaluation of the members of the executive management and their bonuses for 2012, and (iii) the remuneration of the members of the executive management for 2013.

Evaluation of the 2012 Company objectives

In particular, it is proposed that the evaluation of the 2012 Company objectives is set at 72.5% of the target Company objectives.

The board of directors RESOLVED to approve the evaluation of the 2012 Company objectives as proposed by the nomination and remuneration committee.

Evaluation of the members of the executive management and their bonuses for 2012

It is further proposed that the members of executive management will each receive a bonus as follows: (i) CEO: actual bonus equal to 72.5% of target bonus, (ii) CBO: actual bonus equal to 52.5% of target bonus, (iii) CFO: actual bonus equal to 120% of target bonus, and (iv) CTO: actual bonus equal to 80% of target bonus, with the target bonus in each case set at 100% of personal objectives.

As regards the proposed bonuses for Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, the board of directors is of the opinion that these bonuses are justified in view of their role and the efforts that are requested from them.

The board of directors RESOLVED to approve the evaluation of and the bonuses granted to the members of executive management for 2012 as proposed by the nomination and remuneration committee.

Remuneration of the members of the executive management for 2013

The board of directors discussed a (preliminary) proposal regarding the remuneration of the members of the executive management for 2013. It was decided to discuss certain elements of the proposal with the CEO prior to making a final decision.

Consultancy agreement with Gil Beyen BVBA

Dirk Reyn, representative of R&S Consulting, chairman of the nomination and remuneration committee, explained that Gil Beyen BVBA, represented by Gil Beyen, has proposed to further scale down its role in the Company (after a first scale down in 2012) to a role of maximum 30% compared to a full-time role, thereby permitting it to take up more commitments vis-à-vis other companies.

Going forward, the main focus of Gil Beyen BVBA, represented by Gil Beyen, would be on:

- identifying and implementing business development and partnering opportunities;
- supporting the Company’s activities in investor, press and government relations.

The board discussed the proposal and found that a further scaling-down of the role of Gil Beyen BVBA, represented by Gil Beyen, to a role of maximum 30%, would not be detrimental to the Company because the Company can continue to rely on its services in the fields listed above (and compared to last year, the “post-merger transition and integration” activity carried out by Gil Beyen BVBA has been completed). Since Gil Beyen BVBA’s daily fixed fee will remain unchanged, the proposed scaling-down of the role of Gil Beyen BVBA will not have any patrimonial consequences for the Company other than the fact that the number of days of service to be provided by Gil Beyen BVBA (and thus also the total fee) will be reduced.

The board of directors RESOLVED to:

- approve the scaling-down of the commitments of Gil Beyen BVBA, represented by Gil Beyen, vis-à-vis the Company to maximum 30% of a full-time role, and to change the consultancy agreement with Gil Beyen BVBA accordingly;
- maintain Gil Beyen BVBA’s daily fixed fee as currently applicable;
- maintain the termination clause as provided in the current consultancy agreement between the Company and Gil Beyen BVBA (it being understood that the basis for calculating any termination fees will reduce in the same proportion as the number of days per year that Gil Beyen BVBA will deliver services to the Company);

- approve that Gil Beyen BVBA, represented by Gil Beyen, may render (consulting) services to other companies as long as such other companies do not directly compete with the regenerative medicine activities of the Company;
- delegate to Eduardo Bravo the power to draw up and sign on behalf of the Company an amended consultancy agreement with Gil Beyen BVBA, represented by Gil Beyen, for the performance of services as Managing Director and CBO, in line with the resolutions listed above.

As mentioned above, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, did not participate in the deliberation and resolutions on the above matter."

Meeting of the Board of Directors of February 14, 2013

"**Preliminary statement**

Prior to discussing the item on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, declared, prior to the meeting of the board of directors, to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to their remuneration for 2013.

In accordance with Article 523 of the Companies Code, the auditor of the Company, BDO Bedrijfsrevisoren BV CVBA, represented by Gert Claes, will be informed of the existence of the conflict of interests.

Furthermore, the minutes of the resolutions regarding the remuneration of Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, for 2013 will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2013.

Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, are not present at the meeting.

Deliberation and resolutions

Dirk Reyn, representative of R&S Consulting, chairman of the nomination and remuneration committee, presented to the board of directors the (final) proposal of the nomination and remuneration committee on the remuneration of the members of the executive management for 2013.

The proposal is as follows:

Eduardo Bravo, CEO:

- Fixed remuneration for 2013: equal to the fixed remuneration for 2012;
- Variable remuneration:
  - (a) a standard target bonus of 60% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached),
  - (b) an exceptional target bonus of 40% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached), only in case 100% of the Company objectives for 2013 will have been reached,
  - (c) in case the Company raises EUR 30 million by the end of May 2013, an amount equal to 30% of the total (i.e. standard + exceptional) target bonus (whereby in accordance with the above, the total target bonus amounts to 100% of the fixed remuneration) will be paid in May or June 2013; this payment will be considered acquired if the capital is effectively raised; in such case, the standard and exceptional bonus will be calculated based on 70% of the respective target amounts;
- Company car: for a value equal to the company car granted in 2012;
- Pension (2% personal + 6% Company contribution), life and medical insurances as of 1 January 2013: in accordance with industry benchmarks and applicable Company policy.

Gil Beyen BVBA, represented by Gil Beyen, CBO:

- Fixed remuneration for 2013: equal to (pro rata) the fixed remuneration for 2012;
- Variable remuneration: a target bonus of 50% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached).

Claudia D'Augusta, CFO:

- Fixed remuneration for 2013: equal to the fixed remuneration for 2012, as the case may be indexed for 2013 in accordance with applicable provisions;
- Variable remuneration:
  - (a) a standard target bonus of 30% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached),
  - (b) an exceptional target bonus of 15% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached), only in case 100% of the Company objectives for 2013 will have been reached,
  - (c) in case the Company raises EUR 30 million by the end of May 2013, an amount equal to 30% of the total (i.e. standard + exceptional) target bonus (whereby in accordance with the above, the total target bonus amounts to 45% of the fixed remuneration) will be paid in May or June 2013; this payment will be considered acquired if the capital is effectively raised; in such case, the standard and exceptional bonus will be calculated based on 70% of the respective target amounts;
- Company car: for a value equal to the company car granted in 2012;
- Meal vouchers: in accordance with applicable Company policy;
- Pension (2% personal + 6% Company contribution), life and medical insurances as of 1 January 2013: in accordance with industry benchmarks and applicable Company policy.

Wilfried Dalemans, CTO:

- Fixed remuneration for 2013: equal to the fixed remuneration for 2012, as the case may be indexed for 2013 in accordance with applicable provisions;
- Variable remuneration:
  - (a) a standard target bonus of 30% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached),
  - (b) an exceptional target bonus of 15% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached), only in case 100% of the Company objectives for 2013 will have been reached;
- Company car: for a value equal to the company car granted in 2012;
- Meal vouchers, expense reimbursement, group insurance and hospitalization insurance: in accordance with applicable Company policy.

For the members of the management team who are not a member of the executive management (in other words: the VPs), it was also proposed to provide for an exceptional target bonus of 5% of their fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached), only in case 100% of the Company objectives for 2013 will have been reached.

As regards the proposed remunerations packages for Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, the board of directors is of the opinion that these remuneration packages are justified in view of their role and the efforts that are requested from them.

The board of directors RESOLVED to approve the remuneration of the members of the executive management for 2013 as proposed by the nomination and remuneration committee.

Furthermore, in line with almost identical agreements entered into for 2011 and 2012, the board of directors CONFIRMED to approve the entering into of an agreement between the Company and Eduardo Bravo for 2013 in respect of the reimbursement by Eduardo Bravo of Belgian salary taxes that are pre-paid by the Company to avoid that Eduardo Bravo has to bear a double withholding on the Belgian part of his remuneration (as both Spanish and the Belgian tax authorities withhold taxes on such Belgian part of his remuneration)."

Meeting of the Board of Directors of May 7, 2013

"**Preliminary statement**

Prior to discussing this item on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Gil Beyen BVBA, represented by Gil Beyen, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the decision to be taken regarding the (potential) grant of warrants under the 2013 warrant plan.

In accordance with Article 523 of the Companies Code, the auditor of the Company, BDO Bedrijfsrevisoren BV CVBA, represented by Gert Claes, will be informed of the existence of the conflict of interests.

Furthermore, the relevant parts of the minutes containing the resolutions regarding the (potential) grant of warrants to Gil Beyen BVBA, represented by Gil Beyen, will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2013.

Following this statement, Gil Beyen BVBA, represented by Gil Beyen, left the meeting in accordance with Article 523, §1, last paragraph of the Companies Code and the remaining directors continued the meeting.

Deliberations and resolutions

The chairman of the nomination and remuneration committee set out that on 20 March 2013, the shareholders' meeting approved the terms and conditions of a new warrant plan (the "2013 warrant plan") and conditionally issued 777,000 warrants under such 2013 warrant plan.

The nomination and remuneration committee proposed to grant 160,000 warrants from the 2013 warrant plan to Gil Beyen BVBA, represented by Gil Beyen, with the following vesting conditions (which deviate from the 2013 warrant plan):

- 80,000 warrants will vest upon the acceptance of the warrants, and
- 80,000 warrants will vest on 1 June 2014, subject to Gil Beyen BVBA complying until such time with its commitments under the consultancy agreement between Gil Beyen BVBA and TiGenix NV, such agreement as the case may be to be amended in mutual consent between the parties should Gil Beyen BVBA resign from its executive function within TiGenix NV (if/when Gil Beyen's other commitments would no longer be combinable with Gil Beyen BVBA's executive function within TiGenix NV).

The nomination and remuneration committee further proposes that the exercise price of the warrants would be determined at EUR 1.00 per warrant.

The board of directors is of the opinion that the grant of 160,000 warrants to Gil Beyen BVBA, represented by Gil Beyen, at an exercise price of EUR 1.00 per warrant and under the above-mentioned vesting conditions is justified by the business developments efforts undertaken by Gil Beyen BVBA in its function of Chief Business Officer and by the fact that this will constitute a strong motivation for Gil Beyen BVBA to continue to advise the Company in respect of business development once it will have to resign from its executive function within the Company if/when such mandate will no longer be combinable with Gil Beyen's role as CEO/Chairman of Erytech Pharma, France. In addition, this grant of warrants does not have negative patrimonial consequences for the Company itself. On the contrary, the net assets of the Company shall be reinforced when the warrants will be effectively exercised.

The board of directors DECIDED unanimously to grant 160,000 warrants, issued in accordance with the 2013 warrant plan, to Gil Beyen BVBA, represented by Gil Beyen, under the vesting conditions set out above, and to determine the exercise price of the warrants at EUR 1.00 per warrant.

As mentioned above, Gil Beyen BVBA, represented by Gil Beyen, did not participate in the deliberation and resolutions on the above matter."

Meeting of the Board of Directors of July 4, 2013

"**Preliminary statement**

Prior to discussing this item on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Gil Beyen BVBA, represented by Gil Beyen, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the fees payable to Gil Beyen BVBA pursuant to a further scaled down consultancy agreement between the Company and Gil Beyen BVBA following the resignation of Gil Beyen BVBA from its positions as managing director, Chief Business Officer and member of the executive committee of the Company.

In accordance with Article 523 of the Companies Code, the auditor of the Company, BDO Bedrijfsrevisoren BV CVBA, represented by Gert Claes, will be informed of the existence of the conflict of interests.

Furthermore, the relevant parts of the minutes containing the resolutions regarding the amended consultancy agreement between the Company and Gil Beyen BVBA will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2013.

Following this statement, Gil Beyen BVBA, represented by Gil Beyen, left the meeting in accordance with Article 523, §1, last paragraph of the Companies Code and the remaining directors continued the meeting.

Discussion, deliberation and resolution

It was discussed that following the resignation of Gil Beyen BVBA (represented by Gil Beyen) from its positions as managing director, Chief Business Officer and member of the executive committee of the Company, the board of directors had proposed to continue the cooperation with Gil Beyen BVBA under the existing consultancy agreement between Gil Beyen BVBA and the Company for at least another year, on a reduced basis, in view of Gil Beyen BVBA's expertise in respect of business development, partnering opportunities, investor, press and government relations.

The role of Gil Beyen BVBA would be reduced to an ad hoc role, if and when requested by the Company and depending on availability of Gil Beyen BVBA, during on average a maximum of one day per quarter.

The board discussed the proposal and found that a further scaling-down of the role of Gil Beyen BVBA, represented by Gil Beyen, to a role of maximum one day per quarter would not be detrimental to the Company. Since Gil Beyen BVBA's daily fixed fee will remain unchanged, the proposed scaling-down of the role of Gil Beyen BVBA will not have any patrimonial consequences for the Company other than the fact that the number of days of service to be provided by Gil Beyen BVBA (and thus also the total fee) will be reduced.

The board of directors RESOLVED to:

- approve the scaling-down of the commitments of Gil Beyen BVBA, represented by Gil Beyen, vis-à-vis the Company to maximum one day per quarter and to change the consultancy agreement with Gil Beyen BVBA accordingly;
- maintain Gil Beyen BVBA's daily fixed fee as currently applicable;
- determine the duration of the consultancy agreement between the Company and Gil Beyen BVBA at 13 months, commencing on 14 May 2013;
- approve that Gil Beyen BVBA, represented by Gil Beyen, may render (consulting) services to other companies as long as such other companies do not directly compete with the regenerative medicine activities of the Company;
- delegate to Eduardo Bravo the power to draw up and sign on behalf of the Company an amended consultancy agreement with Gil Beyen BVBA, represented by Gil Beyen, in line with the resolutions listed above.

As mentioned above, Gil Beyen BVBA, represented by Gil Beyen, did not participate in the deliberation and resolutions on the above matter."

Meeting of the Board of Directors of December 16, 2013

"**Preliminary statement**

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo declared, prior to the meeting of the board of directors, to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the decision to be taken regarding the (potential) grant of warrants under the second 2013 warrants plan.

In accordance with Article 523 of the Companies Code, the auditor of the Company, BDO Bedrijfsrevisoren BV CVBA, represented by Gert Claes, will be informed of the existence of the conflict of interests.

Furthermore, the minutes of the resolutions regarding the (potential) grant of warrants to Eduardo Bravo will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2013.

Eduardo Bravo is not present at the meeting.

Deliberations and resolutions

The chairman explained that (i) on 12 December 2013, the board of directors approved a warrants plan regarding the issue of maximum 1,806,000 warrants (the "second 2013 warrants plan") and that (ii) on 16 December 2013, immediately prior to this meeting of the board of directors, the board of directors issued 1,806,000 warrants in the framework of the authorized capital.

R&S Consulting BVBA, represented by Dirk Reyn, presented to the board of directors the proposal of the nomination and remuneration committee with respect to the grant of warrants from the second 2013 warrants plan to the members of the executive management:

- Eduardo Bravo, CEO: 523,740 warrants,
- Claudia D'Augusta, CFO: 325,080 warrants, and
- Wilfried Dalemans, CTO: 270,900 warrants.

The remainder of the warrants issued pursuant to the second 2013 warrants plan is proposed to be offered to six other key employees of the Company and its subsidiaries, as set out in the attached overview.

The nomination and remuneration committee further proposes that the exercise price of the warrants would be determined at:

- EUR 0.50 per warrant (i.e. 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) for Eduardo Bravo (not being an employee of the Company or its subsidiaries), and
- EUR 0.46 per warrant (i.e. the last closing price of the TiGenix share on the stock exchange prior to the date of offer of the warrants) for the other beneficiaries of the second 2013 warrants plan.

The warrants would vest as follows:

- 10% of the warrants granted would vest on the date of the acceptance of the warrants;
- 25% of the warrants granted would vest on the first anniversary of the grant; and
- 65% of the warrants granted would vest (1/24th on the last day of each of the months included in the period January 2015 to December 2016), if and only if the Company effectively enters into such agreements as listed in Annex 1.

As regards the grant of 523,740 warrants to Eduardo Bravo at an exercise price of EUR 0.50 per warrant, the board of directors is of the opinion that this is justified by the fact that this constitutes a strong motivation for Eduardo Bravo to maximise his efforts for (the results of) the Company and to commit for a longer term to the Company. In addition, this grant of warrants does not have negative patrimonial consequences for the Company itself. On the contrary, the net assets of the Company shall be reinforced when the warrants will be effectively exercised.

The board of directors DECIDED unanimously to grant 1,119,720 warrants, issued in accordance with the second 2013 warrants plan, to the members of the executive management and to grant the remainder of the warrants to six other key employees of the Company and its subsidiaries as set out in the attached overview.

The board of directors DECIDED unanimously to determine the exercise price of the warrants at EUR 0.50 per warrant for Eduardo Bravo (not being an employee of the Company or its subsidiaries) and EUR 0.46 for the other beneficiaries of the second 2013 warrants plan.

Finally, as regards the beneficiaries of the second 2013 warrants plan who are subject to taxation in Belgium and who wish to opt for a taxation upon the grant of the warrants, the board of directors DECIDED unanimously that that is only possible by means of using response form "B" (attached), including the commitments set out therein in respect of non-transferability and non-exercisability of the warrants before 1 January 2017."

10. Branches

The Company does not have any branches.

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11. Subsequent events

After 31 December, 2013 two significant events took place:

- On February 3, 2014, EUR 5 million was drawn under the loan facility agreement with Kreos Capital IV (UK) Limited. On December 20, 2013, the Company entered into a loan facility agreement of up to EUR 10 million with Kreos Capital IV (UK) Limited. The loan can be drawn in 3 tranches (EUR 5 million until February 3, 2014; EUR 2.5 million until May 31, 2014; and EUR 2.5 million until September 30, 2014).

  The conditions of the loan facility agreement are as follows:

  - Draw down: three tranches at the Company's discretion: EUR 5 million in early February 2014;EUR 2.5 million by end of May, 2014; EUR 2.5 million by end of September, 2014
  - Term: four years
  - Amortization: starts at first anniversary
  - Interest: 12.5% fixed annual interest rate
  - Structure: security over certain assets (including a pledge over certain intellectual property and bank accounts); no financial covenants
  - Warrants: 1,994,302 warrants to be granted to Kreos, subject to shareholder approval; exercise price to equal 30-day average closing price of TiGenix share at date of issue of warrants; if shareholders do not approve the issue of warrants, Kreos is entitled to a payment of EUR 890,000 over 3 years.

- On January 24, 2014, the Company announced the signing of an agreement for the sale of the shares of TiGenix B.V., holding TiGenix's state-of-the-art Dutch production facility to PharmaCell B.V., a leading European-based contract manufacturing organization active in the area of cell therapy and regenerative medicine, for a total consideration of EUR 5.75 million . Under the terms of the agreement, TiGenix will receive an upfront payment of EUR 3.5 million when the sale becomes effective and a final payment of KEUR 750 after three years. In addition, ChondroCelect will continue to be manufactured at the facility under a long-term manufacturing agreement, under the terms of which TiGenix will benefit from a cost relief of EUR 1.5 million during the first three years, the largest portion of which will fall in the first year. The sale of TiGenix B.V. is expected to become effective in the coming months. Closing of the transaction is subject to confirmation by the relevant authority that TiGenix B.V. is authorized to produce other products than ChondroCelect, as well as confirmation in respect of the financing of the transaction by PharmaCell. The Company expects to announce the completion of the transaction in the short term.

The shareholders' meeting shall be requested to approve the statutory financial statements as submitted and to release the directors and auditor from liability for the performance of their duties in the course of the financial year ended December 31, 2013.

Done on March 17, 2014

On behalf of the Board of Directors

Eduardo Bravo, CEO