

TiGenix

TiGenix Rights Offering
May 2011

TiGenix NV

(Public limited liability company under Belgian law with registered office at Romeinse straat 12 box 2, 3001 Leuven, Belgium)

Offering with preferential subscription right of 15,187,111 New Shares without VVPR Strips at an issuance price of €1.00 per New Share in the ratio of 1 New Share for 5 preferential subscription rights (1 for 5 Rights Offering) and admission to trading of the New Shares and of 44,814,402 Contribution Shares without VVPR Strips issued pursuant to a capital increase through a contribution in kind

TiGenix NV, listed on the regulated market of Euronext Brussels under the trading symbol TIG ("TiGenix", the "Company" or the "Issuer") is offering 15,187,111 new TiGenix Shares without nominal value (the "New Shares") without VVPR Strips. The issuance price for the New Shares is €1.00 (the "Issuance Price"). The New Shares without VVPR Strips are offered with preferential subscription rights to the Existing Shareholders. To determine the entitlement to subscribe to the New Shares without VVPR Strips on the conditions set out in this prospectus, the Shareholders of TiGenix as at the closing of Euronext Brussels on May 12, 2011 will be given one preferential subscription right per existing Share they hold on May 12, 2011 (each a "Preferential Right"). The Preferential Rights will be represented by coupon no 1, which will be separated from the underlying share on May 12, 2011, and are expected to trade on the regulated market of Euronext Brussels between May 13, 2011 and May 27, 2011. The Preferential Rights will be listed on the regulated market of Euronext Brussels under the ISIN code BE0970125283 and trading symbol TIG1. The New Shares will be listed under ISIN code BE0003864817, trading symbol TIG. The offering of New Shares issued upon exercise of the Preferential Rights is referred to in this prospectus as the "Rights Offering".
Subject to limitations that may apply under applicable securities laws, the holders of Preferential Rights are entitled to subscribe to the New Shares in the ratio of 1 New Share for 5 Preferential Rights (the "Ratio"). The subscription period for the New Shares is expected to be from May 13, 2011 until May 27, 2011 (the "Rights Subscription Period"). Once exercised, the holders of Preferential Rights cannot revoke the exercise of their Preferential Rights, except as set out in section 3.6.6. Holders of Preferential Rights who have not exercised their Preferential Rights during the Rights Subscription Period will no longer be able to exercise their Preferential Rights. Preferential Rights that are not exercised during the Rights Subscription Period will be converted into scrips (the "Scrips"). The Scrips will be offered for sale in a private placement that is expected to start on May 31, 2011 and end on the same date (the "Scrips Private Placement"). The net proceeds of the sale of the Scrips (if any and provided that the net proceeds divided by the total number of unexercised Preferential Rights is not less than €0.10) accrue to the holders of Preferential Rights that have not exercised their Preferential Rights. If the net proceeds divided by the total number of unexercised Preferential Rights is less than €0.10, the net proceeds will instead be transferred to the Issuer, unless the board of directors of the Issuer decides otherwise. Purchasers of Scrips in the Scrips Private Placement shall irrevocably undertake to subscribe to a number of New Shares equal to the number of Scrips purchased by them multiplied by the Ratio at the Issuance Price. The Company has received commitments for a total of €10,012,000.00 from existing and new institutional investors to subscribe to New Shares, as set out in more detail in section 3.8.1. The results of the Rights Offering are expected to be announced on May 30, 2011. The results of the Rights Offering and the Scrip Private Placement as well as, as the case may be, the amount payable to the holders of unexercised Preferential Rights are expected to be announced on June 1, 2011. An application has been made to admit the New Shares to trading on the regulated market of Euronext Brussels. It is expected that payment for and delivery of the New Shares will be made on June 6, 2011.
An application has also been made to admit to trading on the regulated market of Euronext Brussels the 44,814,402 new TiGenix Shares (the "Contribution Shares") without nominal value and without VVPR Strips that were issued by the Company in May 2011 in the framework of a capital increase by way of contribution in kind (the "Contribution"). The Contribution Shares will be listed under ISIN code BE0003864817, trading symbol TIG.
This prospectus was prepared in accordance with Article 23 of the Belgian Law of June 16, 2006 on public offers of investment instruments and on the admission of investment instruments to trading on regulated markets and approved by the Belgian Financial Services and Markets Authority (the "FSMA") on April 28, 2011. TiGenix is not taking any action to permit a public offering of the Preferential Rights, the New Shares or the Scrips in any jurisdiction outside Belgium. The distribution of this prospectus outside Belgium may in certain jurisdictions be restricted by law. This prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any circumstances in which such offer or solicitation is unlawful. Neither the New Shares, the Preferential Rights, nor any other shares in TiGenix have been and they will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (as that term is defined in Regulation S under the Securities Act ("Regulation S")) unless the New Shares, the Preferential Rights, the Scrips or other shares in TiGenix are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The New Shares, the Preferential Rights and the Scrips are only being offered and sold in offshore transactions outside the United States in accordance with Regulation S.

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.
On the date of this prospectus, the Company is of the opinion that, taking into account its available cash and cash equivalents and considering the equity investment made in Cellerix by the Cellerix shareholders and other investors prior to the Contribution, by way of a capital increase in cash, in the amount of €18,155,669.74 but not taking into account the proceeds of the Offering, it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this prospectus.
Investing in the New Shares, any other Shares and the Scrips, and trading in the Preferential Rights involve substantial risks. Before investing in the New Shares, any other Shares or the Scrips, or trading in the Preferential Rights, investors should carefully review and consider the entire prospectus and should give particular attention to the risk factors set forth in the section "Risk factors" beginning on page 23 of this prospectus. TiGenix has a history of operating losses and an accumulated deficit until today and may never become profitable.

Joint Global Coordinators and Bookrunners

KBC Securities

KEMPEN & CO
Merchant Bank

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Summary

The words written in capital letters shall – in singular or in plural – have the meaning as defined in the section "Definitions" or as assigned to them below.

This summary should be read as an introduction to the prospectus. It includes certain important information contained in this prospectus. It does not include all the information that may be important to investors. This summary must be read together with the more detailed information and the appendices of this prospectus. It should also be read together with the matters set forth under "Risk Factors". Any decision to invest in the Preferential Rights, the Scrips, the New Shares or any other Shares should be based on a thorough review of the prospectus as a whole by the prospective investor. No civil liability will attach to the Company or its Board of Directors with respect to this summary, including any translation thereof, except if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the applicable legislation, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.

HISTORY AND ACTIVITIES OF THE COMPANY

History of the Company

Based in Leuven, Belgium, TiGenix was founded in 2000 by Prof. Dr. Frank P. Luyten, rheumatologist and renowned scientist, and Gil Beyen[1], bioengineer and MBA, and CEO of the Company since its incorporation. The Company was built on cell-based technologies developed at the universities of Leuven and Ghent, and its scientific background lies in its expertise in the developmental biology of cartilage, bone and other musculoskeletal tissues. With the acquisition of Orthomimetics Ltd. in November 2009, an innovative, collagen-based biomaterials platform, that emerged from a collaboration between University of Cambridge and the Massachusetts Institute of Technology (the Cambridge-MIT Institute), was added.

Since its incorporation, the Company raised approximately €89.7 million in equity financing. In the first years the Company raised approximately €1 million in seed financing. In September 2003, the Company closed a second financing round of €12 million. During this round, four institutional venture capital (VC) companies invested in TiGenix (ING België NV, Auriga Ventures II FCPR, Fagus NV and Capricorn Venture Fund II NV). In November 2005, TiGenix completed a third financing round of €16 million, with both existing and new investors. In this round, international investors from the U.S. (HSS Ventures Inc.) and Japan (ITX Corporation) were among the new investors. In March 2007, the Company listed on Euronext Brussels through an IPO, raising a total of €46 million. In June 2009, the Company raised another €5.4 million through a private placement to secure the financing of its additional production facility. On December 4, 2009, another financing round of €7.7 million was completed. The Company also raised approximately €1.6 million through exercises of warrants between 2005 and 2010. In addition to the equity financing described above, contributions in kind were performed on November 30, 2009 and November 9, 2010 in the framework of the acquisition of Orthomimetics Ltd. Another contribution in kind took place on the Contribution Date in the form of the contribution in the Company of all shares in Cellerix S.A. ("**Cellerix**"), further details of which are provided below in the section "Details on the admission to trading of the Contribution Shares" (the "**Contribution**").

1 Through his company Axxis V&C BVBA. Gil Beyen currently also controls Gil Beyen BVBA, the current Chief Business Officer of the Company.

Other sources of funding include the grants for a total amount of €5 million (see also sections 6.12), as well as income from licenses and research collaborations for a total amount of €0.9 million.

The Company is listed on Euronext Brussels since March 22, 2007. As per April 26, 2011, its market capitalization amounted to approximately €40 million.

Group structure

TiGenix has incorporated, on February 7, 2006, a wholly-owned U.S. subsidiary, TiGenix Inc.

On May 8, 2007, TiGenix Inc. and Cognate BioServices, Inc. created a 50/50 joint venture asset management company, TC CEF LLC, with registered office at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, U.S. TC CEF LLC subsequently acquired the assets of a fully equipped CEF from Cell Genesys, Inc. With effect as of November 23, 2010, TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership interests in TC CEF LLC.

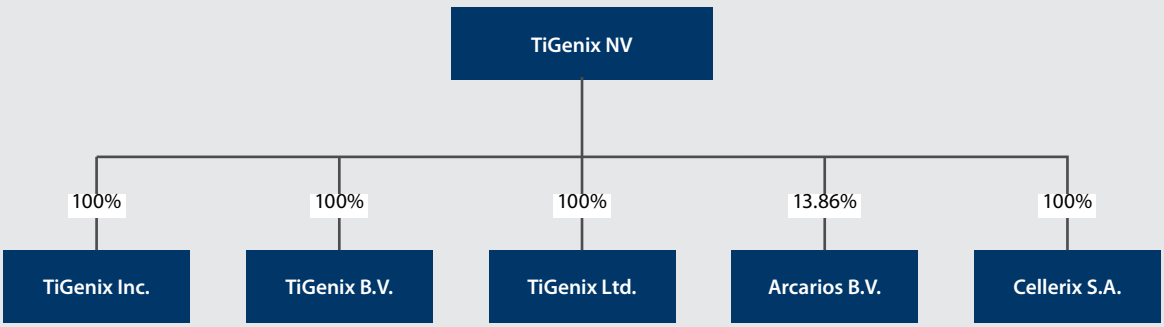
On September 24, 2009, the Company set-up a wholly-owned Dutch subsidiary, TiGenix B.V., with registered office at Urmonderbaan 22, 6167RD Geleen, The Netherlands.

The Company is constructing its new European human CEF in Geleen to increase the manufacturing capacity of ChondroCelect in Europe through TiGenix B.V.

On November 30, 2009, the Company acquired Orthomimetics Limited. Orthomimetics Limited designs, develops and manufactures novel, bioresorbable implants for the regenerative repair of articular joint damage resulting from sports injuries and other trauma. Orthomimetics Limited has been renamed to TiGenix Ltd.

On July 8, 2010, the Company has spun-out drug discovery assets to the Dutch company Arcarios B.V. (formerly named Therosteon B.V.). The Company holds a 13.86% equity stake in Arcarios B.V.

On the Contribution Date, the Company acquired Cellerix. Cellerix is a Spanish cell therapy company that was founded in 2004 as a spin-off from the Genetrix Group. Cellerix has a clinical stage pipeline of cell-based products for indications of inflammatory and autoimmune origin. Further details on Cellerix are provided in section 6.14 of the prospectus.



Activities and strategy of the Company

TiGenix is a biomedical company that focuses on "Regenerating Motion". The Company is listed on Euronext Brussels after a successful IPO in March 2007. As a result of the Contribution, TiGenix has extended its therapeutic scope to include a broad range of autoimmune and inflammatory diseases.

Western societies are characterised by ageing populations that place an increasing emphasis on high quality of life and life-long mobility, and, as such, musculoskeletal problems and other inflammatory and autoimmune diseases represent a large and growing unmet medical need. Current therapies do not provide satisfying, long-term durable repair or pain management and the Company therefore believes there is a need for more effective, regenerative and cell therapy treatments aimed at these therapeutic indications. Regenerative Medicine and cell therapy hold the promise to be the next evolution of medical treatments.

TiGenix is exploiting the power of Regenerative Medicine and cell therapy to develop innovative local treatments for damaged and diseased tissues by building on the core technology platforms of cell-based technologies and advanced biomaterials. The Company now has two products approved for marketing in Europe and a promising developmental pipeline including two clinical stage products, and is continuing to broaden its product offering through partnering and internal development.

ChondroCelect, for cartilage regeneration in the knee, is the first cell-based product that successfully completed the entire development track from research, over clinical development to European approval through the centralised procedure. ChondroCelect received Marketing Authorisation ("MA") in October 2009 as the first Advanced Therapy Medicinal Product ("ATMP") under the new regulation for Advanced Therapies and was approved for reimbursement in Belgium in February 2011. While preparing for reimbursement in its other key target markets, the Company is now in the process of launching and marketing ChondroCelect in selected European markets. A commercial core team is in place and initial pre-reimbursement sales have been realised in Germany, Belgium, the United Kingdom and the Netherlands.

Through the acquisition of Orthomimetics (now TiGenix Ltd) in November 2009, TiGenix added a second approved (CE-marked in Europe) product to its pipeline. ChondroMimetic is an off-the-shelf, bi-layer collagen based implant for the treatment of small osteochondral (cartilage and underlying bone) defects based on a biomaterials technology platform developed jointly at the University of Cambridge and the Massachusetts Institute of Technology. The product is marketed as a procedure pack with the collagen implant preloaded in an accurate, easy to use arthroscopic delivery device. The official launch of ChondroMimetic was announced at the 9th World Congress of the International Cartilage Repair Society ("ICRS") in Barcelona, Spain (September 2010). ChondroMimetic will be commercialised through a combination of the Company's direct core sales team and local distribution partners.

TiGenix is also progressing the development of its existing proprietary adult stem cell platform based on promising results from preclinical models for treating meniscal tears and joint surface lesions. In view of anticipated regulatory review, these cell populations have been further characterized and TiGenix is on track preparing a clinical proof of concept study. The Company has also started to explore the potential of its stem cell platform in preclinical models of osteoarthritis.

Building on its frontrunner position in Regenerative Medicine, TiGenix completed on the Contribution Date the acquisition of Cellerix through a contribution into TiGenix of 100% of the shares in Cellerix, adding an additional adult stem cell platform and clinical stage development programs to the Company. Cellerix is a product-focused biopharmaceutical company headquartered in Madrid, Spain, that is developing innovative medicines based on cell therapy. Cellerix is a recognised leader in the research and application of expanded allogeneic (donor-derived) cells of adult origin in severe diseases with high unmet medical need. Cellerix' pipeline builds upon a well characterized and EMA validated population of stem cells derived from human adipose tissue ("ASCs"), which are expanded in Cellerix' GMP facility in Madrid and are delivered to patients via different routes of administration to best exploit the ASC's immunomodulatory properties.

Cellerix' lead product candidate, Cx601, is an orphan drug designated product that successfully completed a Phase II clinical trial investigating its potential in the treatment of patients with complex perianal fistula suffering from Crohn's disease in 2010. The trial delivered promising efficacy data and excellent safety data, positioning the product well for Phase III clinical trials.

Cellerix' second clinical product candidate, Cx611, has initiated enrolment in a Phase I/II clinical trial to assess its safety and efficacy as intravenous treatment for patients suffering from Rheumatoid Arthritis. Cellerix has additional product candidates in various stages of preclinical development, including Cx621 (treatment of autoimmune diseases via intralymphatic

administration of ASCs), which is scheduled to enter the clinic in 2011, Cx602 (endoscopic treatment of Inflammatory Bowel Disease (IBD)) and Cx603 (intraarterial administration of eASCs for the treatment of osteoarthritis).

Through their combination, TiGenix and Cellerix have created a new European leader in cell therapy with a proven ability to develop, register, manufacture and commercialize novel cell therapies and the potential to accelerate key value driving programs and:

- ensure appropriate support for the **commercial success** of ChondroCelect and ChondroMimetic in Europe;
- speed up the further development of the **allogeneic stem cell platforms**, eventually widening the indications being pursued;
- exploit **synergies** between TiGenix' and Cellerix' platforms for treatment of damaged and arthritic joints, particularly in osteoarthritis and rheumatoid arthritis;
- allow cross fertilization of the companies' expertise in **manufacturing** (including scaling up), **CMC, regulatory**, **pricing and reimbursement**;
- exploit **out-licensing & partnering opportunities** in the areas of biomaterials, Cx501, Cx601 and co-development of products targeting other autoimmune disorders.

By exploiting its leading position in Regenerative Medicine and cell therapy, a privileged access to key opinion leaders, its manufacturing expertise and consolidated capacity and a commercial infrastructure, TiGenix aims to develop into a fully integrated Regenerative Medicine and cell therapy company.

The Company's short term focus is set on maximizing sales of ChondroCelect, which it plans to achieve through the Company's own sales force in Western Europe and partnering in other regions.

In terms of indication, the short term focus remains on damaged and arthritic joints while mid and long term growth will be sought through the expansion into indications in the inflammatory and autoimmune disease areas, capitalizing on the newly acquired stem cell platform.

The Company believes its competitive strengths are:

- **Positive cash-flows from first two commercial products.** With ChondroCelect and ChondroMimetic, TiGenix benefits from two commercial products approved for marketing in Europe. ChondroCelect was the first cell-based product to receive a positive opinion from the EMA and has recently received reimbursement approval in Belgium for a period of three years under a convention (Article 81) with the National Institute for Health and Disease Insurance (NIHDI). While preparing for reimbursement in its other key target markets, TiGenix gradually started with the "pre-reimbursement" commercial roll out of ChondroCelect through a number of key reference centres. For ChondroMimetic, first distribution agreements are in place.
- **Commercial core team in place.** Recognizing the importance of direct contact with the first prescribers of its innovative regulatory approved product, TiGenix has set up a high-level commercial core team consisting of experienced people with medical, scientific and commercial backgrounds, and with experience in pharmaceutical products as well as medical devices.
- **Demonstrated regulatory expertise and development experience in Regenerative Medicine and cell-based products.** Starting from a strong scientific base, and building on state of the art clinical validation processes, TiGenix has demonstrated its ability to bring a novel cell-based product 'from Bench to Bedside'. ChondroCelect, is the first cell-based product that applied for central regulatory approval in Europe as a medicinal product and the first approved ATMP in Europe. This experience and expertise is enhanced by the acquisition of Cellerix, whose industrial cell manufacturing facility was the first European GMP facility to gain authorization for commercial manufacturing of stem cell-based therapeutics. Furthermore, Cellerix' expanded adipose derived stem cell ("eASC") platform has preclinical and CMC packages agreed with the EMA, allowing an accelerated route to clinical trials. The regulatory and development expertise also includes device products, building upon the experience of TiGenix Limited (formerly named Orthomimetics Limited) and their track record in obtaining CE-mark approval for their lead product ChondroMimetic.
- **Clinical stage pipeline.** TiGenix' lead clinical development stage product, Cx601, successfully completed Phase II clinical trials in 2010 and received positive scientific advice from EMA in March 2011. Cx611 has recently commenced Phase I/II clinical trials and is targeting Rheumatoid Arthritis (RA), with the potential to become a product offering a substantial revenue stream to the Group in the mid-term.

- **Two allogeneic adult stem cell platforms forming the basis of an R&D engine.** The acquisition of Cellerix provides TiGenix with a second adult stem cell platform, which the Company can utilize to target a broader range of therapeutic indications. Cellerix' allogeneic expanded adipose derived stem cells ("eASCs") platform has been extensively characterized in line with EMA requirements and benefits from exhaustive preclinical and CMC packages that have been discussed with EMA in various occasions. The immunomodulatory properties of these cells offer potential novel treatments for autoimmune and inflammatory diseases and promising preclinical results have been achieved. This complements TiGenix' existing proprietary stem cell platform which exploits the Company's in-depth know-how of the biology of the joint, its tissues and stable cartilage.
- **Key opinion leader support.** The evidence-based approach TiGenix has followed throughout the development of its lead products has been appreciated by leading orthopaedic surgeons. The composition of the Company's scientific and clinical advisory board is a reflection hereof.
- **A clear focus on major unmet medical needs.** TiGenix has a clear and singular focus on Regenerative Medicine and cell therapy approaches to treat major unmet medical needs within joint disorders and autoimmune and inflammatory diseases, which include some of the largest and fastest growing disease areas in Western societies as well as debilitating conditions with well defined patient populations.
- **In-house industrial cell manufacturing capability.** Since its inception, the Company has focused on manufacturing excellence. The in-house competence, the approved GMP licence and GMP accredited facilities in Spain are key assets to further develop its leadership position in the field of Regenerative Medicine and cell therapy.
- **Solid intellectual property and commercial protection.** TiGenix has built a strong intellectual property portfolio consisting of patents and trade secrets surrounding the Company's genetic markers, cell culture methods, stem cell technologies and platforms, biomaterials and medical devices. The Company's core patents have been granted in Europe and the US while several others are pending. The Company's lead clinical stage program, Cx601, has been granted orphan drug designation by the EMA, which confers up to 10 years' marketing exclusivity from the date of the product's launch as well as other significant benefits.
- **Experienced management team.** TiGenix' management team contains a strong mix of highly experienced professionals with a track record in the biomedical and pharmaceutical fields. The team has shown its ability to deliver by bringing the Company's lead products to the market as well as gaining GMP certification for commercial manufacture of cell-based therapies, and in doing so has built up a unique expertise in the field of Regenerative Medicine and cell therapy.
- **Strong balance sheet.** As a result of the Contribution and assuming that the Offering will be fully subscribed to, TiGenix will have approximately €33 million in cash and equivalents and short term investments on completion of the Offering, which will support commercialisation of the Company's regulatory approved products and development of clinical and preclinical stage products.

REASONS FOR THE OFFERING

The principal purposes of the Offering are to support the Company's growth, to increase the Company's capitalisation and financial flexibility.

If the Offering is fully subscribed, the net proceeds from the issue of the offered shares are estimated to be €13.9 million, which will be allocated to the Company. For further information on the costs and expenses of the Offering, see section 3.10 of the prospectus.

The Company intends to use the net proceeds of the Offering for research and development, clinical trials, sales and marketing, working capital, capital expenditure, acquisitions if and when they present themselves, and other general corporate purposes.

More specifically, the Company intends to use the net proceeds of the offering as follows (in order of priority):

- To ensure market access, pricing & reimbursement of ChondroCelect and ChondroMimetic in Europe;
- To complete the commercial launch and European market roll out of ChondroCelect and ChondroMimetic and maximize product sales;

- To promote the clinical development of stem cell-based products, in particular:
  - finalize Phase I/II in Rheumatoid Arthritis,
  - initiate clinical studies for Cx621 (intra-lymphatic administration of eASCs),
  - initiate clinical studies with stem cell-based products for osteoarthritis and
  - To complete manufacturing capacity expansion as planned with the Sittard-Geleen facility.

The Company constantly evaluates opportunities to acquire businesses and technologies that it believes may be complementary to its business activities and negotiates partnering agreements in relation to its developmental pipeline, including partnering of the phase III of Cx601 (see page 138 in section 6.14.5 for more details regarding Cx601) and opportunities in the areas of biomaterials, Cx501 (see page 131 in section 6.14.1 for more details regarding Cx501) and potentially other areas.

The amounts and timing of the Company's actual expenditures will depend upon numerous factors, including the status of the Company's product development and commercialisation efforts, the amount of cash received resulting from grants, etc. The Company has not determined the amounts it plans to spend on any of the areas listed above or the timing of these expenditures. The Company intends to hold the proceeds it receives in connection with the Offering at banks and in short-term, interest-bearing, investment grade securities, including governmental obligations and other money market instruments, until the Company will use them.

RISK FACTORS

Investing in the New Shares, any other Shares and the Scrips, and trading in the Preferential Rights involve substantial risks. Before investing in the New Shares, any other Shares or the Scrips, or trading in the Preferential Rights, investors should carefully review and consider the entire prospectus and should give particular attention to the risk factors summarised below and further described in the section "Risk factors" beginning on page 3 of this prospectus.

- 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, ChondroMimetic and future products, resulting in lower than anticipated revenues.
- 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 in the preclinical and clinical development of its product pipeline.
- Regulatory approval of TiGenix' products as medicinal products or devices may be delayed, not obtained or not maintained.
- TiGenix' 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, ChondroMimetic and future products.
- TiGenix' 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 or medical device 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, manufacturing and sales and marketing. TiGenix' 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 related rights thereto.
- TiGenix could be prevented by third party patents to develop or exploit its products.

- TiGenix' 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.
- Exchange rate fluctuations may negatively affect TiGenix' financial position.
- The allocation of the proceeds could harm the ability to carry out the business plan.
- Sustainability of a liquid public market.
- Dilution in case of future capital increases could adversely affect the price of the Shares and could dilute the interests of Existing Shareholders.
- The market price of the Shares could be negatively affected by sales of substantial numbers of Shares in the public markets.
- The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future.
- Volatility of results may not meet the expectations of stock market analysts.
- Significant Shareholders could decide to combine their voting rights.
- Takeover provisions in the national law may make it difficult for an investor to change management and may also make a takeover difficult.
- If securities or industry analysts do not publish research or reports about the Company, or if they change their recommendations regarding the Shares adversely, the share price and trading volume could decline.
- If the Rights Offering is discontinued or there is a substantial decline in the price of the Shares, the Preferential Rights may become void or worthless.

SELECTED FINANCIAL DATA

The tables hereunder outline the selected financial information which is based on and should be read in conjunction with:

- the audited consolidated financial statements of TiGenix for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 included elsewhere in this prospectus (see chapter 8) and with "Management's discussion and analysis of TiGenix' financial condition and results of operations" (see chapter 7); and
- the stand-alone financial information of Cellerix for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 included elsewhere in this prospectus (see chapter 9), which has been derived from the audited stand-alone financial statements and was adapted to TiGenix' classifications and disclosures.

The consolidated financial statements of the Company and the stand-alone financial information of Cellerix for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements for each of the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 have been audited by the statutory auditor of the Company who delivered unqualified opinions for 2008 and 2009 and an unqualified opinion with explanatory paragraph for 2010.

The stand-alone financial statements of Cellerix for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and have been audited by Deloitte, S.L., which delivered unqualified opinions for 2008, 2009 and 2010.

The pro forma financial information of the enlarged group included elsewhere in this prospectus (see section 3.2.3) has been prepared in accordance with the International Financial Reporting Standards (IFRS) and have not been audited.

Consolidated income statement data

Thousands of Euro (€)	Years ended December 31 2010	2009	2008
CONSOLIDATED INCOME STATEMENT			
Sales billed	982		
Deferred sales	(361)		
Sales	621	46	0
Other revenues	1,802	986	321
Revenues	**2,423**	**1,032**	**321**
Cost of sales	(860)	0	0
Gross Profit	**1,563**	**1,032**	**321**
Research and development expenses	9,873	8,114	9,975
Selling, general and administrative expenses	8,353	7,316	6,851
Other operating income	0	0	0
Other operating expenses	0	0	0
Total operating charges	**18,226**	**15,430**	**16,825**
Operating Result (EBIT*)	**(16,663)**	**(14,398)**	**(16,505)**
Financial result	579	300	1,340
Profit/(Loss) before taxes	**(16,084)**	**(14,098)**	**(15,165)**
Income taxes	368	0	0
Net Profit/(Loss)	(15,716)	(14,098)	(15,165)
Attributable to equity holders of TiGenix NV	(15,716)	(14,098)	(15,165)
Basic loss per share	**(0.51)**	**(0.55)**	**(0.62)**

Consolidated balance sheet data

Thousands of Euro (€)	Years ended December 31 2010	2009	2008
ASSETS			
Intangible assets	20,683	20,562	441
Tangible assets	4,738	2,856	2,484
Available-for-sale investments	153	0	0
Other non current assets	254	130	34
Non-current assets	**25,828**	**23,548**	**2,959**
Inventories	**244**	156	158
Receivables	**1,812**	1,315	792
Cash & cash equivalents	**5,555**	24,745	25,162
Deferred charges & accrued income	**907**	282	335
Current assets	**8,518**	**26,497**	**26,447**
TOTAL ASSETS	**34,346**	**50,045**	**29,406**

Cash flow statement data

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Result	**(16,663)**	**(14,398)**	**(16,505)**
Depreciation, amortisation and impairment results	2,211	909	697
Capitalized development costs	(1,621)	(781)	0
Share-based compensation	676	1,140	931
Other financial result	105	(170)	102
Interest paid	(72)	(20)	(47)
Income taxes	0	0	0
Increase/(decrease) in Trade payables	(101)	65	151
Increase/(decrease) in Other current liabilities	(300)	(61)	507
(Increase)/decrease in inventories	(88)	2	(76)
(Increase)/decrease in receivables	(466)	139	(300)
(Increase)/decrease in deferred charges & accrued income	(647)	(76)	(61)
Total Adjustments	**(302)**	**1,146**	**1,904**
Net cash provided by/(used in) operating activities	**(16,964)**	**(13,252)**	**(14,601)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	174	656	1,490
Purchase of tangible assets	(1,925)	(428)	(1,446)
Purchase of intangible assets	(32)	(19)	(247)
Acquisition of subsidiaries, net of cash acquired	0	0	0
Net cash provided by/(used in) investing activities	**(1,783)**	**209**	**(203)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments cash deposits	(123)	(96)	11
Payments investments associates	(153)	0	0
Payments on financial loan	(80)	(80)	(80)
Payments on leases	(28)	(28)	(24)
Proceeds of subordinated loan	(130)	0	0
Proceeds of financial loan	0	0	0
Proceeds from long-term leases	0	0	82
Proceeds from issuance of Shares (net of issue costs)	37	12,723	999
Net cash provided by/(used in) financing activities	**(476)**	**12,519**	**989**
Net increase/(decrease) in cash & cash equivalents	**(19,223)**	**(524)**	**(13,815)**
Cash & cash equivalents at beginning of year	24,745	25,162	39,101
Effect on exchange rate changes	(34)	(107)	(124)
Cash and cash equivalents at end of period	**5,555**	**24,745**	**25,162**

Unaudited pro forma income statement

Thousands of Euro (€)	TiGenix	Cellerix	Pro Forma
COMBINED INCOME STATEMENT			
Sales billed	982		982
Deferred sales	(361)		(361)
Sales	621	105	726
Other revenues	1,802	603	2,405
Revenues	**2,423**	**708**	**3,131**
Cost of sales	(860)		(860)
Gross profit	**1,563**	**708**	**2,271**
Research and development expenses	9,873	6,176	15,848
Selling, general and administrative expenses	8,353	4,678	13,232
Other operating income	0	0	0
Other operating expenses	0	0	0
Total operating charges	18,226	10,854	29,080
Operating Result (EBIT)	**(16,663)**	**(10,146)**	**(26,809)**
Financial result	579	(197)	382
Profit/(Loss) before taxes	**(16,084)**	**(10,343)**	**(26,427)**
Income taxes	368	0	368
Net Profit/(Loss)	**(15,716)**	**(10,343)**	**(26,059)**
Basic loss per share	**(0.51)**	**(1.47)**	**(0.34)***
COMBINED STATEMENT OF COMPREHENSIVE INCOME			
Net Profit/(Loss)	**(15,716)**	**(10,343)**	**(26,059)**
Currency translation differences	(376)		(376)
Net gain on available-for-sale financial assets		1	1
Other comprehensive income	**(376)**	**1**	**(375)**
Total comprehensive income/(loss)	**(16,092)**	**(10,342)**	**(26,434)**

* Based on 31,121,154 TiGenix Shares at December 31, 2010 and 44,814,402 Contribution Shares.

Unaudited pro forma statement of financial position as at 31 December 2010

Thousands of Euro (€)	TiGenix	Cellerix	Adjustments	Pro Forma
Goodwill			41,493	41,493
Intangible assets	20,683	404		21,087
Tangible assets	4,738	1,447		6,185
Available-for-sale investments	153			153
Other non current assets	254	575		829
Non-current assets	**25,828**	**2,426**	**41,493**	**69,747**
Inventories	244	69		313
Receivables	1,812	740		2,552
Other financial assets		679		679
Cash and cash equivalents	5,555	3,786	15,589	24,930
Deferred charges & Accrued income	907	33		940
Current assets	**8,518**	**5,307**	**15,589**	**29,414**
TOTAL ASSETS	**34,346**	**7,733**	**57,082**	**99,161**
Share capital Shar	25,197	104	43,918	69,219
Share premium	73,357	41,631	13,164	128,152
Shares to be issued	2,296			2,296
Own shares and equity instruments		(78)		(78)
Accumulated profit/(loss)	(63,144)	(32,368)		(95,512)
Result of the year	(15,716)	(10,343)		(26,059)
Share based compensation	4,185	2,128		6,313
Translation reserves	(355)			(355)
Equity attributable to equity holders	**25,820**	**1,074**	**57,082**	**83,976**
Total equity	**25,820**	**1,074**	**57,082**	**83,976**
Subordinated loan	130			130
Financial loan	440			440
Other financial liabilities		1,830		1,830
Deferred revenue		85		85
Deferred tax liability	3,519			3,519
Non-current liabilities	**4,089**	**1,915**		**6,004**
Current portion of subordinated loan	130			130
Current portion of financial loan	80			80
Current portion of finance lease obligation	12			12
Current portion of other financial liabilities		1,162		1,162
Trade payables	2,557	2,457		5,014
Other current liabilities	1,657	1,075		2,732
Provision		50		50
Current liabilities	**4,436**	**4,744**		**9,180**
TOTAL EQUITY AND LIABILITIES	**34,345**	**7,733**	**57,082**	**99,160**

RECENT DEVELOPMENTS

Acquisition of Cellerix

On February 25, 2011 TiGenix NV and Cellerix announced that the two cell therapy-focused biotechnology companies, Cellerix' shareholders and certain other investors of Cellerix entered into a Contribution Agreement to combine the operations of both companies by means of a share for share exchange.

Shareholders and investors of Cellerix committed to make a cash contribution of €18,155, 669.74 in Cellerix before the closing of the proposed Contribution.

The Company also announced its intention to raise additional funds through a public rights offering, of which €10,012,000.00 has already been secured via commitments from certain existing shareholders and new investors.

Reimbursement

In Belgium TiGenix NV has received on February 24, 2011 the notification by the Minister of Social Affairs of the approval of a convention agreement between the RIZIV/INAMI and TiGenix for the reimbursement of ChondroCelect for well-indicated patients in specialised treatment centres. This convention covers a period of three years and defines the specific treatment criteria and follow-up measures the company has to conduct.

In France a positive advice has now been issued by the "Haut Collège" of the "Haut Autorité de Santé" recommending the conditional reimbursement of the combination of cultured autologous chondrocytes, membrane and surgical procedure under a special reimbursement scheme ("Remboursement dérogatoire" Art. 165-1-1). Since ChondroCelect is the only approved medicinal product for autologous chondrocyte transplantation in France, this decision opens the perspective to obtain controlled access to the French market.

In the Netherlands, the procedure for reimbursement of ChondroCelect under a special reimbursement scheme for innovative new medicines ("Beleidsregel Dure Geneesmiddelen") is still ongoing. A decision is now expected in the second quarter of 2011.

In Germany, thirty-six German hospitals filed for NUB approval at the end of 2010. These hospitals were recently informed by InEK that the product obtained this year NUB Status 4 meaning that ChondroCelect is eligible for reimbursement on a case by case basis.

In Spain, a decision on the national level is expected in the second quarter of 2011. Discussions at the regional level will follow and are currently being prepared.

DETAILS ON THE ADMISSION TO TRADING OF THE CONTRIBUTION SHARES

Background of the Contribution

On February 24, 2011, TiGenix made an offer to each individual shareholder of Cellerix to contribute its shares in Cellerix into the share capital of TiGenix in exchange for newly issued Shares (the "**Contribution Offer**"). Following the review by each of the shareholders of Cellerix of the Contribution Offer, ultimately all shareholders of Cellerix - deciding individually and discretionarily - accepted and adhered to the Contribution Offer (the "**Contribution Agreement**"). Under the Contribution Agreement and subject to certain terms and conditions set out in the Contribution Agreement, the Cellerix shareholders undertook to contribute, through a contribution in kind ("*inbreng in natura*" / "*apport en nature*"), into the Company all of their shares in Cellerix as at the date of completion of such contribution (the "**Contribution**"). The Contribution Agreement also envisaged that, prior to the Contribution and subject to certain conditions, certain Cellerix investors would collectively make an equity investment in Cellerix, by way of a capital increase in cash, in the amount of €18,155,669.74 in accordance with shareholders' and investment agreements executed between Cellerix shareholders in 2009, as amended from time to time, and certain related agreements (the "**Cellerix Shareholders Investment**").

Within the framework of the Contribution Agreement, Cellerix was valued at €40,000,000 prior to the Cellerix Shareholders Investment. Taking into account the amount of the Cellerix Shareholders Investment, 100% of the Cellerix shares was valued at €58,155,669.74. The €40,000,000 valuation of Cellerix prior to the Cellerix Shareholders Investment was based on an assessment of the technology value of Cellerix using three different methods: (a) the pre-money valuation of Cellerix in its last financing rounds, (b) an analysis of comparable companies and transactions, and (c) a "sum of the parts" net present value analysis of Cellerix' lead programmes. The €18,155,669.74 cash that would be invested in Cellerix prior to the Contribution pursuant to the Cellerix Shareholders Investment was valued on a euro for euro basis. The Cellerix Shareholders Investment has been completed between April 26, 2011 and the Contribution Date.

Issuance of the Contribution Shares

In accordance with the Contribution Agreement, the Company acquired all 15,106,984 shares in Cellerix for a total value of €58,155,669.74 on the Contribution Date through the contribution into TiGenix of the shares in Cellerix in exchange for the 44,814,402 Contribution Shares at an issuance price of €1.2977 per Contribution Share (including issuance premium). All Contribution Shares were issued on the Contribution Date at the occasion of the completion of the capital increase resolved upon by the extraordinary shareholders' meeting of the Company on April 26, 2011.

A special report was prepared by the Board of Directors and the statutory auditor in connection with the Contribution, in accordance with Article 602 of the Companies Code, further describing the Contribution. These reports are available on the Company's website and can be obtained at no cost at the registered office of the Company, Romeinse straat 12, box 2, 3001 Leuven, Belgium.

The conclusions of the statutory auditor's report on the contribution into TiGenix of the shares in Cellerix are as follows:

"In accordance with article 602 of the Belgian Company Law and the applicable Standards and Guidelines as issued by the Institute of certified Auditors (Instituut der Bedrijfsrevisoren), we investigated the planned contribution of maximum 15.226.054 Cellerix shares.

Upon finalization of our audit work, we are of the opinion that:

(a) The transaction has been reviewed in accordance with the Standards and Guidelines as issued by the Institute of certified Auditors (Instituut der Bedrijfsrevisoren) regarding contributions in kind. It should be noted that the identification of the contributors has been limited to reconciliation with Cellerix' shareholder's register since we did not have the underlying bylaws and ID-identifications of the contributors and/or their legal representatives.

(b) The Board of Directors is responsible for the valuation of the contribution in kind and the determination of the number of shares to be issued in return for the contribution in kind.

(c) The description of the contribution agrees to the normal requirements of accuracy and clarity.

(d) The valuation of the Cellerix' shares to be contributed is based on the valuation of both the technology component and the cash component present in the Cellerix company.

(e) The valuation of the technology component, amounting to 40.000.000 EUR, is determined on a conventional basis, but that the valuation methods withheld by the Board of Directors for the assessment of this conventional value, have lead to an amount that justifies the conventional value. We are therefore of the opinion that the contribution of the technology component is not overstated, provided that the transferred technology will lead to marketable products within a reasonable timeframe and that the estimated future net free cash flows, as taken up in the business plan, will be realized.

(f) The valuation of the cash component amounting to 18.155.669,74 EUR if no ETV Options are exercised before the date of the closing of the contribution, and amounting to 18.605.669,74 EUR if all ETV Options are exercised before the date of the closing of the contribution, provided that the conditional contribution of this cash component, which is only contractual agreed upon at present, will actually be contributed in the Cellerix company by some of its current shareholders, after the Extraordinary Assembly of shareholders to whom this audit report is addressed.

(g) Subject to what is described in the sections a) to f) above, we can conclude that the value amounting to 58.155.699,74 EUR if no ETV Options are exercised, and 58.605.699,74 EUR if all ETV Options are exercised, as a result of the applied valuation methods, at least agrees to the number of shares to be issued and their par value and the related share premium, so that the contribution in kind is not overstated. The share price per share amounts to 1,2977 EUR (share premium included).

Based on this share price and provided the rounding down of dividing numbers of shares, a maximum of 45.161.184 new shares of the Company will be issued, if all ETV Options are exercised.

We would like to draw your attention to the fact that the Extraordinary Assembly of shareholders to whom this audit report is addressed, will be requested to give an approval for an additional capital increase in cash with preferential rights for existing shareholders, amounting to a maximum of 15,3 million EUR. If the contribution is realized before the start of the subscription period of this capital increase in cash, the share price per share issued in this capital increase in cash will amount to 1 EUR.

In this context, we would like to stress that our engagement includes an opinion about the description, valuation and compensation of the contribution in kind and not about the legitimacy and eligibility of the transaction.

This report has been drawn up in accordance with article 602 of the Belgian Company Code and should not be used for other purposes than the contribution in kind subject to this report.

Zaventem, March 3, 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Represented by
Gert Claes
Statutory auditor"

Issuance price of the Contribution Shares

The issuance price of the Contribution Shares at which the Contribution Shares were subscribed to within the framework of the Contribution amounted to €1.2977 per Contribution Share (including issuance premium).

Admission to trading of the Contribution Shares

An application has been made for the admission of the Contribution Shares to trading on Euronext Brussels. The shares will be listed under international code number ISIN BE0003864817 and symbol TIG on Euronext Brussels.

The Company expects trading of the Contribution Shares to commence on or about May 13, 2011.

MAIN TERMS OF THE OFFERING AND ADMISSION TO TRADING OF THE NEW SHARES

Issue amount	Offering of New Shares for an amount of up to €15,187,111.
Issuance Price and Ratio	The Issuance Price is equal to €1.00 per New Share. The holders of Preferential Rights can subscribe to the New Shares in the Ratio of 1 New Share for 5 Preferential Rights held in possession.
Rights Subscription Period	The Rights Offering will be open from May 13, 2011 up to and including until May 27, 2011.
Rights Offering	Subject to restrictions under applicable securities laws (see under "Certain restrictions on the distribution of this prospectus" page 36 of the prospectus and following and under section 3.7 below), the holders of Preferential Rights will have the right to subscribe to the New Shares in accordance with the Ratio at the Issuance Price as follows: • Existing Shareholders whose holding of Shares is registered in the shareholders' register of the Issuer will receive, at the address indicated in the shareholders' register, a communication from the Issuer informing them of the aggregate number of Preferential Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Preferential Rights; • Existing Shareholders whose holding of Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Preferential Rights. During the Rights Subscription Period, Existing Shareholders and other persons who have acquired Preferential Rights, who do not hold the exact number of Preferential Rights to subscribe to a round number of New Shares, may elect either to purchase the missing Preferential Rights in order to subscribe to an additional New Share, or to sell their extra Preferential Rights, or to not do anything in attendance of the receipt of the Unexercised Rights Payment (if any and provided that the net proceeds divided by the total number of unexercised Preferential Rights is not less than €0.10). Preferential Rights can no longer be exercised or traded after May 27, 2011, the Closing date of the Rights Offering.
Scrips Private Placement	The Preferential Rights that are unexercised at the time of the Closing date of the Rights Offering will be converted automatically into an equal number of Scrips. The Scrips will be offered for sale in a private placement to institutional investors. Through such a procedure, a book of demand will be built to try and find a single market price for the Scrips. Investors who acquire Scrips will enter into an irrevocable commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issuance Price and in accordance with the Ratio. The Scrips Private Placement is expected to last for one day and is expected to take place on May 31, 2011. The net proceeds, if any, from the sale of the Scrips, after deducting all expenses, charges and all forms of expenditure which the Company has incurred for the sale of the Scrips, will be distributed proportionally among all holders of unexercised Preferential Rights (rounded down to a whole eurocent per unexercised Preferential Right and subject to the €0.10 minimum threshold set forth below being met). The net scrips proceeds will be made available to the Existing Shareholders upon presentation of coupon no. 1. Please consult your financial intermediary if you have any questions concerning this payment. If the net proceeds of the sale of the Scrips divided by the total number of unexercised Preferential Rights is less than €0.10, the holders of unexercised Preferential Rights will not be entitled to receive any payment and, the net proceeds will, instead, be transferred to the Issuer, unless the Board of Directors decides otherwise. There is no guarantee that, following the closing of the Scrips Private Placement, there will be any net proceeds available for distribution to the holders of unexercised Preferential Rights or to the Issuer.
Settlement	The payment of the subscriptions with Preferential Rights will be made by debiting the subscriber's account on the value date June 6, 2011. The payment of the subscriptions in the Scrips Private Placement will be made by delivery against payment. The New Shares will be delivered in the form of registered shares or dematerialised securities booked in the securities account of the subscriber.

Announcement of the results of the Offering	An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about May 30, 2011. An announcement of the results of the Scrips Private Placement will be made by a press release on or about May 31, 2011. The results of the subscription with Preferential Rights and with Scrips and the amount due to holders of unexercised Preferential Rights will be published on or about June 1, 2011 via an official advertisement in the Belgian Financial Press.
Admission to trading	**Contribution Shares** A request for admission to trading on the regulated market of Euronext Brussels of the Contribution Shares has been submitted. The admission is expected to take place on May 13, 2011. **Preferential Rights** The Preferential Rights (coupon no. 1) will be separated from the Existing Shares on May 12, 2011 after the closing of Euronext Brussels. A request for admission to trading of the Preferential Rights has been made and the Preferential Rights will be negotiable on the regulated market of Euronext Brussels under ISIN code BE0970125283 during the Rights Subscription Period, *i.e.* from May 13, 2011 to May 27, 2011 inclusive. The Existing Shares will therefore be traded ex-rights as from May 13, 2011. **New Shares** A request for admission to trading on the regulated market of Euronext Brussels of the New Shares has been submitted. The admission is expected to take place on June 6, 2011.
Listing place	The New Shares and Contribution Shares shall be listed on the regulated market of Euronext Brussels, on the same line as the Existing Shares. The New Shares and Contribution Shares will be listed under ISIN code BE0003864817, trading symbol TIG. The Preferential Rights are expected to be listed under ISIN code BE0970125283, trading symbol TIG1.
Dividend entitlement	The Contribution Shares are and the New Shares will be of the same class as the Shares that existed prior to the Contribution. The New Shares will be entitled to a share in the profits in the same way as the Existing Shares.
Underwriting Agreement	The Company and the Joint Global Coordinators and Bookrunners expect (but have no obligation) to enter into an Underwriting Agreement following the closing of the Scrips Private Placement. Under the terms of this agreement each of the Joint Global Coordinators and Bookrunners may, severally and not jointly, agree to subscribe to a certain number of New Shares, in the ratio specified below, with a view to immediately distributing such New Shares to investors who have subscribed to such shares in the Offering, thereby guaranteeing the payment of New Shares that have been subscribed to in the Offering but are subsequently not paid for on the Closing date of the Offering (soft underwriting). New Shares subscribed but not paid for in the Offering shall be soft underwritten by the Joint Global Coordinators and Bookrunners in the following proportions:

Underwriter	Underwriting commitment (%)
KBC Securities NV	50%
Kempen & Co N.V.	50%

Form of the Contribution Shares and the New Shares	The Contribution Shares have been issued in registered form. The New Shares will be issued in registered form or as dematerialised Shares only.
Dilution as a result of the Contribution	The Contribution caused a 59 per cent dilution for the holders of Shares prior to the Contribution.
Dilution as a result of the Offering	The Offering will not cause any dilution for Existing Shareholders of the Company provided and to the extent that they exercise all their Preferential Rights. The dilution for Existing Shareholders who do not exercise any of their Preferential Rights will be 16.67 per cent and can be calculated as follows: $\frac{(S - s)}{S}$ S = total number of Shares after the capital increase pursuant to the Offering, *i.e.* maximum 91,122,667 s = total number of Shares before the capital increase pursuant to the Offering, *i.e.* 75,935,556

DILUTION SIMULATIONS

The tables below provide (a) an overview of the dilutive effect of the Contribution on the shareholding in the Company and (b) a simulation of the dilutive effect of the Offering in two scenarios, based on an Issuance Price of €1.00 and a Ratio of 1 for 5.

Shareholding before the Contribution and after the Contribution (and before the Offering)*

	Before the Contribution		Before the Contribution on fully diluted basis**		After the Contribution and before the Offering		After the Contribution and before the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	4,253,731	13.67%	4,253,731	12.73%	4,253,731	5.60%	4,253,731	5.44%
Fagus NV	2,105,527	6.77%	2,105,527	6.30%	2,105,527	2.77%	2,105,527	2.69%
A. van Herk / O.G.B.B.A. van Herk B.V.	1,685,862	5.42%	1,685,862	5.05%	1,685,862	2.22%	1,685,862	2.15%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	3.94%	1,224,870	3.67%	1,224,870	1.61%	1,224,870	1.57%
Particon B.V.	340,000	1.09%	340,000	1.02%	340,000	0.45%	340,000	0.43%
N.V. Industriebank LIOF	340,000	1.09%	340,000	1.02%	340,000	0.45%	340,000	0.43%
Limburg Ventures B.V.	200,000	0.64%	200,000	0.60%	200,000	0.26%	200,000	0.26%
LRM NV	200,000	0.64%	200,000	0.60%	200,000	0.26%	200,000	0.26%
Genetrix Life Sciences A.B.	0	0.00%	0	0.00%	5,835,379	7.68%	5,835,379	7.46%
FCPR Ventech Capital III	0	0.00%	0	0.00%	5,195,199	6.84%	5,195,199	6.64%
LSP III Omni Investment Coöperatief, U.A.	0	0.00%	0	0.00%	4,445,053	5.85%	4,445,053	5.68%
Ysios Biofund I, FCR	0	0.00%	0	0.00%	4,760,342	6.27%	4,760,342	6.09%
Biopartners Capital, S.L.	0	0.00%	0	0.00%	2,977,440	3.92%	2,977,440	3.81%
Novartis Bioventures Ltd.	0	0.00%	0	0.00%	5,534,905	7.29%	5,534,905	7.08%
Roche Finanz AG	0	0.00%	0	0.00%	5,534,905	7.29%	5,534,905	7.08%
CX EBIP Agreement, S.L.	0	0.00%	0	0.00%	1,905,144	2.51%	1,905,144	2.44%
Subtotal	**10,349,990**	**33.26%**	**10,349,990**	**30.98%**	**46,538,357**	**61.29%**	**46,538,357**	**59.49%**
Other Shareholders	20,771,164	66.74%	23,063,656	69.02%	29,397,199	38.71%	31,689,691	40.51%
TOTAL	**31,121,154**	**100%**	**33,413,646**	**100%**	**75,935,556**	**100%**	**78,228,048**	**100%**

* To the best of the Company's knowledge, based on the latest transparency declarations received by the Company prior to the date of this prospectus and based on information available of the private placements of 2009 and the Contribution.

** Under the assumption that all 1,755,958 outstanding (as at March 31, 2011) warrants have been exercised and that 536,534 Shares have been issued to former shareholders of Orthomimetics Limited as consideration for the contribution in kind of their receivable on TiGenix in the amount of €2,296,365 in relation to the sale of Orthomimetics Limited shares by such persons to TiGenix (see sections 4.6 and 6.3).

Scenario 1: Existing Shareholders exercise all their Preferential Rights

	After the Contribution and after the Offering		After the Contribution and after the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	5,104,477	5.60%	5,104,477	5.46%
Fagus NV	2,526,632	2.77%	2,526,632	2.70%
A. van Herk / O.G.B.B.A. van Herk B.V.	2,023,034	2.22%	2,023,034	2.17%
Gemma Frisius-Fonds K.U.Leuven NV	1,469,844	1.61%	1,469,844	1.57%
Particon B.V.	408,000	0.45%	408,000	0.44%
N.V. Industriebank LIOF	408,000	0.45%	408,000	0.44%
Limburg Ventures B.V.	240,000	0.26%	240,000	0.26%
LRM NV	240,000	0.26%	240,000	0.26%
Genetrix Life Sciences A.B.	7,002,454	7.68%	7,002,454	7.50%

	After the Contribution and after the Offering		After the Contribution and after the Offering on fully diluted basis**	
FCPR Ventech Capital III	6,234,238	6.84%	6,234,238	6.67%
LSP III Omni Investment Coöperatief, U.A.	5,334,063	5.85%	5,334,063	5.71%
Ysios Biofund I, FCR	5,712,410	6.27%	5,712,410	6.11%
Biopartners Capital, S.L.	3,572,928	3.92%	3,572,928	3.82%
Novartis Bioventures Ltd.	6,641,886	7.29%	6,641,886	7.11%
Roche Finanz AG	6,641,886	7.29%	6,641,886	7.11%
CX EBIP Agreement, S.L.	2,286,172	2.51%	2,286,172	2.45%
Subtotal	**55,846,024**	**61.29%**	**55,846,024**	**59.78%**
Other Shareholders	35,276,643	38.71%	37,569,135	40.22%
TOTAL	**91,122,667**	**100.00%**	**93,415,159**	**100.00%**

Scenario 2: Existing Shareholders exercise no Preferential Rights

	After the Contribution and after the Offering		After the Contribution and after the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	4,253,731	4.67%	4,253,731	4.55%
Fagus NV	2,105,527	2.31%	2,105,527	2.25%
A. van Herk / O.G.B.B.A. van Herk B.V.	1,685,862	1.85%	1,685,862	1.80%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	1.34%	1,224,870	1.31%
Particon B.V.	340,000	0.37%	340,000	0.36%
N.V. Industriebank LIOF	340,000	0.37%	340,000	0.36%
Limburg Ventures B.V.	200,000	0.22%	200,000	0.21%
LRM NV	200,000	0.22%	200,000	0.21%
Genetrix Life Sciences A.B.	5,835,379	6.40%	5,835,379	6.25%
FCPR Ventech Capital III	5,195,199	5.70%	5,195,199	5.56%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	4.88%	4,445,053	4.76%
Ysios Biofund I, FCR	4,760,342	5.22%	4,760,342	5.10%
Biopartners Capital, S.L.	2,977,440	3.27%	2,977,440	3.19%
Novartis Bioventures Ltd.	5,534,905	6.07%	5,534,905	5.92%
Roche Finanz AG	5,534,905	6.07%	5,534,905	5.92%
CX EBIP Agreement, S.L.	1,905,144	2.09%	1,905,144	2.04%
Subtotal	**46,538,357**	**51.07%**	**46,538,357**	**49.82%**
Other Shareholders	44,584,310	48.93%	46,876,802	50.18%
TOTAL	**91,122,667**	**100.00%**	**93,415,159**	**100.00%**

INTEREST OF NATURAL AND LEGAL PERSONS

The Joint Global Coordinators and Bookrunners are expected to enter into an Underwriting Agreement with the Issuer under certain conditions (see section 3.8 of the prospectus).

Furthermore KBC Securities (and their affiliates) and Kempen (and their affiliates) have provided, and may provide in the future, various banking services, commercial services and other services to the Company.

CALENDAR

Publication in the Belgian Financial Press and in the Belgian State Gazette of the notice required by Article 593 of the Companies Code	at the latest T-8	at the latest May 4, 2011
Determination of the Issuance Price and Ratio	T-1	May 11, 2011
Separation of coupon no. 1 (representing the Preferential Right) after closing of the markets	T	May 12, 2011
Availability to the public of the prospectus	T	May 12, 2011
Listing of the Contribution Shares on the regulated market of Euronext Brussels	T+1	May 13, 2011
Trading of Shares ex-Right	T+1	May 13, 2011
Opening date of the subscription with Preferential Rights	T+1	May 13, 2011
Listing of the Preferential Rights on the regulated market of Euronext Brussels	T+1	May 13, 2011
Closing date of the subscription with Preferential Rights	T+15	May 27, 2011
End of listing of the Preferential Rights on the regulated market of Euronext Brussels	T+15	May 27, 2011
Announcement via press release of the results of the Rights Offering before opening of the markets	T+18	May 30, 2011
Accelerated private placement of the Scrips	T+19	May 31, 2011
Pricing and allocation of the Scrips	T+19	May 31, 2011
Announcement via press release of the results of the Scrips Private Placement	T+19	May 31, 2011
Publication in the Belgian Financial Press of the results of the Offering and of the amount due to holders of unexercised Preferential Rights	T+20	June 1, 2011
Payment of the Issuance Price by or on behalf of the subscribers	T+25	June 6, 2011
Realisation of the capital increase	T+25	June 6, 2011
Delivery of the New Shares to the subscribers	T+25	June 6, 2011
Listing of the New Shares on the regulated market of Euronext Brussels	T+25	June 6, 2011
Payment to holders of unexercised Preferential Rights	as of T+28	June 9, 2011

DEFINITION OF THE MAIN TERMS USED IN THIS SUMMARY AND ELSEWHERE IN THE PROSPECTUS

Throughout this summary and elsewhere in the prospectus, certain terms and expressions are used. Unless the context in which these terms and expressions are used does not so permit, or unless these terms or expressions are defined differently, they should be read and understood as follows:

Articles of Association	The articles of association of TiGenix.
Belgian Financial Press	De Tijd.
Board of Directors	The board of directors of TiGenix.
Cellerix	Cellerix S.A., a corporation incorporated under the laws of Spain, having its registered office at Calle Marconi, 1, Parque Tecnológico de Madrid, Tres Cantos, 28760 Madrid, Spain, registered with the Commercial Registry of Madrid under volume number 20117, page 81, sheet M-355159 and with tax identification number (C.I.F.) A-84008986.
Cellerix Shareholders Investment	The equity investment in Cellerix collectively made by certain Cellerix investors between April 26, 2011 and the Contribution Date through a cash contribution to Cellerix in the amount of €18,155,669.74 in exchange for 3,431,425 Cellerix shares.
Cellerix Shareholders' Lock-up Undertakings	The lock-up undertakings by the holders of Contribution Shares included in the Contribution Agreement and in the Lock-up Agreement.
CET	Central European Time.
Closing date of the Offering	The day on which the capital increase pursuant to the Offering is realised. This date is expected to be June 6, 2011.
Closing date of the Rights Offering	Last day on which the Existing Shareholders and the other investors with Preferential Rights can subscribe to the New Shares. This date is expected to be May 27, 2011.
Companies Code	The Belgian Companies Code of May 7, 1999, as amended.

Contribution	The capital increase in the Company that took place on the Contribution Date by way of contribution in kind of all shares in Cellerix in exchange for the Contribution Shares.
Contribution Agreement	The contribution agreement entered into on February 24, 2011 by the Company, Cellerix, the shareholders of Cellerix and certain other investors.
Contribution Date	The date on which the completion of the Contribution has been completed and which will be specified in an announcement made public before or at the same time as the publication of the prospectus.
Contribution Offer	The offer made by TiGenix on February 24, 2011 to each individual shareholder of Cellerix and certain other investors to contribute their respective shares in Cellerix into the share capital of TiGenix in exchange for Contribution Shares.
Contribution Shares	The 44,814,402 new Shares without nominal value and without VVPR Strips that were issued by the Company on the Contribution Date in the framework of the Contribution.
EBIP	Equity Based Incentive Plan of Cellerix.
EBIP Agreement	The agreement entered into between Cellerix, the Cellerix shareholders and Cx EBIP Agreement, S.L., a Spanish limited liability company, in relation to the EBIPs and the management regime of the rights of the Cellerix shares held by Cx EBIP Agreement, S.L.
Existing Shareholders' Lock-up Undertakings	The lock-up undertakings under the Lock-up Letters and the Cellerix Shareholders' Lock-up Undertakings.
Existing Shareholders	The holders of Existing Shares on the date prior to the Opening Date of the Rights Offering.
Existing Shares	The existing 75,935,556 Shares in TiGenix (including the Contribution Shares).
FSMA	Financial Services and Markets Authority in Belgium (*Autoriteit financiële diensten en markten / Autorité des services et marchés financiers*).
Group	TiGenix and all its direct and indirect subsidiaries.
Issuance Price	The price in euro at which each New Share is offered, *i.e.* €1.00 per New Share.
IWT	Agency for Innovation through Science and Technology – Flanders (*Agentschap voor Innovatie door Wetenschap en Technology)*.
Joint Global Coordinators and Bookrunners	Kempen & Co N.V., with registered office at Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands ("Kempen") and KBC Securities NV, with registered office at Havenlaan 12, 1080 Brussels, Belgium ("KBC Securities"). Kempen & Co N.V. is the 100% shareholder of Kempen & Co Corporate Finance B.V.
Lock-up Agreement	The lock-up agreement regarding the shares in TiGenix NV entered into between the Company and the holders of Contribution Shares on or about the Contribution Date.
Lock-up Letters	The letters containing a lock-up undertaking signed by ING België NV, Fagus NV, Limburgse Reconversie Maatschappij NV / MIJNEN NV, Gemma Frisius-Fonds K.U.Leuven NV and the Katholieke Universiteit te Leuven on February 23/24, 2011.
Modifications to the Articles	Certain modifications to the Articles of Association approved by the extraordinary shareholders' meeting of the Company held on April 26, 2011.
Net Scrips Proceeds	The net proceeds from the sale of the Scrips, after deducting all expenses, charges and all forms of expenditure which the Company has incurred for the sale of the Scrips.
New Shares	The Shares to be issued within the framework of the Offering.
Offering	The Rights Offering and the Scrips Private Placement.
Opening date of the Rights Offering	The date from which the Existing Shareholders and the holders of Preferential Rights can submit their subscription orders for the New Shares. This date is expected to be May 13, 2011.
Preferential Rights	The preferential subscription rights of the holders of Existing Shares which entitles them to subscribe to the New Shares in accordance with the Ratio at the Issuance Price. Five (5) Preferential Rights give the right to subscribe to one (1) New Share as part of the Offering. The Preferential Rights, represented by coupon no. 1 of the Existing Shares, will be separated from the underlying Shares on May 12, 2011 after the closing of Euronext Brussels and will be negotiable during the entire Rights Subscription Period on Euronext Brussels under the ISIN code BE0970125283.

Prospectus Directive	Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading.
Prospectus Law	The Belgian Law of June 16, 2006 on public offers of investment instruments and on the admission of investment instruments to trading on regulated markets (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt / Loi du 16 juin 2006 relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*).
Prospectus Regulation	Regulation (EC) 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
QIB	Qualified institutional buyers (as defined in Rule 144A under the Securities Act).
Ratio	The Ratio of 1 for 5, in which 5 Preferential Rights or Scrips give the right to subscribe to 1 New Share as part of the Offering.
Rights Offering	The public offering by TiGenix for subscription to New Shares as part of a capital increase with Preferential Rights.
Rights Subscription Period	The period during which the holders of Preferential Rights can subscribe to New Shares; the Rights Offering is expected to start on May 13, 2011 and to close on May 27, 2011.
Scrips	The Preferential Rights that are not exercised at the time of the Closing date of the Rights Offering will be converted automatically into an equal number of Scrips. Investors who acquire Scrips enter into the irrevocable commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issuance Price and in accordance with the Ratio.
Scrips Private Placement	The private placement to institutional investors in the European Economic Area in which the Scrips, if any, will be sold after the Rights Offering has ended. Through such a procedure, a book of demand will be built to find a single market price for the Scrips. The holders of unexercised Preferential Rights will receive the Unexercised Rights Payment (if any and provided that the net proceeds divided by the total number of unexercised Preferential Rights is not less than €0.10). The Scrips Private Placement is expected to last for one day and is expected to be on May 31, 2011.
SEC	The US Securities and Exchange Commission.
Securities Act	The US Securities Act of 1933, as amended.
Shares	The shares that represent the capital, with voting rights and without designation of nominal value, issued by TiGenix from time to time.
Shareholder	A shareholder of the Company.
Shareholders' Rights Law	The law of December 20, 2010 on the exercise of certain rights of shareholders in listed companies, as amended on April 5, 2011.
Takeover Law	The Belgian Law on public takeover bids of April 1, 2007.
Takeover Royal Decree	The Belgian Royal Decree of April 27, 2007 on public takeover bids.
TiGenix, **Company** or **Issuer**	TiGenix NV, with registered office located at Romeinse straat 12 box 2, 3001 Leuven, Belgium, and registered with the register of legal entities of Leuven under enterprise number 0471.340.123.
Transparency Law	The Belgian Law of May 2, 2007 on the disclosure of major shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions.
Underwriting Agreement	The underwriting agreement relating to the Offering that the Company and the Joint Global Coordinators and Bookrunners expect (but have no obligation) to enter into before the Closing date of the Offering (soft underwriting) (see section 3.8 of the prospectus).
Unexercised Rights Payment	The Net Scrips Proceeds divided proportionally between all holders of Preferential Rights who have not exercised them.
VVPR Strips	VVPR Strips give certain holders the right to a reduced withholding tax on dividends (15 per cent instead of 25 per cent). The New Shares will be issued without VVPR Strips.

Risk factors

Any investment in the Preferential Rights, the Scrips, the New Shares or any other Shares involves substantial risks. You should carefully review and consider the following risk factors and the other information contained in this prospectus before deciding to subscribe to New Shares. The occurrence of one or more of the risks described below may have a material adverse effect on the Company's cash flows, results of operations, financial condition and/or prospects and may even endanger the Company's ability to continue as a going concern. Moreover, the Company's Share price could fall significantly if any of these risks were to materialise, in which case investors in the Preferential Rights, the Scrips, the New Shares or any other Shares could lose all or part of their investment.

An investment in the Preferential Rights, the Scrips, the New Shares or any other Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Any investor should note that the risks discussed below are not the only risks to which the Company is exposed. Additional risks and uncertainties, which are not currently known to TiGenix or which the Company currently believes to be immaterial, could likewise impair its business operations or have an adverse effect on the Company's cash flows, results of operations, financial condition, the Company's ability to continue as a going concern or the price of its Shares. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's cash flows, results of operations and financial condition, the Company's ability to continue as a going concern or the price of its Shares. This prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus. Prospective investors should carefully review this entire prospectus and should reach their own views and decisions on the merits and risks of investing in the Preferential Rights, the Scrips, the New Shares and/or any other Shares in the light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Preferential Rights, the Scrips, the New Shares and/or any other Shares.

RISKS RELATED TO TIGENIX' BUSINESS

TiGenix has a history of operating losses and an accumulated deficit until today and may never become profitable.

TiGenix has experienced operating losses since its founding in February 2000. It experienced net losses of €15,165k in 2008, €14,098k in 2009, and €15,716k in 2010. As of December 31, 2010, TiGenix (not yet including Cellerix) had an accumulated deficit of €78,860k. These losses resulted mainly from the pre-clinical, clinical, manufacturing and regulatory efforts done to obtain the central European Marketing Authorisation for ChondroCelect and to advance the pipeline products, from the commercial efforts in preparing the launch of ChondroCelect and ChondroMimetic and from general and administrative costs associated with the operations. Costs have always exceeded revenues, which were generated mainly through grants.

As of December 31, 2010, Cellerix had an accumulated deficit of €42,711k. These losses resulted mainly from the operating activity of the Company, which includes preclinical and clinical development of its programmes and personnel and administrative expenses required to manage the operations.

On the basis of pro forma consolidated financial statements as of December 31, 2010, the accumulated deficit of the TiGenix – Cellerix combination amounted to €121,571k.

TiGenix intends to expand its commercial capabilities for ChondroCelect and ChondroMimetic, its research and development capabilities for its pipeline products (including those from the acquisition of Cellerix) and its manufacturing capabilities and to develop, in-license and acquire additional intellectual property rights and know-how. These expansion intentions will further increase the operational expenses and cash consumption of the Company in the coming years. The amount and timing of any expenditures needed to implement the Company's research, development, production and

commercialisation programmes will depend on numerous factors, many of which are outside TiGenix' control. These factors include:

- costs incurred to sustain technological and market developments, scale-up manufacturing and effectively commercialise the Company's products;
- higher costs and slower progress than expected to develop future products or obtain regulatory approvals;
- lower revenues than expected from ChondroCelect, ChondroMimetic and future products;
- unexpected opportunities to develop additional promising product candidates or to acquire technologies or other businesses; and
- costs incurred to file, enforce or protect patents or other intellectual property rights.

There can be no assurance that TiGenix will ever earn sufficient revenues to achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funds and could result in investors losing all or part of their investment.

The Company's operating results have fluctuated in the past and are likely to do so in the future. Some of the factors that could cause the Company's operating results to fluctuate include but are not limited to:

- the Company's (in)ability to successfully commercialise its product(s) (including the (in)ability to obtain reimbursement of its products);
- the (positive or negative) success rate of its development efforts;
- the Company's (in)ability to manage future clinical trials, given the regulatory environment; and
- the timing of approval, if any, of the Company's product(s) by the appropriate regulatory bodies.

A large portion of the Company's expenses is relatively fixed and mainly relates to expenses for personnel, trial costs and subcontracting agreements. There is no direct link between the level of its expenses and the revenues. Accordingly, if revenues decline or do not grow as anticipated, the Company may not be able to correspondingly reduce its operating expenses and may suffer losses accordingly.

Due to the possibility of fluctuations in its revenues and expenses, the Company believes that period-to-period comparisons of its operating results are not a good indication of its future performance.

The Company may need substantial additional funding, which may not be available on acceptable terms when required, if at all.

On the date of this prospectus, the Company is of the opinion that, taking into account its available cash and cash equivalents and considering the equity investment made by the Cellerix shareholders and other investors, by way of a capital increase in cash, in the amount of €18,155,669.74 but not taking into account the proceeds of the Offering, it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this prospectus.

It is currently unlikely that the proceeds of the Offering, together with future revenues of ChondroCelect and ChondroMimetic, will be sufficient to finance the Company's research, development, production and commercialisation programmes. As a result, additional funds are likely to be required. There can be no assurance that such funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, will be sufficient to enable the Company to continue to implement its business strategy. If TiGenix is unable to raise additional funds through equity or debt financing, it may need to delay, scale back or eliminate expenditures for some of its research, development and commercialisation programmes, or grant rights to develop and market products that it would otherwise prefer to develop and market itself, thereby reducing their ultimate value to the Company. The Company's inability to obtain additional funds necessary to operate its business could materially and adversely affect the market price of the Company's Shares (see also Risks related to the public trading of the Shares).

TiGenix may fail in successfully commercialising ChondroCelect, ChondroMimetic and future products, resulting in lower than anticipated revenues.

There is no guarantee that the Marketing Authorisation that TiGenix received for ChondroCelect from the European Commission and/or the CE-Mark approval for ChondroMimetic in the EU will result in a commercial success for either of these products. The Company may be faced with hurdles in reimbursement, market acceptance, distribution and competition that may delay or even prevent the

commercialisation of ChondroCelect, ChondroMimetic and/or of future products. Reference is made to section 6.5.1 for the status of the reimbursement files.

TiGenix' ability to commercialise ChondroCelect, ChondroMimetic and future products will depend, in part, on market acceptance (including the willingness of medical practitioners to invest in training programs to use the products). This new type of tissue-engineered products needs to acquire its place in the market over time next to the current standard of care, being microfracture for cartilage defects. Recommendations and endorsements by influential physicians will be one of the essential factors for market acceptance of TiGenix' products. The Company may not be able to obtain or maintain these recommendations and endorsements and the Company's products may not gain sufficient market recognition in spite of favourable key leader opinions.

ChondroCelect and ChondroMimetic will be partially sold through commercialisation and distribution partners. The future performance of both products will depend in part on TiGenix' ability to attract suitable partners that will be able to market and support ChondroCelect and ChondroMimetic and future products effectively. TiGenix may lose one or more of its distributors or may not be able to recruit additional or replacement distributors. The loss of one or more distributors could have an adverse effect on the business of TiGenix.

The public perception of ethical and social issues surrounding the use of tissue-engineered products or stem cells may limit or discourage the use of TiGenix' products. Whilst TiGenix is not involved in embryonic stem cell research, the use of human cells (differentiated cartilage and meniscus cells, expanded adipose derived stem cells and other adult stem cells) as starting material for the development of its cell-based medicinal products could generate negative public perception for the Company and public expressions of concern could result in stricter governmental regulation, which may, in turn, increase the cost of manufacturing and marketing the product and/or impede market acceptance of the products.

The Company 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

TiGenix' ability to commercialise ChondroCelect, ChondroMimetic and future products depends, in part, on the extent to which competition will react. TiGenix may be unable to compete effectively against existing or new technologies or competitors that are developing or could develop products that may be cheaper to the end users, more effective or safer than TiGenix' products. The biomedical industry is characterised by significant and rapid technological change. Research and discoveries by others may render the Company's products obsolete. The Company may experience competition for ChondroCelect, ChondroMimetic and its other products currently under development. It is uncertain whether TiGenix will be able to successfully develop new products and gain regulatory approval or otherwise expand its currently limited regulatory approved product portfolio. Competition may come from companies which have greater research, development, marketing, financial and personnel resources than TiGenix, and can, therefore, more quickly adapt to changes in the marketplace. Competitors may precede TiGenix in developing products or may succeed in developing products that are more effective, safe or economically viable than those developed by TiGenix. Such successes by its competitors or technological changes could render TiGenix' technology and products obsolete and/or otherwise non-competitive.

There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused.

TiGenix' ability to commercialise ChondroCelect, ChondroMimetic and future products will depend, in part, on the availability of reimbursement for the products from government and health administration authorities, private health insurers, managed care programmes and other third-party payers. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. In many countries, medicinal products and devices are subject to a regime of reimbursement by government health authorities, private health insurers or other organisations. There is increasing pressure from these organisations to limit healthcare costs by restricting the availability and level of reimbursement. TiGenix has been successful in obtaining certain forms of reimbursement in certain instances and has been unsuccessful in other instances. It cannot be excluded that the negative decisions by certain authorities or third party payers will have an unfavourable spill over effect on reimbursement applications that are currently pending or that the Company intends to file in the future. There can be no assurance that adequate public health service or health insurance coverage will be available to enable the Company to obtain or maintain prices for its products sufficient to realise an appropriate return on investment. In addition, changes to

the rules and regulations regarding reimbursement or changes to existing regimes of reimbursement or the introduction of a new regime in any country could impact on whether reimbursement is available at adequate levels or at all. Rules and regulations regarding reimbursement may change frequently, in some cases at short notice. In view of the global cost pressures on healthcare and pharmaceutical markets, further changes should be expected.

TiGenix may experience delays in the preclinical and clinical development of its product pipeline.

As part of the regulatory approval process, TiGenix must conduct pre-clinical studies for each of its unapproved products (medicinal products and devices) and clinical trials for each of its unapproved medicinal products to demonstrate safety, efficacy and quality. The number of pre-clinical studies and clinical trials that will be required varies depending on the product, the indication being evaluated, the trial results and the regulations applicable to the particular product. The results of pre-clinical studies and initial clinical trials of TiGenix' unapproved products do not necessarily predict the results of later-stage clinical trials. Unapproved products in later stages of clinical trials may fail to show the desired safety, efficacy and quality despite having progressed through initial clinical trials. There can be no assurance that the data collected from the pre-clinical studies and clinical trials of the Company's unapproved products will be sufficient to support FDA, EMA, other regulatory approval, or approval from local ethics committees. In addition, the continuation of a particular study after review by an independent data safety monitoring board or review body does not necessarily indicate that all clinical trials will ultimately be successfully completed.

TiGenix cannot accurately predict when its current preclinical studies and clinical trials as well as future clinical trials will be completed, if at all, nor when planned preclinical studies and clinical trials will begin or be completed. Successful and timely completion of clinical trials will require TiGenix to recruit a sufficient number of patient candidates, locate or develop manufacturing facilities with regulatory approval sufficient for production of the product to be tested and rely on agreements with clinical research organisations to perform the trials.

The Company's products may produce unexpected side effects or serious adverse events which could interrupt, delay or halt clinical trials of TiGenix' unapproved products and could result in the FDA, the EMA or other regulatory authorities denying approval of its products for any or all targeted indications. An independent data safety monitoring board, the FDA, the EMA, other regulatory authorities or TiGenix itself may suspend or terminate clinical trials at any time. There can be no assurances that any of TiGenix' pipeline products will ultimately prove to be safe for human use.

TiGenix may need to engage or further engage in pre-clinical studies and clinical trials with partners, which may reduce any future revenues from its current or any future products. Any delays in finding suitable partners, if need be, or in completing pre-clinical studies or clinical trials will delay TiGenix' ability to generate meaningful revenue from product sales, as a result of which the Company may have insufficient capital resources to support its operations.

Regulatory approval of TiGenix' products as medicinal products or devices may be delayed, not obtained or not maintained.

Regulatory approval may be delayed, limited or denied for a number of reasons, most of which are beyond TiGenix' control. Such reasons include the requirement to perform additional clinical trials, the product not meeting safety/efficacy requirements or the relevant manufacturing processes or facilities not meeting applicable requirements. Any such delay or denial is likely to have a significant impact on the Company's operations and prospects, in particular on its expected revenues.

Regulatory authorities, including the FDA, the EMA and the Notified Bodies (granting CE mark), may disagree with the Company's interpretations of data from pre-clinical studies and clinical trials. Regulatory authorities also may approve a product for narrower indications than requested or may grant approval subject to the performance of post-marketing studies for a product. There can be no guarantee that such post-approval studies, if required, will corroborate the results of earlier trials. Furthermore, the market use of such products may show different safety and efficacy profiles to those demonstrated in the trials on which marketing approval was based. Such circumstances could lead to the withdrawal or suspension of marketing approval for the product, which could have a material adverse effect on the Company's business, financial condition, operating results or cash flows. In addition, regulatory authorities may not approve the labelling claims that are necessary or desirable for the successful commercialisation of the Company's products.

In addition, a marketed product continues to be subject to strict regulation after approval. Changes in applicable legislation and/or regulatory policies or discovery of problems with the product, production process, site or manufacturer may result

in delays in bringing products to the market, the imposition of restrictions on the product's sale or manufacture, including the possible withdrawal of the product from the market, or may otherwise have an adverse effect on TiGenix' business.

The failure to comply with applicable regulatory requirements can, among other things, result in criminal and civil proceedings and lead to imprisonment, fines, injunctions, damages, total or partial suspension of regulatory approvals, refusal to approve pending applications, recalls or seizures of products and operating and production restrictions.

There can be no assurance that regulatory clearance for trials at each stage, and approval for the Company's products and product candidates still in development, will be forthcoming without delay or at all. If TiGenix fails to obtain or maintain regulatory approval for its products, it will be unable to market and sell such products. Any delay in, or failure to receive or maintain, approval for any of TiGenix' products could prevent it from ever generating meaningful revenues or achieving profitability.

As part of the market authorisation of ChondroCelect within the European Union, the CAT and the CHMP have required the Company to submit a risk management plan for ChondroCelect with a series of measures, including further studies to ensure that the efficacy and the safety are followed up in a robust manner once in the market. TiGenix cannot guarantee that as a result of these studies it will continue to meet the required efficacy and safety request for ChondroCelect and hence that it will maintain its central European Marketing Authorisation.

Post-marketing experience may alter also the current safety and efficacy profile of ChondroMimetic, including its delivery devices. TiGenix cannot guarantee that it will continue to meet the safety and efficacy standards for ChondroMimetic and hence maintain the CE mark for the product.

TiGenix' 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, ChondroMimetic and future products.

The Company's products must be manufactured to high standards, in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. The manufacture of such products is subject to regulatory authorisation and to requirements of the Good Manufacturing Practice ("GMP") and/or to Quality Managements Systems/ Regulations ("QMS/R") prescribed in the relevant country or territory of manufacture or supply.

The GMP and QMS/R requirements govern quality control of the manufacturing process and documentation policies and procedures. Compliance by TiGenix and its third-party manufacturers with GMP and/or QMS/R requires record keeping and quality control to ensure that the product meets applicable specifications and other requirements including audits of vendors, contract laboratories and suppliers. Manufacturing facilities are subject to inspection by regulatory authorities at any time. If an inspection by a regulatory authority indicates that there are deficiencies, TiGenix or its third-party manufacturers, as appropriate, could be required to take remedial actions, stop production or close the relevant facility, which would disrupt the manufacturing processes and limit the supplies of the Company's products. If TiGenix or its third-party manufacturers fail to comply with these requirements, TiGenix also may be required to curtail the relevant clinical trials, may not be permitted to sell its products or may be limited as to the countries or territories in which it is permitted to sell them.

ChondroCelect is today manufactured in TiGenix' cell expansion facility ("CEF") in Leuven. This CEF is GMP certified. There can be no assurance that the certification will never be interrupted, suspended or discontinued because of a failure to maintain compliance or for any other reason. TiGenix is also constructing a new CEF in The Netherlands for the larger scale commercial sales of ChondroCelect in Europe. This new European CEF will need to be compliant with the EMA requirements. Unless and until the facilities comply with these standards, TiGenix may not manufacture for commercial supplies at these facilities. There can be no guarantee that TiGenix' facilities will achieve compliance with these standards. In addition, there can be no guarantee that the regulations or policies applied by the relevant authorities will not change, and any such change may require TiGenix to undertake additional work, which may not be successful in complying with revised standards. There can be no assurance that these facilities will be certified, the certification will not be suspended because of a failure to maintain compliance or for any other reason.

ChondroMimetic is today manufactured by third-party manufacturers according to QMS/R. There can be no assurance that the certification will never be interrupted, suspended or discontinued because of a failure to maintain compliance or for any other reason. It is anticipated that a further scale-up of the capacity will be required to support the commercial sales of ChondroMimetic.

TiGenix' expanded adipose derived stem cell ("eASC") development stage products are today manufactured in TiGenix' GMP certified facilities in Madrid. However, there can be no assurance that the certification will never be interrupted, suspended or discontinued because of a failure to maintain compliance or for any other reason, or that the facilities will continue to be fully aligned with EMA requirements.

TiGenix' inability to manage its expansion, both internally and externally, could have a material adverse effect on its business.

TiGenix announced the combination with Cellerix on February 25, 2011 and future growth of the Company will depend on its ability to successfully integrate the assets and infrastructure of Cellerix. There can be no certainty that the potential benefits of the combination with Cellerix will be realised. In particular the introduction of a new management team may disrupt the business and it may prove more difficult or more costly than expected to integrate the assets and infrastructure of Cellerix.

More generally, the Company has in recent years operated in Europe and expanded its operations through the establishment of its U.S. subsidiary, TiGenix Inc., which in turn owned 50% in TC CEF LLC, in the U.S. However, with effect as of November 23, 2010 TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership interests in TC CEF LLC. The Company has established a Dutch entity, TiGenix B.V., acquired a UK entity, Orthomimetics Limited (currently named TiGenix Ltd.), spun off drug discovery assets to the Dutch entity Arcarios B.V. in which it holds a shareholding of 13.86%, and acquired Cellerix. The Company will be obliged to set up its commercial structure in the different countries in Europe.

TiGenix could acquire other businesses, companies with complementary technologies and products to expand its activities. As a consequence, intangible assets, including goodwill, could account for a larger part of the balance sheet total than is currently the case. Despite the fact that TiGenix carefully investigates every acquisition, the risk remains, amongst others, that corporate cultures do not match, expected synergies do not fully realise, restructurings prove to be more costly than initially anticipated and acquired companies prove to be more difficult to integrate than foreseen. The Company can therefore not guarantee a successful integration of these companies.

The Company's ability to manage its growth effectively will require it to continue to improve its operations, financial and management controls, reporting systems and procedures, and to train, motivate and manage its employees and, as required, to install new management information and control systems. There can be no assurance that the Company will be able to implement improvements to its management information and control systems in an efficient and timely manner or that, if implemented, such improvements will be adequate to support the Company's operations.

Any inability of the Company to manage its expansion successfully could have a material adverse effect on its business, results of operations and financial condition.

TiGenix is working in a changing regulatory environment. Future changes in any pharmaceutical or medical device legislation or guidelines could affect the Company's business.

Regulatory guidelines may change during the course of a future product development and approval process, making the chosen development strategy suboptimal. This may delay development, require extra clinical trials or result in failure of a future product to obtain marketing authorisation or the targeted price levels and could adversely impact commercialisation of the authorised product. Market conditions may change resulting in the emergence of new competitors or new treatment guidelines which may require alterations in the development strategy. This may result in significant delays, increased trial costs, significant changes in commercial assumptions or failure of future products to obtain marketing authorisation.

Although the basic regulatory frameworks appear to be in place in Europe and in the U.S. for cell-based products and biomaterials, it has to be realized that at present still little experience with such products exists, and that consequently the interpretation of these frameworks is sometimes difficult to predict and the regulatory frameworks themselves will continue to evolve. On a regular basis, EMA, FDA and Notified Bodies are issuing new guidelines.

The interpretation of existing rules or the issuance of new regulations may impose additional constraints on the research, development, regulatory approval, manufacturing and/or distribution process of the current and future products of TiGenix. The Company cannot predict what effect subsequent changes in European or Belgian legislation may have on the Company's business.

For further information on the regulatory background, reference is made to section 6.5.1

The Company cannot predict what effect subsequent changes in European, Belgian or Spanish legislation or regulations may have on 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' 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.

The Company has entered into agreements and arrangements with a number of third parties and may enter into additional agreements and arrangements for research, clinical trials, technology, manufacturing, supplies, and sales and marketing.

The Company relies primarily on third party contract research organisations to conduct its clinical trials. As a result, TiGenix does not have, and will not have in the future, full control over the conduct of the clinical trials, the timing and completion of the trials, the required reporting of adverse events and the management of data developed through the trials. Communicating with outside parties can also be challenging, potentially leading to mistakes as well as difficulties in co-ordinating activities. Outside parties may have staffing difficulties, may undergo changes in priorities or may become financially distressed, adversely affecting their willingness or ability to conduct the Company's trials. TiGenix may experience unexpected cost increases that are beyond its control. Problems with the timeliness or quality of the work of a contract research organisation may oblige the Company to seek to terminate the relationship and use an alternative service provider. However, making this change may be costly and may delay the Company's trials, and contractual restrictions may make such a change difficult or impossible. Additionally, it may be impossible to find a replacement organisation that can conduct the Company's trials in an acceptable manner and at an acceptable cost.

While there are numerous suppliers on the market for most of the supplies that TiGenix needs for its activities, there is no certainty that the current suppliers will continue to supply their products under commercially viable terms, in accordance with the applicable regulations or in compliance with the obligatory production standards in the countries where TiGenix expects to sell its products, which may mean that TiGenix could be forced to seek alternate suppliers. TiGenix also faces the risk that its suppliers are unable to provide the necessary quantities and qualities needed to satisfy the Company's and the market's demands. There are two production materials (foetal bovine serum from Australia and New Zealand for culturing cells and certain cell culturing containers) for the supply of which TiGenix currently depends on a particular supplier.

The materialisation of some of these risks could cause delays in the commercialisation or the development of TiGenix' eASC based products.

As is currently already the case for the manufacturing and packaging of ChondroMimetic, TiGenix may in the future rely on a number of contract manufacturing organisations to develop and manufacture certain of its products, including for its clinical development programmes. There can be no guarantee that TiGenix will be successful in establishing such manufacturing arrangements on acceptable terms, or at all, or in maintaining those. There is a risk that if one of these organisations were to cease supplying products for TiGenix there would be a delay in, and an increase in the costs of, its product development programmes. There can be no assurance that TiGenix' products, including its currently unapproved products, if approved, can be manufactured in sufficient commercial quantities, in compliance with regulatory requirements and at an acceptable cost.

The Company may further expand its activities in the future by in-licensing certain technologies and/or products and by acquisitions. Collaboration and integration will have an important impact on the success of the Company's expansion strategy.

TiGenix may not own the patents or supplementary protection certificates on the basis of which these licences may be granted. These licenses may generally be terminated by the licensor in the event of certain breaches by TiGenix of its obligations under the license and in other specified circumstances. If any of the Company's license agreements is terminated, the further development and commercialisation of some of the development products could be prevented or delayed, reducing its potential revenues. The scope of TiGenix' rights under its licences may be subject to dispute by licensors or third parties. TiGenix generally does not control the filing or the prosecution of the patents to which it holds licences and it is relying upon its licensors to enforce the patents and to prevent and/or to challenge possible infringement by third parties. There can be no assurance that the Company will be able to obtain licences for the technologies that it requires in the future.

For some market opportunities, the Company may need to enter into co-development, co-promotion or other licensing arrangements with larger pharmaceutical or medical device firms in order to increase the chances of commercial success of its products. An example hereof is the ongoing search for co-development and commercialisation partners for ChondroCelect and ChondroMimetic outside Europe. TiGenix may not be able to establish sales, marketing and distribution capabilities of its own or to enter into arrangements with contract sales organisations or larger pharmaceutical or medical device firms in a timely manner or on acceptable terms. Additionally, building marketing and distribution capabilities may be more expensive than TiGenix anticipates, requiring it to divert capital from other intended purposes or preventing it from building its marketing and distribution capabilities to the desired levels.

TiGenix' 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 related rights thereto.

TiGenix' ability to compete effectively with other companies depends, amongst other things, on exploitation of its technology. However, there can be no assurance that competitors have not developed or will not develop substantially equivalent technologies or otherwise gain access to TiGenix' technology. To date, TiGenix' patent applications are progressing through the examination process.

TiGenix has been granted its three core patents in the European Union, and four patents in the U.S. with regard to the regenerative medicine portfolio. An additional patent family has been granted in Europe, the US, Australia, Japan and Taiwan for the Cx501 dermal platform. There can be no assurance that further patents will be issued with respect to TiGenix' applications now pending or which may be applied for in the future. The lack of any such patents may have a material adverse effect on TiGenix' ability to develop and market its proposed products. No assurance can be given that TiGenix will develop products which are patentable or that its current or future patents will be sufficiently broad in their scope to provide commercially meaningful protection against competition from third parties. There can be no assurance as to the validity or scope of any patents which may be issued to TiGenix or that claims relating to its patents will not be asserted by other parties or that, if challenged, TiGenix' patents will not be revoked. Even if competitors do not successfully challenge TiGenix' patents, there can be no guarantee that they will not be able to design around TiGenix' patents or develop unique technologies or products providing effects similar to TiGenix', which may decrease the Company's future potential revenues.

TiGenix' development stage product Cx601 was granted orphan drug designation by the EMA in 2009. In addition to other significant benefits, in general if a product with orphan drug designation in the European Union subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of marketing exclusivity of 10 years, which precludes the EMA from approving another marketing application for the same drug for that time period. However, this form of protection is considered to be less robust than that provided by composition of matter patents. It does not extend to any indications beyond that for which orphan drug status was granted, and is subject to certain limitations. As such, there can be no guarantee that TiGenix could rely on or benefit from the commercial protection potentially afforded by orphan drug designation for this product.

If the Company's intellectual property rights, trade secrets and know-how are infringed, litigation may be necessary to protect the Company's intellectual property rights, trade secrets and know-how, which could result in substantial costs to, and diversion of efforts by, the Company with no guarantee of success. The Company's attempts to obtain patent or other protection for certain part of its products and/or technologies may also be subject to opposition, in relation to which the Company may need to incur substantial costs to overcome, with no guarantee of success. The Company may also decide to engage in costly opposition or interference proceedings to prevent third parties obtaining relevant patent or other protection, again with no guarantee of success.

TiGenix could be prevented by third party patents to develop or exploit its products.

The commercial success of TiGenix depends upon its non-infringement of patents granted to, and other intellectual property rights of, third parties, including any who may have filed applications or who have obtained or may obtain patents relating to products which might inhibit TiGenix' ability to develop or exploit its own products. Additionally, as patent applications, in general, are not published until 18 months after the date of priority applications or, in some cases in the U.S., until grant, the Company cannot be certain that it was the first to make, or seek patent protection for, the invention claimed

by each of its patents and patent applications. As a result, to avoid infringing third-party intellectual property rights, TiGenix may at any given point in time be forced to develop and utilise alternative technology or to exploit its current technology and products under a royalty bearing license of other parties' intellectual property rights. TiGenix has in the past, and may in the future, license technologies for its development programmes. There can be no assurance that TiGenix will be able to obtain or maintain the right to utilise such technology or, where licenses are required, that TiGenix will be able to obtain or maintain any such licence on commercially favourable terms, if at all. This may have a material adverse effect on TiGenix' business, financial condition, operating results and cash flows. In addition there can be no assurance that technologies licensed by TiGenix will not subsequently be found to infringe on third party intellectual property rights.

On April 1, 2011, Cellerix filed a re-examination request with the United States Patent and Technology Office regarding US6777231, owned by University of Pittsburgh and licensed to Artecell for human therapeutic use. There can be no guarantee of success of the outcome of these proceedings and the proceedings may take longer than expected, which may result in unexpected additional costs and may have a material adverse effect on TiGenix' future business, financial condition, operating results and cash flow. At this stage, TiGenix is not in a position to assess the probable outcome of these proceedings. If the re-examination is not successful, TiGenix may be required to obtain a licence from Artecell on unfavourable terms, or may not be able to obtain a licence at all in order to commercialize its adipose derived stem cell products in the U.S.. In such a scenario, the Company may be susceptible to patent infringement when commercializing its eASC products in the U.S. While this is not anticipated to delay development of TiGenix' products, it may have a material adverse effect on TiGenix' future business, financial condition, operating results and cash flows. In such an event, TiGenix' may choose to delay the launch of its adipose derived stem cell products in the U.S. market until patent expiry on March 10, 2020. Should TiGenix choose to launch an adipose derived stem cell product in the U.S. market prior to expiry of the patent it may be liable to future litigation regarding patent infringement which could result in payment of royalties, an injunction on future products until patent expiry and/or damages. To avoid infringing granted patents equivalent to US 6777231 in other countries, TiGenix may at any given point in time be forced to develop and utilise alternative technology, to exploit its current technology and products under a royalty bearing license of other parties' intellectual property rights, or, to delay the launch of its adipose derived stem cell products in the relevant market until patent expiry.

TiGenix' 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.

The Company's future success is substantially dependent on a number of key people. Competition for qualified employees and consultants in scientific research and biotechnology industries is intense and there are a limited number of persons with knowledge appropriate to, and experience within, such industries. The process of identifying personnel with the combination of skills that is required to enable TiGenix to carry out its strategy is often lengthy and uncertain as to its outcome.

TiGenix' success depends to a significant degree upon its ability to attract and retain qualified management, scientific, technical, marketing and sales personnel and consultants and upon the continued contributions of such personnel and consultants. TiGenix' employees may voluntarily terminate their employment at any time. There is no guarantee that TiGenix will be successful in attracting and retaining qualified employees and consultants to replace existing employees or consultants or to further support its growth strategy.

The loss of the services of key personnel or consultants (in particular if the latter were to be retained by competitors of TiGenix) or the inability to attract additional qualified personnel and consultants could have a material adverse effect on the business and its expertise, financial condition, results of operations and cash flows of TiGenix.

TiGenix could face product liability claims, resulting in damages that may, in whole or in part, not be insured.

TiGenix' business exposes it to potential product liability and professional indemnity risks which are inherent in the research, development, manufacturing, marketing and use of medical treatments. It is impossible to predict the potential adverse effects that the Company's products may have on humans. The Company faces the risk that the use of its products in human clinical trials may result in adverse effects, or that long-term adverse effects may only be identified following clinical trials and approval for commercial sale. In addition, there can be no assurance that physicians and patients will comply with any warnings that identify the known potential adverse effects and any patients who should not receive the Company's products.

There can be no assurance that the necessary insurance cover will be available to TiGenix at an acceptable cost or at all, or that, in the event of any claim, the level of insurance carried by TiGenix now or in the future will be adequate or that a product liability or other claim would not materially and adversely affect TiGenix' business. If TiGenix cannot adequately protect itself against potential liability claims, it may find it difficult or impossible to commercialise its products. Moreover, product liability claims may require significant financial and managerial resources, may cause harm to the Company's reputation if the market perceives its drugs or drug candidates to be unsafe or ineffective due to unforeseen side effects, and may limit or prevent the further development or commercialisation of the Company's products and future products.

TiGenix uses different chemical and biological products to conduct its research and to manufacture its medicines. Despite the existence of strict internal controls, these products could be the object of unauthorised use or could be involved in an accident that could cause personal injury to people or damages to the environment, which could result in a claim against TiGenix. The activities carried out by TiGenix are subject to specific environmental regulations that impose obligations which, if not complied with, could give rise to third party and/or administrative claims and could even result in fines being imposed or, in the worst case scenario, to the Company's operations being suspended or shut down.

Exchange rate fluctuations may negatively affect TiGenix' financial position.

TiGenix uses the Euro currency for financial reporting purposes. However, the Company may have a significant portion of its operating costs in U.S. Dollar (U.S. subsidiary, U.S. research and development collaborations, U.S. trial collaborations, and U.S. professional services) and GBP (UK subsidiary) and expects to have a share of its future revenues in U.S. Dollar and GBP. TiGenix has not engaged in any active hedging techniques nor has it employed any derivative instruments to date. Unfavourable fluctuations in the exchange rate between the Euro, the U.S. Dollar and GBP could have a negative impact on the financial results of the Company.

The allocation of the proceeds could harm the ability to carry out the business plan.

The Company will have significant flexibility and broad discretion to allocate and use the net proceeds of the Offering. If the proceeds are not wisely allocated it could harm the Company's ability to carry out its business plan. The Company intends to use the net proceeds of the Offering for research and development, clinical trials, working capital, capital expenditure, acquisitions if and when they present themselves, and other general corporate purposes. More specifically, the Company intends to use the net proceeds of the Offering, inter alia, to support the commercial launch, marketing and sales activities, pricing and reimbursement of ChondroCelect and ChondroMimetic, to promote the clinical development of stem cell-based products, to complete the manufacturing capacity expansion in The Netherlands, and to broaden the commercial product portfolio. The Company's Board of Directors and management will determine, in their sole discretion and without the need for Shareholders' approval, the amounts and timing of the Company's actual expenditures which will depend upon numerous factors, including the status of the Company's product development and commercialisation efforts, if at all, the amount of proceeds raised in the Offering, and the amount of cash received resulting from partnerships and out-licensing activities. The Company constantly evaluates opportunities to acquire businesses and technologies that it believes are complementary to its business activities.

RISKS RELATED TO THE PUBLIC TRADING OF THE SHARES

Sustainability of a liquid public market.

An active public market for the TiGenix Shares may not be sustained.

Dilution in case of future capital increases could adversely affect the price of the Shares and could dilute the interests of Existing Shareholders.

The Company may decide to raise capital in the future through public or private placements, with or without preferential subscription rights, of equity or equity linked financial instruments. Furthermore, Belgian law and the Articles of Association provide for preferential subscription rights to be granted to existing shareholders unless such rights are disapplied by resolution of TiGenix' shareholders' meeting or, if so authorized by a resolution of such meeting, the board of directors. However, certain shareholders in jurisdictions outside of Belgium (including those in the United States, Australia or Japan) depending on the securities laws applicable in those jurisdictions may not be entitled to exercise such rights unless the rights and Shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, certain holders of Shares outside Belgium may not be able

to exercise preferential subscription rights even if these are granted in the framework of future securities issues of the Company. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the holders of its securities.

The market price of the Shares could be negatively affected by sales of substantial numbers of Shares in the public markets.

Sales of a substantial number of Shares in the public markets following the Offering, or the perception that such sales might occur, could cause the market price of the Shares to decline. Furthermore, there is no commitment on the part of any of the Existing Shareholders to remain a Shareholder or to retain a minimum interest in the Company after the expiry of the respective lock-up periods that are included in the Existing Shareholders' Lock-up Undertakings, each time subject to certain exceptions. For more information regarding these lock-up arrangements, see section 3.12 "Lock-up and standstill agreements". As a result, no investment decision should be made on the basis that any of the Existing Shareholders will retain any interest in the Company following the expiration of the lock-up period.

The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future.

The following factors, in addition to other risk factors described in this prospectus, may have a significant impact on the market price and volatility of all the Shares:

- announcements of technological innovations or new commercial products or collaborations by TiGenix' competitors or by TiGenix itself;
- developments concerning proprietary rights, including patents;
- publicity regarding actual or potential results relating to products under development by TiGenix' competitors or TiGenix itself;
- regulatory, pricing and reimbursement developments in Europe, the U.S. and other countries;
- any publicity derived from any business affairs, contingencies, litigation or other proceedings, the Company's assets (including the imposition of any lien), its management, or its significant Shareholders or collaborative partners; or
- economic, monetary and other external factors.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic, financial and political conditions, could affect the market price for the shares regardless of the operating results or financial condition of the Company.

Volatility of results may not meet the expectations of stock market analysts.

The Company's operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause the price of its shares to fluctuate or decline significantly. The Company's operating results in some periods may not meet the expectations of stock market analysts and investors. In that case, the price of its shares would probably decline.

Significant Shareholders could decide to combine their voting rights.

The Company has a number of significant Shareholders. For an overview of the Company's significant Shareholders, reference is made to section 2.7.

Currently, the Company is not aware that its Existing Shareholders have entered into a shareholders' agreement with respect to the exercise of their voting rights in the Company. Nevertheless, to the extent that these Shareholders were to combine their voting rights, they could have the ability to elect or dismiss directors, and, depending on how broad the Company's other Shares are held, approve certain other Shareholders' decisions that require more than 50% or 75% of the Company's outstanding votes that are present or represented at shareholders' meetings where such items are submitted to voting by the Shareholders. On the other hand, to the extent that these Shareholders have insufficient votes to impose certain Shareholders' resolutions, they could have the ability to block proposed Shareholders' resolutions that require more than 50% or 75% of the Company's outstanding votes that are present or represented at shareholders' meetings where such items are submitted to voting by the Shareholders. Any such voting by these significant Shareholders may not be in the interest of the Company or the other Shareholders.

Takeover provisions in the national law may make it difficult for an investor to change management and may also make a takeover difficult.

Public takeover bids on the Company's shares and other voting securities (such as warrants or convertible bonds, if any) are subject to the Belgian Law of April 1, 2007 and to the supervision by the FSMA. Public takeover bids must be made for all of the Company's voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion in voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company.

The Takeover Law provides that a mandatory bid will be triggered if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30 per cent of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Takeover Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of one or more shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings (see under section 2.7) and merger control, that may apply to TiGenix and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that third parties may consider and thus deprive the Shareholders of the opportunity to sell their Shares at a premium (which is typically offered in the framework of a takeover bid).

If securities or industry analysts do not publish research or reports about the Company, or if they change their recommendations regarding the Shares adversely, the share price and trading volume could decline.

The trading market for the Shares may be influenced by the research and reports that industry or securities analysts publish about the Company or its industry. If one or more of the analysts who cover the Company, or its industry, downgrade the Shares, the market price of the Shares would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which in turn could cause the market price of the Shares or trading volume to decline.

If the Rights Offering is discontinued or there is a substantial decline in the price of the Shares, the Preferential Rights may become void or worthless.

If there is a substantial decline in the price of the Shares, including as a result of short selling of Shares, this may have a material adverse effect on the value of the Preferential Rights. Any volatility in the price of Shares will also affect the price of the Preferential Rights, and the Preferential Rights could become void or worthless as a result. Further, the obligations of the Joint Global Coordinators and Bookrunners pursuant to the Underwriting Agreement may be terminated in certain circumstances (see section 3.8 "Placing and underwriting"). If the Rights Offering is discontinued, the Preferential Rights will become worthless. Accordingly, investors who have acquired any such Preferential Rights in the secondary market will suffer a loss, as trades relating to such Preferential Rights will not be unwound once the Rights Offering is terminated.

Disclaimers and notices

The Offering is conducted as a public offering in Belgium and a private placement to certain Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction and, in respect of Belgium, investors that meet the definition of "qualified investors", as defined in Article 10 of the Belgian Law of June 16, 2006 on public offers of investment instruments and on the admission of investment instruments to trading on regulated markets (Wet van 16 juni 2006 op de *openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt / Loi du 16 juin 2006 relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*), and as extended by the Belgian Royal Decree of September 26, 2006 regarding the extension of the term qualified investor and the term institutional or professional investor (*Koninklijk Besluit van 26 september 2006 tot uitbreiding van het begrip gekwalificeerde belegger en het begrip institutionele of professionele belegger / Arrêté royal du 26 septembre 2006 portant extension de la notion d'investisseurs qualifiés et de la notion d'investisseurs institutionnels ou professionnels*) outside the United States in reliance on Regulation S under the Securities Act).

The Offering and this prospectus have not been and will not be submitted for approval to any supervisory authority outside Belgium. Therefore, no steps may be taken that would constitute or result in a public offering of the New Shares, the Preferential Rights or the Scrips outside Belgium. The distribution of this prospectus, the exercise of the Preferential Rights and the Offering may, in certain jurisdictions, be restricted by law, and this prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the New Shares, the Preferential Rights or the Scrips may not be offered or sold, directly or indirectly, and neither this prospectus nor any other documents related to the Offering may be distributed or published in any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Investors must inform themselves about, and observe, any such restrictions and neither the Company nor the Joint Global Coordinators and Bookrunners assume any responsibility in respect thereof.

Investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer or sell the New Shares, the Preferential Rights or the Scrips or possess or distribute this prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale of the New Shares, the Preferential Rights or the Scrips under the laws and regulations in force in any jurisdiction in which any purchase, offer or sale is made. Neither the Company nor the Joint Global Coordinators and Bookrunners are making an offer to sell the New Shares, the Preferential Rights or the Scrips or soliciting an offer to purchase any of the New Shares, the Preferential Rights or the Scrips to any person in any jurisdiction where such an offer or solicitation is not permitted.

Without prejudice to any of the foregoing, the Company and the Joint Global Coordinators and Bookrunners reserve the right to reject any offer to purchase the New Shares, the Preferential Rights and the Scrips which the Company or the Joint Global Coordinators and Bookrunners believe may give rise to a breach of any laws, rules or regulations.

DECISION TO INVEST

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved as described in this prospectus. Investors should rely only on the information contained in this prospectus. Neither the Company nor the Joint Global Coordinators and Bookrunners have authorised any other person to provide investors with different information. If anyone provides different or inconsistent information, it should not be relied upon. The information appearing in this prospectus should be assumed to be accurate as of the date on the front cover of this prospectus only. The Company's business, financial condition, results of operations and the information set forth in this prospectus may have changed since that date. In accordance with Belgian law, if a significant new factor, material mistake or inaccuracy relating to the information included in

this prospectus which is capable of affecting the assessment of the New Shares and which arises or is noted between the time when this prospectus is approved and the final closure of the Offering, or as the case may be, prior to the start of the trading of the New Shares on the relevant market, such will be set out in a supplement to this prospectus. If a supplement to the prospectus is published on or prior to the Closing date of the Rights Offering, subscribers in the Rights Offering shall have the right to withdraw their subscriptions made prior to the publication of the supplement. If a supplement to the prospectus is published during the Scrips Private Placement, subscribers in the Scrips Private Placement shall have the right to withdraw their subscriptions made prior to the publication of the supplement. Such withdrawal must be done within the time limits set forth in the supplement (which shall not be shorter than two business days after publication of the supplement) (see section 3.6.6). Any supplement is subject to approval by the Belgian Financial Services and Markets Authority (*Autoriteit financiële diensten en markten / Autorité des services et marchés financiers*, the "FSMA"), in the same manner as this prospectus and must be made public, in the same manner as this prospectus.

The Joint Global Coordinators and Bookrunners and their affiliates are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their client or for providing advice in relation to the Offering.

Any summary or description set forth in this prospectus of legal provisions, corporate structurings or contractual relationships is for information purposes only and should not be construed as legal or tax advice as to the interpretation or enforceability of such provisions or relationships. In general, none of the information in this prospectus should be considered investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the New Shares or any other Shares, Preferential Rights and Scrips. The Shares have not been recommended by any federal or state securities commission or regulatory authority in Belgium or elsewhere. Neither the Company nor the Joint Global Coordinators and Bookrunners make any representation to any offeree or purchaser regarding the legality of an investment in the New Shares or any other Shares, Preferential Rights and Scrips by such offeree or purchaser under applicable investment or similar laws.

CERTAIN RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS

The distribution of this prospectus may be restricted by law in certain jurisdictions outside Belgium. TiGenix does not represent that this prospectus may be lawfully distributed in jurisdictions outside Belgium or that the Preferential Rights, Scrips and New Shares may be lawfully offered in compliance with any applicable registration or other requirements in jurisdictions outside Belgium, or pursuant to any exemption available thereunder. TiGenix does not assume any responsibility for such distribution or offering. Accordingly, this prospectus nor any advertising or other offering materials may be distributed or published in any jurisdiction outside Belgium, except in circumstances that will result in compliance with any applicable laws and regulations. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Preferential Rights, Scrips and New Shares to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. This prospectus may not be distributed to the public in any jurisdiction outside Belgium where a registration, qualification or other requirement exists or may exist in relation to the admission to trading of shares on the regulated market of Euronext Brussels, and may in particular not be distributed to the public in the U.S., Switzerland, Canada, Australia or Japan or the United Kingdom.

It is the responsibility of any person not resident in Belgium to ascertain that the legislation applicable in his or her country of residence is complied with, and that all other formalities that may be required are fulfilled, including the payment of all costs and levies.

Notice to investors in the European Economic Area ("EEA")

This prospectus has been prepared on the basis that all offers of the New Shares, the Preferential Rights and the Scrips (other than offers contemplated in this prospectus in Belgium once this prospectus has been approved by the FSMA and published in accordance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "Prospectus Directive"), as implemented in Belgium) will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of securities.

Accordingly, any person making or intending to make any offer within the EEA of the New Shares, the Preferential Rights and the Scrips (outside Belgium), should only do so in circumstances in which no obligation arises for the Company or the Joint Global Coordinators and Bookrunners to produce a prospectus for such offer. None of the Company or the Joint Global Coordinators and Bookrunners has authorised or does authorise the making of any offer of the New Shares, the Preferential Rights and the Scrips through any financial intermediary, other than offers made through the Joint Global Coordinators and Bookrunners which constitute the final placement of New Shares contemplated herein.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of the New Shares, the Preferential Rights or the Scrips contemplated by this prospectus may not be made in that Relevant Member State unless this prospectus has been approved by the competent authority in such Relevant Member State and published in accordance with the Prospectus Directive as implemented in such Relevant Member State (which approval and publication is only obtained and performed in relation to the Offering in Belgium), unless such offer in such Relevant Member State of any the New Shares, the Preferential Rights and the Scrips is made under the following exemptions under the Prospectus Directive, if and to the extent such exemptions under the Prospectus Directive have been implemented in that Relevant Member State:

- to qualified investors within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators and Bookrunners for any offer to any such person; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares, Preferential Rights or Scrips shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in such Relevant Member State (other than Belgium) to whom an offering is made who receives any communication in respect of, or who acquires any of the New Shares, the Preferential Rights and the Scrips under, the Offering contemplated in this prospectus will be deemed to have represented, warranted and agreed to and with the Joint Global Coordinators and Bookrunners and the Company (unless such investor has been explicitly exempted thereof by the Joint Global Coordinators and Bookrunners and the Company) that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any of the New Shares, the Preferential Rights or the Scrips acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the New Shares, the Preferential Rights or the Scrips acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators and Bookrunners has been given to the offer or resale; or where New Shares, Preferential Rights or Scrips have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of the New Shares, the Preferential Rights or the Scrips to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer to the public" in relation to any New Shares, Preferential Rights and/or Scrips in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any New Shares, Preferential Rights and/or Scrips so as to enable an investor to decide to purchase or subscribe for the New Shares, Preferential Rights and/or Scrips, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and includes any relevant implementing measure in each Relevant Member State.

Notice to investors in the United Kingdom

For investors in the United Kingdom, this prospectus is only being distributed to and is only directed at persons who are:

- outside the United Kingdom; or
- authorised persons within the meaning of the Financial Services and Markets Act 2002, as amended, and any order made thereunder;

- investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order")
- high net worth entities falling within Article 49(2)(A) to (D) of the Order; or
- any other persons to whom it might otherwise be lawfully communicated (all such persons together being referred to as "Relevant Persons").

The New Shares, Preferential Rights, and Scrips are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such New Shares, Preferential Rights, and Scrips will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this prospectus or any of its contents. The crediting of Preferential Rights to the accounts of Shareholders or other persons in the UK does not constitute an offer of New Shares to such persons.

Notice to investors in the United States

The Preferential Rights, Scrips and New Shares have not been, and will not be, registered under the Securities Act with the US Securities and Exchange Commission ("SEC"), or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Preferential Rights, the Scrips and the New Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority or non-U.S. regulatory authority (except the FSMA), nor have any of them passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

The New Shares, Preferential Rights and Scrips may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as that term is defined in Regulation S) unless the New Shares, the Preferential Shares and the Scrips are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The New Shares, the Preferential Rights and the Scrips are only are only being offered and sold in offshore transactions outside the United States in accordance with Regulation S.

Notice to investors in Japan

The New Shares, Preferential Rights and Scrips have not been and will not be registered under the Financial Instruments and Exchange Law (the "FIEL") and disclosure under the FIEL has not been and will not be made with respect to the New Shares, Preferential Rights and Scrips. Neither the New Shares, Preferential Rights and Scrips nor any interest therein may be offered, sold, resold or otherwise transferred, directly or indirectly, in Japan to or for the account of any resident of Japan. Accordingly, the New Shares, Preferential Rights and Scrips or any interest therein may not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident thereof, except pursuant to an exemption from the registration requirements of the FIEL and otherwise in compliance with applicable provisions of Japanese law. As used in this paragraph, a "resident of Japan" means any person residing in Japan, any corporation or other entity organised under the laws of Japan except for its branches or other offices located outside Japan and, with respect to any corporation or other legal entity organised under a law other than Japanese law, its branches and offices located in Japan.

Notice to investors in the Australia

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), has not been and will not be lodged with the Australian Securities and Investments Commission ("ASIC") as a disclosure document for the purposes of the Australian Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. The New Shares, Preferential Rights and Scrips may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the New Shares, Preferential Rights and Scrips may be issued, and no draft or definitive prospectus or other Offering related documents may be distributed in Australia except where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations.

Notice to investors in Spain

The Preferential Rights, Scrips and New Shares have not been, will not be, offered or sold in the Spanish primary market in compliance with the Spanish Securities legislation. The Preferential Rights, the Scrips and the New Shares have not been approved or disapproved by the Comisión Nacional del Mercado de Valores. No publicity of any kind on the Preferential Rights, Scrips and New Shares shall be made in Spain.

FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking statements and estimates made by the Company with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will", "predicts", "projects" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Factors that might cause such a difference include, but are not limited to, those discussed in the section "Risk Factors". Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the prospectus. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

INDUSTRY DATA, MARKET SHARE, RANKING AND OTHER DATA

Certain of the information contained in this prospectus is based on the Company's own estimates and assumptions, believed by the Company to be reasonable. Certain information, industry data, market size/share data and other data provided in this prospectus was derived from publications by leading organisations and scientific journals. A bibliography of the sources used is attached to this prospectus as "Appendix 4: Bibliography". The information published by such organisations and journals has been accurately reproduced and as far as the Company is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company (with respect to information derived from publications by leading organisations) and the lead managers and their respective advisors have not independently verified any of the abovementioned information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market information. As a result, prospective investors should be aware that market share, ranking and other similar data in this prospectus, and estimates and beliefs based on such data, may not be reliable.

ROUNDING OFF

Certain numerical figures included in this prospectus have been subject to rounding adjustments and currency conversion adjustments. Accordingly, the sum of certain data may not be equal to the expressed total.

1. General information and information concerning responsibility for the prospectus and for auditing the accounts

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.

1.1 RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

The Company, represented by the Board of Directors, assumes responsibility for the content of this prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Joint Global Coordinators and Bookrunners have been appointed by the Company in connection with the Offering. Neither of the Joint Global Coordinators and Bookrunners, nor their affiliates, nor any person acting on their behalf, is responsible for, nor are they making any representation or warranty, express or implied, concerning the Company's future or as to the accuracy or completeness of the information in this prospectus.

This prospectus is intended to provide information to potential investors in the context of and for the sole purpose of the admission to trading of the Contribution Shares and evaluating a possible investment in the New Shares, the Preferential Rights and/or the Scrips in the Offering. It does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied to anyone other than a potential investor. It cannot be used except in connection with the admission to trading of the Contribution Shares and the Offering. The content of this prospectus is not to be construed as an interpretation of the rights and obligations of TiGenix, of the market practices or of contracts entered into by TiGenix.

1.2 RESPONSIBILITY FOR AUDITING THE ACCOUNTS

BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, a civil company, having the form of a cooperative company with limited liability (coöperatieve vennootschap met beperkte aansprakelijkheid / société coopérative à responsabilité limitée) organised and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9 – Box E.6, Elsinore Building, 1935 Zaventem, Belgium, represented by Gert Claes, has been appointed as statutory auditor of TiGenix on April 20, 2010 for a term of 3 years ending immediately after the closing of the shareholders' meeting to be held in 2013 that will have deliberated and resolved on the financial statements for the financial year ended on December 31, 2012. BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL is a member of the Institute of Certified Auditors (Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises) (membership number B - 00023 - 1986).

The consolidated financial statements of the Company for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements of the Company for the financial years ended December 31, 2008 and December 31, 2009 have been audited by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Luc Annick, who delivered unqualified opinions for 2008 and 2009. Reference is made to pages 34-35 of the 2008 annual financial report, and pages 40-41 of the 2009 annual financial report for the text of these audit opinions.

The consolidated financial statements of the Company for the financial year ended December 31, 2010 have been audited by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Gert Claes, who delivered an unqualified opinion with explanatory paragraph. Reference is made to section 8.2 for the text of this audit opinion.

The stand-alone financial statements of Cellerix for the financial years ended December 31, 2008, December 31, 2009 and December 31, 2010 were prepared in accordance with the International Financial Reporting Standards (IFRS) and have been audited by Deloitte, S.L., which delivered unqualified opinions for 2008, 2009 and 2010.

The pro forma financial information of the enlarged group were prepared in accordance with the International Financial Reporting Standards (IFRS) and have not been audited. See chapter 10 for the report by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL on the unaudited pro forma financial information.

1.3 APPROVAL AND NOTIFICATION OF THE PROSPECTUS

On April 28, 2011, the FSMA approved this prospectus written in English for the purposes of the public offering in Belgium and the listing of the New Shares on Euronext Brussels in accordance with Article 23 of the Belgian Law of June 16, 2006 on public offers of investment instruments and the admission of investment instruments to trading on regulated markets (Wet betreffende de openbare aanbiedingen van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt / Loi relative aux offres publiques d'instruments de placement et aux admission d'instruments de placement à la négociation sur des marches réglementés). The FSMA's approval does not imply any judgement on the merits and the quality of the Offering, nor of the status of the Company.

This prospectus has been prepared in English and translated into Dutch. The Company is responsible for verifying the consistency between the Dutch and English versions of the prospectus. In connection with the public offering in Belgium, both the English and Dutch version of the prospectus are legally binding. However, in case of inconsistencies between the language versions, the English version shall prevail.

This prospectus has not been submitted for approval to any supervisory body or governmental authority outside Belgium.

1.4 AVAILABLE INFORMATION

1.4.1 Prospectus

The prospectus is available in Dutch and in English. The prospectus will be made available to investors at no cost at the registered office of the Company, Romeinse straat 12, box 2, 3001 Leuven, Belgium and can be obtained upon request from KBC Securities, on the phone number 03/283.29.70.

Subject to certain conditions, this prospectus may be accessed on the following websites: www.tigenix.com, www.kbc.be, www.kbcsecurities.be and www.bolero.be.

Posting this prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Preferential Rights, Scrips or New Shares to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution.

Other information on the website of the Company or any other website does not form part of the prospectus except for the following documents which are incorporated by reference in the prospectus in accordance with Article 30 of the Belgian Law of June 16, 2006 on public offers of investment instruments and on the admission of investment instruments to trading on regulated markets and which are available at the registered office of the Company.

This includes (i) the full set of audited consolidated financial statements, (ii) the main accounting principles, (iii) the notes to the consolidated financial statements and (iv) the statutory auditor's report which can be retrieved in the annual financial reports for the financial years ended December 31, 2007, 2008, 2009 and 2010.

All information incorporated by reference will be available at no cost at the registered office of the Company, Romeinse straat 12, box 2, 3001 Leuven, Belgium and will be available at the Company's website www.tigenix.com.

1.4.2 Company documents and other information

The Company must file its (restated and amended) Articles of Association and all other deeds that are to be published in the annexes to the Belgian Official Gazette with the clerk's office of the Commercial Court of Leuven (Belgium), where they are available to the public. A copy of the most recently restated Articles of Association and the corporate governance charter is also available on the Company's website.

In accordance with Belgian law, the Company must prepare annual audited statutory and consolidated financial statements. The annual statutory and consolidated financial statements and the reports of the Board of Directors and statutory auditor relating thereto are filed with the Belgian National Bank, where they are available to the public. Furthermore, as a listed company, the Company publishes summaries of its annual and semi-annual financial statements. These summaries will generally be made publicly available in the financial press in Belgium in the form of a press release. Copies thereof will also be available on the Company's website.

The Company also has to disclose price sensitive information, information about its Shareholders' structure, and certain other information to the public. In accordance with the Belgian Royal Decree of November 14, 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (Koninklijk besluit betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een Belgische gereglementeerde markt / Arrêté royal relatif aux obligations des émetteurs d'instruments financiers admis aux négociations sur un marché réglementé belge), such information and documentation will be made available through press releases, the financial press in Belgium, the Company's website, the communication channels of Euronext Brussels or a combination of these media.

The Company's website can be found at www.tigenix.com.

2. Information ABOUT the Contribution Shares and the NEW SHARES

2.1 TYPE, CLASS AND DIVIDEND ENTITLEMENT

All Contribution Shares are and all New Shares will be issued as ordinary Shares representing the capital of the same category as the Shares of the Issuer that existed prior to the Contribution, with voting rights and without nominal value. All Contribution Shares have and all New Shares will have the same rights as the Shares that existed prior to the Contribution.

The Contribution Shares and the New Shares will participate in the results in the same way as the Shares that existed prior to the Contribution.

The Contribution Shares and the New Shares will be traded under the same ISIN code as the Shares that existed prior to the Contribution, which have been assigned the following code: BE0003864817.

The Contribution Shares are and the New Shares will be issued without VVPR Strips and will not benefit from a reduced withholding tax rate, or the so-called VVPR-right. Consequently, where applicable, withholding tax shall be levied on distributed dividends at the applicable legal rate.

2.2 APPLICABLE LAW AND JURISDICTION

The New Shares will be issued in accordance with Belgian law and the Offering is governed by Belgian law.

The Courts of Brussels (Belgium) shall have the jurisdiction to hear all disputes in relation to the New Shares.

2.3 FORM OF THE CONTRIBUTION SHARES AND THE NEW SHARES

The Contribution Shares are issued in registered form.

The subscribers of New Shares have the choice of receiving the New Shares in the form of dematerialised securities, booked in their securities account, or as registered shares recorded in the Issuer's share register.

2.4 CURRENCY OF THE ISSUE

The currency of the issue is the euro.

2.5 RIGHTS ATTACHED TO THE CONTRIBUTION SHARES AND THE NEW SHARES

2.5.1 Voting rights

Each Shareholder of the Company is entitled to one vote per Share.

Voting rights can be suspended in relation to Shares:

- which were not fully paid up, notwithstanding the request thereto of the Board of Directors;
- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, except in the event where the relevant Shareholder has notified the Company and the FSMA at least 20 days prior to the date of the general shareholders' meeting on which he or she wishes to vote of its shareholding reaching or exceeding the thresholds above; and
- of which the voting right was suspended by a competent court or the FSMA.

Generally, the shareholders' meeting has sole authority with respect to:

- the approval of the annual accounts of the Company;
- the appointment and resignation of directors and the statutory auditor of the Company;

- the granting of discharge of liability to the directors and the statutory auditor;
- the determination of the remuneration of the directors and of the statutory auditor for the exercise of their mandate;
- the distribution of profits (it being understood that the Articles of Association authorise the Board of Directors to distribute interim dividends);
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other re-organisations of the Company; and
- the approval of amendments to the Articles of Association.

2.5.2 Right to attend and vote at general shareholders' meetings

Law on the exercise of certain rights of shareholders in listed companies

In light of the law of December 20, 2010 on the exercise of certain rights of shareholders in listed companies, as amended on April 5, 2011 (the "**Shareholders' Rights Law**"), the extraordinary shareholders' meeting of the Company of April 26, 2011 resolved to make certain modifications to the Articles of Association under the condition precedent that the Shareholders' Rights Law was published in the Belgian State Gazette (the "**Modifications to the Articles**"). The shareholders' meeting also resolved that such Modifications to the Articles would enter into force on the date, if any, on which the Shareholders' Rights Law provided that such modifications enter into force. The Shareholders' Rights Law was published in the Belgian State Gazette on April 18, 2011 and provides that the modifications of the articles of association pursuant to the Shareholders' Rights Law will enter into force on January 1, 2012. Therefore, the Modifications to the Articles will enter into force on January 1, 2012.

Where relevant, reference is therefore made in the paragraphs below to any changes resulting from the entry into force of the Modifications to the Articles.

Annual shareholders' meeting

The annual shareholders' meeting is held at the registered office of the Company or at the place determined in the notice convening the shareholders' meeting. The meeting is held every year on April 20 at 10 am. If this date is a Saturday, Sunday or a legal holiday, the meeting is held at the next business day. At the annual shareholders' meeting, the Board of Directors submits the audited statutory and consolidated financial statements and the reports of the Board of Directors and of the statutory auditor with respect thereto to the Shareholders. The shareholders' meeting then decides on the approval of the statutory financial statements, the proposed allocation of the Company's profit or loss, the discharge from liability of the directors and the statutory auditor, and, when applicable, the (re-)appointment or resignation of the statutory auditor and/or of all or certain directors.

Special and extraordinary shareholders' meetings

The Board of Directors or the statutory auditor can, at any given time when the interest of the Company so requires, convene a special or extraordinary shareholders' meeting. Such shareholders' meeting must also be convened every time one or more Shareholders holding at least 20% of the Company's share capital so demand. This request is sent by registered letter to the registered office of the Company to the attention of the Board of Directors; it has to mention the agenda items and proposed decisions, which the shareholders' meeting should deliberate and decide upon, as well as an elaborate justification for the request. Shareholders who, individually or jointly, do not hold at least 20% of the Company's share capital do not have the right to have the shareholders' meeting convened.

Notices convening the shareholders' meeting

The notice of the shareholders' meeting must state the place, date and hour of the meeting and shall include an agenda indicating the items to be discussed as well as any motions for resolutions.

The notice must be published in the Belgian Official Gazette (Belgisch Staatsblad / Moniteur belge) at least 24 days prior to the shareholders' meeting or the registration date (if specified in the convening notices). In the event a second convening notice is necessary and the date of the second meeting is mentioned in the first convening notice, that period is 17 days prior to the shareholders' meeting or the registration date (if specified in the convening notices). The notice must also be published in a national newspaper 24 days prior to the date of the shareholders' meeting or the registration date (if specified in the convening notices), except if the meeting concerned is an annual shareholders' meeting held at the municipality, place, day and hour mentioned in the Articles of Association and whose agenda is limited to the examination of the annual accounts, the annual report of the Board of Directors, the annual report of the statutory auditor, the vote on the discharge of the directors and the statutory auditor, and, following the entry into force of the relevant Modifications to the Articles,

the vote on the items referred to in Article 554, par. 3 and 4 of the Companies Code (*i.e.* in relation to a remuneration report or a severance pay). The above 24 days periods are extended to 30 days following the entry into force of the relevant Modifications to the Articles. The annual accounts, the annual report of the Board of Directors and the annual report of the statutory auditor must be made available to the public at least 15 days prior to the date of the annual shareholders' meeting.

Convening notices must be sent 15 days prior to the shareholders' meeting to the holders of registered shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the cooperation of the Company and to the directors and statutory auditor of the Company. Following the entry into force of the relevant Modifications to the Articles, these convening notices must be sent within the same time periods as those that apply to the publication in the Belgian Official Gazette as set out above. This communication is made by ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfilment of such formality.

When all the shares, bonds, warrants and certificates issued with the co-operation of the Company are registered, the communication may be limited to the sending of the notices by registered letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication.

Formalities to attend the shareholders' meeting

Prior to the entry into force of the relevant Modifications to the Articles, the formalities to attend the shareholders' meeting are the following:

- If specified in the notice convening the shareholders' meeting, the holders of registered Shares have to inform the Company of (i) their intention to attend the shareholders' meeting and (ii) the number of Shares they will exercise the rights for at the shareholders' meeting, by means of a letter or any other means indicated in the notice convening the shareholders' meeting, sent to the Company's registered office at least three business days prior to the date of the shareholders' meeting.
- Holders of dematerialised Shares will only be admitted to the shareholders' meeting if they have either deposited or registered their Shares at the registration date. The Board of Directors will specify whether the Shares have to be deposited or registered in the notice convening the shareholders' meeting:
  - in case a deposit is required, the holders of dematerialised Shares must deposit a certificate issued by a recognised account holder with the clearing agency for the financial instruments concerned or the clearing agency itself, confirming the number of financial instruments that have been registered in the name of the holder concerned and stating that these financial instruments are blocked at least three business days prior to the date of the shareholders' meeting until after the shareholders' meeting. The certificate must be deposited at the Company's registered office or any other place indicated in the notice convening the shareholders' meeting; and
  - if a registration is required, only those holders of dematerialised Shares will be admitted to the shareholders' meeting that provide proof that they held the Shares they wish to exercise the rights for on the registration date, which will be at the earliest 15 calendar days and at the latest five business days prior to the date of the shareholders' meeting, at 12pm CET.

Following the entry into force of the relevant Modifications to the Articles, the formalities to attend the shareholders' meeting are the following:

- A Shareholder is only entitled to participate in and vote at the shareholders' meeting, irrespective of the number of Shares he owns on the date of the shareholders' meeting, provided that his Shares are recorded in his name at midnight (12pm CET) of the fourteenth (14th) day preceding the date of the shareholders' meeting (the "**record date**"):
  - in case of registered Shares, in the register of registered shares of the Company; or
  - in case of dematerialised Shares, through book-entry in the accounts of an authorised account holder or clearing organisation.
- In addition, the Company (or the person designated by the Company) must, at the latest on the sixth (6th) day preceding the day of the shareholders' meeting, be notified as follows of the intention of the Shareholder to participate in the shareholders' meeting:

- in case of registered Shares, the Shareholder must, at the latest on the above-mentioned date, notify the Company (or the person designated by the Company) in writing of his intention to participate in the shareholders' meeting and of the number of shares he intends to participate in the shareholders' meeting with by returning a signed paper form, or, if permitted by the convening notice, by sending an electronic form (signed by means of an electronic signature in accordance with the applicable Belgian law) electronically, to the company on the address indicated in the convening notice; or
- in case of dematerialised Shares, the Shareholder must, at the latest on the above-mentioned date, provide the Company (or the person designated by the Company), or arrange for the Company (or the person designated by the Company) to be provided with, a certificate issued by the authorised account holder or clearing organisation certifying the number of dematerialised Shares recorded in the Shareholder's accounts on the record date in respect of which the Shareholder has indicated his intention to participate in the shareholders' meeting.

Owners of profit certificates, Shares without voting rights, bond holders, warrant holders or holders of other securities issued by the Company, as well as the holders of certificates issued with the cooperation of the Company, can attend the shareholders' meeting, in the instances in which the law grants them this right. In this case, they will have to comply with the same formalities as the Shareholders.

Power of attorney

Each Shareholder has the right to attend a shareholders' meeting and to vote at the shareholders' meeting in person or through a proxy holder. The proxy holder does not need to be a Shareholder. The Board of Directors can request the participants to the meeting to use a model of power of attorney and to deposit it at the Company's registered office at least three business days prior to the meeting.

Following the entry into force of the relevant Modifications to the Articles:

- a Shareholder may only appoint one person as proxy holder for a particular shareholders' meeting, except in cases provided for in the law; and
- the Board of Directors may determine the form of the proxies, the appointment of a proxy holder must in any event take place in paper form or electronically, the proxy must be signed by the Shareholder (as the case may be, by means of an electronic signature in accordance with the applicable Belgian law) and the Company must receive the proxy at the latest on the sixth (6^{th}) day preceding the day on which the shareholders' meeting is held.

Pursuant to Article 7, §5 of the Belgian Law of May 2, 2007 on the disclosure of major shareholdings, a transparency declaration has to be made if a proxy holder, which is entitled to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, would have the right to exercise the voting rights at his discretion.

Right to request items to be added to the agenda and ask questions at the shareholders' meeting

Following the entry into force of the relevant Modifications to the Articles, one or more Shareholders holding at least 3% of the capital of the Company may request for items to be added to the agenda of any convened meeting and submit proposed resolutions in relation to existing agenda items or new items to be added to the agenda, provided that (i) they prove ownership of such shareholding as at the date of their request and record their Shares representing such shareholding on the record date and (ii) the additional items on the agenda and/or proposed resolutions have been submitted in writing by these Shareholders to the Board of Directors at the latest on the twenty second (22nd) day preceding the day on which the relevant shareholders' meeting is held. The shareholding must be proven by a certificate evidencing the registration of the relevant Shares in the share register of the Company or by a certificate issued by the authorised account holder or the clearing organisation certifying the book-entry of the relevant number of dematerialised Shares in the name of the relevant Shareholder(s). As the case may be, the Company shall publish the modified agenda of the shareholders' meeting, at the latest on the fifteenth (15th) day preceding the day on which the shareholders' meeting is held. The right to request that items be added to the agenda or that proposed resolutions in relation to existing agenda items be submitted does not apply in case of a second extraordinary shareholders' meeting that must be convened because the quorum was not obtained during the first extraordinary shareholders' meeting.

Within the limits of Article 540 of the Companies Code, the directors and auditors answer, during the shareholders' meeting, the questions raised by Shareholders. Following the entry into force of the relevant Modifications to the Articles, Shareholders can ask questions either during the meeting or

in writing provided that the Company receives the written question at the latest on the sixth (6th) day preceding the day on which the shareholders' meeting is held.

Quorum and majorities

In general, there is no quorum requirement for a shareholders' meeting and decisions are generally passed with a simple majority of the votes of the Shares present and represented. Capital increases not decided by the Board of Directors within the framework of the authorised capital, decisions with respect to the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company, amendments to the Articles of Association (other than an amendment of the corporate purpose), and certain other matters referred to in the Companies Code do not only require the presence or representation of at least 50% of the share capital of the Company but also the approval of at least 75% of the votes cast. An amendment of the Company's corporate purpose, requires the approval of at least 80% of the votes cast at a shareholders' meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of the Company and at least 50% of the profit certificates, if any, are present or represented. In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of Shares and profit certificates present or represented.

2.5.3 Dividends

All Shares participate in the same manner in the Company's profits (if any). The Contribution Shares and the New Shares will participate in the results in the same way as existing Shares. Pursuant to the Companies Code, the Shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent statutory audited annual accounts, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the Board of Directors. The Articles of Association also authorise the Board of Directors to declare interim dividends subject to the terms and conditions of the Companies Code.

Dividends can only be distributed if following the declaration and issuance of the dividends the amount of the Company's net assets on the date of the closing of the last financial year according to the statutory annual accounts (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortised costs of incorporation and expansion and the non-amortised costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.

The right to payment of dividends expires five years after the Board of Directors declared the dividend payable.

2.5.4 Rights regarding dissolution and liquidation

The Company can only be dissolved by a Shareholders' resolution passed with a majority of at least 75% of the votes cast at an extraordinary general shareholders' meeting where at least 50% of the share capital is present or represented. In the event the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of Shares present or represented.

If as a result of losses incurred the ratio of the Company's statutory net-assets (determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, the Board of Directors must convene a special shareholders' meeting within two months as of the date the Board of Directors discovered or should have discovered this undercapitalisation. At this shareholders' meeting the Board of Directors needs to propose either the dissolution of the Company or the continuation of the Company, in which case the Board of Directors must propose measures to redress the Company's financial situation. Shareholders representing at least 75% of the votes validly cast at this meeting have the right to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting. In the event the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of Shares present or represented. If as a result of losses incurred the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that the dissolution only requires the approval of Shareholders representing 25% of the votes

cast at the meeting. If the amount of the Company's net assets has dropped below €61,500 (the minimum amount of share capital of a public limited liability company), each interested party is entitled to request the competent court to dissolve the Company. The court can order the dissolution of the Company or grant a grace period within which the Company is to remedy the situation.

If the Company is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the general shareholders' meeting and whose appointment has been ratified by the commercial court. In the event the Company is dissolved, the assets or the proceeds of the sale of the remaining assets, after payment of all debts, costs of liquidation and taxes, must be distributed on an equal basis to the Shareholders, taking into account possible preferential rights with regard to the liquidation of Shares having such rights, if any. Currently, there are no preferential rights with regard to the liquidation.

2.5.5 Modifications of share capital

Changes to the share capital decided by the Shareholders

The shareholders' meeting can at any given time decide to increase or decrease the share capital of the Company. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the Articles of Association, as described above under this section.

Capital increases by the Board of Directors

Subject to the same quorum and majority requirements, the shareholders' meeting can authorise the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the Shareholders (the "authorised capital"). This authorisation needs to be limited in time (i.e., it can only be granted for a renewable period of maximum five years), and in scope (i.e., the authorised capital may not exceed the amount of the registered capital at the time of the authorisation). On February 26, 2007, the shareholders' meeting authorised the Board of Directors to increase the share capital of the Company within the framework of the authorised capital. On April 26, 2011, the shareholders' meeting renewed the authorisation, subject to the completion of the Offering. These authorisations and powers are further discussed in section 4.4.2 below.

2.5.6 Preferential subscription right

In the event of a capital increase in cash with issuance of new Shares, or in the event of an issuance of convertible bonds or warrants, the existing Shareholders have a preferential right to subscribe to the new Shares, convertible bonds or warrants, pro rata of the part of the share capital represented by the Shares that they already have. The shareholders' meeting can decide to limit or cancel this preferential subscription right, subject to special reporting requirements. Such decision needs to satisfy the same quorum and majority requirements as the decision to increase the Company's share capital. The abovementioned preferential right of the Shareholders to subscribe to new Shares, convertible bonds or warrants has been cancelled or waived in previous transactions.

The Shareholders can also decide to authorise the Board of Directors to limit or cancel the preferential subscription right within the framework of the authorised capital, subject to the terms and conditions set forth in the Companies Code. The extraordinary shareholders' meetings of February 26, 2007 and April 26, 2011 (the latter decision being subject to the completion of the Offering) granted this authorisation to the Board of Directors. See also under section 4.4.2 below.

Normally, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential right of the Existing Shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid on the financial instruments of the Company. The shareholders' meeting can, however, authorise the Board of Directors to increase the share capital by issuing Shares in an amount of not more than 10% of the existing Shares at the time of such a public takeover bid. Such authorisation has not been granted to the Board of Directors of the Company.

2.5.7 Form and transferability of Shares

The Shares of the Company can take the form of registered shares or dematerialised shares. In accordance with the Belgian Law of December 14, 2005 on the abolition of bearer securities (*Wet houdende afschaffing van de effecten aan toonder / Loi portant suppression des titres au porteur*), all bearer securities held on securities accounts for which the physical delivery in bearer form had not been requested prior to January 1, 2008, have automatically been converted in dematerialised securities as from January 1, 2008.

All of the Company's Shares are fully paid up and freely transferable, subject, however, to the lock-up and standstill arrangements further described in section 3.12.

Every Shareholder may request conversion of its Shares, at its own cost, either into registered Shares, or into dematerialised Shares. Conversion of dematerialised Shares into registered Shares will be done by entering them in the related register of registered Shares.

2.5.8 Redemption and sale of the Issuer's Shares

In accordance with the Articles of Association and the Companies Code, the Company can only purchase and sell its own Shares by virtue of a special Shareholders' resolution approved by at least 80% of the votes validly cast at a general shareholders' meeting where at least 50% of the share capital and at least 50% of the profit certificates, if any, are present or represented. In the event the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting can validly deliberate and decide regardless of the number of Shares and profit certificates present or represented. The prior approval by the Shareholders is not required if the Company purchases the Shares to offer them to the Company's personnel.

In accordance with the Companies Code, an offer to purchase Shares must be made to all Shareholders under the same conditions. This does not apply to the acquisition of Shares via a regulated market or the acquisition of Shares that has been unanimously decided by the Shareholders at a meeting where all Shareholders were present or represented. Shares can only be acquired with funds that would otherwise be available for distribution as a dividend to the Shareholders. The total amount of Shares held by the Company can at no time be more than 20% of its share capital. At the date of this prospectus, the Board of Directors of the Company does not have any authorisation from the shareholders' meeting to redeem Shares. The Articles of Association, however, authorised the Board of Directors to purchase own Shares in case of imminent serious harm to the Company in accordance with Article 620, §1, al. 3 of the Companies Code. The latter authorization, which was valid for a period of three years as from the date of publication in the annexes to the Belgian Official Gazette of the amendment to the Articles of Association inserting this authorization, has expired.

2.6 RESTRICTIONS ON NEGOTIATING THE NEW SHARES

There are no provisions limiting the free transferability of the New Shares in the Articles of Association.

However, please see section 3.7 on restrictions applicable to the Offering.

2.7 NOTIFICATION OF SIGNIFICANT SHAREHOLDINGS

Pursuant to the Belgian Law of May 2, 2007 on the disclosure of major shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "Transparency Law"), a notification to the issuer and to the FSMA is required in the following circumstances:

- An acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities.
- The passive reaching of a threshold.
- The reaching of a threshold by persons acting in concert or a change in the nature of an agreement to act in concert.
- Where a previous notification concerning financial instruments that are treated as voting securities is updated.
- The acquisition or disposal of the control of an entity that holds a participating interest in an issuer.
- Where the issuer introduces additional notification thresholds in the articles of association.

In each case where the percentage of voting rights attached to voting securities reaches, exceeds or falls below the legal threshold set at 5 per cent of the total voting rights, as well as 10 per cent, 15 per cent, 20 per cent and so on at intervals of 5 percentage points or, as the case may be, the additional thresholds provided in the issuer's articles of association. The Articles of Association provide for an additional threshold of 3 per cent of the voting rights (but no multiples of 3 per cent).

The notification must be made as soon as possible and at the latest within four trading days from the trading day following the acquisition or disposal of the voting rights triggering the reaching of the threshold. Where the Issuer receives a notification of information regarding the reaching of a threshold, it has to publish such information within three trading days following the receipt of the notification.

No one may cast a greater number of votes at a general shareholders' meeting than those attached to the voting rights it has notified in accordance with the Transparency Law at least 20 days before the date of the general shareholders' meeting, subject to certain exceptions.

2.8 BELGIAN REGULATIONS ON TAKEOVER BIDS, SQUEEZE-OUT AND SELL-OUT RULES

2.8.1 Public takeover bids

Public takeover bids on the Shares and other securities giving access to voting rights (such as warrants or convertible bonds, if any) are subject to the supervision by the FSMA. Public takeover bids must be made for all of the Company's voting securities, as well as for all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, which has been approved by the FSMA prior to publication.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of April 21, 2004) in the Belgian Law on public takeover bids of April 1, 2007 (the "**Takeover Law**") and the Belgian Royal Decree of April 27, 2007 on public takeover bids (the "**Takeover Royal Decree**"). The Takeover Law provides that a mandatory bid will be triggered if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30 per cent of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Takeover Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of one or more Shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to TiGenix and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult.

Normally, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in kind or in cash with cancellation or limitation of the preferential subscription right of the Existing Shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid on the securities of the Company. The general shareholders' meeting can, however, authorise the Board of Directors to increase the share capital by issuing shares in an amount of not more than 10% of the existing Shares at the time of such a public takeover bid. Such authorisation has not been granted to the Board of Directors of the Company.

2.8.2 Squeeze-out

Pursuant to Article 513 of the Companies Code, or the regulations promulgated thereunder, a person, acting alone or in concert, who owns 95% of the securities conferring voting power in a public company, can acquire the totality of the securities conferring voting rights in that company following a squeeze-out offer. The shares that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value as to safeguard the interests of the transferring shareholders.

2.8.3 Sell-out right

Holders of voting securities or of securities giving access to voting rights may require the offeror, acting alone or in concert, who owns 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid to buy its securities from it at the price of the bid, on the condition that the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

2.9 TAKEOVER BIDS INSTIGATED BY THIRD PARTIES DURING THE PREVIOUS FINANCIAL YEAR AND THE CURRENT FINANCIAL YEAR

No takeover bid has been instigated by third parties in respect of TiGenix' equity during the previous financial year and the current financial year.

2.10 TAXATION IN BELGIUM

The following is a general summary of the Belgian federal tax treatment of the acquisition, ownership and disposal of Shares by an investor that purchases such Shares in connection with this Offering. The summary is based on Belgian tax laws, regulations and administrative interpretations in effect on the date of this prospectus. Any changes in Belgian tax law, regulations and administrative interpretations, including changes that could have a retrospective effect may affect the validity of this summary.

This summary does not purport to address all tax consequences of the ownership and disposal of the Shares, and does not take into account the specific circumstances of particular investors, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, Shares as a position in a straddle, share-repurchase transaction, conversion transaction, synthetic security or other integrated financial transaction.

For the purposes of this summary, a Belgian resident is either an individual subject to Belgian personal income tax (*i.e.*, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident), a company subject to Belgian corporate income tax (*i.e.*, a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium) or a legal entity subject to the Belgian income tax on legal entities (*i.e.*, a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisers regarding the tax consequences of an investment in the Shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

2.10.1 Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid issuance premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

Belgian withholding tax of 25 per cent is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions. Under certain circumstances, the 25 per cent rate is reduced to 15 per cent for certain qualifying shares (VVPR Shares). Shares eligible for this reduced rate may carry VVPR Strips which are securities representing the right to benefit from the reduced withholding tax rate of 15 per cent. The New Shares offered in the framework of this Offering will not carry VVPR Strips. None of the Shares benefit from this reduced withholding tax rate, or the so called VVPR-right.

In the case of a redemption of Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will be treated as a dividend which, in certain circumstances, may be subject to a Belgian withholding tax of 10 per cent. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions. In the event of liquidation of the Issuer, a withholding tax of 10 per cent will be levied on any distributed amount exceeding the fiscal capital.

(a) Belgian resident individuals

For Belgian resident individuals who acquire and hold the Shares as a private investment, the Belgian withholding tax generally constitutes the final tax in Belgium on dividend income and the dividend need not be reported in the annual income tax return.

If a Belgian resident individual nevertheless elects in such an event to report the dividend income in his or her personal income tax return, this income will be taxed at the separate rate of 25 per cent (or 15 per cent for VVPR Shares) or at the progressive personal income tax rates applicable to the taxpayer's overall declared income, whichever rate is lower. In both cases, the amount of income tax to be paid will be increased by local surcharges. If the dividends are reported, the Belgian withholding tax paid can be credited against the final income tax liability of the investor and may also be refunded to the extent that it exceeds the final income tax liability, provided that the dividend distribution does not result in a reduction in value of, or capital loss on, the Shares. This condition is not applicable if the Belgian individual can demonstrate that he has had full ownership of the Shares during an uninterrupted period of 12 months prior to the attribution of the dividends.

For Belgian resident individuals who acquire and hold the Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends must be reported by the individual and will be taxable at the individual's personal income tax rate. Withholding tax withheld at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed, and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if the individual can demonstrate that he has held the full legal ownership of the Shares for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

(b) Belgian resident companies

For Belgian resident companies, the dividend withholding tax does not fully discharge the corporate income tax liability. The gross dividend income (including the withholding tax) must be reported and will be subject to a corporate income tax rate of 33.99 per cent, unless the reduced corporate income tax rates for SMEs apply.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable: (a) if the company can demonstrate that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment of or attribution on the dividends or (b) if, during that period, the Shares never belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

No withholding tax will be due on dividends paid to a resident company if at the time of the payment or distribution of the dividend, the resident company owns at least 10 per cent of the share capital of the Issuer for an uninterrupted period of at least one year and subject to certain formalities. If the investor holds the Shares for less than one year at the time the dividends are paid on or attributed to the Shares, the Issuer must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Issuer or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Issuer's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be refunded to the investor.

Belgian resident companies can generally deduct up to 95 per cent of the gross dividend received from the taxable income ("dividend received deduction"), provided that at the time of a dividend payment or attribution: (1) the Belgian resident company holds Shares representing at least 10 per cent of the share capital of the Issuer or a participation in the Issuer with an acquisition value of at least €2,500,000; (2) the Shares qualify and are recorded as "fixed financial assets" under Belgian GAAP; (3) the Shares have been held or will be held in full ownership for an uninterrupted period of at least one year; and (4) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code are met (together the "Conditions for the application of the dividend received deduction regime").

The conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

(c) Other taxable legal entities

For taxpayers subject to the Belgian income tax on legal entities, the Belgian dividend withholding tax, in principle, fully discharges its income tax liability.

(d) Belgian non-residents

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment.

If the Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable non-resident individual or corporate income tax rate, as appropriate. Withholding tax levied at source may be credited against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if (1) the non-resident individual or the non-resident company can demonstrate that the Shares were held in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (2) with regard to non-resident companies only, if, during the relevant period, the Shares have not belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

For non-resident companies whose Shares are invested in a fixed base in Belgium or Belgian permanent establishment the dividend received deduction will apply on the same conditions as apply for Belgian resident companies.

(e) Belgian withholding tax relief

Under Belgian tax law, withholding tax is not due on dividends paid to a non-resident organisation that is not engaged in any business or other profit making activity and that is exempt from income taxes in its country of residence, provided that it is not contractually bound to redistribute the dividends to any beneficial owner of such dividends for whom it is required to manage the Shares. The exemption will only apply if the organisation provides a certificate confirming that it is a qualifying entity, that it is the full legal owner or usufruct holder of the Shares and that it has no contractual redistribution obligations. The organisation must then forward that certificate to the Issuer or its paying agent.

Dividends distributed to non-resident companies that (i) are either established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty, where that treaty or any other treaty concluded between Belgium and that jurisdiction includes a qualifying exchange of information clause; and (ii) qualify as a parent company, will be exempt from Belgian withholding tax provided that the Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10 per cent of the Issuer's share capital and are held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company if: (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of July 23, 1990 (90/435/EC), as amended, or, for companies established in a country with which Belgium has concluded a double tax treaty and where that treaty or any other treaty concluded between Belgium and that country includes a qualifying exchange of information clause, it has a legal form similar to the ones listed in such annex, (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Issuer or its paying agent with a certificate confirming its qualifying status and the fact that it satisfies the required conditions. If the investor holds the Shares for less than one year, at the time the dividends are paid on or attributed to the Shares, the Issuer must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Issuer or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Issuer's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be paid to the investor.

Belgium has concluded tax treaties with more than 95 countries, reducing the dividend withholding tax rate to 15, 10, 5 or 0 per cent for residents of those countries, depending on conditions, among others, relating to the size of the shareholding and certain identification formalities.

Prospective holders should consult their own tax advisors as to whether they qualify for reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for claiming reimbursement.

2.10.2 Capital gains and losses

(a) Belgian resident individuals

Belgian resident individuals acquiring the Shares as a private investment should not be subject to Belgian capital gains tax on the disposal of the Shares and capital losses are not tax deductible.

However, capital gains realised by a private individual are taxable at 33 per cent (plus local surcharges) if the capital gain is deemed to be realised outside the scope of the normal management of the individual's private estate.

Capital gains realised by Belgian resident individuals on the disposal of the Shares for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign state (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5 per cent (plus local surcharges) if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Issuer (*i.e.*, a shareholding of more than 25 per cent in the Issuer). This rule does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the European Economic Area (EEA).

(b) Belgian resident companies

Belgian resident companies are normally not subject to Belgian capital gains taxation on gains realised upon the disposal of the Shares provided that the conditions relating to the taxation of the underlying distributed income in the framework of the dividend received deduction, as described in Article 203 of the Belgian Income Tax Code are satisfied. Capital losses are, in principle, not tax deductible.

(c) Other taxable legal entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of the Shares, except in the case of the transfer of a substantial shareholding to an entity established outside the EEA (see the sub-section regarding Belgian resident individuals above).

Capital losses on Shares incurred by Belgian resident legal entities are not tax deductible.

(d) Belgian non-residents

(I) Non-resident individuals

Capital gains realised on the Shares by a non-resident individual that has not acquired the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment are generally not subject to taxation, unless the gain is deemed to be realised outside the scope of the normal management of the individual's private estate and the capital gain is obtained or received in Belgium. In such an event the gain is subject to a final professional withholding tax of 30.28 per cent. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

Capital gains will be taxable at the ordinary progressive income tax rates and capital losses will be tax deductible, if those gains or losses are realised on Shares by a non-resident individual that holds Shares in connection with a business conducted in Belgium through a fixed base in Belgium.

Capital gains realised by non-resident individuals on the transfer of a substantial shareholding to an entity established outside the EEA are generally subject to the same regime as Belgian resident individuals. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

(II) Non-resident companies or entities

Capital gains realised on the Shares by non-resident companies or non-resident entities that have not acquired the Shares in connection with a business conducted in Belgium through a Belgian permanent establishment are generally not subject to taxation and losses are not tax deductible.

Capital gains realised by non-resident companies or other non-resident entities that hold the Shares in connection with a business conducted in Belgium through a Belgian permanent establishment are generally subject to the same regime as Belgian resident companies.

2.10.3 Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration of existing Shares (secondary market) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions of 0.17 per cent of the purchase price, capped at €500 per transaction and per party. Upon the issue of new Shares (primary market), no tax on stock exchange transactions is due.

No tax on stock exchange transactions is due by (1) professional intermediaries described in Article 2, 9° and 10° of the Belgian Law of August 2, 2002 where they act their own account, (2) insurance companies described in Article 2, §1 of the Belgian Law of July 9, 1975 acting on their own account, (3) professional retirement institutions referred to in Article 2, 1° of the Belgian Law of October 27, 2006 concerning the supervision of institutions for occupational pension acting on their own account and (4) collective investment institutions acting for their own account.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, existing Shares in Belgium (secondary market) on their own behalf through a professional intermediary may be exempt from the tax on stock exchange transactions if they deliver a sworn affidavit to the intermediary confirming their non-resident status.

2.10.4 VVPR Strips

The New Shares will be issued without VVPR Strips and will not benefit from the reduced withholding tax regime.

2.10.5 Unexercised Rights Payment and sale of the Preferential Rights prior to the closing of the Rights Subscription Period

The Unexercised Rights Payment should not be subject to Belgian withholding tax.

The Unexercised Rights Payment will, in principle, not be taxable in the hands of Belgian resident or non-resident individuals except for resident individuals who hold the Preferential Rights for professional purposes or for non-resident individuals who hold the Preferential Rights for a business conducted in Belgium through a fixed base. In these cases, the gains realised upon the receipt of the Unexercised Rights Payment will be taxed at the progressive income tax rates, increased by local surcharges.

The gain realised upon the receipt of the Unexercised Rights Payment will be taxable at the ordinary corporate tax rate for Belgian resident companies. Non-resident companies holding the Preferential Rights through a Belgian permanent establishment will also be taxed at the ordinary non-resident income tax rate on the gain realised upon the receipt of the Unexercised Rights Payment.

Legal entities subject to Belgian tax on legal entities are not subject to tax on the Unexercised Rights Payment.

The same Belgian tax analysis applies to gains realised upon the sale of the Preferential Rights prior to the closing of the Rights Subscription Period. For professional investors, losses realised on the Preferential Rights are, in principle, deductible.

The rules regarding the tax on stock exchange transactions equally apply to the Unexercised Rights Payment and to the sale of the Preferential Rights prior to the closing of the Rights Subscription Period.

3. Information on the Contribution and the offering

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.

3.1 BACKGROUND AND REASONS FOR THE CONTRIBUTION AND THE OFFERING

3.1.1 Background of the Contribution

On February 24, 2011, TiGenix made an offer to each individual shareholder of Cellerix and certain other investors in Cellerix to contribute their respective shares in Cellerix into the share capital of TiGenix in exchange for newly issued Shares (the "**Contribution Offer**"). Following the review of the Contribution Offer by each of the shareholders of Cellerix and the other investors in Cellerix, ultimately all of them - deciding individually and discretionarily - accepted and adhered to the Contribution Offer (the "**Contribution Agreement**"). Under the Contribution Agreement and subject to certain terms and conditions set out in the Contribution Agreement, the Cellerix shareholders and the other investors undertook to contribute, through a contribution in kind ("*inbreng in natura*" / "*apport en nature*"), into the Company all of their shares in Cellerix as at the date of completion of such contribution (the "*Contribution*"). The Contribution Agreement also envisaged that, prior to the Contribution and subject to certain conditions, the Cellerix shareholders and other investors would collectively make an equity investment in Cellerix, by way of a capital increase in cash, in the amount of €18,155,669.74 in accordance with shareholders' and investment agreements executed between Cellerix shareholders in 2009, as amended from time to time, and certain related agreements (the "**Cellerix Shareholders Investment**").

Within the framework of the Contribution Agreement, Cellerix was valued at €40,000,000 prior to the Cellerix Shareholders Investment. Taking into account the amount of the Cellerix Shareholders Investment, 100% of the Cellerix shares was valued at €58,155,669.74. The €40,000,000 valuation of Cellerix prior to the Cellerix Shareholders Investment was based on an assessment of the technology value of Cellerix using three different methods: (a) the pre-money valuation of Cellerix in its last financing rounds, (b) an analysis of comparable companies and transactions, and (c) a "sum of the parts" net present value analysis of Cellerix' lead programmes.

For the Cellerix Shareholders Investment, a pre-money valuation of Cellerix of €39.5 million was used. In its special board report drawn up in relation to the Contribution in accordance with Article 602 of the Companies Code, the Board of Directors indicated that this value could be considered as a minimum value as it does not yet take into account certain value enhancing milestones that had been realized recently:

- positive data of the Phase IIa clinical study for Cx601 in complex perianal fistulas;
- authorization to start a Phase I/II clinical study for Cx611 in Rheumatoid Arthritis (RA).

This analysis was supported by the other valuation methods used (analysis of the valuation of comparable companies and deals[2] and a "sum of the parts" Net Present Value analysis of Cellerix' lead programmes[3]), leading to a technology value of Cellerix ranging between €50 million and €75 million.

2 Which gives a Cellerix technology value of €52 million based on the equity raised by Cellerix and even €74 million based on the total cash received by Cellerix (i.e. besides the equity also taking into account other cash items such as grants received).

3 Which gives a Cellerix technology value of €70 million.

The €18,155,669.74 cash that would be invested in Cellerix prior to the Contribution pursuant to the Cellerix Shareholders Investment was valued on a euro for euro basis[4]. The Cellerix Shareholders Investment has been completed between April 26, 2011 and the Contribution Date.

A special report was prepared by the Board of Directors and the statutory auditor in connection with the Contribution, in accordance with Article 602 of the Companies Code, further describing the Contribution. These reports are available on the Company's website and can be obtained at no cost at the registered office of the Company, Romeinse straat 12, box 2, 3001 Leuven, Belgium.

The conclusions of the statutory auditor's report on the contribution of the shares in Cellerix are as follows[5]:

"In accordance with article 602 of the Belgian Company Law and the applicable Standards and Guidelines as issued by the Institute of certified Auditors (Instituut der Bedrijfsrevisoren), we investigated the planned contribution of maximum 15.226.054 Cellerix shares.

Upon finalization of our audit work, we are of the opinion that:

(a) The transaction has been reviewed in accordance with the Standards and Guidelines as issued by the Institute of certified Auditors (Instituut der Bedrijfsrevisoren) regarding contributions in kind. It should be noted that the identification of the contributors has been limited to reconciliation with Cellerix' shareholder's register since we did not have the underlying bylaws and ID-identifications of the contributors and/or their legal representatives.

(b) The Board of Directors is responsible for the valuation of the contribution in kind and the determination of the number of shares to be issued in return for the contribution in kind.

(c) The description of the contribution agrees to the normal requirements of accuracy and clarity.

(d) The valuation of the Cellerix' shares to be contributed is based on the valuation of both the technology component and the cash component present in the Cellerix company.

(e) The valuation of the technology component, amounting to 40.000.000 EUR, is determined on a conventional basis, but that the valuation methods withheld by the Board of Directors for the assessment of this conventional value, have lead to an amount that justifies the conventional value. We are therefore of the opinion that the contribution of the technology component is not overstated, provided that the transferred technology will lead to marketable products within a reasonable timeframe and that the estimated future net free cash flows, as taken up in the business plan, will be realized.

(f) The valuation of the cash component amounting to 18.155.669,74 EUR if no ETV Options are exercised before the date of the closing of the contribution, and amounting to 18.605.669,74 EUR if all ETV Options are exercised before the date of the closing of the contribution, provided that the conditional contribution of this cash component, which is only contractual agreed upon at present, will actually be contributed in the Cellerix company by some of its current shareholders, after the Extraordinary Assembly of shareholders to whom this audit report is addressed.

(g) Subject to what is described in the sections a) to f) above, we can conclude that the value amounting to 58.155.699,74 EUR if no ETV Options are exercised, and 58.605.699,74 EUR if all ETV Options are exercised, as a result of the applied valuation methods, at least agrees to the number of shares to be issued and their par value and the related share premium, so that the contribution in kind is not overstated. The share price per share amounts to 1,2977 EUR (share premium included).

Based on this share price and provided the rounding down of dividing numbers of shares, a maximum of 45.161.184 new shares of the Company will be issued, if all ETV Options are exercised.

We would like to draw your attention to the fact that the Extraordinary Assembly of shareholders to whom this audit report is addressed, will be requested to give an approval for an additional capital increase in cash with preferential rights for existing shareholders, amounting to a maximum of 15,3 million EUR. If the contribution is realized before the start of the subscription period of this capital increase in cash, the share price per share issued in this capital increase in cash will amount to 1 EUR.

4 Within the framework of the Contribution Agreement, 100% of the Cellerix shares corresponding to 8,036,645 shares was valued at €40,000,000, or a €4.9772 price per Cellerix share. The Cellerix Shareholders' Investment by certain Cellerix shareholders and other Cellerix investors, consisting of a cash contribution in the amount of €18,155,669.74 in exchange for 3,431,425 Cellerix shares, was made at a €5.2910 price per Cellerix share (share premium included) in accordance with the shareholders' and investment agreements signed between Cellerix shareholders in 2009, as amended from time to time, and certain related agreements. In addition, on the same date as the date on which the Cellerix Shareholders' Investment took place, 3,638,914 Cellerix shares were issued at an issue price of €0.013 per Cellerix share in accordance with the shareholders' and investment agreement signed between Cellerix shareholders in 2009, as amended from time to time, and certain related agreements.

5 The statutory auditor's report refers to "ETV Options". Such options were still outstanding at the time that the auditor issued its report. However, as is set out in section 9.1.5.25, such "ETV Options" are no longer outstanding on the Contribution Date.

In this context, we would like to stress that our engagement includes an opinion about the description, valuation and compensation of the contribution in kind and not about the legitimacy and eligibility of the transaction.

This report has been drawn up in accordance with article 602 of the Belgian Company Code and should not be used for other purposes than the contribution in kind subject to this report.

Zaventem, March 3, 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Represented by
Gert Claes
Statutory auditor"

3.1.2 Reasons for the Offering and the use of proceeds

The principal purposes of the Offering are to support the Company's growth, to increase the Company's capitalisation and financial flexibility.

The Company intends to use the net proceeds of the Offering for sales and marketing, clinical trials, research and development, working capital, capital expenditure, acquisitions if and when they present themselves, and other general corporate purposes.

More specifically, the Company intends to use the net proceeds of the Offering as follows (in order of priority):

- To ensure market access, pricing & reimbursement of ChondroCelect and ChondroMimetic in Europe;
- To complete the commercial launch and European market roll out of ChondroCelect and ChondroMimetic and maximize product sales;
- To promote the clinical development of stem cell-based products, in particular:
- finalize Phase I/II in Rheumatoid Arthritis,
- initiate clinical studies for Cx621 (intra-lymphatic administration of eASCs)
- initiate clinical studies with stem cell-based products for osteoarthritis and
- To complete manufacturing capacity expansion as planned with the Sittard-Geleen facility.

The Company constantly evaluates opportunities to acquire businesses and technologies that it believes may be complementary to its business activities and negotiate partnering agreements in relation to its developmental pipeline, including partnering of the phase III of Cx601 and opportunities in the areas of biomaterials, Cx501 and potentially other areas.

The amounts and timing of the Company's actual expenditures will depend upon numerous factors, including the status of the Company's product development and commercialisation efforts, the amount of cash received resulting from grants, etc. The Company has not determined the amounts it plans to spend on any of the areas listed above or the timing of these expenditures. The Company intends to hold the proceeds it receives in connection with the Offering at banks and in short-term, interest-bearing, investment grade securities, including governmental obligations and other money market instruments, until the Company will use them.

3.2 KEY INFORMATION

3.2.1 Qualified working capital statement

On the date of this prospectus, the Company is of the opinion that, taking into account its available cash and cash equivalents and considering the equity investment made by the Cellerix shareholders and other investors, by way of a capital increase in cash, in the amount of €18,155,669.74 but not taking into account the proceeds of the Offering, it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this prospectus. In case the Company would not be able to attract any extra funds, it expects to run out of working capital at the earliest as of October 2011.

However, the Company is confident that the proceeds of the Offering will provide the Company with sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this prospectus. In case the Offering will not generate sufficient cash, the Company intends to make efforts to timely realise additional cost savings or other measures to fill up the shortfall.

3.2.2 Capitalisation and indebtedness

The following table sets forth TiGenix' and Cellerix' capitalisation and indebtedness under IFRS, as well as for the combined TiGenix - Cellerix group. This table should be read in conjunction with the Company's and Cellerix' audited information in IFRS (see chapters 8 and 9), including the notes thereto and with the "Management's discussion and analysis of TiGenix' financial condition and result of operations" (see chapter 7) and "Appendix 5: 2008, 2009 and 2010 management reports of Cellerix".

Thousands of Euro (€)	TiGenix		Cellerix		Combined TiGenix – Cellerix group	
	Three months ending March 31, 2011	Twelve months ending December 31, 2010	Three months ending March 31, 2011	Twelve months ending December 31, 2010	Three months ending March 31, 2011	Twelve months ending December 31, 2010
Share capital	25,197	25,197	104	104	25,301	25,301
Share premium	73,357	73,357	41,631	41,631	114,988	114,988
Own shares and equity investments	0	0	(78)	(78)	-78	-78
Shares to be issued	2,296	2,296	0	0	2,296	2,296
Share-based compensation*	4,185	4,185	2,128	2,128	6,313	6,313
Translation reserves*	-355	-355	0	0	-355	-355
Total Equity	**104,680**	**104,680**	**43,785**	**43,785**	**148,465**	**148,465**
Non current debts	**518**	**570**	**2,027**	**1,798**	**2,545**	**2,368**
Subordinated loan	98	130	0	0	98	130
Financial loan**	420	440	2,027	1,798	2,447	2,238
Current debts	**216**	**222**	**15,260**	**1,162**	**15,476**	**1,384**
Subordinated loan	130	130	0	0	130	130
Financial loan	80	80	1,186	1,162	1,266	1,242
Shareholders advance payment ***			14,074	0	14,074	0
Leases	6	12	0	0	6	12
Total Financial Debt	**734**	**792**	**17,287**	**2,960**	**18,021**	**3,752**
Gearing ratio (Financial debt/Equity)	**0.70%**	**0.76%**	**39.48%**	**6.76%**	**12.14%**	**2.53%**
Cash & cash equivalents	**2,160**	**5,555**	**15,120**	**3,786**	**17,280**	**9,341**
Net current financial indebtedness	**1,944**	**5,333**	**-141**	**2,624**	**1,803**	**7,957**
Non current financial indebtedness	**-518**	**-570**	**-2,027**	**-1,798**	**-2,545**	**-2,368**

* Represents the situation at December 31, 2010.

** Regarding the €1,798K in Cellerix at 31/12/2010, there is a difference with the annual statements (€1,830k) of €32k. This difference is not related to financial loans and therefore has not been included in order to make information comparable.

*** This amount refers to a part of the capital increase in cash for the total amount of €18,155,669.74 made by Cellerix Shareholders and other investors prior to the Contribution.

TiGenix has a limited financial debt position of €734k:

- The financial lease obligations for at total amount of €6k (current portion: €0k) are secured by the related assets for the same amount.
- The financial loans amounting in total to €500k (current portion: €80k) are granted upon condition to maintain the net assets of the Group (total equity) on minimum €4,500k and to have a minimum solvability ratio (total equity/total equity and liabilities) of 40%. These conditions are met.

Cellerix´ only guaranteed loan is the credit facility with ETV Capital, S.A., as explained in section 9.1.5.16 of this prospectus. To guarantee this loan, Cellerix has made the following commitments:

- to offer an option to purchase shares in Cellerix linked to the tranches established in the agreement;
- that Cellerix' debt levels during the life of the agreement, without considering the working capital generated in the ordinary course of business, the loans received from the Spanish Ministry of Education and Science and from Empresa Nacional de Innovación, S.A. and the debt generated by the financing of the plant construction, will not be more than €1 million greater than the value of the outstanding repayments due to ETV Capital, S.A;
- to grant power of attorney to ETV Capital, S.A. to establish a mortgage guarantee over its intellectual property rights; and
- to pledge the credit rights Cellerix holds in banking institutions, represented by the balance of the funds of which Cellerix is the holder in any of the bank accounts. This pledge may be exercised by ETV Capital, S.A. when it considers that an event of termination under the loan agreement has occurred.

3.2.3 Unaudited pro forma financial information of the enlarged Group

The following financial information sets out a pro forma income statement and statement of financial position of the combined TiGenix - Cellerix group as at December 31, 2010.

This pro forma financial information has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation and cannot give a complete picture of the actual financial position or results of the combined TiGenix - Cellerix group. The pro forma financial information is based upon the audited consolidated financial statements of TiGenix as at December 31, 2010 and the audited financial statements of Cellerix as at December 31, 2010.

3.2.3.1 Pro forma income statement

Thousands of Euro (€)	TiGenix	Cellerix	Pro Forma
COMBINED INCOME STATEMENT			
Sales billed	*982*		*982*
Deferred sales	*(361)*		*(361)*
Sales	621	105	726
Other revenues	**1,802**	**603**	**2,405**
Revenues	2,423	708	3,131
Cost of sales	(860)		(860)
Gross profit	**1,563**	**708**	**2,271**
Research and development expenses	9,873	6,176	15,848
Selling, general and administrative expenses	8,353	4,678	13,232
Other operating income	0	0	0
Other operating expenses	0	0	0
Total operating charges	**18,226**	**10,854**	**29,080**
Operating Result (EBIT)	**(16,663)**	**(10,146)**	**(26,809)**
Financial result	579	(197)	382
Profit/(Loss) before taxes	**(16,084)**	**(10,343)**	**(26,427)**
Income taxes	368	0	368
Net Profit/(Loss)	**(15,716)**	**(10,343)**	**(26,059)**
Basic loss per share	**(0.51)**	**(1.47)**	**(0.34)***

Thousands of Euro (€)	TiGenix	Cellerix	Pro Forma
COMBINED STATEMENT OF COMPREHENSIVE INCOME			
Net Profit/(Loss)	**(15,716)**	**(10,343)**	**(26,059)**
Currency translation differences	(376)		(376)
Net gain on available-for-sale financial assets		1	1
Other comprehensive income	**(376)**	**1**	**(375)**
Total comprehensive income/(loss)	**(16,092)**	**(10,342)**	**(26,434)**

* Based on 31,121,154 TiGenix Shares at December 31, 2010 and 44,814,402 Contribution Shares.

3.2.3.2 Pro forma statement of financial position as at 31 December 2010

Thousands of Euro (€)	TiGenix	Cellerix	Adjustments	ProForma
Goodwill			41,493	41,493
Intangible assets	20,683	404		21,087
Tangible assets	4,738	1,447		6,185
Available-for-sale investments	153			153
Other non current assets	254	575		829
Non-current assets	**25,828**	**2,426**	**41,493**	**69,747**
Inventories	244	69		313
Receivables	1,812	740		2,552
Other financial assets		679		679
Cash and cash equivalents	5,555	3,786	15,589	24,930
Deferred charges & Accrued income	907	33		940
Current assets	**8,518**	**5,307**	**15,589**	**29,414**
TOTAL ASSETS	**34,346**	**7,733**	**57,082**	**99,161**
Share capital	25,197	104	43,918	69,219
Share premium	73,357	41,631	13,164	128,152
Shares to be issued	2,296			2,296
Own shares and equity instruments		(78)		(78)
Accumulated profit/(loss)	(63,144)	(32,368)		(95,512)
Result of the year	(15,716)	(10,343)		(26,059)
Share based compensation	4,185	2,128		6,313
Translation reserves	(355)			(355)
Equity attributable to equity holders	**25,820**	**1,074**	**57,082**	**83,976**
Total equity	**25,820**	**1,074**	**57,082**	**83,976**
Subordinated loan	130			130
Financial loan	440			440
Other financial liabilities		1,830		1,830
Deferred revenue		85		85
Deferred tax liability	3,519			3,519
Non-current liabilities	4,089	1,915		6,004
Current portion of subordinated loan	130			130
Current portion of financial loan	80			80
Current portion of finance lease obligation	12			12

Thousands of Euro (€)	TiGenix	Cellerix	Adjustments	ProForma
Current portion of other financial liabilities		1,162		1,162
Trade payables	2,557	2,457		5,014
Other current liabilities	1,657	1,075		2,732
Provision		50		50
Current liabilities	**4,436**	**4,744**		**9,180**
TOTAL EQUITY AND LIABILITIES	**34,345**	**7,733**	**57,082**	**99,160**

3.2.3.3 Notes to the pro forma financial information

Basis of preparation

The financial information has been prepared taking into account the accounting policies of TiGenix and of Cellerix for the year ended December 31, 2010 as explained in sections 8.1 and 9.1.

TiGenix' financial information

The financial information in respect of TiGenix has been extracted from the audited consolidated financial statements of TiGenix as at December 31, 2010. See section 8.1.

Cellerix' financial information

The financial information in respect of Cellerix has been extracted from the audited financial statements as at December 31, 2010. See section 9.1.

Capital increase of €58.2 million (including issuance premium)

TiGenix acquired Cellerix through a capital increase by way of a contribution in kind of €58.2 million (including issuance premium), based on an aggregate valuation of 100% of the Cellerix' shares of €58.2 million.

The €40 million valuation of Cellerix, prior to the Cellerix Shareholders Investment of €18.2 million, is based on an assessment of the technology value of Cellerix using three different methods:

- the pre-money valuation of Cellerix in its last financing rounds;
- an analysis of comparable companies and transactions; and
- a "sum of the parts" Net Present Value analysis of Cellerix' lead programmes.

For the Cellerix Shareholders Investment a pre-money valuation of Cellerix of €39.5 million is used. This value could be considered as a minimum value as it does not yet take into account certain value enhancing milestones that have been realized recently:

- positive data of the phase IIa clinical study for Cx601 in complex perianal fistulas;
- authorization to start a phase I/II clinical study for Cx611 in Rheumatoid Arthritis (RA).

This analysis is supported by the other valuation methods used (analysis of the valuation of comparable companies and deals[6] and a "sum of the parts" Net Present Value analysis of Cellerix' lead programmes[7]), leading to a Technology Value of Cellerix ranging between €50 million and €75 million.

The €18.2 million cash that has been invested in Cellerix prior to the Contribution pursuant to the Cellerix Shareholders Investment is valued on a € for € basis.

The possible allocation of the goodwill amount of €41 million to specific assets and liabilities will be done after the Closing date of the Offering. Potential synergy effects are not yet available but will be assessed and decided by the Board of Directors at a later date.

6 Which gives a Cellerix technology value of €52 million based on the equity raised by Cellerix and even €74 million based on the total cash received by Cellerix (i.e. besides the equity also taking into account other cash items such as grants received).

7 Which gives a Cellerix technology value of €70 million.

Adjustments

Adjustments were made to goodwill and cash and cash equivalents. The goodwill arising on the Cellerix acquisition is calculated as follows:

Value of TiGenix shares issued in consideration	€58,156
Book value of Cellerix net assets	-€1,074
	€57,082
Capital increase in cash at Cellerix	-€18,156
Costs related to the transaction	€2,567
Goodwill	**€41,493**

The increase in cash of €18,156 is reduced with the cost related to the transaction of €2,567.

3.2.3.4 Statutory Auditor's report

See chapter 10 for the report by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL on the above unaudited pro forma financial information.

3.3 INTEREST OF NATURAL AND LEGAL PERSONS

The Joint Global Coordinators and Bookrunners are expected to enter into an Underwriting Agreement with the Company in relation to the Offering under certain conditions (see section 3.8).

Furthermore KBC Securities (and their affiliates) and Kempen (and their affiliates) have provided, and may in the future provide, various banking services, commercial services and other services to the Company.

3.4 DECISIONS OF THE ISSUER REGARDING THE CONTRIBUTION AND THE OFFERING

3.4.1 Decisions of the Issuer regarding the Contribution

On April 26, 2011, the extraordinary shareholders' meeting of the Company decided, subject to certain conditions precedent, to increase the Company's capital by way of contribution in kind in an amount of up to fifty-eight million six hundred and five thousand six hundred and sixty-nine euro and seventy-four eurocent (€58,605,669.74) (including issuance premium) by issuing up to forty-five million one hundred sixty-one thousand one hundred and eighty-four (45,161,184) new Shares which would be offered to the shareholders of Cellerix in exchange for the contribution in the Company of their shares in Cellerix.

On the Contribution Date, the Company acquired all 15,106,984 shares in Cellerix through a capital increase of TiGenix in the amount of €58,155,669.74 (including issuance premium) by way of the contribution in kind of the Cellerix shares in exchange for the 44,814,402 Contribution Shares.

3.4.2 Decisions of the Issuer regarding the Offering

The extraordinary shareholders' meeting of the Company of April 26, 2011 decided to increase the share capital by an amount of up to fifteen million three hundred thousand twenty-five million euro (€15,300,000) (including issuance premium) with a preferential subscription right for Existing Shareholders, subject to certain conditions precedent. The extraordinary shareholders' meeting also decided that the Issuance Price, the effective number of New Shares to be offered, the Ratio and the subscription period should be determined by the Board of Directors, as the case may be, in consultation with the Joint Global Coordinators and Bookrunners.

The decision to increase the share capital was made subject to certain conditions precedent, including the condition precedent that the Underwriting Agreement would be signed and not be terminated in accordance with its terms but with the power for the Board of Directors to waive this condition precedent. The Issuance Price, the effective numbers of New Shares to be Offered, the Ratio and the Rights Subscription Period and the timing for the Scrips Private Placement as set out in this prospectus is determined by the Board of Directors prior to the date of publication of this prospectus.

3.5 TERMS AND CONDITIONS OF THE CONTRIBUTION

3.5.1 Amount of the capital increase

The total amount of the capital increase (including issuance premium) as a result of the Contribution was €58,155,669.74, of which €43,815,544.32 was recorded as capital and €14,340,125.42 was recorded on a separate account unavailable for distribution called "Issue Premiums".

3.5.2 Issuance Price and Ratio

The issuance price of the Contribution Shares at which the Contribution Shares were subscribed to within the framework of the Contribution amounted to €1.2977 per Contribution Share (including issuance premium).

3.5.3 Shares issued

The Contribution Shares were issued as Shares without nominal value in registered form and were not accompanied by a VVPR Strip and will not benefit from a reduced Belgian withholding tax rate.

3.5.4 Dividend entitlement

The Contribution Shares will be entitled to a share in the profits in the same way as the Shares existing prior to the Contribution.

3.6 TERMS AND CONDITIONS OF THE OFFERING

3.6.1 Conditions governing the Offering

(a) Preferential Rights

Existing Shareholders and the other investors holding Preferential Rights can subscribe to the New Shares in an irreducible way in the ratio of one (1) New Share for five (5) Preferential Rights held in possession.

(b) VVPR Strips

The New Shares will not be accompanied by a VVPR Strip and will not benefit from a reduced Belgian withholding tax rate.

(c) Revocation or suspension of the Offering

The Issuer has a right to proceed with a capital increase in a reduced amount. The actual number of the New Shares subscribed for will be confirmed in the Belgian Financial Press.

The Issuer reserves the right to revoke or suspend the Offering after the beginning of the Rights Subscription Period if the circumstances prevent the Offering from taking place under satisfactory conditions or upon the occurrence of an event allowing the Joint Global Coordinators and Bookrunners to not sign or terminate the Underwriting Agreement before the Closing Date of the Offering (see under section 3.8).

If the Issuer decides to revoke or suspend the Rights Offering, a press release will be published and, to the extent such event would legally require the Issuer to publish a supplement to the prospectus, a supplement will be published.

3.6.2 Amount of the capital increase

If all New Shares are subscribed to, the total amount of the capital increase (including any issuance premium) will be €15,187,111.

3.6.3 Issuance Price and Ratio

The Issuance Price is €1.00 per New Share.

The holders of Preferential Rights can subscribe to the New Shares in an irreducible way in the ratio of one (1) New Share for five (5) Preferential Rights held in possession.

The Issuance Price represents a discount to the closing price of April 26, 2011 of 21.875%.

3.6.4 Subscription periods and procedure

(a) Rights Offering

The Rights Offering shall be open from May 13, 2011 up to and including May 27, 2011, *i.e.* the Rights Subscription Period.

Subject to restrictions under applicable securities laws, the holders of Preferential Rights will have an irreducible right to subscribe to the New Shares in the ratio of one (1) New Share for five (5) Preferential Rights held in possession.

The Preferential Rights will be represented by coupon no. 1 of the Existing Shares, which will be separated from the underlying Shares on May 12, 2011 after market close on Euronext Brussels and which will be negotiable during the entire Rights Subscription Period on such regulated market under the ISIN code BE0970125283.

Subject to restrictions under applicable securities laws, Existing Shareholders whose holding of Shares is registered in the shareholders' register of the Issuer, will receive, at the address indicated in the shareholders' register, a letter from the Issuer informing them of the aggregate number of Preferential Rights to which they are entitled and of the procedures that they must follow to exercise or trade their Preferential Rights.

Subject to restrictions under applicable securities laws, Existing Shareholders whose holding of Shares is held in a securities account will in principle be informed by their financial institution of the procedure that they must follow to exercise or trade their Preferential Rights.

During the Rights Subscription Period, Existing Shareholders and other persons who have acquired Preferential Rights, who do not hold the exact number of Preferential Rights to subscribe to a round number of New Shares, may elect either to purchase the missing Preferential Rights in order to subscribe to an additional New Share or to sell their extra Preferential Rights, or elect not to do anything in attendance of the receipt of the Unexercised Rights Payment (if any and provided that the net proceeds divided by the total number of unexercised Preferential Rights is not less than €0.10).

Preferential Rights can no longer be exercised or traded after May 27, 2011, the Closing date of the Rights Offering.

An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about May 30, 2011.

If the Rights Offering is discontinued, for whatever reason, the Preferential Rights will become worthless. Accordingly, investors who have acquired any such Preferential Rights in the secondary market will suffer a loss, as trades relating to such Preferential Rights will not be unwound once the Rights Offering is terminated.

(b) Scrips Private Placement

The Preferential Rights that are not exercised at the Closing date of the Rights Offering will be converted into an equal number of Scrips.

After the Rights Subscription Period has ended, the Scrips will be sold in a private placement. Through such a procedure, a book of demand will be built to find a single market price for the Scrips. Investors who acquire Scrips enter into an irrevocable commitment to exercise the Scrips and thus to subscribe to the corresponding number of New Shares at the Issuance Price and in accordance with the Ratio.

The Scrips Private Placement is expected to last for one day and is expected to take place on May 31, 2011.

The Scrips Private Placement will only take place if not all of the Preferential Rights have been exercised during the Rights Subscription Period.

The net proceeds from the sale, after deducting all reasonable expenses, charges and all forms of expenditure which the Issuer has to incur for the sale of the Scrips (such an amount, the "Net Scrips Proceeds"), will be divided proportionally between all holders of Preferential Rights who have not exercised their Preferential Rights during the Rights Subscription Period (rounded down to a whole eurocent per unexercised Preferential Right).

The Net Scrips Proceeds will be made available to the Existing Shareholders upon presentation of coupon no. 1. Please consult your financial intermediary if you have any questions concerning this payment. It is expected that such payment will be available as from June 9, 2011.

There is, however, no assurance that any or all Scrips will be sold during the Scrips Private Placement or that there will be any Net Scrips Proceeds. Neither the Issuer nor the Joint Global Coordinators and Bookrunners nor any other person procuring a sale of the Scrips will be responsible for any lack of Net Scrips Proceeds arising from the sale of the Scrips in the Scrips Private Placement.

Furthermore, if the Net Scrips Proceeds divided by the total number of unexercised Preferential Rights is less than €0.10, the holders of unexercised Preferential Rights are not entitled to receive any payment and, instead, the Net Scrips Proceeds will be transferred to the Issuer, unless the Board of Directors decides otherwise.

If the Issuer announces that Net Scrips Proceeds are available for distribution to holders of unexercised Preferential Rights and such holders have not received payment thereof within a reasonable time following the closing of the Scrips offering, such holders should contact their financial intermediary, except for registered Shareholders who should contact the Issuer.

An announcement of the results of the Scrips Private Placement will be made by a press release on or about May 31, 2011.

The results of the subscription with Preferential Rights and with Scrips and the amount due to holders of unexercised Preferential Rights (if any) will be published on or about June 1, 2011 via an official advertisement in the Belgian Financial Press. Such advertisement shall be considered as a supplement to this prospectus.

(c) Rules for subscription

Subject to restrictions under applicable securities laws (see section 3.7), Existing Shareholders and investors holding Preferential Subscription Rights can, during the Rights Subscription Period, subscribe to the New Shares free of charge directly at the counters of KBC Bank in Belgium and Kempen in the Netherlands if they have a client account there, or indirectly through any other financial intermediary. Subscribers should inform themselves about any costs that these other financial intermediaries might charge and which they will need to pay themselves. At the time of subscription, the subscribers should remit a corresponding number of Preferential Subscription Rights per subscribed share in accordance with the Ratio.

Subject to the Ratio, there is no minimum or maximum amount that may be subscribed to pursuant to the Offering.

Investors should be aware that all New Shares they have subscribed to via the exercise of Preferential Subscription Rights will be fully allocated to them. All subscriptions are binding and may not be revoked except as described in section 3.6.6 below.

Subscriptions via the exercise of Preferential Rights cannot be reduced.

3.6.5 Shares held by the Issuer

The Issuer does not hold any treasury Shares.

3.6.6 Supplement to the prospectus

The Issuer will update the information provided in this prospectus by means of a supplement hereto in the event of important new developments, material errors or inaccuracies that could affect the assessment of the Shares, and which occurs prior to the Closing date of the Offering. Any prospectus supplement will be subject to approval by the FSMA and will be made available in the same manner as the prospectus (see section 1.4) and published in the Belgian Financial Press.

If a supplement to the prospectus is published on or prior to the realisation of the capital increase in the framework of the Offering, subscribers in the Rights Offering and, as the case may be, subscribers in the Scrip Private Placement, shall have the right to withdraw their subscriptions made prior to the publication of the supplement.

Such withdrawal must be done within the time limits set forth in the supplement (which shall not be shorter than two business days after publication of the supplement). If, however, a supplement to the prospectus is published in relation to the termination of the Underwriting Agreement, subscriptions in the Rights Offering and subscriptions in the Scrips Private Placement will automatically be withdrawn.

Subscribers in the Rights Offering or in the Scrip Private Placement withdrawing their subscription after the close of the Scrips Private Placement will not share in the Net Scrips Proceeds and will not be compensated in any other way, including for the purchase price (and any related cost) paid in order to acquire any Preferential Rights or Scrips.

3.6.7 Payment of funds and terms of delivery of the New Shares

The payment for the New Shares subscribed with Preferential Rights will be made by debiting the subscriber's account with value date June 6, 2011. The payment for the New Shares subscribed in the Scrips Private Placement will be made by delivery against payment.

The New Shares will be delivered in the form of dematerialised securities booked in the securities account of the subscriber.

3.6.8 Publication of the results of the Offering

An announcement of the results of the subscription with Preferential Rights will be made by a press release on or about May 30, 2011.

An announcement of the results of the Scrips Private Placement will be made by a press release on or about May 31, 2011.

The results of the subscription with Preferential Rights and with Scrips and the amount due to holders of unexercised Preferential Rights (if any) will be announced via an official advertisement in the Belgian Financial Press on or about June 1, 2011.

Dividend entitlement

The New Shares will be entitled to a share in the profits in the same way as the Existing Shares.

Expected timetable of the Offering

Publication in the Belgian Financial Press and in the Belgian State Gazette of the notice required by Article 593 of the Companies Code	at the latest T-8	at the latest May 4, 2011
Determination of the Issuance Price and Ratio	T-1	May 11, 2011
Separation of coupon no. 1 (representing the Preferential Right) after closing of the markets	T	May 12, 2011
Availability to the public of the prospectus	T	May 12, 2011
Listing of the Contribution Shares on the regulated market of Euronext Brussels	T+1	May 13, 2011
Trading of Shares ex-Right	T+1	May 13, 2011
Opening date of the subscription with Preferential Rights	T+1	May 13, 2011
Listing of the Preferential Rights on the regulated market of Euronext Brussels	T+1	May 13, 2011
Closing date of the subscription with Preferential Rights	T+15	May 27, 2011
End of listing of the Preferential Rights on the regulated market of Euronext Brussels	T+15	May 27, 2011
Announcement via press release of the results of the Rights Offering before opening of the markets	T+18	May 30, 2011
Accelerated private placement of the Scrips	T+19	May 31, 2011
Pricing and allocation of the Scrips	T+19	May 31, 2011
Announcement via press release of the results of the Scrips Private Placement	T+19	May 31, 2011
Publication in the Belgian Financial Press of the results of the Offering and of the amount due to holders of unexercised Preferential Rights	T+20	June 1, 2011
Payment of the Issuance Price by or on behalf of the subscribers	T+25	June 6, 2011
Realisation of the capital increase	T+25	June 6, 2011
Delivery of the New Shares to the subscribers	T+25	June 6, 2011
Listing of the New Shares on the regulated market of Euronext Brussels	T+25	June 6, 2011
Payment to holders of unexercised Preferential Rights	as of T+28	June 9, 2011

The Issuer may amend the dates and times of the share capital increase and periods indicated in the above timetable and throughout the prospectus. If the Issuer decides to amend such dates, times or periods, it will notify Euronext Brussels and inform investors through publication in the Belgian Financial Press. Any material alterations to this prospectus will be published in a press release and an advertisement in the Belgian Financial Press by way of a supplement to this prospectus in accordance with section 3.6.6.

3.7 PLAN FOR THE DISTRIBUTION AND ALLOCATION OF SECURITIES UNDER THE OFFERING

3.7.1 Categories of potential investors

The Rights Offering will only be open to the public in Belgium.

The Rights Offering is made on the basis of Preferential Rights. The Preferential Rights are allocated to all Existing Shareholders of the Issuer.

Subject to the applicable securities regulations, the following categories of investors are able to subscribe to the New Shares: (i) the initial holders of Preferential Rights; (ii) persons outside the United States who have acquired Preferential Rights on Euronext Brussels during the Rights Subscription Period; and (iii) investors who have acquired Scrips in the context of the Scrips Private Placement. In the United States, Preferential Rights may be exercised only by Existing Shareholders who are QIBs that execute and deliver an investor representation letter that is satisfactory to the Issuer and the Joint Global Coordinators and Bookrunners.

The Preferential Rights are granted to all Existing Shareholders and may only be exercised by Shareholders who can lawfully do so under any law applicable to those Shareholders. The New Shares to be issued upon the exercise of Preferential Rights are being offered only to holders of Preferential Rights to whom such offer can be lawfully made under any law applicable to those holders. The Issuer has taken all necessary action to ensure that Preferential Rights, and New Shares to be issued upon the exercise of Preferential Rights, may be lawfully exercised and offered to the public (including Existing Shareholders and holders of Preferential Rights) in Belgium. The Issuer has not taken any action to permit any offering of Preferential Rights or New Shares to be issued upon the exercise of Preferential Rights (including a public offering to Existing Shareholders or holders of Preferential Rights) in any other jurisdiction.

The Scrips Private Placement will only take place by way of a private placement in Belgium and the other countries of the European Economic Area.

The distribution of this prospectus, the acceptance, sale, purchase or exercise of Preferential Rights, the purchase and the exercise of Scrips and the subscription for and acquisition of New Shares may, under the laws of certain countries other than Belgium, be governed by specific regulations. Individuals in possession of this prospectus, or considering the acceptance, sale, purchase or exercise of Preferential Rights, the purchase or exercise of Scrips or the subscription for, or acquisition of, New Shares, must inquire about those regulations and about possible restrictions resulting from them, and comply with those restrictions. Intermediaries cannot permit the acceptance, sale or exercise of Preferential Rights, the purchase or exercise of Scrips or the subscription for, or acquisition of, New Shares, for clients whose addresses are in a country where such restrictions apply.

This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Preferential Rights, the Scrips and New Shares to which they relate or an offer to sell or the solicitation of an offer to buy Preferential Rights, Scrips or New Shares in any circumstances in which such offer or solicitation is unlawful.

3.7.2 Intentions of the Existing Shareholders

Apart from the irrevocable take up commitments described in section 3.8.1, the Company does not have any information on the intentions of the Existing Shareholders in respect of the Offering.

3.7.3 Pre-allocation information

There are no pre-allocation arrangements in connection with the Offering, other than the conditions under the irrevocable take up commitments described in section 3.8.1.

3.7.4 Over-allocation and "green shoe"

No over-allocation facility or option have been granted in connection with the Offering.

3.8 PLACING AND UNDERWRITING OF THE OFFERING

3.8.1 Irrevocable take up commitments

A number of Existing Shareholders and other persons signed an irrevocable take up commitment in which they irrevocably committed to the Company, KBC Securities NV and Kempen & Co Corporate Finance B.V. to acquire and exercise a sufficient number of Preferential Rights and/or Scrips to subscribe for New Shares at the Issuance Price for a certain aggregate subscription price (the "**Committed Amount**"). In aggregate, the Company has received irrevocable take up commitments for an amount of €10,012,000.00. Such Existing Shareholders and other persons are collectively referred to as the "**Committers**".

The Committers shall, in principle, have the option to comply with their obligations to subscribe to New Shares by:

- (acquiring and) exercising a sufficient number of Preferential Rights; or
- acquiring and exercising a sufficient number of Scrips; or
- a combination of the above.

Certain Committers have, however, stipulated in their irrevocable take up commitment that they shall only be obliged to subscribe to New Shares if and to the extent so requested by the Company, KBC Securities NV or Kempen & Co Corporate Finance B.V. during the Scrips Private Placement.

In addition, the irrevocable take up commitment of a number of Committers is subject to (a) such Committer being able to subscribe to New Shares at €1.00 per New Share, pursuant to the irrevocable take up commitment, for at least a certain aggregate subscription price, and/or (b) the Company, KBC Securities NV and Kempen & Co Corporate Finance B.V. having made the necessary arrangements to have such number of Preferential Rights or Scrips transferred or allocated to the Committer at €0.00 to allow the Committer to comply with its obligations under the take up commitment without having to purchase additional Preferential Rights or Scrips for a consideration.

In this respect, each of Fagus NV, ING België NV and the holders of Contribution Shares have irrevocably and unconditionally:

- undertaken to transfer, at the request of KBC Securities NV and Kempen & Co Corporate Finance B.V., all or part of their Preferential Rights which they have not exercised themselves during the first two business days of the Subscription Period

(the "**Available Preferential Rights**") as instructed by KBC Securities NV and Kempen & Co Corporate Finance B.V. to one or more of the persons that have signed an irrevocable take up commitment in relation to the Offering; and

- authorised KBC Securities NV and Kempen & Co Corporate Finance B.V. to sell, at their discretion, the remaining portion of their Available Preferential Rights (after the transfers pursuant to the previous paragraph) for their benefit on Euronext Brussels in one or more transactions co-ordinated by KBC Securities NV and Kempen & Co Corporate Finance B.V.

Fagus NV, ING België NV and the holders of Contribution Shares further undertook that, except for the transfers pursuant to the preceding paragraph, they will not voluntarily transfer any of their Available Preferential Rights.

The table below sets out (a) the identity of the Committers, (b) the Committed Amount of each Committer, and (c) the minimum aggregate subscription price, if any, for which such Committer requires to be able to subscribe to New Shares for such Committer's take up commitment to be effective.

Committer	Committed Amount	Required minimum aggregate subscription price
Gemma Frisius-Fonds K.U.Leuven NV *, **	€750,000.00	€600,000.00
ING België NV*, **	€500,000.00	/
Katholieke Universiteit te Leuven **	€800,000.00	€250,000.00
Kempen & Co N.V. **	€500,000.00	/
Life Sciences Research Partners	€750,000.00	€750,000.00
Limburg Ventures B.V.* , **	€106,000.00	/
NV Industriebank LIOF*, **	€106,000.00	/
MIJNEN NV	€3,000,000.00	€3,000,000.00
Mondo NV	€500,000.00	€500,000.00
Nyenburgh Holding	€500,000.00	€500,000.00
O.G.B.B. A. van Herk B.V.* , **	€500,000.00	/
ParticipatieMaatschappij Vlaanderen NV **	€2,000,000.00	/
TOTAL	**€10,012,000.00**	**€5,600,000**

* Existing shareholder to the best of the Company's knowledge, based on the latest transparency declarations received by the Company prior to the date of this prospectus and based on information available of the private placements of 2009 and the Contribution.

** Has stipulated in its irrevocable take up commitment that it shall only be obliged to subscribe to New Shares if and to the extent so requested by the Company, KBC Securities NV or Kempen & Co Corporate Finance B.V. during the Scrips Private Placement.

3.8.2 Underwriting Agreement

The Company and the Joint Global Coordinators and Bookrunners expect (but have no obligation) to enter into an Underwriting Agreement immediately following the pricing and allocation of the Scrips. Under the terms of this agreement each of the Joint Global Coordinators and Bookrunners are expected to, severally and not jointly, agree to, subject to certain conditions, subscribe to a certain number of New Shares, in the ratio as specified below, for the account of investors who have subscribed to such New Shares in the Offering, thereby guaranteeing the payment of such New Shares subscribed for by such investors during the Offering but not paid for by such investors on the Closing date of the Offering ("Soft Underwriting").

The New Shares subscribed for in the Offering but not paid for by the investors shall be soft underwritten by the Joint Global Coordinators and Bookrunners in the following proportions:

Underwriter	Underwriting commitment (%)
KBC Securities NV	50%
Kempen & Co N.V.	50%

The Underwriting Agreement will provide that the Joint Global Coordinators and Bookrunners will have the right to terminate the Underwriting Agreement before the completion of the share capital increase in relation to the Rights Offering and the Scrips Private Placement and the listing and delivery to subscribers of the New Shares subscribed with Rights and with Scrips upon the occurrence of any of the following events: (i) non satisfaction of any of the conditions precedent set out in the Underwriting Agreement, (ii) failure of the Company

to comply with any of its obligations under the Underwriting Agreement, (iii) breach of any of the representations and warranties of the Company, (iv) the occurrence of a material adverse change that makes the completion of the Rights Offering and Scrips Private Placement impracticable or inadvisable, and (v) other specific circumstances described in the Underwriting Agreement.

If the Underwriting Agreement is terminated in accordance with its terms, or if no Underwriting Agreement has been entered into before the Closing date of the Offering, a prospectus supplement that will be subject to approval by the FSMA, will be published, in which case subscription to the Rights Offering and subscription to the Scrips Private Placement will automatically be withdrawn in accordance with section 3.6.6.

3.9 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

3.9.1 Admission to trading of the Contribution Shares and listing places

An application has been made for the admission of the Contribution Shares to trading on Euronext Brussels. The shares will be listed under international code number ISIN BE0003864817 and symbol TIG on Euronext Brussels.

The Company expects trading of the Contribution Shares to commence on or about May 13, 2011.

3.9.2 Admission to trading of the Preferential Rights / New Shares and listing places

The Preferential Rights (coupon no. 1) will be separated on May 12, 2011 after market close on Euronext Brussels and will be negotiable on the regulated market of Euronext Brussels under ISIN code BE0970125283 during the Rights Subscription Period, *i.e.* from May 13, 2011 to May 27, 2011 inclusive.

The Existing Shares will therefore be traded ex-rights as from May 13, 2011. Any sale of Shares prior to market close on Euronext Brussels on May 12, 2011 and to be settled after May 12, 2011 will be settled "cum rights". Any Shares sold after the closing of the regulated market of Euronext Brussels on May 12, 2011 will be sold and settled "ex rights".

A request for admission to trading on the regulated market of Euronext Brussels of the New Shares has been submitted. The admission is expected to take place on June 6, 2011.

The New Shares will be listed under ISIN code BE0003864817, trading symbol TIG.

3.9.3 Liquidity contract

The Company has no liquidity contract.

3.9.4 Financial service

The financial services for the Shares of the Company (including the New Shares) are provided in Belgium by ING België NV free of charge for the Shareholders. The costs of these financial services are borne by the Company. If the Company alters its policy in this matter, this will be announced in the Belgian Financial Press.

3.10 COSTS OF THE CONTRIBUTION AND THE OFFERING

The costs related to the Contribution and the Offering have been estimated at approximately €3.8 million and include, among other things, the fees due to FSMA and Euronext Brussels, the remuneration of the financial intermediaries, the costs of printing and translating the prospectus, legal and administrative costs and publication costs. The remuneration of the Joint Global Coordinators and Bookrunners has been determined at approximately €1.2 million.

The aggregate amount of the capital increase pursuant to the Contribution was €58,155,669.74, including issuance premium. If all New Shares are subscribed to, the total gross proceeds of the Offering will be €15,187,111.

Therefore, the aggregate amount of the capital increases (including issuance premium) resulting from the Contribution and the Offering, after deduction of the aforementioned estimated costs, may be estimated at a maximum of €69.5 million.

3.11 DILUTION

The Contribution caused a 59 per cent dilution for the holders of Shares prior to the Contribution.

There is no dilution for the Existing Shareholders as a result of the Offering as long as they fully exercise their Preferential Rights.

The dilution caused by the Offering for the Existing Shareholders (in percentage terms) who do not exercise any of their Preferential Rights is 16.67 per cent and can be calculated as follows:

$$\frac{(S - s)}{S}$$

S = total number of Shares after the capital increase pursuant to the Offering, *i.e.* maximum 91,122,667

s = total number of Shares before the capital increase pursuant to the Offering, *i.e.* 75,935,556

The tables below provide (a) an overview of the dilutive effect of the Contribution on the shareholding in the Company and (b) a simulation of the dilutive effect of the Offering in two scenarios, based on an Issuance Price of €1.00 and a Ratio of 1 for 5.

3.11.1 Shareholding before the Contribution and after the Contribution (and before the Offering)*

	Before the Contribution		Before the Contribution on fully diluted basis**		After the Contribution and before the Offering		After the Contribution and before the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	4,253,731	13.67%	4,253,731	12.73%	4,253,731	5.60%	4,253,731	5.44%
Fagus NV	2,105,527	6.77%	2,105,527	6.30%	2,105,527	2.77%	2,105,527	2.69%
A. van Herk / O.G.B.B.A. van Herk B.V.	1,685,862	5.42%	1,685,862	5.05%	1,685,862	2.22%	1,685,862	2.15%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	3.94%	1,224,870	3.67%	1,224,870	1.61%	1,224,870	1.57%
Particon B.V.	340,000	1.09%	340,000	1.02%	340,000	0.45%	340,000	0.43%
N.V. Industriebank LIOF	340,000	1.09%	340,000	1.02%	340,000	0.45%	340,000	0.43%
Limburg Ventures B.V.	200,000	0.64%	200,000	0.60%	200,000	0.26%	200,000	0.26%
LRM NV	200,000	0.64%	200,000	0.60%	200,000	0.26%	200,000	0.26%
Genetrix Life Sciences A.B.	0	0.00%	0	0.00%	5,835,379	7.68%	5,835,379	7.46%
FCPR Ventech Capital III	0	0.00%	0	0.00%	5,195,199	6.84%	5,195,199	6.64%
LSP III Omni Investment Coöperatief, U.A.	0	0.00%	0	0.00%	4,445,053	5.85%	4,445,053	5.68%
Ysios Biofund I, FCR	0	0.00%	0	0.00%	4,760,342	6.27%	4,760,342	6.09%
Biopartners Capital, S.L.	0	0.00%	0	0.00%	2,977,440	3.92%	2,977,440	3.81%
Novartis Bioventures Ltd.	0	0.00%	0	0.00%	5,534,905	7.29%	5,534,905	7.08%
Roche Finanz AG	0	0.00%	0	0.00%	5,534,905	7.29%	5,534,905	7.08%
CX EBIP Agreement, S.L.	0	0.00%	0	0.00%	1,905,144	2.51%	1,905,144	2.44%
Subtotal	**10,349,990**	**33.26%**	**10,349,990**	**30.98%**	**46,538,357**	**61.29%**	**46,538,357**	**59.49%**
Other Shareholders	20,771,164	66.74%	23,063,656	69.02%	29,397,199	38.71%	31,689,691	40.51%
TOTAL	**31,121,154**	**100%**	**33,413,646**	**100%**	**75,935,556**	**100%**	**78,228,048**	**100%**

* To the best of the Company's knowledge, based on the latest transparency declarations received by the Company prior to the date of this prospectus and based on information available of the private placements of 2009 and the Contribution.

** Under the assumption that all 1,755,958 outstanding (as at March 31, 2011) warrants have been exercised and that 536,534 Shares have been issued to former shareholders of Orthomimetics Limited as consideration for the contribution in kind of their receivable on TiGenix in the amount of €2,296,365 in relation to the sale of Orthomimetics Limited shares by such persons to TiGenix (see sections 4.6 and 6.3).

3.11.2 Scenario 1: Existing Shareholders exercise all their Preferential Rights

	After the Contribution and after the Offering		After the Contribution and after the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	5,104,477	5.60%	5,104,477	5.46%
Fagus NV	2,526,632	2.77%	2,526,632	2.70%
A. van Herk / O.G.B.B.A. van Herk B.V.	2,023,034	2.22%	2,023,034	2.17%
Gemma Frisius-Fonds K.U.Leuven NV	1,469,844	1.61%	1,469,844	1.57%
Particon B.V.	408,000	0.45%	408,000	0.44%
N.V. Industriebank LIOF	408,000	0.45%	408,000	0.44%
Limburg Ventures B.V.	240,000	0.26%	240,000	0.26%
LRM NV	240,000	0.26%	240,000	0.26%
Genetrix Life Sciences A.B.	7,002,454	7.68%	7,002,454	7.50%
FCPR Ventech Capital III	6,234,238	6.84%	6,234,238	6.67%
LSP III Omni Investment Coöperatief, U.A.	5,334,063	5.85%	5,334,063	5.71%
Ysios Biofund I, FCR	5,712,410	6.27%	5,712,410	6.11%
Biopartners Capital, S.L.	3,572,928	3.92%	3,572,928	3.82%
Novartis Bioventures Ltd.	6,641,886	7.29%	6,641,886	7.11%
Roche Finanz AG	6,641,886	7.29%	6,641,886	7.11%
CX EBIP Agreement, S.L.	2,286,172	2.51%	2,286,172	2.45%
Subtotal	**55,846,024**	**61.29%**	**55,846,024**	**59.78%**
Other Shareholders	35,276,643	38.71%	37,569,135	40.22%
TOTAL	**91,122,667**	**100.00%**	**93,415,159**	**100.00%**

3.11.3 Scenario 2: Existing Shareholders exercise no Preferential Rights

	After the Contribution and after the Offering		After the Contribution and after the Offering on fully diluted basis**	
Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
ING België NV	4,253,731	4.67%	4,253,731	4.55%
Fagus NV	2,105,527	2.31%	2,105,527	2.25%
A. van Herk / O.G.B.B.A. van Herk B.V.	1,685,862	1.85%	1,685,862	1.80%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	1.34%	1,224,870	1.31%
Particon B.V.	340,000	0.37%	340,000	0.36%
N.V. Industriebank LIOF	340,000	0.37%	340,000	0.36%
Limburg Ventures B.V.	200,000	0.22%	200,000	0.21%
LRM NV	200,000	0.22%	200,000	0.21%
Genetrix Life Sciences A.B.	5,835,379	6.40%	5,835,379	6.25%
FCPR Ventech Capital III	5,195,199	5.70%	5,195,199	5.56%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	4.88%	4,445,053	4.76%
Ysios Biofund I, FCR	4,760,342	5.22%	4,760,342	5.10%
Biopartners Capital, S.L.	2,977,440	3.27%	2,977,440	3.19%
Novartis Bioventures Ltd.	5,534,905	6.07%	5,534,905	5.92%
Roche Finanz AG	5,534,905	6.07%	5,534,905	5.92%
CX EBIP Agreement, S.L.	1,905,144	2.09%	1,905,144	2.04%
Subtotal	**46,538,357**	**51.07%**	**46,538,357**	**49.82%**
Other Shareholders	44,584,310	48.93%	46,876,802	50.18%
TOTAL	**91,122,667**	**100.00%**	**93,415,159**	**100.00%**

3.12 LOCK-UP AND STANDSTILL AGREEMENTS

On February 23/24, 2011, the following Existing Shareholders (and MIJNEN NV) signed letters containing a lock-up undertaking (the "**Lock-up Letters**"): ING België NV, Fagus NV, Limburgse Reconversie Maatschappij NV, Gemma Frisius-Fonds K.U.Leuven NV and the Katholieke Universiteit te Leuven. In these letters, each of them irrevocably undertook to the Company that during a period of six (6) months as from the date of the extraordinary shareholders' meeting held on April 26, 2011, it would not voluntarily transfer a certain number of the Shares that it held at that time or, only as regards Fagus NV and Limburgse Reconversie Maatschappij NV / MIJNEN NV, any of the new TiGenix shares that it would subscribe to in the Offering.

In addition, the holders of Contribution Shares entered into lock-up undertakings under the Contribution Agreement and the Lock-up Agreement (the "**Cellerix Shareholders' Lock-up Undertakings**"). Under these Cellerix Shareholders' Lock-up Undertakings, each of the holders of Contribution Shares undertakes to TiGenix that:

- during a term starting as of the signing date of the Contribution Agreement (*i.e.* February 24, 2011) and ending six (6) months after the date of the extraordinary shareholders' meeting held on April 26, 2011 (the "**Initial Lock-up Period**"), it shall not voluntarily transfer any of its Shares (including any of the Contribution Shares and any of the New Shares that it would subscribe to in the Offering);
- during a period of six (6) months following the date of expiration of the Initial Lock-up Period (the "**Extended Lock-up Period**"), it shall not transfer any of its Contribution Shares, provided that at the first day of each month, starting as of the first day of the Extended Lock-Up Period, sixteen point sixty six per cent (16.66%) of the initially locked Shares of each holder of Contribution Shares shall be released and freely transferable in accordance with the table set forth below:

Date	Percentage of Contribution Shares under extended lock-up of each holder of Contribution Shares
Last day of the Initial Lock Up Period	100%
First day of the first month of the Extended Lock-Up Period	83.34%
First day of the second month of the Extended Lock-Up Period	66.68%
First day of the third month of the Extended Lock-Up Period	50.02%
First day of the fourth month of the Extended Lock-Up Period	33.36%
First day of the fifth month of the Extended Lock-Up Period	16.70%
First day of the sixth month of the Extended Lock-Up Period	0%

The lock-up undertakings under the Lock-up Letters and the Cellerix Shareholders' Lock-up Undertakings are collective referred to as the "**Existing Shareholders' Lock-up Undertakings**". The Shares that are the subject of an Existing Shareholders' Lock-up Undertaking are collectively also referred to as the "**Locked Shares**".

Subject to minor variations, the Existing Shareholders' Lock-up Undertakings provide for certain situations where such lock-ups do not apply and which can be summarised as follows:

- a transfer of Locked Shares to (a) one or more of a shareholder's affiliates as defined in Article 11 of the Companies Code, (b) a company, entity or legal person, directly or indirectly, controlled or managed by the same fund manager of the shareholder or individually or jointly controlled by one or more of the Company's shareholders, (c) to a shareholder's spouse or any family related person up to the second degree (the "**Permitted Transferees**"), provided that the Permitted Transferee concerned (i) adheres to the Lock-up Letter or Cellerix Shareholders' Lock-up Undertakings, as the case may be, and (ii) commits to the Company to transfer the Shares concerned back to the initial Shareholder if and prior to the moment that the Permitted Transferee ceases to meet the criteria set out above;
- a transfer of Locked Shares to the legal successor of a Shareholder pursuant to (i) the death of such Shareholder (in the event the Shareholder is a natural person) or (ii) a merger, liquidation, or de-merger (in the event the Shareholder is a legal entity), provided that the legal successor adheres to the Lock-up Letter or Cellerix Shareholders' Lock-up Undertakings, as the case may be;

- a pledge of Locked Shares to a financial institution securing a mortgage or loan entered into by the relevant Existing Shareholder, provided that the beneficiary of the pledge adheres to the Lock-up Letter or Cellerix Shareholders' Lock-up Undertakings, as the case may be;
- a transfer of Locked Shares pursuant to a public takeover bid or squeeze-out on the Shares;
- a transfer of Locked Shares which is approved by the Board of Directors deciding with a majority of 2/3 of the directors on a discretionary basis;
- a transfer of Locked Shares between insurers and insurance policy holders or in the framework of a redemption in kind of an insurance policy or payment in kind under such an agreement;
- a transfer of Locked Shares which is approved by the Board of Directors by simple majority, to the extent all holders of Contribution Shares are treated equally in proportion to their shareholding;
- a grant of options by CX EBIP Agreement, S.L. on its Shares in the framework of and to the beneficiaries of certain stock option plans of Cellerix, provided that the beneficiaries of such stock option plans can only exercise such options during the restricted period of six (6) months if the relevant beneficiary of the option at the time of exercise of its option adheres to the Cellerix Shareholders' Lock-up Undertakings.

The table below sets out the number of Existing Shares of each of these Existing Shareholders that are Locked Shares:

Shareholder	Locked Shares prior to Offering	% of Shareholder's shareholding	% of total number of Shares
ING België NV[8]	1,884,828	45%	2.48%
Fagus NV	2,105,527	100%	2.77%
Limburgse Reconversie Maatschappij NV[9]	200,000	100%	0.26%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	100%	1.61%
Katholieke Universiteit Leuven	117,836	100%	0.16%
Genetrix Life Sciences A.B.	5,835,379	100%	7.68%
Pilar Matji Tuduri	112,874	100%	0.15%
Miguelina Matji Tuduri	112,874	100%	0.15%
Manuel Matji Tuduri	56,437	100%	0.07%
María José Lafita	16,929	100%	0.02%
María Ángeles Lafita	16,926	100%	0.02%
Elena Lafita	16,935	100%	0.02%
Lucía Lafita	16,935	100%	0.02%
Alfredo Lafita	16,929	100%	0.02%
Jorge Alemany Herrera	174,487	100%	0.23%
NEREL, S.L.	818,410	100%	1.08%
FCPR Ventech Capital III	5,195,199	100%	6.84%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	100%	5.85%
Ysios Biofund I, FCR	4,760,342	100%	6.27%
Biopartners Capital, S.L.	2,977,440	100%	3.92%
Navarra Iniciativas Empresariales, S.A.	1,693,412	100%	2.23%
Novartis Bioventures Ltd.	5,534,905	100%	7.29%
Roche Finanz AG	5,534,905	100%	7.29%
Eduardo Bravo	150,263	100%	0.20%
Claudia D´Augusta	127,682	100%	0.17%
Dirk Büscher	172,126	100%	0.23%
Capital Riesgo de la Comunidad de Madrid, S.A., S.C.R.	128,661	100%	0.17%
JV Risk Technologies, S.L.	728,861	100%	0.96%
Bankinter Capital Riesgo I, FCR	1,457,732	100%	1.92%
SURO Capital, S.A., S.C.R.	1,243,746	100%	1.64%
INVERSORA BICO, S.L.	443,869	100%	0.58%
Mr. José Ignacio GUZMÁN URIBE	295,911	100%	0.39%
A&G Global Sicav-Midleton Fund	147,949	100%	0.19%
Mrs. Ana Maria VIDORRETA GONZALÉZ	118,359	100%	0.16%
Mr. Ramón CARNÉ CASAS	144,998	100%	0.19%
Mr. Ignacio ALVAREZ-RENDUELES VILLAR	145,001	100%	0.19%
Mr. Adolfo CARVAJAL ISLA	145,001	100%	0.19%
Mr. Gonzalo BRAVO ZABALGOITIA	93,132	100%	0.12%
Mr. Florent GROS	29,596	100%	0.04%
CX EBIP Agreement, S.L.	1,905,144	100%	2.51%
TOTAL	**50,347,463**		**66.30%**

Currently there are no other lock-up or standstill agreements in place.

8 ING België NV has stipulated in its lock-up undertaking that it shall not voluntarily transfer such part of the Shares which it holds only to the extent that Participatiemaatschappij Vlaanderen NV (one of the Committers referred to in section 3.8.1) holds at least 45% of the Shares it would acquire in the Offering.

9 Limburgse Reconversie Maatschappij NV has stipulated in its lock-up undertaking that it shall not voluntarily transfer any of its Shares to the extent that ParticipatieMaatschappij Vlaanderen NV (one of the Committers referred to in section 3.8.1) is part of the shareholding of TiGenix.

4. General information about THE COMPANY and its share capital

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.

4.1 GENERAL

TiGenix was incorporated on February 21, 2000 for an unlimited duration. The Company has the legal form of a limited liability company making or having made a public appeal on savings (*naamloze vennootschap – NV die een openbaar beroep op het spaarwezen doet of heeft gedaan / société anonyme – SA faisant ou ayant fait appel public à l'épargne*) organised and existing under the laws of Belgium. Pursuant to the Companies Code, the liability of the Shareholders is, in principle, limited to the amount of their respective committed contribution to the capital of the Company. The Company's registered office is located at Romeinse straat 12, box 2, 3001 Leuven, Belgium. The Company is registered with the register of legal entities (*rechtspersonenregister – RPR / registre des personnes morales - RPM*) (Leuven) under enterprise number 0471.340.123. The Company can be reached by phone at the number +32 (0)16 39 60 60.

This chapter summarises the corporate purpose, share capital and corporate structure of the Company and is partially based on the Articles of Association that have last been amended by the meeting of the Board of Directors of November 9, 2010.

The description hereafter is only a summary and does not purport to give a complete overview of the Articles of Association, nor of all relevant provisions of Belgian law. Neither should it be considered as legal advice regarding these matters.

4.2 CORPORATE PURPOSE

The corporate purpose of the Company is set forth in Article 3 of its Articles of Association and reads as follows:

"The company has as its corporate purpose engaging in activities in the field of research and development regarding biological compounds and biomaterials for its own account and for the account of third parties, as well as the industrialisation and commercialisation of the results hereof.

It may engage in all possible commercial, industrial, movable and immovable, transactions, which are, directly or indirectly related to its corporate purpose or which are likely to enhance it. It may, amongst others, cooperate with, participate in, in any way whatsoever, directly or indirectly, take a stake in each enterprise the corporate purpose of which is similar, analogous or related to its own purpose.

It may mortgage its real estate and may pledge all its other assets, including its entire business, and it may guarantee a bill for all loans, credits and other undertakings, on its own behalf as well as on behalf of third parties, provided that the company itself has an interest thereto."

4.3 GROUP STRUCTURE

TiGenix has incorporated, on February 7, 2006 a wholly-owned U.S. subsidiary, TiGenix Inc.

On May 8, 2007, TiGenix Inc. and Cognate BioServices, Inc. created a 50/50 joint venture asset management company, TC CEF LLC, with registered office at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, U.S. TC CEF LLC subsequently acquired the assets of a fully equipped CEF from Cell Genesys, Inc. With effect as of November 23, 2010, TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership interests in TC CEF LLC.

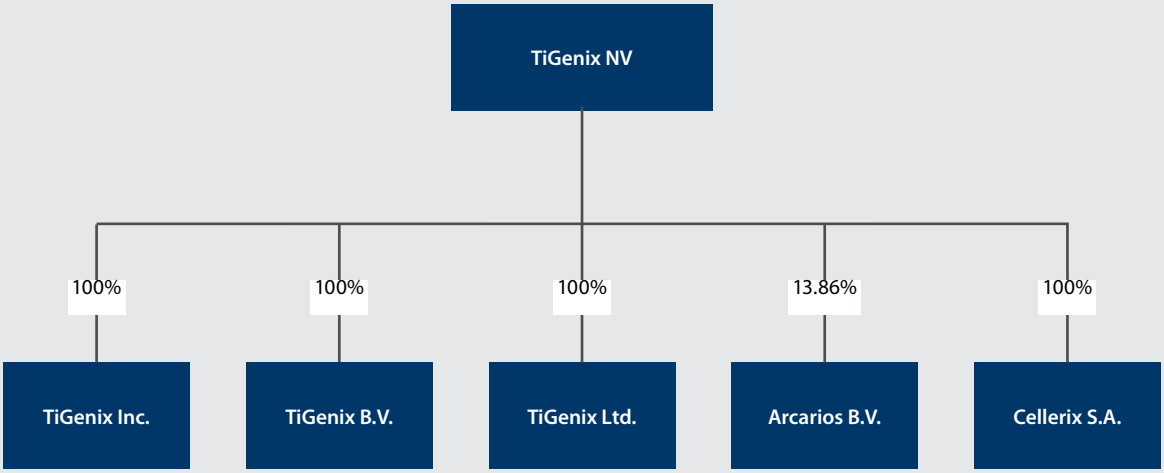
On September 24, 2009, the Company set-up a wholly-owned Dutch subsidiary, TiGenix B.V., with registered office at Urmonderbaan 22, 6167RD Geleen, The Netherlands.

The Company is constructing its new European human CEF in Geleen to increase the manufacturing capacity of ChondroCelect in Europe through TiGenix B.V.

On November 30, 2009, the Company acquired Orthomimetics Limited. Orthomimetics Limited designs, develops and manufactures novel, bioresorbable implants for the regenerative repair of articular joint damage resulting from sports injuries and other trauma. Orthomimetics Limited has been renamed to TiGenix Ltd.

On July 8, 2010, the Company has spun off drug discovery assets to the Dutch company Arcarios B.V. (formerly named Therosteon B.V.) in which the Company holds a 13.86% equity stake.

On the Contribution Date, the Company acquired Cellerix. Cellerix is a Spanish cell therapy company that was founded in 2004 as a spin-off from the Genetrix Group. Cellerix has a clinical stage pipeline of cell-based products for indications of inflammatory and autoimmune origin. Further details on Cellerix are provided in section 6.14 of the prospectus.



4.4 SHARE CAPITAL AND SHARES

4.4.1 Share capital and Shares

On the date of publication of this prospectus, the Company's registered capital amounts to €74,243,046.23, represented by 75,935,556 common Shares without nominal value. The capital is fully paid up.

The table below provides an overview of the history of the Company's share capital since its incorporation in 2000. The overview should be read together with the notes set out below the table.

Date	Transaction	Number and class of Shares issued	Issuance price per Share (€) (incl. issuance premium)	Capital increase (€)	Share capital after transaction	Aggregate number of Shares after capital increase
INCORPORATION						
February 21, 2000	Incorporation[1]	85,800 Class A 50,000 Class B 14,200 Class C	€1.00	€150,000.00	€150,000.00	150,000
PHASE I CAPITAL ROUND						
March 13, 2000	Capital increase in cash[2]	364,200 Class A 60,800 Class C	€1.00	€425,000.00	€575,000.00	575,000
March 22, 2001	Capital increase in cash[3]	150,000 Class A 40,000 Class B 100,000 Class C 30,000 Class D	€1.25	€320,000.00	€895,000.00	895,000
PHASE II CAPITAL ROUND - EXERCISE OF WARRANTS						
September 15, 2003	Capital increase in cash[4]	4,049,383 Class E	€1.00	€4,049,383.00	€4,944,383.00	4,944,383
September 15, 2003	Capital increase in kind[5]	290,896 Class A 394,106 Class C	€1.55	€685,002.00	€5,629,385.00	5,629,385
September 15, 2003	Conversion of 200,000 profit certificates (incorporation of issuance premiums)[6]	175,000 Class B 25,000 Class C	€1.00	€200,000.00	€5,829,385.00	5,829,385
September 30, 2003	Capital increase in cash[7]	1,518,519 Class E	€1.00	€1,518,519.00	€7,347,904.00	7,347,904
May 14, 2004	Capital increase in cash[8]	1,358,024 Class E	€3.00	€1,358,024.00	€8,705,928.00	8,705,928
April 20, 2005	Capital increase in cash[9]	452,680 Class E	€3.00	€452,680.00	€9,158,608.00	9,158,608
August 23, 2005	Capital increase in cash pursuant to the exercise of 3 "adjustment" warrants[10]	11,762 Class A 15,935 Class C	exercise price of €0.01 per warrant	€0.03	€9,158,608.03	9,186,305
November 3, 2005	Capital increase in cash pursuant to the exercise of 22,500 warrants[11]	22,500 Class D	exercise price of €1.25 per warrant	€22,432.50	€9,181,040.53	9,208,805
PHASE III CAPITAL ROUND - EXERCISE OF WARRANTS						
November 3, 2005	Capital increase in cash[12]	114,285 Class A 57,142 Class C 4,374,282 Class E	€3.50	€4,532,071.91	€13,713,112.44	13,754,514
April 20, 2006	Capital increase in cash pursuant to the exercise of 27,500 warrants[13]	27,500 Class D	exercise price of €1.25 per warrant	€27,417,50	€13,740,529.94	13,782,014
October 31, 2006	Capital increase in cash pursuant to the exercise of 375,000 warrants[14]	375,000 Class B	exercise price of €1.00 per warrant	€375,000.00	€14,115,529.94	14,157,014
PHASE IV CAPITAL ROUND - EXERCISE OF WARRANTS						
March 27, 2007	Capital increase in cash(15)	8,000,000	€5.00	€7,976,000.00	€22,091,529.94	22,157,014
March 27, 2007	Capital increase in cash pursuant to the exercise of 1,200,000 over-allotment warrants[16]	1,200,000	exercise price of €5.00 per warrant	€1,196,400	€23,287,929.94	23,357,014
March 27, 2007	Capital increase in cash pursuant to the exercise of 494,065 existing shareholder warrants[17])	494,065	exercise price of €0.01 and €0.001 per warrant	€494.47	€23,288,424.41	23,851,079
April 17, 2008	Capital increase in cash pursuant to the exercise of 603,910 warrants[18]	603,910	exercise price of €1.00 and €3.00 per warrant	€603,910	€23,892,334.41	24,454,989
October 13, 2008	Capital increase in cash pursuant to the exercise of 109,500 warrants[19]	109,500	exercise price of €3.00 per warrant	€109,500	€24,001,834.41	24,564,489
April 23, 2009	Capital increase in cash pursuant to the exercise of 6,790 warrants[20]	6,790	exercise price of €3.00 per warrant	€6,790	€24,008,624.41	24,571,279
PHASE V CAPITAL ROUND						
June 26, 2009	Capital increase in cash[21]	1,080,000	€5.00	€1,058,400	€25,067,024.41	25,651,279

Date	Transaction	Number and class of Shares issued	Issuance price per Share (€) (incl. issuance premium)	Capital increase (€)	Share capital after transaction	Aggregate number of Shares after capital increase
PHASE VI ORTHOMIMETICS ACQUISITION						
November 30, 2009	Capital increase in kind[22]	3,010,589	€4.28	€2,950,377.22	€28,017,401.63	28,661,868
PHASE VII CAPITAL ROUND						
December 15, 2009	Capital increase in cash[23]	2,204,300	€3.50	€2,160,214	€30,177,615.63	30,866,168
PHASE VIII EXERCISE OF WARRANTS						
March 4, 2010	Capital increase in cash pursuant to the exercise of 2,500 warrants[24]	2,500	€3.45	€2,450	€30,180,065.63	30,868,668
PHASE IX CONTRIBUTION IN RELATION TO THE ORTHOMIMETICS ACQUISITION						
November 9, 2010	Capital increase pursuant to the contribution in kind of a receivable of ex-Orthomimetics shareholders[25]	252,486	€4.28	€247,436.28	€30,427,501.91	31,121,154
PHASE X CELLERIX ACQUISITION						
Contribution Date	Capital increase in kind[26]	44,814,402	€1.2977	€43,815,544.32	74,243,046.23	75,935,556

Notes

(1) The Shares were subscribed to by Gemma Frisius-Fonds K.U.Leuven NV (85,800 A), Katholieke Universiteit Leuven (14,200 C), Axxis V&C BVBA (25,000 B) and Prof. Dr. Frank Luyten (25,000 B). At the time of incorporation, also 200,000 profit certificates were issued to Katholieke Universiteit Leuven (25,000 C), Axxis V&C BVBA (87,500 B) and Prof. Dr. Frank Luyten (87,500 B). These profit certificates were converted into 200,000 Shares on September 15, 2003.

(2) The Shares were subscribed to by Gemma Frisius-Fonds K.U.Leuven NV (364,200 A) and Katholieke Universiteit Leuven (60,800 C).

(3) The Shares were subscribed to by Gemma Frisius-Fonds K.U.Leuven NV (150,000 A), Axxis V&C BVBA (20,000 B) and Prof. Dr. Frank Luyten (20,000 B), Katholieke Universiteit Leuven (more precisely, its division Universitaire Ziekenhuizen Leuven) (100,000 C), Johan Bellemans (20,000 D) and Etienne Schacht (10,000 D).

(4) The Shares were subscribed to by ING België NV (1,771,605 E), Capricorn Venture Fund II NV (1,012,346 E) and Fagus NV (1,265,432 E).

(5) The Shares were subscribed to by Gemma Frisius-Fonds K.U.Leuven NV (290,896 A), Katholieke Universiteit Leuven (64,506 C) and Universiteit Gent (329,600 C).

(6) The profit certificates were issued on February 21, 2000 and were converted on September 15, 2003 by Katholieke Universiteit Leuven (25,000 C), Axxis V&C BVBA (87,500 B) and Prof. Dr. Frank Luyten (87,500 B).

(7) The Shares were subscribed to by Auriga Ventures II FCPR (1,518,519 E).

(8) The Shares were subscribed to by ING België NV (432,099 E), Capricorn Venture Fund II NV (246,913 E), Fagus NV (308,642 E) and Auriga Ventures II FCPR (370,370 E).

(9) The Shares were subscribed to by ING België NV (144,034 E), Capricorn Venture Fund II NV (82,306 E), Fagus NV (102,882 E) and Auriga Ventures II FCPR (123,458 E).

(10) The "adjustment" warrants were issued on September 15, 2003 to and exercised in 2005 by Gemma Frisius-Fonds K.U.Leuven NV (11,762 A), Katholieke Universiteit Leuven (2,608 C) and Universiteit Gent (13,327 C). The "adjustment" warrants were used as an instrument to adjust the subscription price paid by the warrant holders for new Shares issued in September 2003 compared to the average subscription price paid by other investors who also committed in September 2003 to contribute a fixed amount but in three instalments at variable subscription prices.

(11) The warrants were issued on March 22, 2001 and exercised in 2005 by Karel Fol (12,500 D) and Koen Huygens (10,000 D). Subsequently, 9,000 of these Shares were sold by Karel Fol (5,000 D) and Koen Huygens (4,000 D) to Gemma Frisius-Fonds K.U.Leuven NV and were re-allocated to Class A.

(12) The Shares were subscribed to by Gemma Frisius-Fonds K.U.Leuven NV (114,285 A), Katholieke Universiteit Leuven (28,571 C), Universiteit Gent (28,571 C), ING België NV (2,714,285 E), Capricorn Venture Fund II NV (231,428 E), Fagus NV (428,571 E), Auriga Ventures II FCPR (428,571 E,), Fortis Private Equity Venture Belgium NV (428,571 E), Baekeland Fonds II NV (114,285 E) and HSS Ventures Inc. (28,571 E). Subsequently, ING België NV sold a number of its new Shares to ITX Corporation (200,000 E), Partners@Venture NV (285,714 E), Ferdinand Verdonck and Margriet Van Houtte (28,572 E), Kris Vansanten (36,000 E), Werner Vanlembergen (36,000 E), BGL Investment Partners SA (142,857 E) and Technowal SA (71,428 E).

(13) The warrants were issued on March 22, 2001 and exercised in 2006 by Nancy Veulemans (3,750 D), Jenny Peeters (1,250 D), Johan Vanlauwe (2,500 D) and Etienne Schacht (20,000 D).

(14) The warrants were issued on March 13, 2000 and exercised in 2006 by Axxis V&C BVBA (187,500 B) and Prof. Dr. Frank Luyten (187,500 B).

(15) The 8,000,000 Shares were subscribed to at the occasion of the initial public offering.

(16) The over-allotment warrants were exercised by Piper Jaffray Ltd. (1,200,000).

(17) The existing shareholder warrants were exercised by Axxis V&C BVBA (91,748), Prof. Dr. Frank Luyten (91,748), Katholieke Universiteit Leuven (52,717), Gemma Frisius-Fonds K.U. Leuven NV (182,754), Johan Bellemans (3,557), Etienne Schacht (5,336) and Universiteit Gent (66,205).

(18) The warrants were issued on September 15 and 30, 2003 and exercised in 2008.

(19) The warrants were issued on September 15 and 30, 2003 and exercised in 2008.

(20) The warrants were issued on May 14, 2004 and exercised in 2009.

(21) The Shares were subscribed to by Particon B.V. (340,000), N.V. Industriebank LIOF (340,000), Limburg Ventures B.V. (200,000) and LRM NV (200,000).

(22) The 3,010,589 Shares were subscribed to at the occasion of the contribution in kind in the framework of the Orthomimetics acquisition that occurred in November 2009.

(23) The 2,204,300 Shares were subscribed to at the occasion of the private placement that was done in December 2009.

(24) The warrants were issued on March 20, 2008 and exercised in 2010.

(25) The capital increase was performed through the contribution in kind of part of the receivable of former shareholders of Orthomimetics Limited resulting from their sale of 680,686 Orthomimetics shares, valued at €3.4 million, to TiGenix on November 30, 2009 and marks the second phase of the Orthomimetics acquisition.

(26) The 44,814,402 Shares were subscribed to at the occasion of the Contribution.

Upon completion of the IPO of TiGenix, all existing shares were converted into common Shares.

4.4.2 Authorised capital

On February 26, 2007, the extraordinary shareholders' meeting authorised the Board of Directors to increase the Company's share capital in one or more transactions with a maximum amount of €22,091,529.94.

If the capital is increased within the limits of the authorised capital, the Board of Directors will be authorised to request payment of an issuance premium. This issuance premium will be booked on a non-available account, which may only be decreased or disposed of by a resolution of a shareholders' meeting taken in accordance with the provisions governing an amendment of the articles of incorporation.

This Board of Directors' authorisation will be valid for capital increases subscribed for in cash or in kind, or made by capitalisation of reserves and issuance premiums, with or without issuing new Shares. The Board of Directors is authorised to issue convertible bonds, warrants, a combination thereof or other securities within the limits of the authorised capital.

The Board of Directors is authorised, within the limits of the authorised capital, to restrict or exclude the preferential subscription rights granted by law to the holders of existing Shares if in doing so it is acting in the interests of the Company and in accordance with Article 596 and following of the Companies Code. The Board of Directors is authorised to limit or cancel the preferential subscription rights in favour of one or more persons, even if such limitation or cancellation is in favour of persons who are not members of the personnel of the Company or its subsidiaries.

The powers of the Board of Directors within the framework of the authorised capital are valid for a period of five years as of the publication thereof in the annexes to the Belgian Official Gazette, *i.e.* until April 2, 2012.

Taking into account the previous capital increases within the framework of the authorised capital of June 26, 2009 for an amount of €1,058,400 (*i.e.* 1,080,000 Shares x the fractional value of the Shares, *i.e.* €0.98), of November 30, 2009 for an amount of €2,950,377.22 (*i.e.* 3,010,589 Shares x the fractional value of the Shares, *i.e.* €0.98), of December 15, 2009 for an amount of €2,160,214 (*i.e.* 2,204,300 Shares x the fractional value of the Shares, *i.e.* €0.98) and of November 9, 2010 for an amount of €247,436.28 (*i.e.* 252,486 Shares x the fractional value of the Shares, *i.e.* €0.98), and assuming (i) the exercise of all warrants issued within the framework of the authorised capital, that are outstanding[10] for an amount of €1,720,838.84 (excluding issuance premium) (*i.e.* (1,755,958) warrants x the fractional value of the Shares, *i.e.* €0.98) and (ii) the contribution in kind of the entire remaining receivable of €2,296,366.92 on the Company on March 30, 2012 for an amount of €525,803.32 (excluding issuance premium in the amount of €1,770,563.60) (*i.e.* 536,534 Shares x the fractional value of the Shares, *i.e.* €0.98), the authorised capital currently amounts to €13,428,460.28 (*i.e.* €22,091,529.94 - €1,058,400 - €2,950,377.22 - €2,160,214 - €247,436.28 - €1,720,838.84 - €525,803.32).

On April 26, 2011, the shareholders' meeting renewed the Board of Directors' authorization, subject to the completion of the Offering. The terms and conditions of such renewed authorisation are similar to the terms and conditions of the authorisation granted on February 26, 2007. Subject to completion of the Offering, the Board of Directors will be authorised to increase the Company's share capital in one or more transactions with a maximum amount that cannot exceed the amount of the Company's share capital upon completion of the Offering.

4.4.3 Description of rights and benefits attached to Shares

Voting rights

Each Shareholder is entitled to one vote per share.

Voting rights can be suspended in relation to Shares:

- which were not fully paid up, notwithstanding the request thereto of the Board of Directors of the Company;
- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, except to the extent where the relevant Shareholder has notified the Company and the FSMA at least 20 days prior to the date of the general shareholders' meeting on which he or she wishes to vote (see also under section 2.7) of its shareholding reaching or exceeding the thresholds above; and

10 Outstanding warrants as at March 31, 2011, i.e. warrants that have been granted and accepted and have not lapsed or been exercised.

- of which the voting right was suspended by a competent court or the FSMA.

Generally, the shareholders' meeting has sole authority with respect to:

- the approval of the annual accounts of the Company;
- the appointment and resignation of directors and the statutory auditor of the Company;
- the granting of discharge of liability to the directors and the statutory auditor;
- the determination of the remuneration of the directors and of the statutory auditor for the exercise of their mandate;
- the distribution of profits (it being understood that the Articles of Association authorise the Board of Directors to distribute interim dividends);
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other re-organisations of the Company; and
- the approval of amendments to the Articles of Association.

4.5 WARRANTS

The Company has created a number of warrants. This section provides an overview of the outstanding warrants as at March 31, 2011.

On May 14, 2004 (135,802), April 20, 2005 (45,268), November 3, 2005 (454,570), February 26, 2007 (800,000), March 20, 2008 (400,000), June 19, 2009 (500,000), March 12, 2010 (500,000) in the aggregate 2,835,640 warrants were issued, subject to the warrants being granted to and accepted by the beneficiaries. Of these 2,835,640 warrants, (i) 545,683 warrants expired as they have not been granted, (ii) 327,250 warrants have expired as they have not been accepted by their beneficiaries (iii) 197,459 have lapsed due to their beneficiaries leaving the Company and (iv) 9,290 warrants have been exercised. As a result, as at March 31, 2011, there are 1,755,958 warrants outstanding.

The warrants are granted to employees, consultants or directors of the Company, as well as to other persons who in the scope of their professional activity have made themselves useful to the Company, including but not limited to the members of the scientific advisory board and the clinical advisors. The warrants have been granted free of charge. Each warrant entitles its holder to subscribe to one common share of the Company at a subscription price determined by the Board of Directors, within the limits decided upon at the occasion of their issuance. The warrants issued on May 14, 2004, April 20, 2005 and November 3, 2005 had a term of 5 years, but their term was extended until May 13, 2014 by decision of the extraordinary shareholders' meeting held May 13, 2009. The warrants issued on February 26, 2007, March 20, 2008, June 19, 2009 and March 12, 2010 have a term of 10 years. Upon expiration of this term, the warrants become null and void. In principle, the warrants vest in cumulative tranches of 25% per year, i.e., 25% as of the first anniversary date of their granting, 50% as of the second anniversary date of their granting, 75% as of the third anniversary date of their granting, 100% as of the fourth anniversary date of thwweir granting provided that the cooperation between the Company and the warrant holder has not yet ended, unless the Board of Directors approved a deviation from this vesting scheme. The warrants can only be exercised by the warrant holder if they have effectively vested. The table below gives an overview (as at March 31, 2011) of the 1,755,958 outstanding warrants described above. The table should be read together with the notes referred to below.

Issue date	Term	Number of warrants issued≤[1]	Number of warrants granted	Exercise price (€)	Number of warrants no longer exercisable	Number of warrants outstanding	Exercise periods vested warrants [2] [3]
May 14, 2004	From May 14, 2004 to May 13, 2014[1]	135,802	133,684	€3.00 (May 14, 2004 and May 23, 2005 grants) €3.50 (December 9, 2005 grant)	24,248[2]	104,764[3]	From March 16 to 31, and from September 15 to 30.[7]
April 20, 2005	From April 20, 2005 to May 13, 2014[1]	45,268	45,268	€3.00 (May 23, 2005 grant) €3.50 (February 6, 2006 grant)	/	45,268	From March 1 to 31, and from September 1 to 30.
November 3, 2005	From November 3, 2005 to May 13, 2014[1]	454,570	301,805	€3.50 (February 6, 2006, March 24, 2006, May 2, 2006, July 3, 2006 and August 24, 2006 grants)	160,907[4]	293,663	From March 1 to 31, and from September 1 to 30.
February 26, 2007	From February 26, 2007 to February 25, 2017	800,000	681,500	€6.75 (March 24, 2007 grant) €5.23 (September 17, 2007 grant)	289,187[5]	509,813	From May 1 to 31, and from November 1 to 30.
March 20, 2008	From March 20, 2008 to March 19, 2018	400,000	400,000	€4.05 for employees and €4.41 for other individuals (March 20, 2008 grant) €4.84 (June 27, 2008 grant) €3.48 (September 15, 2008 grant)	102,125[6]	296,625	From May 1 to 31, and from November 1 to 30.
June 19, 2009	From June 19, 2009 to June 18, 2019	500,000	232,200	€3.95 (June 26, 2009 grant)	344,800[7]	153,325	From May 1 to 31, and from November 1 to 30.
March 12, 2010	From March 12, 2010 to March 11, 2020	500,000	495,500	€3.62 (March 12, 2010 grant) €1.65 for employees and €1.83 for other individuals (July 7, 2010 grant) €1.93 (August 24, 2010)	147,500[8]	352,500	From May 1 to 31, and from November 1 to 30.

Notes

(1) The extraordinary shareholders' meeting of May 13, 2005 extended the exercise period until May 13, 2014.
(2) 2,118 warrants have expired as they have not been granted and 22,130 warrants have lapsed due to their beneficiary leaving the Company.
(3) 6,790 warrants have been exercised and are therefore no longer outstanding.
(4) 152,765 warrants have expired as they have not been granted and 8,142 warrants have lapsed due to their beneficiary leaving the Company.
(5) 118,500 warrants have expired as they have not been granted; 103,750 warrants have expired as they have not been accepted by their beneficiary and 67,937 warrants have lapsed due to their beneficiary leaving the Company.
(6) 38,000 warrants have expired as they have not been accepted by their beneficiary and 62,875 warrants have lapsed due to their beneficiary leaving the Company. 2,500 warrants have been exercised and are therefore no longer outstanding.
(7) 267,800 warrants have expired as they have not been granted; 62,000 warrants have expired as they have not been accepted by their beneficiary and 16,875 warrants have lapsed due to their beneficiaries leaving the Company.
(8) 4,500 warrants have expired as they have not been granted; 123,500 warrants have expired as they have not been accepted by their beneficiary and 19,500 warrants have lapsed due to their beneficiary leaving the Company.

On March 31, 2011, the total number of all outstanding warrants that have already been granted, is 1,755,958, which represents approximately 2.24% of the total number of all issued and outstanding voting financial instruments, as shown in section 4.6.

4.6 OUTSTANDING FINANCIAL INSTRUMENTS

The table below provides an overview of the issued and outstanding voting financial instruments, whether or not representing the Company's share capital prior to the Offering. The overview must also be read together with the notes referred to below.

Prior to the Offering		Number	%
A	Issued Shares	75,935,556	97,07%
B	Maximum number of Shares to be issued on March 30, 2012[1]	536,534	0.69%
C	**Total (A) + (B)**	**76,472,090**	**97.76%**
D	Shares to be issued upon the exercise of warrants that are exercisable[2]	1,183,027	1.51%
E	Shares to be issued upon the exercise of warrants that are not yet exercisable(2)	572,931	0.73%
F	**Total (D)+(E)**	**1,755,958**	**2.24%**
G	**Total (C)+(F)**	**78,228,048**	**100.00%**

Notes

(1) Maximum number of Shares to be issued within the framework of the contribution of the remaining portion of the receivable of the shareholders of Orthomimetics Limited that have sold their 680,686 shares in Orthomimetics Limited to the Company.

(2) As at March 31, 2011.

4.7 SHAREHOLDERS

4.7.1 Overview

To the best of the Company's knowledge, based on the transparency declarations most recently received by the Company and based on information available of the private placements of 2009 and the Contribution which took place the Contribution Date, the Shareholders' structure is as follows on the date of publication of this prospectus:

Shareholder	Number of Shares	%
ING België NV	4,253,731	5.60%
Fagus NV	2,105,527	2.77%
A. van Herk / O.G.B.B.A. van Herk B.V.	1,685,862	2.22%
Gemma Frisius-Fonds K.U.Leuven NV	1,224,870	1.61%
Particon B.V.	340,000	0.45%
N.V. Industriebank LIOF	340,000	0.45%
Limburg Ventures B.V.	200,000	0.26%
LRM NV	200,000	0.26%
Genetrix Life Sciences A.B.	5,835,379	7.68%
FCPR Ventech Capital III	5,195,199	6.84%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	5.85%
Ysios Biofund I, FCR	4,760,342	6.27%
Biopartners Capital, S.L.	2,977,440	3.92%
Novartis Bioventures Ltd.	5,534,905	7.29%
Roche Finanz AG	5,534,905	7.29%
CX EBIP Agreement, S.L.	1,905,144	2.51%
Subtotal[11]	**46,538,357**	**61.29%**
Other Shareholders	29,397,199	38.71%
TOTAL	**75,935,556**	**100%**

11 The above Shareholders made their declarations separately and are acting independently, with the exception of:
(i) Particon B.V., N.V. Industriebank LIOF, Limburg Ventures B.V., LRM NV (with Koninklijke DSM N.V., Stichting De Weijerhorst, het Vlaams Gewest and de Staat der Nederlanden) which also filed a joint declaration as a result of the entering into of an investment and subscription agreement dated June 19, 2009 as referred to in section 5.105.10 of the prospectus;
(ii) Genetrix Life Sciences A.B., FCPR Ventech Capital III, LSP III Omni Investment Coöperatief U.A., Ysios Biofund I FCR, Biopartners Capital S.L., Novartis Bioventures Ltd., Roche Finanz AG, CX EBIP Agreement S.L. and some other shareholders which also filed a joint declaration as a result of the entering into lock-up undertakings under the Contribution Agreement and Lock-up Agreement as referred to in section 3.12 of the prospectus; and
(iii) Genetrix Life Sciences A.B. and CX EBIP Agreement, S.L. which also filed a joint transparency declaration as the shares of the latter are entirely held by Genetrix Life Sciences A.B.

4.7.2 Voting rights

As further described under section 2.5.1, each Shareholder is entitled to one vote per share.

In an agreement entered into on the Contribution Date simultaneously with the completion of the Contribution between Cellerix and Cx EBIP Agreement, S.L., Cx EBIP Agreement, S.L. has unilaterally undertaken to abstain from: (i) exercising its voting rights on any Contribution Shares owned by Cx EBIP Agreement, S.L. and (ii) attending any shareholders' meetings of TiGenix until the Equity Based Incentive Plans of Cellerix, described in section 5.7.4 below, have expired.

4.7.3 Shareholders' agreements

The Company has no knowledge of any agreements made between Existing Shareholders except for the Lock-up Agreement which is described in more detail in section 3.12 "Lock-up and standstill agreements".

5. Corporate governance

This prospectus has been drafted from the point of view that the Contribution has already been completed although this was not yet the case at the time of approval of this prospectus. However, it is anticipated that the Contribution will have been completed by the time this prospectus is made available to the public. The completion of the Contribution will be confirmed in an announcement that will be made public before or at the same time as the publication of the prospectus.

5.1 GENERAL PROVISIONS

This chapter 5 summarises the rules and principles by which the corporate governance of the Company has been organised pursuant to Belgian Company law, the Articles of Association and the Company's corporate governance charter. It is based on the Articles of Association that have been amended by the meeting of the Board of Directors of November 9, 2010 and on the Company's corporate governance charter that has last been amended by the meeting of the Board of Directors on or about the Contribution Date.

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. Corporate governance has been defined in the Code as a set of rules and behaviours according to which companies are managed and controlled. The Code is based on a "comply or explain" system: Belgian listed companies should follow the Code, but can deviate from its provisions and guidelines (though not the principles) provided they disclose the justifications for such deviation.

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 5.2./3 (Appendix C) of the Code: the chairman of the board should not chair the Audit Committee. However, the board can decide to appoint one of the independent directors in both functions, if and when the board decides this would be in the best interest of the Company, and the needs and qualifications required for the optimal functioning of that committee are the main reason to make this decision.
- Provision 6.1. of the Code: as there are only two executive directors (the Chief Executive Officer, or "CEO" and the Chief Business Officer, or "CBO")) 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 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. 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.
- For as long as the relevant Modifications to the Articles have not yet entered into force: Provision 8.8. of the Code: only Shareholders who individually or collectively represent at least 20% of the total issued share capital may submit proposals to the board for the agenda of any shareholders' meeting. This percentage is in line with Article 532 of the Companies Code (relating to the convening of a shareholders' meeting) but deviates from the 5% threshold provided by the Code.

The Board of Directors will review its corporate governance charter from time to time and make such changes as it deems necessary and appropriate. The charter has been made available on the Company's website (www.tigenix.com) and

can be obtained free of charge at the registered office of the Company. In its annual reports, the Board of Directors also include a corporate governance statement describing the Company's corporate governance practices during the year involved and including explanations, if applicable, on any deviations from the corporate governance charter or the Code, in accordance with the requirement to "comply or explain".

5.2 BOARD OF DIRECTORS

5.2.1 General provisions

The Board of Directors has the broadest powers to manage and represent the Company, except to the extent provided otherwise by applicable law or the Articles of Association. The Board of Directors acts as a collegiate body but can delegate its competencies for special and specific matters to an authorised representative, even if this person is not a Shareholder or a director.

Pursuant to the Articles of Association, the Board of Directors is to be composed of at least three (3) directors and a maximum of nine (9) members. Pursuant to the Company's corporate governance charter, at least half of the directors must be non-executive directors and at least three (3) of them must be independent.

The directors of the Company are appointed by the general shareholders' meeting. However, in accordance with the Companies Code, if the mandate of a director becomes vacant due to his death or resignation, the remaining directors have the right to appoint temporarily a new director to fill the vacancy until the first general shareholders' meeting after the mandate became vacant. The new director completes the term of the director whose mandate became vacant. The corporate governance charter provides that directors can be appointed for a maximum (renewable) term of four years.

A meeting of the Board of Directors is validly constituted if there is a quorum, consisting of at least half of the members present in person or represented at the meeting. If this quorum is not present, a new board meeting may be convened to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not present. In any event, the Board of Directors may only validly proceed if at least two directors are present. Meetings of the Board of Directors are convened by the chairman of the board or by at least two directors whenever the interests of the Company so require. In principle, the board will meet at least six (6) times per year.

The chairman of the Board of Directors has a casting vote on matters submitted to the Board of Directors.

5.2.2 Chairman

The Company's corporate governance charter provides that the Board of Directors appoints a chairman amongst the independent directors. The CEO cannot be the chairman.

The chairman of the Board of Directors is responsible for the leadership of the Board of Directors. The chairman takes the necessary measures to develop a climate of trust within the Board of Directors, contributing to open discussion, constructive dissent and support for the decisions of the Board of Directors. The chairman promotes effective interaction between the board and the executive management. The chairman establishes a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.

The chairman has additional specific tasks. These are further described in the terms of reference of the Board of Directors as set out in the Company's corporate governance charter.

5.2.3 Independent directors

As to independent directors, a director can only be considered an independent director if he or she meets at least the criteria set out in Article 526*ter* of the Companies Code, which can be summarised as follows:

(a) Not being an executive member of the board, or exercising a function as member of the legal management committee or as a person entrusted with daily management of the Company or a related company or person (as defined in Article 11 of the Companies Code), and not having been in such a position for the previous five years before his nomination.

(b) Not having served for more than three terms as a non-executive director of the board, without exceeding a total term of more than twelve years.

(c) Not being an employee of the senior management (as defined in Article 19, 2° of the Belgian Law of September 20, 1948 regarding the organisation of the business industry), of the Company or a related company or person (as defined in Article 11 of the Companies Code) and not having been in such a position for the previous three years before his nomination.

(d) Not receiving, or having received, any significant remuneration or other significant advantage of a patrimonial nature from the Company, or a related company or person (as defined in Article 11 of the Companies Code) apart from any bonus or fee he received as a non-executive member of the board.

(e) (i) Not holding any shareholder rights representing one tenth or more of the Company's capital, the Company's social funds or of a class of shares of the Company;

(ii) If the independent director holds shareholder rights representing less than one tenth:

- not holding shareholder rights representing, together with the shareholder rights owned in the same company by companies controlled by the independent director, one tenth or more of the Company's capital, the Company's social funds or of a class of shares of the Company; or

- the disposal of those shares or the exercise of the related rights not being subject to contractual stipulations or unilateral undertakings given by the independent director.

(iii) Not representing, in any circumstances, a shareholder fulfilling the conditions covered under this point (e).

(f) Not having, or having had within the financial reported year, a significant business relationship with the Company or a related company or person (as defined in Article 11 of the Companies Code), either directly or as a partner, shareholder, member of the board, member of the senior management (as defined in Article 19, 2° of the Belgian Law of September 20, 1948 regarding the organisation of the business industry) of a company or person who maintains such a relationship.

(g) Not being or having been within the last three years, a partner or employee of the current or former statutory auditor of the Company or a related company or person (Article 11 of the Companies Code).

(h) Not being an executive director of another company in which an executive director of the Company is a non-executive member of the board, and not having other significant links with executive directors of the Company, through involvement in other companies or bodies.

(i) Not being a spouse, legal partner or close family member to the second degree of a director of member of the legal management committee or person entrusted with the daily management or employee of the senior management (as defined in Article 19, 2° of the Belgian Law of September 20, 1948 regarding the organisation of the business industry) in the Company or a related company or person (as defined in Article 11 of the Companies Code) or of the persons referred to under (a) to (h) above.

The decision relating to the election of an independent director has to state the criteria on the basis of which he is considered independent.

In considering a director's independence, also the criteria set out in the Company's corporate governance charter will be taken into account. The Board of Directors will disclose in its annual report which directors it considers independent directors.

The independent directors of the Company are Willy Duron, Eduard Enrico Holdener and R&S Consulting BVBA, represented by Dirk Reyn.

5.2.4 Composition of the Board of Directors

The Board of Directors currently consists of nine (9) members.

Name	Age	Position	Term[1]	Professional Address
Gil Beyen BVBA[2], represented by Gil Beyen	49	Managing Director (executive) / CBO	2015	Boetsenberg 20, 3053 Haasrode, Belgium
Eduardo Bravo Fernández de Araoz[3]	46	Managing Director (executive) / CEO	2015	Marconi, 1, Parque Tecnológico de Madrid, 28760 Tres Cantos (Madrid), Spain
Ventech S.A.[4], represented by Mounia Chaoui-Roulleau	39	Director (non-executive)	2012	5-7 rue de Monttessuy, 75340, Paris, cedes, 07, France
Koenraad Debackere[5]	49	Director (non-executive)	2015	Alfons Stesselstraat 8, 3012 Wilsele, Belgium
Willy Duron[6]	65	Chairman / Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Eduard Enrico Holdener[3]	66	Independent director	2015	Buchenrain 6, CH-4106 Therwil, Switzerland
Ysios Capital Partners SGECR SA[7], represented by Joël Jean-Mairet	40	Director (non-executive)	2012	calle Baldiri Reixac, 10-12, Parc Cientific de Barcelona, Barcelona, Spain
R&S Consulting BVBA[3], represented by Dirk Reyn	49	Independent director	2015	Oude Baan 34, 2350 Vosselaar, Belgium
Immocom NV[3], represented by Nico Vandervelpen	37	Director (non-executive)	2015	Kempische Steenweg 555, 3500 Hasselt, Belgium

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.

(2) 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 the completion of the Contribution.

(3) First appointed on April 26, 2011 with effect as of the completion of the Contribution.

(4) On April 26, 2011 with effect as of the completion of the Contribution, Ms. Mounia Chaoui-Roulleau was first appointed as a director. It was, however, the intention of Ms. Mounia Chaoui-Roulleau to be appointed as permanent representative of Ventech SA. She therefore resigned as a director immediately following the completion of the Contribution and the board of directors decided on or about the Contribution Date to appoint Ventech S.A., represented by Ms. Mounia Chaoui-Roulleau, as a director in order to replace Ms. Mounia Chaoui-Roulleau until the next shareholders' meeting of the Company which will decide on the final appointment.

(5) First appointed upon incorporation on February 21, 2000. Appointment renewed on September 15, 2003, on February 26, 2007, on April 20, 2011 and on April 26, 2011 with effect as of the completion of the Contribution.

(6) 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 the completion of the Contribution.

(7) On April 26, 2011 with effect as of the completion of the Contribution, Mr. Joël Jean-Mairet was first appointed as a director. It was, however, the intention of Mr. Jean-Mairet to be appointed as permanent representative of Ysios Capital Partners SGECR SA. He therefore resigned as a director immediately following the completion of the Contribution and the board of directors decided on or about the Contribution Date to appoint Ysios Capital Partners SGECR SA, represented by Mr. Jean-Mairet, as a director in order to replace Mr. Jean-Mairet until the next shareholders' meeting of the Company which will decide on the final appointment.

The following paragraphs contain brief biographies of each of the directors or in case of legal entities being director, their permanent representatives, with an indication of other mandates as member of administrative, management or supervisory bodies in other companies during the previous five years (with the exception of the subsidiaries of the Company):

Gil Beyen, permanent representative of Gil Beyen BVBA: CBO and Managing Director (executive)

Mr. Gil Beyen gained an MSc in bioengineering from the Katholieke Universiteit Leuven (Belgium) in 1984 and obtained an MBA from the University of Chicago (U.S.) in 1990. Before founding TiGenix, he worked as a management consultant at Arthur D. Little (ADL) in Brussels, where he was responsible for their healthcare and biotechnology practice. In this function, he has assisted a broad range of companies in the biomedical and biotech industries through different stages of their growth. Before commencing his MBA, he worked three years as a research engineer in environmental biotechnology. Mr. Beyen is a manager of Axxis V&C BVBA, as well as member of the board of BIO.be, and commissioner for the Flemish government on the board of the Flemish Institute of Biotechnology (VIB).

Eduardo Bravo: CEO and Managing Director (executive)

Mr. Eduardo Bravo has more than 18 years experience in the pharmaceutical industry. His professional career includes several senior management positions at Sanofi-Aventis, including Vice President for Latin America, where he was in charge of more than 2000 employees and oversaw sales of more than €1 billion. At Sanofi-Aventis he also held positions such as Marketing and Sales Manager for Europe and General Manager for Belgium. He also worked for 7 years in SmithKline Beecham in sales positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD, Fontainebleau, France). He is member of the board of Cellerix. Mr. Bravo was a member of the board of Genetrix S.L. from February 2006 until February 2008 and from Biobide S.L. from December 2005 until January 2008. At present, Mr. Bravo is no longer a member of the administrative, management or supervisory bodies or partner of any other company or partnership other than Cellerix.

Mounia Chaoui-Roulleau, permanent representative of Ventech S.A.: Director (non-executive)

Ms. Mounia Chaoui-Roulleau studied Bioengineering at the Ecole Centrale Paris and Molecular Biophysics at the University of Paris VI, where she earned her doctorate. Her extensive career in the pharmaceuticals industry began at the Gustave Roussy Institute and later continued as an analyst for Atlas Venture. She has been a consultant to Telesis and Altran Technologies. From 2001 to the present time, Ms. Chaoui-Roulleau has been a partner in Ventech. Ms. Chaoui-Roulleau is also a member of the supervisory board of Inserm Transfert Initiative SA, and Xytis Inc, and is a general partner at Ventech SA. Ventech SA represented by Ms. Chaoui-Roulleau has also been a board member of Cellerix since 2007. Ms. Chaoui-Roulleau has also held board positions at Biovex Ltd (sold for USD 1 Billion to Amgen), Eyegate Inc and Aptanomics SA in the past five years, but is no longer on the board of these companies. She is also in charge of the following up of the following Ventech portfolio companies: Scynexis Inc and BMD SA.

Koenraad Debackere: Director (non-executive)

Dr. Koenraad Debackere is Professor of technology and innovation management at the Katholieke Universiteit Leuven and visiting Professor at various European business schools. Prof. Debackere is Managing Director of K.U.Leuven Research & Development and Chairman of the Gemma Frisius-Fonds K.U.Leuven NV, the Venture Fund of the Katholieke Universiteit Leuven. In February 2005, Dr. Debackere became General Manager of the Katholieke Universiteit Leuven. He also serves (or has served) on the board of 4AZA Bioscience NV, 4AZA Holding NV, AlgoNomics NV, Better3Fruit NV, Eyetronics NV, ISW Limits NV, IPCOS NV, IriDM NV, Living Stone Co-operatie CVBA, MetaLogic NV, MEAC NV, PharmaDM NV, Bico NV, QMedit NV, RNA-TEC NV, Synes NV, Leuven Innovatie VZW, Gemma Frisius-Fonds II NV, Leuven.Inc VZW, DCRF (Désiré Collen Research Foundation) VZW, eMedit NV, IWT, Netherlands Genomics Initiative, Hoover Stichting VZW, Stichting Amici Almae Matris VZW, WeefWerf en Vlasnatie NV, Aquacare Belgium NV, Aquacare International NV, KBC Verzekeringen NV, Groep Joos NV, Vlerick Leuven Gent Management School NV.

Willy Duron: Chairman and Independent Director

Mr. Willy Duron has been an independent board member of TiGenix since February 2007. He started his career at ABB Verzekeringen in 1970, becoming a member of the executive committee in 1984. Willy 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 is also member of the board of directors of Ravago NV, Vanbreda Risk & Benefits NV, Universitaire Ziekenhuizen Leuven, Universitair Centrum St Jozef Kortenberg and W&K, Agfa-Gevaert NV, Van Lanschot Bankiers NV and

Amonis. Mr. Duron has been CEO of KBC Groep NV, KBC Bankverzekeringsholding NV and KBC Asset Management NV, Synes NV, Argosz, CSOB, Warta, FBD, Secura and ADD.

Eduard Enrico Holdener: Independent Director

Dr. Eduard Enrico Holdener earned his medical degree from the University of Zurich and held the post of Chief Medical Officer & Global Development Head in the Pharma Division of F. Hoffmann-La Roche Pharmaceutical Ltd until February 2008. He began his career in pharmaceuticals in 1986 after 14 years of working at various hospitals and academic institutions in Switzerland and the United States. During his tenure at Roche, he was credited with winning approval for an important number of new medicines in the different therapeutic areas where he collaborated. Dr. Holdener currently acts as Chairman of NovImmune S.A, Director of Parexel International Co and HBM Bioventures AG and non-executive Director of Syntaxin Ltd. Dr. Holdener has also been a board member of Cellerix since 2008. Dr. Holdener was part of the F.Hoffmann-La Roche AG Corporate Executive Committee and management team as Global Head of Development & Chief Medical Officer until February 2008.

Joël Jean Pierre Jean-Mairet, permanent representative of Ysios Capital Partners SGECR SA: Director (non-executive)

Dr. Joël Jean-Mairet is a partner and co-founder of Ysios Capital Partners. He has been Chairman of the board of Cellerix since 2007 and board observer at Boston-based Biovex Inc. (now: Amgen). Previously he co-founded Glycart Biotechnology AG in 2001 and was its CEO until the company was successfully sold to F. Hoffmann La-Roche in 2005. He has earned numerous awards including the Wall Street Journal Europe Innovation Award in 2001. He holds a masters degree in Biotechnology and earned his PhD from the Swiss Federal Institute of Technology (ETH) in Zurich.

Dirk Reyn, permanent representative of R&S Consulting BVBA: Independent Director

Mr. Dirk Reyn obtained his Pharmacist degree at the University of Antwerp, and holds an MBA degree from the Northwestern University of Chicago (Kellog's). Mr. Reyn is managing Director of Shire-Movetis. He founded Movetis NV in 2006 where he served as Chief Executive Officer and Executive Director until the company was acquired by Shire in 2010. Mr. Reyn served as the Head of the GI Strategic Marketing group for many years and then Vice President New Business Development for Janssen-Cilag in Europe. He has more than 25 years of experience, having first joined Johnson & Johnson in 1992 and became the driving force behind the global marketing and commercial strategy for such products as PREPULSID and PARIET and other compounds from the GI portfolio. Prior to joining Johnson & Johnson, he served in a number of national and international commercial positions at Eli Lilly.

Nico Vandervelpen, permanent representative of Immocom NV: Director (non-executive)

Mr. Nico Vandervelpen started his career with Ernst & Young Brussels in 1998 were he worked as a senior executive. Throughout his career, he gained extensive experience in finance, business consulting, project management and mergers and acquisitions serving a wide variety of multinational clients with, amongst others, a focus on the healthcare and pharmaceutical industries. He joined Limburgse Reconversie Maatschappij NV ("**LRM**") in 2007 were he founded the Life Sciences venture fund and forms part of the executive management team. As permanent representative of Immocom, Mr. Vandervelpen serves as a board member (or observer) on several boards within the LRM portfolio companies such as Apitope International, Complix, Amakem, SEPS, Vesalius Biocapital, Life Science Development Campus, 3DDD Pharma and CommArt. Since 2007, the LRM Life Sciences fund invested in Apitope International, SEPS Pharma, TiGenix, Promethera, Amakem, Complix, Life Science Development Campus and Arcarios. He works together with his team of seasoned Life Sciences and biotech experts to further extend the Life Sciences footprint in the region. Mr. Vandervelpen holds a Master degree in commercial and business engineering from Hasselt University as well as a Master in Accountancy. In addition to that, he followed several national and international management courses throughout his career.

Litigation statement concerning the directors or their permanent representatives

At the date of this prospectus and except as set out below, none of the directors or, in case of corporate entities being director, none of their permanent representatives, of the Company has, for at least the previous five years:

- any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation (except for Mounia Chaoui-Roulleau who was a member of the board of directors of Aptanomics SA and Xytis Inc. at the time that those companies were declared bankrupt); or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or,
- has ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

5.3 COMMITTEES OF THE BOARD OF DIRECTORS

5.3.1 General

The Board of Directors can set up specialised committees to analyse specific issues and advise the Board of Directors on those issues. The committees are advisory bodies only and the decision-making remains within the collegial responsibility of the Board of Directors. The Board of Directors determines the terms of reference of each committee with respect to the organisation, procedures, policies and activities of the committee.

5.3.2 Executive committee

The Board of Directors has not appointed an executive committee (*directiecomité / comité de direction*) within the meaning of Article 524bis of the Companies Code.

5.3.3 Audit committee

The Board of Directors has appointed an audit committee. The committee must be composed of at least three members. The committee must be composed exclusively of non-executive directors, a majority of which should be independent directors. At least one of the members who are independent directors must have the necessary expertise in the field of accounting and audit. Subject to the legal requirements set out in Article 526bis of the Companies Code, the composition of the committee may deviate from the above if, in the reasonable opinion of the Board of Directors, a different composition can bring more relevant experience and expertise to the committee. The committee appoints a chairman amongst its members. The chairman of the Board of Directors should not chair the committee.

The role of the audit committee is to monitor the financial reporting process, the effectiveness of the Company's internal control and risk management systems, the internal audit (if there is any) and its effectiveness and the statutory audit of the annual and consolidated accounts, and to review and monitor the independence of the external auditor, in particular regarding the provision of additional services to the Company. The committee should report regularly to the Board of Directors on the exercise of its functions. It should inform the Board of Directors about all areas in which action or improvement is necessary in the opinion of the audit committee. The audit committee should produce recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review should cover the Company and its subsidiaries as a whole.

The committee has specific tasks, which include the Company's financial reporting, internal controls and risk management, and the internal and external audit process. These are further described in the terms of reference of the audit committee, as set out in the Company's corporate governance charter and in Article 526bis of the Companies Code. In principle, the committee will meet at least five (5) times per year.

The members of the committee shall at all times have full and free access to the Chief Financial Officer (CFO) and to any other employee to whom they may require access in order to carry out their responsibilities.

The Company Secretary is also the Secretary of the Audit Committee. The Secretary of the Audit Committee prepares a report on the findings and recommendations of the meetings of the Audit Committee. The Secretary sends the report to all the members of the Board of Directors as soon as possible after a meeting. The following directors are member of the audit committee: Willy Duron, Eduard Holdener, and Immocon NV, represented by Nico Vandervelpen.

5.3.4 Nomination and remuneration committee

The Board of Directors has appointed a nomination and remuneration committee. The committee must be composed of at least three members, which are all non-executive directors, the majority of which shall be independent directors. Subject to the legal requirements set out in Article 526quater of the Companies Code, the composition of the committee may deviate from the above if, in the reasonable opinion of the Board of Directors, a different composition can bring more relevant experience and expertise to the committee. The committee is chaired by the chairman of the Board of Directors or by another non-executive director appointed by the committee.

The role of the nomination and remuneration committee is to make recommendations to the Board of Directors with regard to the (re-)election of directors and the appointment of the CEO and the executive managers, and to make proposals to the board on the remuneration policy for directors, the CEO and the executive managers.

The committee has specific tasks. These are further described in the terms of reference of the nomination and remuneration committee as set out in the Company's corporate governance charter and Article 526quater of the Companies Code. In principle, the committee will meet at least two (2) times per year.

The following directors are member of the nomination and remuneration committee: Eduard Holdener, Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet, and R&S Consulting BVBA, represented by Dirk Reyn.

5.3.5 Company secretary

Claudia D'Augusta has been appointed as company secretary.

5.4 EXECUTIVE MANAGEMENT

5.4.1 General provisions

The Board of Directors has appointed the executive management of the Company. The terms of reference of the executive management have been determined by the Board of Directors in close consultation with the CEO.

5.4.2 Composition of the executive management

On the date of publication of this prospectus, the executive management consists of the following four (4) members:

Name	Position	Age
Eduardo Bravo	Managing Director and Chief Executive Officer (CEO)	46
Gil Beyen BVBA, represented by Gil Beyen	Managing Director and Chief Business Officer (CBO)	49
Claudia D'Augusta	Chief Financial Officer (CFO)	41
Wilfried Dalemans	Chief Technical Officer (CTO)	52

The executive management will not constitute an executive committee (directiecomité / comité de direction) within the meaning of Article 524bis of the Companies Code.

Following are biographies of the executive management.

Eduardo Bravo: Managing Director and Chief Executive Officer (CEO)

Mr. Eduardo Bravo has more than 18 years experience in the pharmaceutical industry. His professional career includes several senior management positions at Sanofi-Aventis, including Vice President for Latin America, where he was in charge of more than 2000 employees and oversaw sales of more than €1 billion. At Sanofi-Aventis he also held positions such as Marketing and Sales Manager for Europe and General Manager for Belgium. He also worked for 7 years in SmithKline Beecham in sales positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD, Fontainebleau, France). He is member of the board of Cellerix. Eduardo Bravo was a member of the Board of Genetrix S.L. from February 2006 until February 2008 and from Biobide S.L. from December 2005 until January 2008. At present, Eduardo Bravo is no longer a member of the administrative, management or supervisory bodies or partner of any other company or partnership other than Cellerix.

Gil Beyen, permanent representative of Gil Beyen BVBA: Managing Director and Chief Business Officer (CBO)

Mr. Gil Beyen gained an MSc in bioengineering from the Katholieke Universiteit Leuven (Belgium) in 1984 and obtained an MBA from the University of Chicago (U.S.) in 1990. Before founding TiGenix, he worked as a management consultant at Arthur D. Little (ADL) in Brussels, where he was responsible for their healthcare and biotechnology practice. In this function, he has assisted a broad range of companies in the biomedical

and biotech industries through different stages of their growth. Before commencing his MBA, he worked three years as a research engineer in environmental biotechnology. Mr. Beyen is a manager of Axxis V&C BVBA, as well as member of the board of BIO.be, and commissioner for the Flemish government on the board of the Flemish Institute of Biotechnology (VIB).

Claudia D'Augusta: Chief Financial Officer (CFO)

With a degree in Economics and a Ph.D. in Finance from the University of Bocconi, Italy, Ms. Claudia D'Augusta has more than ten years of experience in the field of finance. After completing her doctorate, she joined the Corporate Finance Department of Deloitte & Touche in Milan. She later joined Apex Partners in Madrid where she was responsible for the creation and implementation of Transacciones M&A. She was subsequently Director of Finance for Aquanima (Santander Group). Ms. D'Augusta was a member of the executive management of Sensia S.L. from April 2005 until April 2008 and of Genetrix S.L. from February 2006 until February 2008. At present, Ms. D´Augusta is no longer a member of the administrative, management or supervisory bodies or partner of any other company or partnership.

Wilfried Dalemans: Chief Technical Officer (CTO)

Mr. Wilfried Dalemans holds a PhD in molecular biology from the Universities of Hasselt and Leuven. Before joining TiGenix, Mr. Dalemans held several senior management positions at GlaxoSmithKline Biologicals, Belgium. As Director regulatory strategy and development, he was responsible for the worldwide registration of GlaxoSmithKline's flu franchise. With this firm, he also served as Director of molecular biology and research, responsible for the development of nucleic acid and tuberculosis vaccines, as well as immunology research activities. Prior to joining GlaxoSmithKline, Mr. Dalemans worked at Transgène, France, where he was responsible for the cystic fibrosis research program.

5.4.3 Chief executive officer

The CEO is appointed, and can be removed, by the Board of Directors.

The CEO is charged by the Board of Directors with the day-to-day management of the Company and is therefore also managing director of the Company. In this function, the CEO has the following general responsibilities:

- examining, analysing and proposing to the Board of Directors strategic business opportunities that can contribute to the further growth of the group;
- executing the decisions of the Board of Directors;
- preparing proposals to the nomination and remuneration committee concerning the appointment, remuneration and evaluation of the members of the management team;
- setting up, chairing and leading the management team;
- managing the members of the management team as they discharge of their individual responsibilities, as determined by the CEO;
- determining the objectives to be achieved by the management;
- communicating with the outside world;
- ensuring the day-to-day management of the Company and accounting to the Board of Directors for such management at regular intervals;
- maintaining a continuous dialogue and interaction with the members of the Board of Directors in an atmosphere of openness and a climate of trust;
- maintaining excellent relationships with important customers, suppliers and the authorities.

The CEO has certain specific tasks. These are further described in the terms of reference of the CEO, as set out in the Company's corporate governance charter.

5.4.4 Chief business officer

The CBO is appointed, and can be removed, by the Board of Directors. He reports to the CEO.

As a managing director, the CBO is responsible for key areas of strategic development of the Company and in particular for the following activities:

- business development: guiding the Company's external growth through the identification and realization of partnering opportunities and alliances;
- intellectual property: ensuring protection of the Company's developments and alignment of the Company's activities and strategy with its intellectual property portfolio and strategy;

- investor relations: nurturing communication with current and prospective investors to support the Company's market development with the aim of generating shareholder return;
- government affairs: maintaining an open dialogue with governmental bodies.

5.4.5 Other members of the executive management

The other members of the executive management are the CFO and the CTO. They are appointed and removed by the Board of Directors or by the CEO in close consultation with the Board of Directors. They report to the CEO.

The CFO has responsibility for the following areas:

- finance and controlling;
- legal and administration;
- business systems and ICT;
- grants (public financing).

The CTO has responsibility for the following areas:

- R&D;
- industrialization;
- manufacturing;
- manufacturing quality assurance and quality control.

5.5 SCIENTIFIC ADVISORY BOARD AND CLINICAL ADVISORS

Before the Contribution, both TiGenix and Cellerix had appointed scientific advisory boards and clinical advisors to support their scientific strategy and clinical development. The Company intends to keep both scientific advisory boards for the time being.

5.5.1 TiGenix

The following is an overview of the scientific advisory board and clinical advisors appointed by TiGenix before the Contribution.

The main tasks of the scientific advisory board and the clinical advisors are the following:

- advise the Company on ways to improve its product research and development programmes;
- keep the Company informed on novel technologies and research ideas;
- act as a sounding board for new ideas;
- expand the Company's network for accessing new technology, samples, industry experts, and know-how; and
- advise the Company on clinical development programmes.

The scientific advisory board will not constitute an executive committee (directiecomité / comité de direction) within the meaning of Article 524bis of the Companies Code, nor will it constitute a committee organised by the board pursuant to Article 522, §1 of the Companies Code. Current members of the Scientific Advisory Board are:

Name	Institute	Position
Frank Luyten, MD, PhD Chairman	Katholieke Universiteit Leuven (Belgium)	Professor of Rheumatology
August Verbruggen, MD, PhD	Universiteit Gent (Belgium)	Professor of Rheumatology
Stefan Lohmander, MD, PhD	University of Lund (Sweden)	Professor of Orthopaedic Surgery
Hari Reddi, PhD	University of California at Davis (US)	Professor of Orthopaedics, Director of Center for Tissue Engineering
Richard Coutts, MD, PhD	University of California, San Diego (US)	Professor of Orthopaedic Surgery
Daniel Grande, PhD	North Shore University Hospitals, Long Island (US)	Director of Orthopaedic Research

The scientific and clinical advisors are remunerated for their services to the Company. They have consulting agreements with the Company and some hold Shares or warrants in the Company.

5.5.2 Cellerix

Cellerix had appointed and closely worked with two scientific advisory boards for the clinical development of the Cx601 and Cx611 programs before the Contribution:

- Gastroenterology advisory board: This board is assisting the clinical development of Cx601. The board is coordinated by Dr. Julian Panés (Spain) and is integrated by Dr. Jean-Frédéric Colombel (France), Dr. Walter Reinisch (Austria), Dr. Gert Van Assche (Belgium), Dr. Silvio Danese (Italy) and Dr. Daniel Baumgart (Germany).
- Rheumatology advisory board: This board is assisting the clinical development of Cx611. The board is coordinated by Dr. José María Alvaro-Gracia (Spain) and is integrated by Dr. Victor Fernández-Taboada (Spain), Dr. Federico Díaz-González (Spain), Dr. Jesús Honorato (Spain), Dr. Peter C. Taylor (UK) and Dr. Georg A. Schett (Germany).

5.6 REMUNERATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

5.6.1 Directors

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.

The independent directors will not 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 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. Currently, a fixed annual fee of €25,000 is granted to each independent director. The chairman's fee amounts to €30,000. An additional fixed annual fee of €5,000 is granted to each independent director who is also a member of a committee. Such additional fixed annual fee amounts to €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 €2,000.00 for each additional meeting. Changes to these fees will be submitted to the shareholders' meeting for approval.

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. Remuneration for directors is disclosed to Shareholders in accordance with applicable laws and stock exchange rules.

The directors' mandate may be terminated "ad nutum" (at any time) without any form of compensation.

TiGenix has not made any loans to the members of the Board of Directors.

The total remuneration paid to the directors in 2008, 2009 and 2010 was respectively €61,000, €45,000 and €55,000 (gross amount, excluding VAT and warrants).

5.6.2 Executive management

The remuneration of the members of the executive management is determined by the CEO or 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:

- Each member of the executive management is entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions.
- The Company pays a variable remuneration dependent on the executive management member meeting individual and/or team objectives.
- Each member of the executive management may be offered the possibility to participate in a stock based incentive scheme, in accordance with the recommendations set by the nomination and remuneration committee, after recommendation by the CEO to such committee.
- Each member of the executive management who is a salaried employee 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).

Wilfried Dalemans (CTO) is engaged on the basis of an employment contract with TiGenix NV. TiGenix' employment contracts are generally for an indefinite term, with a trial period. The employment contracts may be terminated at any time by the Company, subject to a severance payment not exceeding market standards. The employment contracts include, where appropriate, non-competition undertakings, as well as confidentiality and IP transfer undertakings (that will try to seek maximum protection of the Company's interests, under applicable laws and subject to the employee's agreement).

Gil Beyen BVBA (Gil Beyen) (CBO) is engaged on the basis of a service agreement with TiGenix NV, which can be terminated at any time, subject to certain pre-agreed notice periods and/or compensations. The service agreements include, where appropriate, non-competition undertakings, as well as confidentiality and IP transfer undertakings.

Executive management members who are engaged on the basis of a service agreement with TiGenix NV do not receive fringe benefits, except that they may be provided with a mobile phone and laptop computer according to general Company policy.

Eduardo Bravo (CEO) is engaged as CEO of Cellerix on the basis of his corporate responsibility as a member of the Board of Directors of such company and as Managing Director (*Consejero Delegado*) governed by the applicable Spanish Law on capital companies (*Ley de Sociedades de Capital*). Accordingly, Mr. Bravo's relationship with Cellerix as such can be terminated at any time, subject to certain pre-agreed notice periods and/or compensations.

Claudia D'Augusta (CFO) has an employment contract with Cellerix. The employment contract is for an indefinite term.

The total remuneration and benefits paid to the executive management of TiGenix in 2008, 2009 and 2010 was €1,936k, €1,685k and €1,148k respectively (gross amount, including warrants, but excluding VAT). In these years the executive management consisted of respectively 7, 6 and 4 members at year end. The total remuneration and benefits paid by Cellerix to TiGenix' new CEO and CFO in 2010 was €574k.

Contrary to the Belgian Code on Corporate Governance, the Board of Directors has opted, in respect of 2010, not to disclose the individual remuneration of the CEO, due to privacy reasons and as the Board of Directors believes that the remuneration of the CEO is set at reasonable market standards.

5.7 SHARES AND WARRANTS HELD BY DIRECTORS AND EXECUTIVE MANAGEMENT

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

The table below provides an overview (as at the date of completion of the Contribution) of the Shares, EBIP options[12] 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)
Ventech SA, represented by Mounia Chaoui-Roulleau	0	0%	0	0%	0	0%	0	0%
Koenraad Debackere	0	0%	0	0%	0	0%	0	0%
Willy Duron	5,000	0.006%	0	0%	0	0%	5,000	0.006%
Eduard Enrico Holdener	0	0%	73,828	0.1%	0	0%	73,828	0.09%
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	0	0%	0	0%	0	0%	0	0%
R&S Consulting BVBA	0	0%	0	0%	0	0%	0	0%
Immocom NV	0	0%	0	0%	0	0%	0	0%
Total	**5,000**	**0.006%**	**73,828**	**0.1%**	**0**	**0%**	**78,828**	**0.1%**

Note

(1) Calculated on the basis of row C of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(2) Calculated on the basis of row F of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(3) Calculated on the basis of row G of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(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 5.7.4.

Executive directors holding Shares, EBIP options on Shares or warrants are included in section 5.7.2 below.

12 For more information on the EBIP options, see section 5.7.4.

5.7.2 Shares and warrants held by executive management

The table below provides an overview (as at the date of completion of the Contribution) of the Shares, EBIP options[13] 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	0.20%	782,771	1.02%	0	0%	933,034	1.19%
Gil Beyen BVBA, represented by Gil Beyen, CBO[5]	264,751	0.35%	0	0%	102,749	5.85%	367,500	0.47%
Other members of the executive management[6]	127,682	0.17%	206,042	0.27%	145,000	8.26%	478,724	0.61%
Total	**542,696**	**0.71%**	**988,813**	**1.29%**	**247,749**	**14.11%**	**1,779,258**	**2.27%**

Notes

(1) Calculated on the basis of row C of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(2) Calculated on the basis of row F of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(3) Calculated on the basis of row G of the overview of issued and outstanding voting financial instruments, as shown in section 4.6.

(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 5.7.4.

(5) 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 (0.29% of the issued and outstanding Shares, calculated on the basis of row C of the overview shown in section 4.6). Therefore Gil Beyen controls through Gil Beyen BVBA and Axxis V&C BVBA in aggregate 488,999 Shares and 102.749 warrants (0.76% of the issued and outstanding voting financial instruments, calculated on the basis of row G of the overview shown in section 4.6).

(6) The other members of the executive management are identified in section 5.4.

13 For more information on the EBIP options, see section 5.7.4.

5.7.3 TiGenix Stock option plan

TiGenix created several warrants within the context of stock option plans for employees, consultants or directors of the Company, as well as to persons who in the scope of their professional activity have made themselves useful to the Company.

For a description of the different stock option plans of TiGenix, see also section 4.5.

5.7.4 Cellerix Equity Based Incentive Plans

5.7.4.1 Summary of the Equity Based Incentive Plans

Prior to the Contribution, Cellerix had created two Equity Based Incentive Plans ("**EBIPs**"). The completion of the Contribution has triggered certain consequences outlined below which affect both EBIPs (section 5.7.4.2). A summary overview of some of the conditions of both EBIPs is given below. Section 9.1.5.20 contains a numerical summary of the options granted and outstanding as of the date of this prospectus.

Cellerix EBIP 2008

An EBIP for the directors, managers and employees of Cellerix was approved at the shareholders' annual general meeting of Cellerix held on November 22, 2007, the conditions of which were definitively approved on May 20, 2008 (the "**EBIP 2008**") and subsequently modified by the shareholders' annual general meeting of Cellerix held on October 15, 2010.

Options under the EBIP 2008 were granted to employees, executives and independent members of the board of directors of Cellerix prior to the Contribution.

Options under the EBIP 2008 were granted to each beneficiary through individual letters. As a result of the Contribution, all EBIP 2008 options have vested except for 32,832 options of employees who terminated their labour relationship with Cellerix before the Contribution and that were not re-allocated.

The exercise prices of the EBIP 2008 are set at €11, €7 and €5.291 depending on the date of grant and beneficiary.

Cellerix granted 453,550 options under the EBIP 2008 of which 420,718 are vested. As a result of the Contribution, beneficiaries must exercise their options before August 6, 2015.

The completion of the Contribution gives the beneficiaries the right to opt between:

(i) Exercising all their options at once receiving Cellerix or TiGenix shares in exchange, at the relevant exercise price. This right has to be exercised within the 60 day-period following the Contribution Date.
In case any of the beneficiaries opts to obtain shares of Cellerix, Cellerix shall need to make a capital increase in favour of the exercising beneficiary with a subscription price equal to the relevant exercise price. Each option shall give the right to each beneficiary to subscribe one Cellerix share per option.

(ii) Receiving new options over existing TiGenix Shares.
As the options keep the same exchange rate of the Contribution (i.e. 2.96 Shares per Cellerix share contributed to TiGenix) Each EBIP 2008 option shall give the EBIP 2008 beneficiaries the right to receive 2.96 Shares at the time of exercise.

In this case, at the time of exercise of any of the new options, the corresponding Shares shall be delivered by the company Cx EBIP Agreement, S.L. which is currently the holder of the Shares to be delivered under both EBIP plans. In the case that any of the EBIP 2008 options is exercised, the beneficiary would have to pay the applicable exercise price (referred to above) to Cx EBIP Agreement, S.L., which in turn would be obliged, under an agreement entered into with Cellerix (the "*EBIP Agreement*", please see below in this section 5.7.4.1), to pass on this exercise price (after deduction of the issuance price of €0.013 per Cellerix share paid by Cx EBIP Agreement, S.L. exchanged for the Shares delivered and any costs associated with the transfers) to Cellerix, and Cx EBIP Agreement, S.L. would have to transfer the corresponding number of TiGenix shares to the beneficiary. Therefore, upon the exercise of an option in this alternative no new Shares would have to be issued and the impact for Cx EBIP Agreement, S.L. would be limited to recovering the price paid upon the subscription of the Cellerix shares (which have been exchanged for TiGenix Shares upon the Contribution) and any associated costs.

In addition, the EBIP 2008 gives the board of directors of Cellerix the possibility to offer to the beneficiaries other exercise options. However, the board of directors of Cellerix has not offered, up to date, any other exercise alternatives to the beneficiaries.

As of the date of publication of this prospectus, all notifications have been served to the beneficiaries so that they can opt between either of the two alternatives.

Cellerix EBIP 2010

An EBIP for senior management of Cellerix was approved at the shareholders' annual general meeting of Cellerix held on October 15, 2010 (the "**EBIP 2010**").

Options under this EBIP 2010 were only granted to senior management of Cellerix. The EBIP provides that the normal exercise price of the options is set at €5.291. However, as a result of the Contribution the exercise price for all EBIP 2010 options has been reduced to €0.013.

Cellerix has granted 221,508 options under the EBIP 2010. As a result of the Contribution, all EBIP 2010 options have vested.

Beneficiaries must exercise their options before September 30, 2016. Pursuant to the terms of the EBIP 2010 the board of directors of Cellerix has opted to exchange all existing options for new options over existing TiGenix Shares. As the options keep the same exchange rate of the Contribution (i.e. 2.96 Shares per Cellerix share contributed to TiGenix) Each EBIP 2010 option shall give the EBIP 2010 beneficiaries the right to receive 2.96 Shares at the time of exercise.

In this case, at the time of exercise of any of the new options, the corresponding Shares shall be delivered by Cx EBIP Agreement, S.L. which is currently the holder of the Shares to be delivered under both EBIP plans. In the case that any of the EBIP 2010 options is exercised, the beneficiary would have to pay the applicable exercise price (referred to above) to Cx EBIP Agreement, S.L., which in turn would be obliged, under an agreement entered into with Cellerix (the "*EBIP Agreement*", please see below in this section 5.7.4.1), to pass on this exercise price (after deduction of the issuance price of €0.013 per Cellerix share paid by Cx EBIP Agreement, S.L. exchanged for the Shares delivered and any costs associated with the transfers) to Cellerix, and Cx EBIP Agreement, S.L. would have to transfer the corresponding number of TiGenix shares to the beneficiary. Therefore, upon the exercise of an option in this alternative no new Shares would have to be issued and the impact for Cx EBIP Agreement, S.L. would be limited to recovering the price paid upon the subscription of the Cellerix shares (which have been exchanged for TiGenix Shares upon the Contribution) and any associated costs.

The board of directors of Cellerix has opted for this alternative by means of a resolution passed on April 14, 2011.

Common characteristics of both Cellerix EBIPs

All options have been granted free of charge.

Both EBIPs provide that any options may be ordinarily exercised after each quarter, half year or year results announcement.

If Cellerix requests the beneficiary to remain an employee for a certain period of time up to a year:

- Under the EBIP 2008, if the beneficiary opts to exercise all the options and leaves Cellerix during said period, Cx EBIP Agreement, SL/Cellerix will have the right to buy the shares at the same price at which they were acquired by the beneficiary. If the beneficiary opts to receive new options over existing TiGenix Shares, the beneficiary will only be permitted to exercise the options that have vested under the regular scheme but not be permitted to exercise his options that benefited from accelerated vesting due to the Contribution.
- Under the EBIP 2010 the board of directors of Cellerix has opted to exchange the existing options over Cellerix shares for new options over existing TiGenix Shares and has decided to request the permanence of the beneficiaries; therefore the beneficiaries will only be permitted to exercise the options after such permanence period has elapsed.

The mechanism serves as retention mechanism to encourage the key team to stay with Cellerix after a corporate transaction, such as the Contribution, has taken place. In this respect the board of directors of Cellerix passed a resolution on April 14, 2011 setting the duration of such permanence period at one year.

Under both EBIPs, the options related prior to the Contribution to existing shares in Cellerix that were held by Cx EBIP Agreement, S.L., a Spanish limited liability company. To this effect:

- in June 2008, Cellerix issued 415,700 new shares to Cx EBIP Agreement, S.L. at an issuance price of €0.013 per Cellerix share;
- in September 2008, Cellerix issued 37.850 new shares to Cx EBIP Agreement, S.L. at an issuance price of €0.013 per Cellerix share;
- in November 2009, Cellerix issued 61,479 new shares to Cx EBIP Agreement, S.L. at an issuance price of €0.013 per Cellerix share;

- in May 2010, Cellerix issued 49,446 new shares to Cx EBIP Agreement, S.L. at an issuance price of €0.013 per Cellerix share;
- in October 2010, Cellerix issued 77,751 new shares to Cx EBIP Agreement, S.L. at an issuance price of €0.013 per Cellerix share.
- All such Cellerix shares have been exchanged for TiGenix shares as set out in section 5.7.4.2 below.
- Cellerix and its shareholders entered into a management agreement with Cx EBIP Agreement, S.L. (the "**EBIP Agreement**") in May 2008. The EBIP Agreement was amended and restated in November 2009 and has been further amended on the Contribution Date simultaneously with the completion of the Contribution to establish the procedure for exercise of the EBIP options as indicated above in this section 5.7.4.1.

5.7.4.2 Impact of the Contribution

In the framework of the Contribution and in accordance with the terms of the EBIP Agreement, Cx EBIP Agreement, S.L. contributed its 642,226 Cellerix shares into TiGenix and received 1,905,144 New Shares in return. Therefore, as a result of the Contribution, Cx EBIP Agreement, S.L. no longer holds Cellerix shares, but holds 1,905,144 Shares instead. Pursuant to the agreements reached in relation to the Contribution, the underlying assets of the options are no longer the Cellerix shares (except for the alternative set out under (i) in the description of the EBIP 2008 in section 5.7.4.1), but the Contribution Shares received by Cx EBIP Agreement, S.L. Therefore, upon the exercise of its options under EBIP 2010 or under the alternative (ii) set out in the description of the EBIP 2008 (see section 5.7.4.1), a beneficiary may be entitled to receive, depending on the form of exercise as detailed above, a number of Shares corresponding to approximately 2.96 Shares per option (rounded down to the nearest integer) under any of the EBIPs.

The Shares held by Cx EBIP Agreement, S.L. under the EBIPs are subject to the Cellerix Shareholders' Lock-up Undertakings, since Cx EBIP Agreement, S.L. agreed to such undertakings. As is set out in section 3.12 "Lock-up and standstill agreements", the beneficiaries of options under the EBIPs can therefore only exercise their options during the restricted period provided that the relevant beneficiary at the time of exercise of its option adheres to the Cellerix Shareholders' Lock-up Undertakings.

5.8 THE STATUTORY AUDITOR

BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/ SCRL, a civil company, having the form of a cooperative company with limited liability (coöperatieve vennootschap met beperkte aansprakelijkheid / société coopérative à responsabilité limitée) organised and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9 – Box E.6, Elsinore Building, 1935 Zaventem, Belgium, represented by Gert Claes, has been re-appointed statutory auditor of the Company on April 20, 2010 for a term of 3 years, ending immediately after the closing of the shareholders' meeting to be held in 2013, that will have deliberated and resolved on the financial statements for the financial year ended on December 31, 2012. The annual remuneration of the statutory auditor for the performance of its three-year mandate for the audit of the Belgian statutory GAAP accounts and the consolidated IFRS accounts of the Company amounts to €83,915 (excluding VAT).

5.9 TRANSACTIONS WITH AFFILIATED COMPANIES

5.9.1 General

Each director and executive manager is encouraged to arrange his personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company. The Company's corporate governance charter contains specific procedures to deal with potential conflicts.

5.9.2 Conflicts of interest of directors

Article 523 of the Companies Code provides for a special procedure within the Board of Directors in the event of a possible conflict of interest of one or more directors with one or more decisions or transactions by the Board of Directors.

In the event of a conflict of interest, the director concerned has to inform his fellow directors of his conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director cannot participate in the deliberation and voting by the board on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements by the conflicted director, and a description by the board of the conflicting interests and the nature of the decision or transaction concerned.

The minutes must also contain a justification by the board for the decision or transaction, and a description of the financial consequences thereof for the Company. The relevant minutes must be included in the (statutory) annual report of the Board of Directors. The conflicted director must also notify the statutory auditor of the conflict. The statutory auditor must describe in his annual (statutory) audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

In case of non-compliance with the foregoing, the Company may request the annulment of the decision or the transactions which have taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions. It also does not apply to transactions or decisions between companies of which one holds (directly or indirectly) at least 95% of the voting financial instruments of the other, and transactions or decisions between companies whereby at least 95% of the voting financial instruments of both companies are (directly or indirectly) held by another company.

Article 524ter of the Companies Code provides for a similar procedure in the event of conflicts of interest of executive committee members. In the event of such conflict, only the Board of Directors will be authorised to take the decision that has led to the conflict of interest. The Company's executive management team does not qualify as an executive committee in the sense of Article 524bis of the Companies Code.

Currently, the directors do not have a conflict of interest within the meaning of Article 523 of the Companies Code that has not been disclosed to the Board of Directors.

5.9.3 Transactions with affiliates

Article 524 of the Companies Code provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It also applies to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company. Prior to any such decision or transaction, the Board of Directors must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Company. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Company that is manifestly illegitimate in view of the Company's policy. If the committee determines that the decision or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Company, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set out in the committee's advice. The Board of Directors must then take a decision, taking into account the opinion of the committee.

Any deviation from the committee's advice must be motivated. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote (as set out in section 5.9.2 above). The committee's advice and the decision of the Board of Directors must be notified to the Company's statutory auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the statutory auditor must be included in the (statutory) annual report of the Board of Directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value of less than 1% of the consolidated net assets of the Company.

Apart from the foregoing procedure, the Company must also report in its annual report substantial restrictions or burdens imposed or maintained by the controlling parent company if any, during the previous financial year.

5.10 RELATIONS WITH SIGNIFICANT SHAREHOLDERS

The Company has entered into a service agreement with its CBO, Gil Beyen BVBA, represented by Gil Beyen. Gil Beyen BVBA holds 264,751 Shares and 102,749 warrants. Furthermore, 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 234,248 Shares. Therefore Gil Beyen, controls, through Gil Beyen BVBA and Axxis V&C BVBA, in aggregate 498,999 Shares and 102.749 warrants.

The Company and the Katholieke Universiteit Leuven entered into (i) an agreement pursuant to which the Katholieke Universiteit Leuven puts premises located in UZ Gasthuisberg to the disposal of the Company and (ii) a number of commercial agreements, including subcontracting agreements, service level agreements, and research agreements. On the basis of the share register, the Katholieke Universiteit Leuven (including its division Universitaire Ziekenhuizen Leuven) holds 117,836 Shares.

The Company and the Universiteit Gent entered into a number of commercial agreements, including service agreements, subcontracting agreements, service level agreements, collaboration agreements, research agreements, and option agreements for technology evaluation. On the basis of the share register, the Universiteit Gent holds 312,703 Shares.

TiGenix B.V. and DSM Nederland B.V., acting through its division Chemelot®, acting on behalf of DSM Research B.V. entered into a lease agreement pursuant to which DSM Nederland B.V. leases premises located in Sittard-Geleen, The Netherlands to TiGenix B.V. DSM Nederland B.V. is the controlling shareholder of Limburg Ventures B.V., which holds, on the basis of the share register, 200,000 Shares.

Within the framework of the capital increase resolved upon by the meeting of the Board of Directors of June 26, 2009 within the framework of the authorised capital, Particon B.V., N.V. Industriebank LIOF, Limburg Ventures B.V. and LRM NV subscribed to a private placement, pursuant to which the Company agreed to set up its new European CEF in Sittard-Geleen in the Netherlands. On the basis of the share register, Particon B.V. and N.V. Industriebank LIOF each own 340,000 Shares, and Limburg Ventures B.V. and LRM NV each own 200,000 Shares.

Within the framework of the acquisition of Orthomimetics Limited (currently named TiGenix Ltd.), the Company and the shareholders of Orthomimetics Limited entered into the agreement relating to the entire issued share capital of Orthomimetics Limited. Pursuant to the agreement the majority of the Orthomimetics shares were contributed to TiGenix against issuance of TiGenix Shares to the shareholders of Orthomimetics Limited, among which, Andrew Lynn, who was appointed as the Company's Chief Business Officer. The remainder of the Orthomimetics shares were sold to TiGenix by the Orthomimetics shareholders, including Andrew Lynn. Pursuant to that sale of Orthomimetics shares under said agreement, Andrew Lynn still has a receivable on the Company of €2,296,367 which will, subject to downward adjustment, be contributed in kind in the Company on March 30, 2012. Andrew Lynn currently owns 286,351 Shares and will be issued a maximum of 536,534 Shares upon the contribution of the receivable. In addition, Andrew Lynn has an employment agreement with TiGenix Ltd.

The Company has no knowledge of any shareholders' agreement that would be effective upon completion of Offering, other than the abovementioned investment and subscription agreement relating to a private placement offered by TiGenix NV between the Company and Particon B.V., N.V. Industriebank LIOF, Limburg Ventures B.V. and LRM NV dated June 19, 2009.

Cellerix has an agreement with Genetrix S.L., an affiliated company of Genetrix Life Sciences A.B., which is renewed on an annual basis by virtue of which Genetrix S.L. provides Cellerix with professional services in the area of public financing and institutional relations.

Cellerix also has an agreement with Cx EBIP Agreement, S.L. in relations to the EBIPs. This is set out in more detail in section 5.7.4 ("Cellerix Equity Based Incentive Plans").

6. Activities of Tigenix and its subsidiaries

Most of the information contained in this chapter is based on the Company's own estimates, believed by the Company to be reasonable. Certain market size data and certain other information contained in this chapter are based on publications by leading organisations and scientific journals. A bibliography of the sources used is attached to this prospectus as "Appendix 4: Bibliography". The information published by such organisations and journals has been accurately reproduced and as far as the Company is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company and the lead managers and their respective advisors have not independently verified this information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market information. As a result, prospective investors should be aware that market share, ranking and other similar data in this prospectus, and estimates and beliefs based on such data, may not be reliable.

Sections 6.1 to 6.13 focus on the activities of TiGenix and its subsidiaries with the exception of Cellerix. Section 6.14 discusses the activities of the recently acquired Cellerix.

6.1 INTRODUCTION

Based in Leuven, Belgium, TiGenix is a biomedical company that focuses on "Regenerating Motion". The Company is listed on Euronext Brussels after a successful IPO in March 2007.

Western societies are characterised by ageing populations that place an increasing emphasis on high quality of life and life-long mobility, and, as such, musculoskeletal problems affecting mobility represent a large and growing unmet medical need. Current therapies do not provide satisfying, long-term durable repair and the Company therefore believes there is a need for more effective, regenerative treatments aimed at the durable restoration of the function of damaged and diseased skeletal tissues. Regenerative Medicine holds the promise to be the next evolution of medical treatments.

TiGenix is exploiting the power of Regenerative Medicine to develop innovative local treatments for damaged and diseased skeletal tissues by building on two core technology platforms: cell-based technologies and advanced biomaterials. The Company now has two products approved for marketing in Europe, and is continuing to broaden its product offering through acquisitions, partnering and internal development.

ChondroCelect, for cartilage regeneration in the knee, is the first cell-based product that successfully completed the entire development track from research, over clinical development to European approval through the centralised procedure. ChondroCelect received Marketing Authorisation ("MA") in October 2009, as the first Advanced Therapy Medicinal Product ("ATMP") under the new regulation for Advanced Therapies and was approved for reimbursement in Belgium in February 2011. While preparing for reimbursement in its other key target markets, the Company is now in the process of launching and marketing ChondroCelect in selected European markets. A commercial core team is in place and initial pre-reimbursement sales have been realised in Germany, Belgium, the United Kingdom and the Netherlands.

Through the acquisition of Orthomimetics (now TiGenix Ltd) in November 2009, TiGenix added a second approved (CE-marked in Europe) product to its pipeline. ChondroMimetic is an off-the-shelf, bi-layer collagen based implant for the treatment of small osteochondral (cartilage and underlying bone) defects based on a biomaterials technology platform developed jointly at the University of Cambridge and the Massachusetts Institute of Technology. The product is marketed as a procedure pack with the collagen implant preloaded in an accurate, easy to use arthroscopic delivery device. The official launch of ChondroMimetic was announced at the 9th World Congress of the International Cartilage Repair Society ("ICRS")

in Barcelona, Spain (September 2010). ChondroMimetic will be commercialised through a combination of the Company's direct core sales team and local distribution partners.

Building on its frontrunner position in Regenerative Medicine, its privileged access to key opinion leaders, and this combined commercial infrastructure, TiGenix aims to develop a specialist regenerative and sports medicine commercial franchise in Europe. Next to the commercial efforts in Europe, the company is engaged in expanding the geographic scope for its lead products through partnering. The focus of the ongoing partnering search is on Eastern Europe, North America and key markets in Asia.

Further leveraging its experience in developing, manufacturing and registering cell-based and biomaterial products, the Company is continuing to advance its product development pipeline in markets with high unmet needs. TiGenix is also progressing the development of its proprietary adult stem cell platform. Previously identified adult stem cell populations have shown promising results in preclinical models for treating meniscal tears and joint surface lesions. In view of anticipated regulatory review, these cell populations have been further characterized and TiGenix is on track preparing a clinical proof of concept study. The company has also started to explore the potential of its stem cell platform in preclinical models of osteoarthritis.

Recently, on the Contribution Date, TiGenix acquired all shares in Cellerix. Further details on the acquisition of Cellerix and its activities are provided in sections 3.1.1, 3.5 and 6.14.

6.2 COMPETITIVE STRENGTHS

The Company believes its competitive strengths are:

- **Positive cash-flows from first two commercial products.** With ChondroCelect and ChondroMimetic, TiGenix benefits from two commercial products approved for marketing in Europe. ChondroCelect was the first cell-based product to receive a positive opinion from the EMA and has recently received reimbursement approval in Belgium for a period of three years under a convention (Article 81) with the National Institute for Health and Disease Insurance (NIHDI). While preparing for reimbursement in its other key target markets, TiGenix gradually started with the "pre-reimbursement" commercial roll out of ChondroCelect through a number of key reference centres. For ChondroMimetic, first distribution agreements are in place,
- **Commercial core team in place. Recognizing the importance of direct contact with the first prescribers of its innovative regulatory approved product**, TiGenix has set up a high-level commercial core team consisting of experienced people with medical, scientific and commercial backgrounds, and with experience in pharmaceutical products as well as medical devices.
- **Demonstrated regulatory expertise and development experience in Regenerative Medicine and cell-based products.** Starting from a strong scientific base, and building on state of the art clinical validation processes, TiGenix has demonstrated its ability to bring a novel cell-based product 'from Bench to Bedside'. ChondroCelect, is the first cell-based product that applied for central regulatory approval in Europe as a medicinal product and the first approved ATMP in Europe. This experience and expertise is enhanced by the acquisition of Cellerix, whose industrial cell manufacturing facility was the first European GMP facility to gain authorization for commercial manufacturing of stem cell-based therapeutics. Furthermore, Cellerix' expanded adipose derived stem cell ("eASC") platform has preclinical and CMC packages agreed with the EMA, allowing an accelerated route to clinical trials. The regulatory and development expertise also includes device products, building upon the experience of TiGenix Limited (formerly named Orthomimetics Limited) and their track record in obtaining CE-mark approval for their lead product ChondroMimetic.

- **Clinical stage pipeline.** TiGenix' lead clinical development stage product, Cx601, successfully completed Phase II clinical trials in 2010 and received positive scientific advice from EMA in March 2011. Cx611 has recently commenced Phase I/II clinical trials and is targeting Rheumatoid Arthritis (RA), with the potential to become a product offering a substantial revenue stream to the Group in the mid-term.
- **Two allogeneic adult stem cell platforms forming the basis of an R&D engine.** The acquisition of Cellerix provides TiGenix with a second adult stem cell platform, which the Company can utilize to target a broader range of therapeutic indications. Cellerix' allogeneic expanded adipose derived stem cells ("eASCs") platform has been extensively characterized in line with EMA requirements and benefits from exhaustive preclinical and CMC packages that have been discussed with EMA in various occasions. The immunomodulatory properties of these cells offer potential novel treatments for autoimmune and inflammatory diseases and promising preclinical results have been achieved. This complements TiGenix' existing proprietary stem cell platform which exploits the Company's in-depth know-how of the biology of the joint, its tissues and stable cartilage.
- **Key opinion leader support.** The evidence-based approach TiGenix has followed throughout the development of its lead products has been appreciated by leading orthopaedic surgeons. The composition of the Company's scientific and clinical advisory board is a reflection hereof.
- **A clear focus on major unmet medical needs.** TiGenix has a clear and singular focus on Regenerative Medicine and cell therapy approaches to treat major unmet medical needs within joint disorders and autoimmune and inflammatory diseases, which include some of the largest and fastest growing disease areas in Western societies as well as debilitating conditions with well defined patient populations.
- **In-house industrial cell manufacturing capability.** Since its inception, the Company has focused on manufacturing excellence. The in-house competence, the approved GMP licence and GMP accredited facilities in Spain are key assets to further develop its leadership position in the field of Regenerative Medicine and cell therapy.
- **Solid intellectual property and commercial protection.** TiGenix has built a strong intellectual property portfolio consisting of patents and trade secrets surrounding the Company's genetic markers, cell culture methods, stem cell technologies and platforms, biomaterials and medical devices. The Company's core patents have been granted in Europe and the US while several others are pending. The Company's lead clinical stage program, Cx601, has been granted orphan drug designation by the EMA, which confers up to 10 years' marketing exclusivity from the date of the product's launch as well as other significant benefits.
- **Experienced management team.** TiGenix' management team contains a strong mix of highly experienced professionals with a track record in the biomedical and pharmaceutical fields. The team has shown its ability to deliver by bringing the Company's lead products to the market as well as gaining GMP certification for commercial manufacture of cell-based therapies, and in doing so has built up a unique expertise in the field of Regenerative Medicine and cell therapy.
- **Strong balance sheet.** As a result of the Contribution and assuming that the Offering will be fully subscribed to, TiGenix will have approximately €33 million in cash and equivalents and short term investments on completion of the Offering, which will support commercialisation of the Company's regulatory approved products and development of clinical and preclinical stage products.

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on the competitive strengths of Cellerix are provided in section 6.14.2.

6.3 HISTORY AND DEVELOPMENT OF THE COMPANY

6.3.1 Incorporation and funding history

Based in Leuven, Belgium, TiGenix was founded in 2000 by Prof. Dr. Frank P. Luyten, rheumatologist and renowned scientist, and Gil Beyen[14], bioengineer and MBA, and CEO of the Company. The Company was built on cell-based technologies developed at the universities of Leuven and Ghent, and its scientific background lies in its expertise in the developmental biology of cartilage, bone and other musculoskeletal tissues. With the acquisition of Orthomimetics in November 2009, an innovative, collagen-based biomaterials platform, that emerged from a collaboration between University of Cambridge and the Massachusetts Institute of Technology (the Cambridge-MIT Institute), was added.

Since its incorporation, the Company raised approximately €89.7 million in equity financing. In the first years the Company raised approximately €1 million in seed financing. In September 2003, the Company closed a second financing round of €12 million. During this round, four institutional venture capital (VC) companies invested in TiGenix' (ING België NV, Auriga Ventures II FCPR, Fagus NV and Capricorn Venture Fund II NV). In November 2005, TiGenix completed a third financing round of €16 million, with both existing and new investors. In this round, international investors from the U.S. (HSS Ventures Inc.) and Japan (ITX Corporation) were among the new investors. In March 2007, the Company listed on Euronext Brussels through an IPO, raising a total of €46 million. In June 2009, the Company raised another €5.4 million through a private placement to secure the financing of its additional production facility. On December 4, 2009, another financing round of €7.7 million was completed. The Company also raised approximately €1.6 million through exercises of warrants between 2005 and 2010. In addition to the equity financing described above, contributions in kind were performed on November 30, 2009 and November 9, 2010 in the framework of the acquisition of Orthomimetics Ltd., further details of which are provided below. Another contribution in kind took place on the Contribution Date in the form of the contribution in the Company of all shares in Cellerix S.A., further details of which are provided in sections 3.1.1, 3.5 and 3.9.1.

Other sources of funding include the grants for a total amount of €5 million (see also sections 6.12), as well as income from licenses and research collaborations for a total amount of €0.9 million.

6.3.2 Acquisition and integration of Orthomimetics Ltd

November 30, 2009, TiGenix and the shareholders of Orthomimetics Limited entered into the agreement relating to the acquisition of the entire issued share capital of Orthomimetics Limited, pursuant to which the Company agreed to acquire all 3,286,438 shares in Orthomimetics Limited for a total value of €16,262,338.

This share-based transaction was structured in two steps: (i) the contribution of 2,605,752 shares in Orthomimetics Limited, valued at €12,885,331 in TiGenix in exchange for the Shares at an issuance price of €4.28 per Contribution Share and (ii) the purchase of 680,686 shares in Orthomimetics Limited, valued at €3,377,007. The payment of the purchase price for these 680,686 shares in Orthomimetics Limited was deferred, as a result of which the shareholders involved had a receivable on TiGenix of €3,377,007, of which:

- €1,080,642 has been contributed in kind in TiGenix on November 9, 2010 in exchange for 251,486 new shares in TiGenix at an issuance price of €4.28 per new share;
- €2,296,365 will be contributed in kind on March 30, 2012 in exchange for new TiGenix shares at the same issuance price.

Orthomimetics Limited emerged from a collaboration between University of Cambridge and the Massachusetts Institute of Technology (the Cambridge-MIT Institute, also CMI) and was developed during a four-year (2002-2006) product and preclinical development program, supported by £ 2.0 million of funding from CMI. Following its inception in 2006, Orthomimetics raised £5.6 million in equity and £2.3 million in non-dilutive grant funding.

Following the acquisition by TiGenix, Orthomimetics was renamed TiGenix Limited. The team and facilities were integrated into the TiGenix organisation.

14 Through his company Axxis V&C BVBA. Gil Beyen also controls Gil Beyen BVBA, the current Chief Business Officer of the Company.

6.3.3 Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on the history and development of Cellerix are provided in section 6.14.3.

An overview of key milestones and achievements since the Company's incorporation is presented below in chronological order.

Year	Key milestones & achievements
2000	Incorporation of TiGenix
2001	TiGenix Cell Expansion Facility (CEF) operational
2002	Start of randomised, prospective, controlled Phase III clinical trial for ChondroCelect
2003	Closing of a second financing round (€12 million)
2004	Completion of patient enrolment of the ChondroCelect Phase III clinical trial Core patents granted in Europe
2005	GMP approval of TiGenix CEF to manufacture ChondroCelect for clinical investigation Investigational New Drug (IND) application submitted to the FDA for the ChondroCelect trial Closing of a third financing round (€16 million)
2006	Incorporation of TiGenix Inc Patent application filed on improved cell culture methods
2007	Positive Phase III clinical data for ChondroCelect presented Strategic collaboration signed with FAB Closing of a fourth financing round (€46 million) – IPO Acquisition of a U.S. CEF
2008	Grant from the European Union (FP7 Treat-OA: €1.2 million) Grant from the IWT (stem cells and meniscus: €1.8 million)
2009	Securing of the location of a second cell manufacturing facility Closing of a financing round (€5.4 million) Positive opinion from CAT and the CHMP on the European MAA for ChondroCelect European Marketing Authorisation granted by the European Commission Acquisition of Orthomimetics Limited Closing of a financing round (€7.7 million)
2010	Commercial launch of ChondroCelect Publication of positive 5-year follow-up data for ChondroCelect Spin-out of drug discovery platform into Arcarios B.V. US patent for ChondroMimetic granted UK grants awarded for biomaterials platform (GBP 0.8 million) Commercial launch of ChondroMimetic Withdrawal by TiGenix Inc. from TC CEF LLC
2011	Reimbursement for ChondroCelect granted in Belgium Acquisition of Cellerix

6.4 MARKET OPPORTUNITY

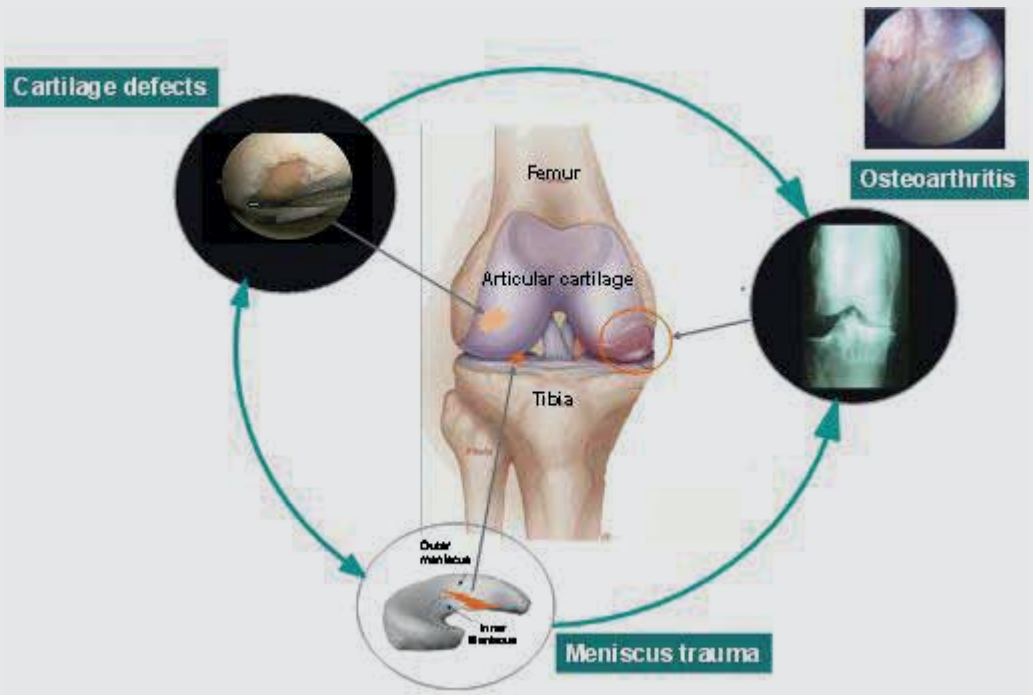
Musculoskeletal conditions are a major burden on individuals, health systems and social care systems. They are the most common cause of severe long-term pain and physical disability, and they affect hundreds of millions of people all around the world[15]. The overall prevalence of musculoskeletal conditions in the Western adult population is estimated to be above 25%[16], with OA and soft tissue disorders (which include cartilage and meniscal damage) representing the most common musculoskeletal afflictions.

For most of these indications, current therapies do not provide satisfying, long-term durable repair. There is a need for more effective treatments aimed at the durable restoration of the function of damaged and diseased skeletal tissues.

Regenerative Medicine holds the promise to be the next evolution of medical treatments, and the area of skeletal tissue repair is expected to be prime candidate for commercial success in this field.

TiGenix focuses on the development of innovative solutions for some of the most debilitating conditions in these indications, represented in the diagram below (Figure 6.1). Other, related musculoskeletal tissues such as bone, ligaments and tendon also represent large unmet medical needs and are potential areas for broadening TiGenix' product scope.

Fig. 6.1: Focus of TiGenix development activities



15 Bulletin of the WHO, September 2003, Woolf et al.

16 The Mapping Study, November 2005, Salaffi et al.

Full thickness articular cartilage defects

Articular cartilage is a tough, elastic tissue that covers the ends of bones in joints and enables the bones to move smoothly over one another. When articular cartilage is damaged through injury, it does not heal as rapidly or effectively as other tissues in the body. Instead, the damage tends to spread, resulting in pain and reduced mobility. Such symptoms can severely hinder a person's normal activities and occupation.

As the natural healing capacity of damaged articular cartilage is limited, large full thickness cartilage injuries represent a prime opportunity for the application of Regenerative Medicine. When left untreated, cartilage injuries predispose the sufferer to OA, which is a major cause of disability and represents a significant socio-economic burden to society. Today, there is a belief amongst many medical professionals that repairing cartilage defects at an early stage can slow down or even prevent progression to OA.

Various surgical procedures are currently available for the local treatment of cartilage defects in the knee, including debridement and lavage, microfracture and osteochondral grafting (also called mosaicplasty). However, none of these surgical treatments have been unequivocally proven to create functional and durable repair of cartilage in prospective, randomised clinical trials.

The table below gives an overview of the most common surgical procedures used today, with a brief description of their main characteristics.

Surgical procedure	Description	Main Characteristics	Frequency of Use
Debridement and lavage	Shaving of the edges, debridement of loose cartilage and lavage to remove loose tissue debris.	Easy, arthroscopic procedure, but no repair tissue formed.	Most frequently used procedure for cartilage damage. Current use in the US is estimated at 550,000 cases/year
Microfracture	Perforation of the subchondral bone plate to create a blood clot which, mixed with bone marrow stem cells, tends to form a scar-like fibro-cartilaginous repair tissue.	Easy arthroscopic procedure, but the repair tissue often is scar-like repair tissue, which, has not been associated with successful long-term clinical outcomes.	Microfracture is considered today the standard of care for smaller cartilage defects up to 2-3 cm^2. Current use (including abrasion arthroplasties) in the U.S. is estimated at ca. 75,000 cases/year
Osteochondral grafting (mosaicplasty)	Osteochondral grafting is a technique in which one or more plugs of cartilage and bone are harvested from a lesser weight-bearing area in the joint and subsequently transplanted into the defect.	Implants tend to give immediate mechanical support. Harvest site co-morbidity is, however, very large and chances of failure are high.	The use of osteochondral grafting is limited and decreasing. Current use in the U.S. is estimated to be below 5,000 cases/year
Autologous ChondroCyte Implantation (ACI)	Implantation is a technique designed to repair articular cartilage by implanting the patient's own expanded cartilage cells.	First a small cartilage biopsy is taken arthroscopically from a non-weight bearing area of the joint. The cells are subsequently expanded in a specialised cell culture facility and sent back to the surgeon for re-implantation in the patient. In conventional ACI, the cells are implanted underneath a periosteal flap, which has been harvested from the patient's tibia and sewn onto the cartilage defect. Newer techniques use a biodegradable membrane or a matrix in which the cells are seeded.	Autologous ChondroCyte Implantation has been first used in the mid '80s. Most treatment algorithms recommend the use of ACI in full thickness cartilage lesions larger than 2-3 cm^2. Current use in the US is estimated to be around 1,500 patients per year.

While debridement and lavage is the most frequently used procedure, microfracture appears to be the currently accepted standard of care for small-sized cartilage defects. However, it is recognised that microfracture often leads to scar-like repair tissue, which, unlike stable hyaline-like cartilage, has not been associated with long-term durable outcomes. Various investigators have communicated a reducing clinical benefit from microfracture after 2 to 3 years[17]. Recent clinical experience has also identified issues in the subchondral bone related to a moving up of the bone front after microfracture. This could eventually compromise subsequent cartilage repair procedures such as autologous chondrocyte implantation[18].

Autologous Chondrocyte Implantation ("ACI") is a technique designed to repair articular cartilage by implanting the patient's own expanded cartilage cells, and was developed in order to address the limitations of the surgical procedures described above. ACI was invented in the early 1980s by researchers at the Hospital for Joint Diseases in New York and was subsequently improved at the University of Göteborg in Sweden[19]. Figure 6.2 gives an overview of the ACI procedure. When a patient is diagnosed with a symptomatic cartilage defect eligible for ACI treatment, a small cartilage biopsy is taken arthroscopically from a healthy, non-weight bearing area of the joint. The cells are subsequently transported to a cell expansion laboratory and, after approximately 4-5 weeks of cell culture, the expanded cells are sent back to the surgeon for re-implantation in the patient. In conventional ACI, the cells are implanted underneath a periosteal flap, which has been harvested from the patient's tibia and sewn onto the cartilage defect. Newer techniques use a biodegradable membrane or a matrix in which the cells are seeded.

Although over 20,000 patients have been treated using ACI since the 1980s, only a fraction of patients suffering from cartilage defects are currently treated in this way. The Company believes that the limited market share of ACI procedures is attributable to several factors, most notably the lack of proof with regard to the reproducibility of formation of stable articular cartilage, the lack of clinical validation and the relatively complex surgical procedure associated with the implantation of the cells.

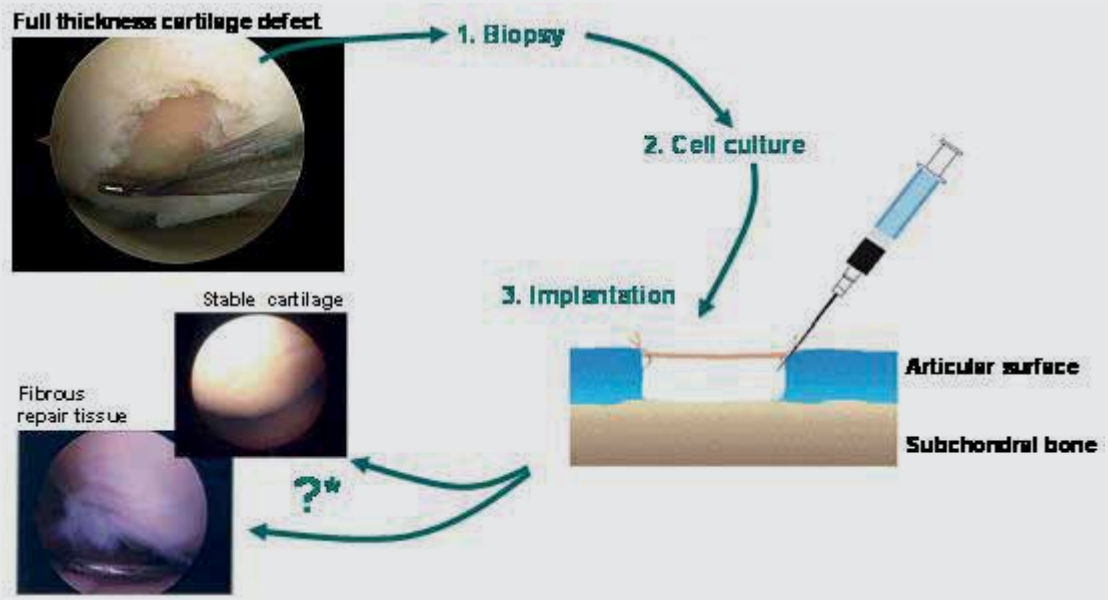
The ChondroCelect development programme has focused on providing solutions for these hurdles and thus aims to exploit the potential of the ACI market. ChondroCelect is a characterised cell-based medicinal product, used in an ACI procedure, in which the cell culture methods have been focused to maintain the phenotypical stability of the cells in view of favouring the formation of stable hyaline-like articular cartilage. The product has been validated in a prospective, controlled randomised clinical trial and can be used in combination with an easy-to-use collagen membrane.

17 Mithoefer et al., *Am J Sports Med 2009.*

18 Minas et al., *Am J Sports Med 2009.*

19 Grande et al. J Orthoped Res 1989; Brittberg et al. NEJM 1994.

Fig. 6.2: Autologous Chondrocyte Implantation



The question mark indicates an important unknown in the ACI procedure: will the cells, after expansion be able to make stable cartilage or will they form a scar-like fibrous or fibrocartilaginous tissue?

Osteochondral lesions

A special part of the full thickness lesions of the cartilage concerns the small deeper lesions, the so-called osteochondral lesions. For this indication, the Company has developed ChondroMimetic, which is an off-the-shelf, bi-layer collagen based implant for the treatment of small osteochondral (cartilage and underlying bone) defects. The concept is derived from the osteochondral grafting procedure, but avoids the need of harvesting patient own plugs and the associated co-morbidity.

Market opportunity of full thickness and cartilage and small osteochondral lesions

Worldwide about 3 million cartilage defects are diagnosed every year in the knee alone[20]. Although not all of these defects can or should be treated with cartilage implantation techniques, the proportion of full-thickness defects (ICRS[21] Grade 3 and 4), eligible for treatment represents a large and predominantly underserved market opportunity.

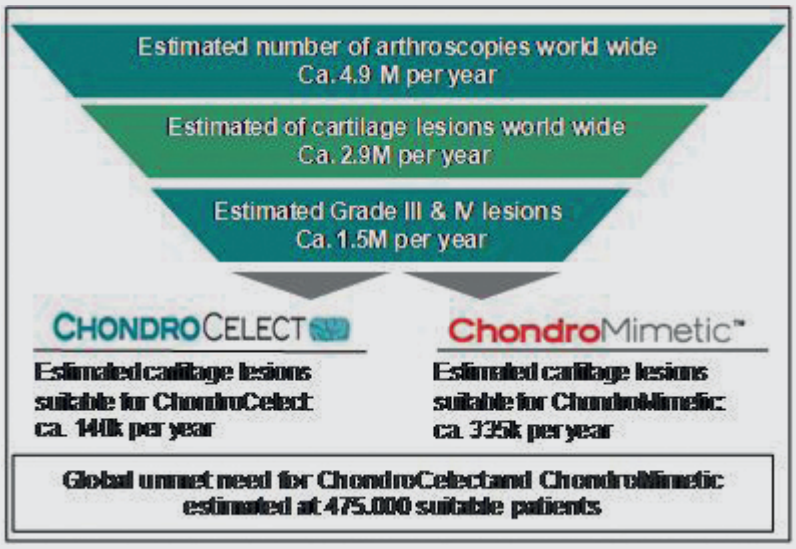
TiGenix estimates the worldwide incidence of large (>2cm^2) full thickness cartilage defects on the femoral condyle of the knee (ICRS Grade 3 and 4) in the adult population below 50 years old, the target indication of the ChondroCelect product, to be over 140,000 cases per year worldwide.

The worldwide incidence of smaller (<2cm^2) full-thickness defects suitable for treatment with ChondroMimetic is estimated at about 335.000 patients per year. Figure 6.3 gives an overview of the estimated global market opportunity for ChondroCelect and ChondroMimetic.

20 2005 Healthpoint Capital Orthopedic Market Report; Millennium Research Group, 2008; MARKETSTRAT® INC. 2008; Curl et al. 1997; Aroen et al. 2004; K. Hjelle et al. 2002; Widuchowski et al. 2008; and TiGenix estimates.

21 International Cartilage Repair Society

Fig. 6.3: Global Market Opportunity



Meniscus damage

The meniscus is a semi-lunar shaped fibro-cartilaginous tissue located in the knee and plays a critical role in shock absorption, load distribution, lubrication and stability. Meniscus defects are among the most frequently encountered injuries in orthopaedic practice. Each year, more than 2 million surgical interventions are performed on meniscal tears in Europe and the U.S.

Meniscus defects can occur at all ages, in young patient as a result of sports or work related trauma or in later age resulting from even trivial injuries (worn-out meniscus)[22]. The internal section of the meniscus located inside the joint area is avascular and lesions in this region have a very limited capacity for healing leading thereby to persisting symptoms and further degeneration of the meniscus. The current therapeutic strategy for such meniscus tears is essentially partial or total meniscectomy, depending on the dimensions of the tear. Although offering an excellent short-term reduction and elimination of clinical symptoms, total meniscectomy inevitably leads to an increased local and focal pressure in the joint (up to 3 fold normal), resulting in damage of the articular cartilage, degeneration of the joint and ultimately to the development of osteoarthritis[23]. The present clinical goal therefore is to preserve as much of the meniscus as possible and only remove damaged sections by arthroscopy. While this results in an improvement over full resection of the meniscus, long-term load bearing and load distribution capacity remains compromised and stresses on the local articular cartilage continue to increase. This still leads to a high incidence of arthritic changes, a high rate of re-operation and a relatively low functional outcome score.[24] Alternative treatment options include suturing or replacement of the tissue, frequently using biodegradable devices or complete artificial substitutes, and allograft transplantation. However, these approaches relieve the symptoms but do not provide a cure. As such failure rates are high[25, 26].

The challenge for the industry is to develop therapies that can result in long-term, durable repair, regeneration and replacement of damaged or degenerated menisci with a full restoration of the biological and mechanical functions of the tissue, to prevent further degeneration of the joint, and to halt the onset and progression of OA. Based on its extensive knowledge and expertise in joint and cartilage biology, TiGenix believes that cell-based tissue engineering may offer attractive treatment options for the repair and regeneration of meniscus lesions or for the complete replacement of a degenerated (part of the) meniscus with a tissue engineered construct.

22 Extrapolated number for the US and EU in 2004. Souces:RIZIV (Belgium), Prismant (The Netherlands) & American Academy of Orthopedic Surgeons Research Department.

23 Englund M., Meniscal tear--a feature of osteoarthritis, Acta Orthop Scand Suppl. 2004 Apr;75(312):1-45.

24 Hoser C, Fink C, Brown C, Reichkendler M, Hackl W, Bartlett J., Long-term results of arthroscopic partial lateral meniscectomy in knees without associated damage, J Bone Joint Surg Br. 2001 May;83(4):513-6.

25 Noyes FR, Barber-Westin SD., Arthroscopic repair of meniscal tears extending into the avascular zone in patients younger than twenty years of age, Am J Sports Med. 2002 Jul-Aug;30(4):589-600.

26 Frosch KH, Fuchs M, Losch A, Stürmer KM., Repair of meniscal tears with the absorbable Clearfix screw: results after 1-3 years, Arch Orthop Trauma Surg. 2005 Nov;125(9):585-91.

Preclinical work in a meniscus repair model has demonstrated the biological activity of the MSC product and thereby illustrated the feasibility of the selected approach and confirmed that transplanted cells are integrating into the native tissue proving the biological principles to be translatable to the orthotopic situation and indicated the safety of an allogeneic approach. Currently, the Company is further optimizing its pre-clinical models to obtain confirmatory safety and proof of principle that is required to initiate clinical trials.

Osteoarthritis ("OA")

OA, also known as degenerative joint disease, is a very common disease that is associated with the loss of the ability of joint tissue to repair and maintain itself. OA particularly affects tissues such as articular cartilage and underlying bone, and progression of the disease is the result of several biomechanical, biological and genetic factors. OA is one of the major causes of pain in Western populations and in the US is second only to ischemic heart disease as a cause of disability[27]. About 6% of adults over age 30 and 12% of adults over age 55 have radiographic evidence of OA and complain of frequent joint pain and loss of function. Another 6% of adults over age 30 and 12% of adults over age 55 do not show radiographic evidence of OA although they complain often of joint loss and pain indicating an initial phase of (mild) OA[28]. The World Health Organization (WHO) estimates that, worldwide, 9.6% of men and 18% of women aged over 60 years have symptomatic osteoarthritis[29]. All together, the total number of people affected by OA in Japan, the US and major markets in Europe (France, Germany, Italy, Spain and the UK), is estimated to extend 80 million of which 45 million are diagnosed and due to the increasing activity of both the elderly and the younger population, the disease is growing steadily.

Moreover, as well as having an impact on the individual, it impacts heavily on the economy. It has been estimated that osteoarthritis costs the US economy $60 billion a year[30]. In 2005, hospitalisations for musculoskeletal procedures in the US cost a total amount of $31.5 billion, accounting for more than 10% of all hospital care[31]. These numbers do not include the high indirect costs (e.g. loss of wages and productivity) beside the direct medical costs.

Looking at the current treatment options for OA, it is clear that most treatments today are symptomatic and palliative with an emphasis on control of joint pain and maintenance of function, including rectification of mechanical malalignment and addressing other manifestations of joint instability. The non-pharmacological interventions are mostly preferred as a first line option as toxicity and adverse event profiles of the most commonly used current pharmacological treatments (e.g. NSAIDS or COX2 inhibitors) are unfavourable. This poses a huge unmet medical need and opportunity for development of novel approaches and medicines to treat OA, especially for disease modifying therapies that can halt and/or reverse the onset and delay the progression of the disease. As stated above, the incidence of OA is high and the market opportunity and potential is enormous. Even when only focusing on mild and moderate OA in patients of 60 years or younger where a therapeutic intervention will have the best impact, the potential is still several million patients a year in the most important European, US and Japanese markets. This, combined with the current lack of an efficient disease-modifying therapy and the possible need for a repeated therapeutic intervention, makes OA an attractive indication for a sustainable growth scenario for TiGenix.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on the market opportunity of Cellerix are provided in section 6.14.4.

27 Arden, N. & Nevitt, M. C., Best Pract Res Clin Rheumatol, 20(1) 3-25, 2006

28 Datamonitor, 2009

29 2003, www.who.int/bulletin

30 Buckwalter, J. A., Saltzman, C., & Brown, T., Clin. Orthop. Relat. Res (427) Suppl, S6-15, 2004

31 Gabriel, S. E. & Michaud, K., Arthritis Res. Ther, 11(3), p.229, 2009

6.5 MARKETED PRODUCTS AND COMMERCIAL STRATEGY

6.5.1 ChondroCelect

Product and technology

ChondroCelect is a cell-based medicinal product for use in ACI treatment. ChondroCelect is a suspension of approximately 10,000 cartilage cells per microliter of medium for autologous use. The cells have been obtained by ex vivo expansion of chondrocytes isolated from a biopsy of the articular cartilage from the patient's knee.

Treatment with ChondroCelect comprises a two-step surgical procedure. In the first step, a cartilage biopsy is obtained arthroscopically from healthy articular cartilage from a lesser weight bearing area of the patient's knee. Chondrocytes are isolated from the biopsy by enzymatic digestion, expanded in vitro, characterised and delivered as a suspension for implantation in the same patient. With the introduction of a cryopreservation holding step to the process, the implantation can be planned in a standard and fixed manner from the day the tissue biopsy is taken, without dependency on the biological growth speed of the cells in the manufacturing process. ChondroCelect can be delivered as from 9 weeks from the day of biopsy. The manufacturing process is performed under strict GMP conditions.

During the second step of the procedure, the expanded chondrocyte suspension is implanted in an open-knee surgery. The implantation is done underneath a membrane after sealing of the defect with a collagen membrane (previously performed by using a periosteal flap harvested from the patient's tibia). Figure 6.4 gives a schematic presentation of the ChondroCelect process.

Fig. 6.4: ChondroCelect process overview

ChondroCelect is indicated for the repair of single symptomatic cartilage defects of the femoral condyle of the knee (International Cartilage Repair Society ("ICRS") grade III or IV) in adults.

The product is registered as the first Advanced Therapy Medicinal Product ("ATMP") in the European Economic Area ("EEA"). The marketing authorisation was granted by the European Commission on October 5, 2009 under number EU/1/09/563/001. The introduction of a cryopreservation holding step to the process was approved on March 2, 2011.

Through its partnership with Geistlich (Switzerland), a leading supplier in medical grade collagen-based biomaterials, TiGenix has secured the possibility for the surgeon to seal the cartilage defect with a CE marked collagen membrane. This removes the need for the harvesting of a periosteal flap and has demonstrated to lead to better clinical results by reducing the risk for hypertrophy. The membrane has allowed further improvement of the surgical techniques and increased the ease of use to levels comparable to so-called 3D products that are currently in development, while maintaining optimal conditions for integration of the implant in surrounding tissues[32].
This advancement significantly improves the competitive advantage of ChondroCelect and makes the development of TiGenix' 3D product candidate obsolete.

32 Steinwachs M., Arthroscopy, 2009; 25: 208-11; Niemeyer P and Steinwachs M., Arthroscopy, 2010

The Company is also ensuring high quality of the treatment with the product and the associated procedures by an extensive training program for the health care providers. This includes training on the best conditions for obtaining the patient's biopsy, for the implantation procedure, and for the patient's rehabilitation following the re-implantation of the cells. As part of the biopsy procedure standardization, the Company uses a CE marked biopsy tool (the ChondroCelect Harvester) that was developed in cooperation with MedInvents (Belgium).

Indication and target market

According to current medical practice, ICRS Grade 3-4 full-thickness cartilage defects (lesions in which underlying bone is exposed) above 2-3 cm^2 are indicated for treatment with ACI. No accurate market data are available for this specific indication. Based on an analysis of the number of arthroscopies and the incidence of different types of cartilage defects and patient demographics[33], TiGenix estimates the incidence of grade 3-4 cartilage defects to be over 1.5 million cases worldwide.

Focussing on the target population with the highest expected benefit, *i.e.* patients with an early onset of symptoms (< 3 years), a lesion size of more than 2 cm2, a lesion located on the femoral condyle and patients aging between 18 and 50 years, the total number of eligible patients is estimated to be approximately 140,000 worldwide. More than half of these eligible patients are believed to be located in the EU and the US. This relative higher amount of eligible patients as compared to the rest of the world is a result of the proportionally higher amount of diagnostic arthroscopies that is performed in the EU and the US. The markets in other areas such as Japan, Australia, India and China also offer significant potential and could be addressed now that the EMA regulatory approval has been obtained.

Clinical validation

The efficacy of ChondroCelect was studied in a Phase III, multicenter, prospective, randomized controlled trial, the TIGACT01-study. ChondroCelect was compared to microfracture in the repair of single symptomatic cartilage lesions between 1 and 5 cm^2 on the femoral condyles of the knee in patients aged 18 to 50 years.

Fifty-one patients were treated with ChondroCelect and 61 patients with microfracture. Patients could be treatment-naïve or might have undergone previous arthroscopic or other surgical repair procedure(s). The median time since onset of symptoms was slightly longer in the ChondroCelect group than in the microfracture group (2.0 years vs. 1.6 years).

The primary analysis of the data, at 18 months post treatment, demonstrated that the primary objective of the TIGACT01 trial was met:

- at 1 year following treatment, ChondroCelect formed regenerated tissue that was superior to the repair tissue formed following microfracture as determined by histological analysis of biopsies taken 12 months after treatment. The repair tissue formed by patients treated with ChondroCelect was found to be less fibrous and to display features indicative of more durable hyaline-like cartilage;
- at 6, 12 and 18 months clinical outcome was similar for both treatment groups with a slight advantage in improvement from baseline witnessed in patients treated using ChondroCelect.

The later analysis of the longer-term data (up to 36 months) demonstrated a continuous improvement in both treatment arms and a larger overall clinical benefit for the ChondroCelect (CCI) group versus the microfracture group.

The short-term results of the pivotal study were published in the American Journal of Sports Medicine[34], a leading peer reviewed orthopaedic journal. This publication was honoured with the prestigious Hughston Award in July 2009, an award that is given by the American Orthopedic Society for Sports Medicine (AOSSM) to the most outstanding paper of the year published in the American Journal of Sports Medicine. The winning paper was chosen by a panel of AJSM editors and reviewers. The 36 months data were published in the November 2009 issue of the American Journal of Sports Medicine[35].

33 Curl et al., Arthroscopy 1997; Hjelle et al., Arthroscopy 2002; Åroen et al., Am J Sports Med 2004; Widuchowski et al., Knee 2007; Millennium Research Group, 2008; Marketstrat® Inc., 2008A. Åroen et al, Am J Sports Med, Vol 32, N0 1, 2004: 211-215.

34 Saris, Vanlauwe et al., *Am J Sports Med.*, Feb 2008;36(2):235-46.

35 Saris, Vanlauwe et al., *Am J Sports Med.*, Nov 2009;37 Suppl 1:10S-19S.

In June 2010, TiGenix presented the results of the follow-up until 5 years post-surgery. The results confirm the durability of the therapeutic effect of ChondroCelect and demonstrate the importance of early intervention. Early treatment with ChondroCelect resulted in a superior clinical benefit over microfracture and a lower failure rate. Conversely, patients who had experienced symptoms for five years or more prior to treatment did not derive substantial long-term benefit from either treatment.

The pivotal TIGACT01 trial data have been complemented by supplementary information from an open label trial and other clinical programmes:

- an open label trial for the treatment of complex cases at the Belgian military hospital;
- an expanded access programme for the treatment of complex and salvage cases at three hospitals in Belgium;
- a compassionate use (named patient) programme in Belgium, the Netherlands, Germany and the UK.

In total, circa 550 patients have been treated with ChondroCelect to date.

No unexpected safety issues were observed and both treatment groups had a comparable safety profile. ChondroCelect resulted in more cartilage hypertrophy (using periost), joint crepitation & joint swelling (post operative) as compared to the reference treatment microfracture.

Regulatory situation

TiGenix is the first company that succeeded in obtaining central regulatory approval for a cell-based medicinal product in Europe, and ChondroCelect is the first and currently only approved product under the new ATMP regulatory framework for innovative cell-based, tissue-engineered, and gene therapy medicines. As part of the conditions associated with the marketing authorisation of this first ATMP, TiGenix will ensure follow-up of the efficacy and safety of the ChondroCelect product in post-approval studies, as described in an approved risk management plan. In this context, a confirmatory prospective, multi-center, randomized controlled trial of ChondroCelect versus microfracture for the repair of single cartilage lesions in the femoral condyle of the knee has been requested by the EMA. The objective of this post-approval commitment is to compare the efficacy and safety of ChondroCelect versus microfracture in lesions 1-≤4 cm^2 and to assess efficacy and safety of ChondroCelect in lesions >4 cm^2. ChondroCelect will be compared to microfracture in a patient population with early onset (≤3 years), and single, symptomatic, ICRS grade III-IV cartilage lesions of 1-≤4 cm^2 diameter in the femoral condyle of the knee. The use of ChondroCelect will also be assessed in patients with early onset (≤3 years), single, symptomatic, ICRS grade III-IV cartilage lesions of >4 cm^2 diameter in the femoral condyle of the knee. In agreement with the EMA, this post-approval study is expected to start in the first half of 2013.

In the US, the Company filed an IND application for ChondroCelect in 2005, allowing it to discuss the ChondroCelect development with the FDA (CBER) in view of submitting a BLA. On March 15, 2010, TiGenix was informed by the FDA that a new confirmatory study would be required before the filing of a BLA. In view of the additional investment associated with a new clinical trial in the US, TiGenix decided to pursue corporate partnering opportunities for the further development and commercialization of ChondroCelect in the US. Meanwhile the US development activities have been put on hold, with the exception of the preparations to seek Special Protocol Assessment (SPA). A US study protocol, based on the design of the planned European confirmatory trial and including additional recommendations of the FDA is being finalized. The timing of submission will be dependent on the outcomes of the co-development partnering discussions.

Commercial launch in Europe

ChondroCelect is the first cell-therapy product in Europe that is commercialized as a medicinal product. Based on the clinical evidence that has been developed over the years of product development, the product is being positioned as a first-in-class medicinal product for knee cartilage regeneration.

Although central approval has been obtained, a staged launch strategy is being followed for making the product eligible for market launch in the entire European Union. For the first phase of launch TiGenix is targeting about 50-60 leading orthopaedic centres. The centres have been identified and selected, and most of the physicians in these centres have already been trained. Several of the physicians in these centres have already had the opportunity to use ChondroCelect in the context of the clinical trials and/or compassionate use (named patient) programme.

Recognising the importance of pre-launch product and therapy awareness and of the need for direct contact with the first prescribers of this innovative product, TiGenix has, well ahead of the approval of the product, set up a high-level direct commercial core team. The team consists of about 15 people, covering a significant part of the market in Western Europe. TiGenix now has a commercial presence in the Benelux, the United Kingdom, Germany/Austria/Switzerland, France, and Spain/Portugal. As the Company will expand to other markets, the Company will each time investigate whether to develop these markets with an internal direct sales force, possibly assisted by selected local agents, or to consider entering into distribution arrangements.

The direct core team is composed of a mix of backgrounds with experience in the pharmaceutical industry and medical devices to take into consideration the specific needs and requirements for the successful marketing of innovative medicinal cell therapy products, and is organized in three closely collaborating functions:

- Therapy development and customer support
- Market Access, Pricing & Reimbursement
- Marketing

The commercial team can rely upon scientific and medical support from the R&D, Clinical and Medical Affairs groups within TiGenix for the scientific dissemination and medical training that is required to launch the product successfully.

In 2010, ChondroCelect product sales amounted to €0.8 million. These early sales have been realised in Belgium, the United Kingdom and the Netherlands under a variety of pre-reimbursement payment mechanisms as well as initial reimbursements by German health insurance funds. TiGenix expects the sales to increase a soon as more positive reimbursement decisions are obtained.

Market access and reimbursement

Pricing and reimbursement are not harmonised in Europe and fall within the exclusive competence of the national authorities, provided that basic transparency requirements described in Directive 89/105/EC of December 21, 1988 relating to the transparency of measures regulating the prices of medicinal products for human use and their inclusion in the scope of national health insurance systems are met. As a consequence, reimbursement mechanisms by private and public health insurers vary from country to country. In public health insurance systems, reimbursement is determined by procedures established by the competent authority of the EU member state. In general, inclusion of a product in reimbursement schemes is dependent on many factors. These factors include proof of the product's efficacy, medical need, and economic benefits of a product to the healthcare system in general. Acceptance for reimbursement comes with cost, use and often volume restrictions, which again vary from country to country.

The ChondroCelect pricing and reimbursement track differs from the route conventional ACI therapies have taken until now, since ChondroCelect follows the pricing and reimbursement track for authorized medicinal products and/or novel therapies. Several countries have established processes to reimburse novel therapies, but the stakeholder and decision-making pathways vary significantly between countries. Because ChondroCelect is a pharmaceutical product, a pricing and reimbursement dossier must be submitted to the national authorities. Based on the clinical data and health-economic studies, TiGenix has developed a detailed Core Value Dossier to support these applications and the negotiations with the national reimbursement agencies and private payers.

Reimbursement dossiers were submitted in Belgium, Germany, the Netherlands, Spain and France. Being the first approved cell-based medicinal product in Europe, ChondroCelect is pioneering the reimbursement track for Advanced Therapy Medicinal Products and timelines may vary from currently known pharmaceutical product reimbursement timelines.

In Belgium, TiGenix introduced an application for the reimbursement of ChondroCelect to the reimbursement authority (RIZIV/INAMI) in April 2010. On February 24, 2011, the Company received the notification by the Minister of Social Affairs of the approval of a convention agreement (Art. 81 of the Belgian Royal Decree of December 21, 2001 on the reimbursement of medicines) between the RIZIV/INAMI and TiGenix for the reimbursement of ChondroCelect for well-indicated patients in specialised treatment centres. This convention covers a period of three years and defines the specific treatment criteria and follow-up measures applicable to the reimbursable use of ChondroCelect.

With the signing of this reimbursement convention, ChondroCelect is not only the first cell-based product to have obtained centralised European marketing authorisation, it is also the first Advanced Therapy Medicinal Product (ATMP) to obtain a national reimbursement.

In Germany, ChondroCelect obtained positive NUB status 4 ("*Neue Untersuchungs und Behandlungsmethode*") in thirty-six hospitals earlier this year. Status 4 products are eligible for reimbursement on a case-by-case basis.

In the United Kingdom, TiGenix also experienced some early reimbursement successes. In the National Health System (NHS), two primary care trusts (PCT) have agreed to fund ChondroCelect treatment for well indicated patients. In the private sector, five of the largest health insurance companies have given their approval for patients to be treated with ChondroCelect. Reimbursement discussions with additional public and private health insurance funds are ongoing.

In the Netherlands, ChondroCelect is currently being evaluated within the special reimbursement procedure for innovative new medicines ("*Beleidsregel Dure Geneesmiddelen*"). A decision is expected in the third quarter of 2011.

In France, the transparency commission of the "Haute Autorité de Santé" (HAS) has declared in October 2010 that it is not able to evaluate the therapeutic benefit of the product and has recommended provisionally not to put ChondroCelect on the list of reimbursable products. In February 2011, the "Haut Collège" of the HAS has issued a positive advice recommending the development of the derogative reimbursement scheme of the combination of the product cultured autologous chondrocytes), the necessary medical device (covering membrane) and associated surgical procedure ("Remboursement dérogatoire" Art. L 165-1-1 of the French Code de la Sécurité Sociale, 2010). Since ChondroCelect is the only approved medicinal product for autologous chondrocyte transplantation in France, this decision opens the perspective to obtain controlled access to the French market.

In Spain, it has also taken more time than expected to proceed according to the appropriate path for the reimbursement of this first Advanced Therapy Medicinal Product (ATMP). The reimbursement application for this first ATMP has been submitted in November 2010. A decision on the national level is expected in the second half of 2011. Discussions at the regional level will follow and are currently being prepared.

Depending on reimbursement timelines, TiGenix intends to subsequently launch ChondroCelect in several additional European countries, allowing more patients to have access to the product.

For other target markets, TiGenix is exploring and developing pricing & reimbursement strategies and plans, where possible in discussion with the local authorities.

Latest advances in Regulatory Affairs

On a European level, the European commission issued new legislative proposals to ensure safe, innovative and accessible medicines in the EU. These proposals encompass initiatives to increase transparency, an update of the clinical trial guidelines, the launch of the EU register for clinical trials, and the implementation of new and strengthened pharmacovigilance legislation. The latter legislation is the outcome of the legal proposals on pharmacovigilance that the Commission put forward in December 2008. The new pharmacovigilance legislation will strengthen and rationalise the current system for monitoring the safety of medicines on the European market. The strengthened legislation on Pharmacovigilance is expected to improve patient safety and public health through better prevention, detection and assessment of adverse reactions to medicines. Also some political initiatives have been started to among others develop initiatives to boost EU pharmaceutical research and innovation (Europe 2020) and to discuss with the Member States of the European Union ways to improve market access by making pricing/reimbursement decisions more transparent (Press release IP/08/1924, December 10, 2008).

The European Commission is currently also revising the Medical Devices Directives, and the practical consequences of this exercise are at present not foreseeable.

On a Belgian level, SANCO Tissues and Cells Directive has been implemented by the Belgian Law of December 19, 2008 on the procurement and use of human body material in view of medical application in humans or in view of scientific research. The Company has been working according to the rules set out in the SANCO Tissues and Cells Directive and the Belgian Law and Royal Decrees implementing this Directive. In addition, the Company has applied for a license as production establishment ("*Productie-instelling*") at the competent authority to facilitate the access to human tissues and cells for the production of human medicinal products.

In the Netherlands, where the Tissues and Cells Directive has already been transposed several years ago, the Company has submitted a request for a license as tissue establishment ("*Weefselinstelling*") at the competent authority to ensure a smooth start up of its new European CEF.

In Spain, since the passage of Order SCO/3461/2003, TiGenix' eASC development stage products have been considered drugs and therefore must be manufactured in compliance with GMP. Because of this requirement, Cellerix (now a subsidiary of TiGenix) was obliged to adapt its facilities, procedures and personnel to the requirements established for pharmaceutical laboratories, successfully passing the inspection of the Spanish Drug Agency and receiving certification as a pharmaceutical laboratory in 2004 (Reg. No. 4146-E). The Company has established a Quality Control system for its production processes in line with standard pharmaceutical practice and applicable national and international guidelines to ensure the quality and safety of the finished product. External and self-review audits are conducted periodically along with self-inspections of the Quality System, including two AEMPS inspections, four audits of the Chamber of Commerce for ISO 9001:2000 certification and audits by investors prior to the financing negotiations.

6.5.2 ChondroMimetic

Product and technology

ChondroMimetic is an-off-the shelf scaffold for the single step treatment of small osteochondral defects and small focal chondral lesions having possible underlying subchondral bone plate damage. These lesions often occur as a result of sports injuries and other minor trauma and involve the cartilage as well as the underlying bone. A major advantage of ChondroMimetic as a treatment for small osteochondral lesions is that it provides a means for treating both articular cartilage and the underlying subchondral bone. This feature addresses key surgeon concerns that, much like trying to build a house on a faulty foundation, the repair of osteochondral defects is meaningless unless the inevitable damage to the subchondral bone is also addressed.

The key characteristics of ChondroMimetic are the following:

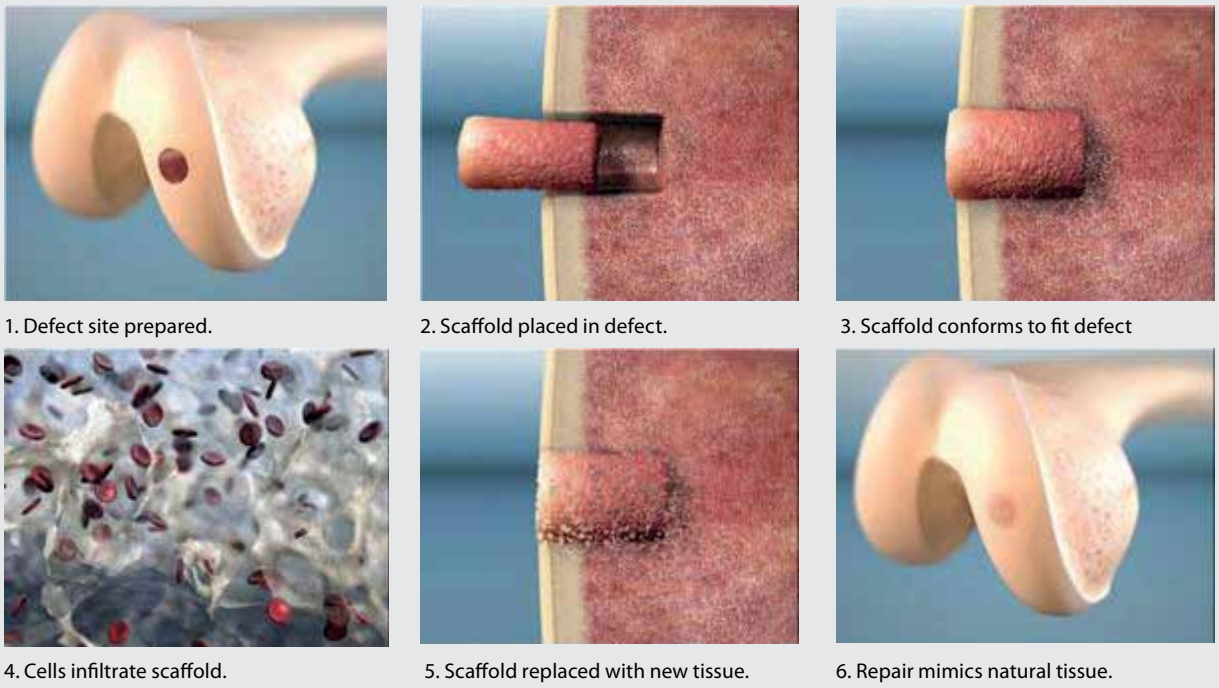
- Natural composition: Three natural biomaterials (collagen, glycosaminoglycan, calcium phosphate) are combined to provide an optimal environment for cell replication and natural tissue regeneration[36].
- Cell-mediated resorption: Natural composition encourages resorption via natural tissue-turnover mechanisms that closely match the resorption rate of ChondroMimetic to the rate of new tissue formation. This feature reduces the risk of cyst and other adverse tissue formation sometimes associated with synthetic materials.
- Tissue specific structure: Two seamlessly integrated layers support the separate yet simultaneous repair of bone and cartilage.
- Optimised pore architecture: Highly interconnected, optimally sized pores allow infiltration of cells and biomolecules throughout the 3D implant.
- Novel shape memory: One-of-a-kind shape memory and a distinctive self-contouring capacity facilitate easy, arthroscopic delivery and ensure perfect fit to the size and shape of the defect site.
- Activation of other therapies: The high loading efficiency and superior retention shown in recent research with PRP makes ChondroMimetic highly suitable for combination therapies[37].

The required and underlying steps resulting in an effective mode of action and treatment of small osteochondral defects with ChondroMimetic are presented in the illustrations below (Figure 6.5).

36 Lynn et al., J Biomed Mater Res A, 2010 Mar 1;92(3):1057-65; BA Harley et al., J Biomed Mater Res A, 2010 Mar 1;92(3):1066-77; BA Harley et al., J Biomed Mater Res A, 2010 Mar 1;92(3):1078-93; AK Lynn et al., J Biomed Mater Res B Appl Biomater, 2004 Nov 15;71(2):343-54.

37 A Getgood et al., Poster, British Association for Repair of the Knee, Edinburgh, April 2009

Fig. 6.5: ChondroMimetic process steps



1. Defect site prepared.
2. Scaffold placed in defect.
3. Scaffold conforms to fit defect
4. Cells infiltrate scaffold.
5. Scaffold replaced with new tissue.
6. Repair mimics natural tissue.

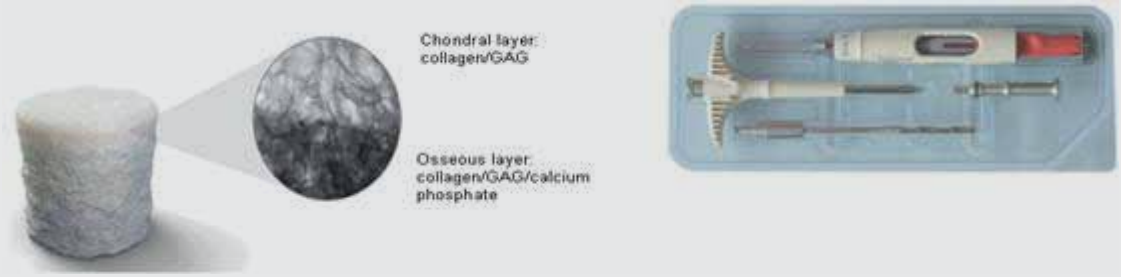
Animal data have confirmed the efficacy of ChondroMimetic on both the trochlea and condyles. These data have demonstrated positive stainings for proteoglycans and type II collagen, indicating good tissue repair and osseo- and soft-tissue integration resulting in a seamless interface between the implant and the defect site. Moreover, a recent head-to-head study compared the performance of ChondroMimetic to a marketed synthetic osteochondral scaffold in a 6mmx6mm chondral defect in a caprine model[38]. ChondroMimetic was found to result in better histological results with fewer subchondral cysts than the marketed synthetic osteochondral implant.

ChondroMimetic is delivered with a disposable Arthroscopic Procedure Pack (Figure 6.6). This unique delivery system (patent pending) has been designed to ensure accurate and efficient placement of ChondroMimetic in the defect site.

To provide convenience, the all-in-one, single use procedure pack (available in three diameters; 8mm, 10mm and 12mm) comprises site-preparation instruments (drill and cutting tube) and a pre-loaded delivery device. The unique material properties of ChondroMimetic allow the implant to be compressed and delivered to the defect site in an accurate, reproducible technique, providing a strong interference fit and accurate restoration of the articular surface.

38 A Getgood et al., "Evaluation of Early-Stage Osteochondral Defect Repair Using a Biphasic Scaffold based on a Collagen-Glycosaminoglycan Biopolymer in a Caprine Model". The Knee, Accepted, In Press

Fig. 6.6: ChondroMimetic procedure pack



ChondroMimetic is supplied with a disposable arthroscopic procedure pack.

ChondroMimetic is compatible with both open and minimally invasive procedures already familiar to orthopaedic surgeons, and promotes the regenerative repair of articular cartilage and the underlying subchondral bone. By helping surgeons to treat small cartilage damages shortly after it first occurs, ChondroMimetic aims at reducing the downstream risk of osteoarthritis, giving patients a greater chance of delaying total joint replacement until later in life, or avoiding it altogether.

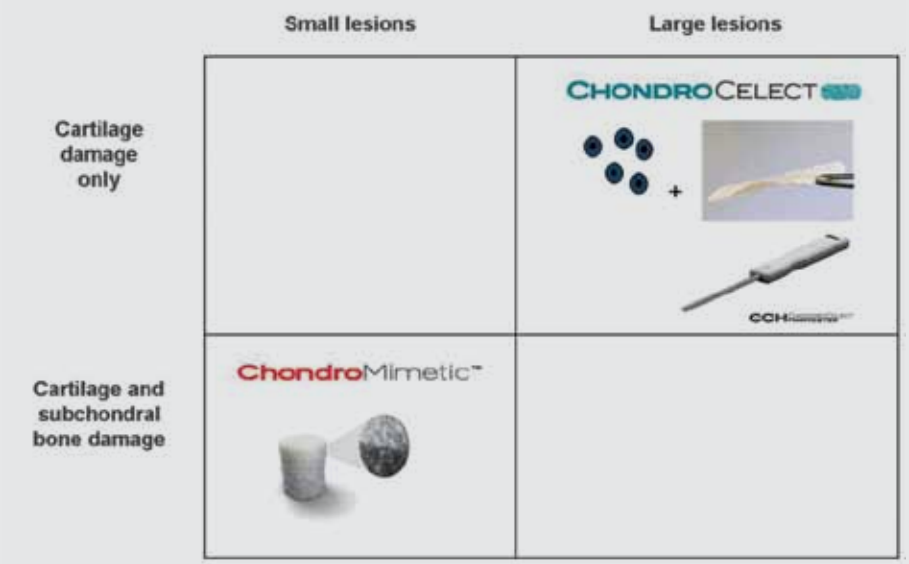
Target indication and market

ChondroMimetic is indicated for the repair of small (<2cm^2) osteochondral lesions (in which the cartilage layer and the underlying bone is damaged). As presented in section 6.1, TiGenix estimates the number of lesions suitable for treatment with osteochondral scaffolds for this indication at around 335,000 patients per year[39].

Figure 6.7 presents the complementarity of the ChondroCelect and ChondroMimetic products.

39 Curl et al., Arthroscopy 1997; Hjelle et al., Arthroscopy 2002; Åroen et al., Am J Sports Med 2004; Widuchowski et al., Knee 2007; Millennium Research Group, 2008; Marketstrat® Inc., 2008A. Åroen et al, Am J Sports Med, Vol 32, N0 1, 2004: 211-215.

Fig. 6.7: Positioning of ChondroMimetic and ChondroCelect



Regulatory situation

In December 2008, ChondroMimetic, received CE-Mark (EU) approval for the repair of articular cartilage and bone. Clinical studies were not required for the device approval, but in an ongoing registry study additional safety and efficacy data are being collected.

European launch strategy

TiGenix' commercial team has the opportunity to offer two complementary products to the orthopaedic surgeons. ChondroMimetic for small cartilage lesions with subchondral bone damage and ChondroCelect for larger lesions limited to the cartilage. Both products can be used by the same orthopaedic surgeons and can be sold by the same sales force. ChondroMimetic will increase the product offering of TiGenix' commercial team and is expected to leverage the sales efforts of this team in certain countries[40]. In other countries, where TiGenix does not (yet) have an own sales team, TiGenix intends to sell ChondroMimetic through distribution partners.

In October 2010, TiGenix has officially launched ChondroMimetic™ at the 9th World Congress of the International Cartilage Repair Society (ICRS) in Barcelona, Spain. First distribution agreements have been signed with distribution partners in Greece, Italy, Poland, Turkey and Spain and initial orders have been shipped.

40 Such as Belgium, Luxemburg, The Netherlands, France, Germany, the United Kingdom and Spain.

6.5.3 Commercial strategy

Building on its frontrunner position in Regenerative Medicine, its privileged access to key opinion leaders, and this combined commercial infrastructure (i.e. an own sales team in core target countries and distributors/licensors outside these core markets), TiGenix aims to develop a specialist regenerative and sports medicine commercial franchise in Europe.

6.5.4 Acquisition of Cellerix

As a result of the Contribution, TiGenix (indirectly) acquired the product portfolio of Cellerix. Further details on the marketed products and commercial strategy of Cellerix are provided in section 6.14.5.

6.6 PRODUCT AND PIPELINE DEVELOPMENT

6.6.1 Technology platforms

TiGenix' current commercial product portfolio and development programmes are based on two core technology platforms:

- a cell technology platform that has generated the first generation autologous cell-product ChondroCelect and is being further developed to provide the next generation of groundbreaking allogeneic stem cell products to treat skeletal tissue disorders and OA;
- a biomaterials platform that resulted in the commercial development of ChondroMimetic.
- Cell Technology Platform

Stem cells are a key building block in the development of innovative Regenerative Medicine products. TiGenix is making significant progress in the development of its proprietary adult stem cell platform, focusing on adult mesenchymal stem cells (MSCs) isolated from the synovial membrane and infrapatellar synovium fat pad of the knee. This platform forms the basis for the development of new allogeneic, off-the-shelf cell-based products for cartilage repair and broadens the scope to other musculoskeletal indicationsas well as opening the perspective to develop cell-based treatments for osteoarthritis.

TiGenix has identified stem cell populations that showed promising results in preclinical models for treating meniscal tears and cartilage lesions. These cell populations are being further characterized in view of potentially initiating a clinical proof of concept study in the future. The research and development of the stem cells platform and products are supported by a €1.8 million grant from the Flemish Government (IWT).

Biomaterials Technology Platform

The Biomaterial Technology Platform emerged from the Cambridge University - Massachusetts Institute of Technology ("CMI") collaboration to enable the cost-efficient, commercial-scale production of porous, bioresorbable tissue regeneration scaffolds that mimic the composition and structure of complex anatomical locations that comprise a hard tissue (such as bone), a soft tissue (such as cartilage, ligament or tendon) and the interface between these two tissues. These novel scaffolds support the separate yet simultaneous regeneration of (1) cartilage, ligaments and tendons and (2) the bone to which they are attached. The biomaterials technology platform enables these devices to be manufactured using three safe biomaterials that are found naturally in the body: collagen, glycosaminoglycans ("GAGs"), and calcium phosphate.

6.6.2 Product development strategy and pipeline

TiGenix' approach is to offer a comprehensive solution for the treatment of damaged and diseased skeletal tissues thereby providing an efficient therapy to relief the patients' symptoms. In addition, the Company has the ultimate goal of preventing and/or treating osteoarthritic joints with its different products. The Company's product development strategy focuses on moving to off-the-shelf allogeneic stem cell products, offering the possibility to develop an off-the-shelf ChondroCelect product as well as to broaden the scope of the cell-product portfolio by addressing more advanced cartilage lesions and other indications such as meniscus tears and ultimately osteoarthritis.

Cell-based products

TiGenix initially focused its development efforts on ChondroCelect, a cell-based product for cartilage regeneration, derived from patient own chondrocytes. The focus of the product development efforts in this area has shifted to develop allogeneic stem cell products for cartilage repair and ultimately osteoarthritis. Previously identified synovial membrane derived adult stem cell populations have shown promising results in preclinical models for treating meniscal tears and joint surface

lesions. This finding offers the perspective to move towards an off-the-shelf cell-based product for cartilage repair. These cell populations have been further characterized in view of potentially exploring the potential of its stem cell platform in preclinical models of OA.

Preceding research and development has resulted in a well-established procedure to derive, expand and characterize stem cells from synovial origin, with preservation of the stem cell characteristics. Preclinical work in a meniscus repair model has demonstrated the biological activity of the MSC product and thereby illustrated the feasibility of the selected approach and confirmed that transplanted cells are integrating into the native tissue proving the biological principles to be translatable to the orthotopic situation and indicated the safety of an allogeneic approach.

Osteoarthritis (OA), also known as degenerative joint disease, is a very common disease that is associated with the loss of the ability of joint tissue to repair and maintain itself. The disease process affects not only the cartilage, but the entire joint structure, including the meniscus, the synovial membrane, subchondral bone, ligaments, and periarticular muscles. Most of the current treatment options for OA are symptomatic and palliative with an emphasis on control of joint pain and maintenance of function, but without addressing the underlying course. Moreover, the most commonly used current pharmacological treatments (e.g. NSAIDS or COX2 inhibitors) suffer from an important degree of adverse events, underscoring the high unmet medical need and clearly illustrating the necessity for development of novel approaches and medicines to treat OA. Disease modifying therapies that can halt and/or reverse the onset and delay the progression of the disease are therefore strongly preferred. Given the fact that OA is a degenerative disease, it is highly appealing to address the disease with therapeutic approaches relying on Regenerative Medicine as being developed by the Company. As stated above (section 6.4), the incidence of OA is high and the market opportunity and potential is enormous, makes OAan attractive indication for a sustainable growth scenario for TiGenix.

TiGenix' stem cell platform, based on cells derived from the tissues surrounding the joint and being involved in the natural repair processes of the joint, represents a potential approach to address the physiological changes underlying OA. Indeed, joint-derived stem cells can participate and/or support the repair processes for the damaged joint tissues like cartilage and meniscus. Moreover, their immunoregulatory potential could play an important role in reducing the inflammatory processes in OA, as has also been exemplified for other types of stem cells in a variety of inflammatory diseases. The overall action of the stem cells treatment in OA is supposed to support the OA-afflicted joint to return to an overall degree of homeostasis, *i.e.* slow-down or revert the disease process.

The Company has started to evaluate the potential of its stem cell platform in a first series of proof-of-concept preclinical models of OA.

Biomaterial-based products

One of the key strengths of the biomaterials technology platform is that multiple new products addressing various indications can be developed in a relatively short time period. If successful, the development of these products could position TiGenix to receive a series of CE-mark and 510(k) approvals in the years to come. An overview of the main products that are currently in development is given below.

The first product that is expected to come to market is an extension of the ChondroMimetic technology to different shapes (blocs and wedges) that can be used as bone filler of as cuff print. An extension of the CE-mark has been applied for.

Other developments are in preclinical stage and focus on expanding to other indications. In Q3 2010, TiGenix Ltd, the UK subsidiary of TiGenix NV, was granted a research grant of GBP 0.6 million by the National Institute for Health research (NIHR) to support these development activities.

6.7 MANUFACTURING & LOGISTICS

Efficient manufacturing is of strategic importance within the Company as it utilises some of the Company's core know-how. TiGenix considers cell culture technologies and related operations as a core competence based on which the success of the Company as a leader in Regenerative Medicine is being built.

Already in 2002 the Company has established its own Cell Expansion Facility (CEF), located at the University Hospital in Leuven, Belgium. Since its establishment, the CEF has produced over 500 ChondroCelect batches. The CEF is GMP certified for the commercial manufacturing of ChondroCelect. In anticipation of the growing demand for ChondroCelect and the expansion of the product pipeline, TiGenix has secured additional production capacity in Europe. After carefully evaluating a number of options, taking into consideration technical, logistical, regulatory and financial criteria, TiGenix has selected a building of 2,400 m^2 on the Chemelot Campus, in Sittard-Geleen (near Maastricht), the Netherlands, to locate its second CEF. The site is centrally located in TiGenix' key European markets, in a region that is strong in distribution and (bio)logistics and that is highly committed to develop as a transnational knowledge centre in life sciences and Regenerative Medicine. TiGenix B.V. has subsequently entered into a long-term lease agreement for the building and is in the process of building the clean rooms, quality control labs and support areas. It is anticipated that the additional capacity will be fully operational in the first half of 2012.

In a ChondroCelect treatment procedure, logistics are an important success factor for which TiGenix has worked out a standardised procedure. To this end, the Company has installed a support desk at its head office that manages all logistics arrangements. Transportation of biological samples (patient biopsies) and final products (ChondroCelect) are handled by selected ISO 9001 certified courier services. The biological samples and ChondroCelect are packed in sterile and tamper proof packaging, and conditioned at the appropriate temperature.

After having been informed, in March 2010, by the U.S. Food and Drug Administration ("FDA") that a new confirmatory study would be required before the filing of a Biologic License Application ("BLA"), TiGenix has decided to put its U.S. activities on hold and to pursue partnering options for the further development in the U.S. TiGenix may restart these activities if and when a suitable partner is found. In the mean time TiGenix has withdrawn form the TC CEF LLC joint venture and is no longer a partner in the cell expansion facility in Memphis, TN, U.S.

The full commercial-scale GMP manufacturing and packaging of ChondroMimetic are outsourced.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on manufacturing & logistics in respect of Cellerix are provided in section 6.14.6.

6.8 INTELLECTUAL PROPERTY

From its creation, the Company has implemented an intellectual property protection policy with the objective of protecting its integrated and proprietary tissue engineering platform in a broad way covering the core cell and stem cell platforms, marker genes and biological factors related to chondrocyte phenotype as well as medical devices to improve tissue harvesting procedures.

The former Orthomimetics biomaterials and medical device IP portfolio covers certain manufacturing methods, clinical applications, and specific composition of matter. This portfolio encompasses essential parts of: (1) the core platform technology on which the ChondroMimetic product line is based; (2) peripheral and strategic licensing technologies that will yield next-generation products; and (3) intellectual property relating to strategically significant aspects of its device technologies.

In general, the Company pursues a strategy of protecting its core technologies and products by broadly filing patent applications and by securing some of the key processes used in cell production and in-house research programmes as proprietary know-how.

The Company's patent portfolio and all intellectual property related matters are managed by an in-house IP manager in close collaboration with external patent counsels.

To date, TiGenix' patent portfolio consists of 13 granted patents and a set of pending patent applications.

Section A of "Appendix 3: Overview of Patents and trademarks" gives a list of all granted patents and pending patent applications. Section C of "Appendix 3: Overview of Patents and trademarks" gives an overview of the registered trademark portfolio.

Granted patents

The granted patents broadly cover the Company's lead cartilage repair product ChondroCelect and its stem cell technology platform. The granted European patent (EP1 218 037 B1, which patent can remain in force for up to 20 years from its filing date, *i.e.* until October 6, 2019) and the two granted US patents (US 7,482,114 B1 & US 7,479,367 B1), entitled "*In vivo* assay for testing the phenotypic stability", protects the tools and methods used to determine novel functional and molecular parameters that define mature cartilage-forming chondrocytes, as well as the use of these parameters as quality control markers in the preparation of cells used for autologous chondrocyte transplantation. The claimed methods and markers form the basis of the potency assay, the product optimisation and the quality control procedures used in the production of ChondroCelect. The equivalent filing in Canada (CA 2,397,610) is pending.

The granted European patent (EP1 282 690 B1, which patent can remain in force for up to 20 years from its priority date, *i.e.* until October 6, 2019), entitled "Isolation of precursor cells and their use for tissue repair", protects TiGenix' stem cell technology platform. The patent broadly covers methods for the isolation of adult mesenchymal precursor cells that are able to form skeletal or connective tissue such as cartilage, bone, ligament, tendon, meniscus, joint capsule, intervertebral discs or teeth. Further claims relate to cultures of these isolated precursor cells and the use thereof for pharmaceutical purposes or for the production of specific growth factors. The equivalent filings in Canada (CA 2,386,506) and the US (US 12/176,256) are pending.

The granted US patents US 7,485,310 B1 and US12/345369 (notice of allowance) entitled "Use of CXCL6 chemokine in the prevention or repair of cartilage defects" protects the use of CXCL6 for the promotion of cartilage and bone formation *in vitro* and *in vivo* and especially for the repair of cartilage or osteochondral defects or for the formation of bone or cartilage in cosmetic surgery. Equivalent patents are granted in Singapore and Russia. The European equivalent, as well as applications in Canada, Australia, Japan, Norway, Israel, New Zealand and Hong-Kong are still pending.

The granted US patent (US 7,780,994) entitled "Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans" relates to a precursor and composite material comprising a triple co-precipitate of collagen, one or more glycosaminoglycans (GAG) and calcium phosphate, and a process for co-precipitating the components that forms the core protection of ChondroMimetic. Additional equivalents were granted in the UK, China and Singapore. The application is still pending in Australia, Canada, Europe, India, Japan, South Korea and Norway.

Pending patent applications

The pending application (US 12/323,185) entitled "*In vivo* assay and molecular markers for testing the phenotypic stability of cell populations for autologous transplantation" represents an expansion of the claims granted in EP1 218 037 B1, covering a large number of additional genes associated with the phenotype of stable hyaline cartilage, their use as quality control markers and cell populations characterised by these markers.

The patent application (EP1,498,146) entitled "*In vivo* assay and molecular markers for testing the phenotypic stability of cell populations, and selected cell populations for autologous transplantation" is filed as a divisional European patent application and includes claims to cell populations of chondrocytes with a defined marker profile, pharmaceutical compositions and implants comprising these cell populations. TiGenix in-house target discovery programme has resulted in the identification of a number of novel molecules that influence the proper development of chondrocyte precursors into high quality cartilage. These novel molecules can have an application as marker but also have revealed a number of potential therapeutic targets related to improper development and repair of cartilage with potential applications in the field of OA.

In the international application entitled "Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production" (WO2008061804), the use of specific genetic marker sets for determining the phenotypic stability of cultured chondrocyte populations and in screening systems for identifying compounds of use in the treatment of cartilage defects and cartilage related diseases are claimed.

The international application entitled "Methods to maintain, improve and restore the cartilage phenotype of chondrocytes" (WO2007107330) claims a novel regulatory cell population that can be used to maintain, restore or improve the cartilage phenotype of chondrocytes and chondrocyte precursor cells. The invention also relates to methods for isolating the regulatory cell populations from cartilage.

The international application WO06/04365 entitled "Gradient scaffolding and methods of producing the same" relates to gradient biomaterials comprising a polymer (e.g. collagen, GAG) where the gradient can be a gradient of pore sizes, distribution of pores, concentration of components, cross-link density, or combinations thereof. The invention also relates to a process for making the gradient biomaterials and the use of the biomaterials in tissue engineering. Separate regional/national applications are currently pending in Australia, Canada, China, Europe, Hong Kong, and Japan.

The international application WO06/095154 entitled "Biomaterials" relates to a process for preparing a composite biomaterial. Further process claims are directed toward producing layered material. Claims are also directed to the nature of the join between the one or more layers of the material. Separate regional/national applications are pending in Australia, Brazil, Canada, China, Columbia, Europe, the UK, Hong Kong, Israel, India, Japan, South Korea, Mexico, Norway, New Zealand, Singapore, and the US.

The application WO08/017858 relates to alternative ways of preparing the layered biomaterial of family 3, namely via solid-liquid co-synthesis and solid-phase co-synthesis. The international application was split into separate regional/national applications in February 2009, and applications are currently pending in Australia, Canada, China, Europe, the UK, Hong Kong, Israel, India, Japan, South Korea, Norway, New Zealand, Singapore, and the US.

The application entitled "Hydraulic implant delivery method" (WO09/056802) relates to a device and method for delivery of the ChondroMimetic biomaterial. An international application has been filed and both the UK and PCT cases have been published.

The application entitled "Fabrication process" (GB1003656.4) relates to a new fabrication process for joining porous and non-porous biomaterials to create new biomaterial formats having both porosity and mechanical strength.

The application entitled "Biopsy device" (WO10/092100) relates to a device and method for delivery of the ChondroMimetic biomaterial. An international application has been filed and both the UK and PCT cases have been published.

Freedom to operate

Parallel to the development of TiGenix' own intellectual property, patent literature related to cartilage repair in general and, more specifically, patents of competing companies, are regularly updated and evaluated, in order to avoid infringement and to explore the space of patentable subject matter.

To date, no patent infringement claims have been made against TiGenix nor by TiGenix against third parties. TiGenix will assess on a case by case basis whether or not to take action against any third party products or processes, whether or not protected by patents, that could be considered infringing and, where appropriate, to enforce intellectual property rights of TiGenix.

Trade secrets

TiGenix' inventions are based on the Company's expertise in developmental skeletal biology, leading to cell isolation and cultivation procedures for which in some cases only common tools and techniques are used. The experience of TiGenix' researchers has taught that isolation protocols, growth conditions, cell density and passaging protocols are extremely important in the production process of quality controlled products such as ChondroCelect. For some of these procedures patenting (and thus publication) is neither appropriate nor desirable. However, this is part of TiGenix' proprietary know-how, and is treated as such within TiGenix. For this purpose, procedures have been installed to maintain the confidentiality and ownership of such proprietary information. These procedures include that all internal and key external researchers and associates sign confidentiality agreements. In addition, the know-how is fragmented between different people according to standard industry practice in order to optimally protect these trade secrets.

Trademarks

The Company has secured protection on the "TiGenix", "ChondroCelect", "CCI" and "MeniscoCelect" names by having these registered as trademarks in the most relevant European countries and in the U.S.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired (indirectly) all intellectual property of Cellerix. Further details on the intellectual property of Cellerix are provided in section 6.14.7.

6.9 COMPETITION

ChondroCelect competition

The market for the treatments of full-thickness (ICRS grade 3-4) defects is highly fragmented and immature. There are currently no pharmacological products on the market or in advanced stages of development that address the problem of localized cartilage defects. As described in section 6.4, current treatment options comprise a range of surgical treatments, conventional ACI-based therapies, and a number of cell-free products. Consequently, obtaining accurate data that provide a detailed breakdown of market share by product or treatment type is very difficult. In Europe and the US, debridement and microfracture are by far the most commonly-used procedures. In certain countries such as France, mosaicplasty.

In the US, only one cell-based ACI product, Carticel®, from Genzyme (Cambridge, MA), has obtained FDA-approval. Carticel is on the market in the US since 1997. In 2000, the indication for Carticel has been narrowed to second-line treatment, for use in patients who have had an inadequate response to a prior arthroscopic or other surgical repair procedure. Current sales are estimated to be in the order of USD 35 million (representing an estimated 600-1000 procedures per year). Several other companies in the United States are making efforts to enter the cartilage repair market. ISTO Technologies (in partnership with Zimmer), is performing study to evaluate their surgical implantation technique and the quality of repair of cartilage defects with particulated juvenile cartilage in the human knee joint. Prochon has reported to be in Phase II of clinical development to evaluate BioCart™II, a scaffold seeded with autologous chondrocytes in combination with proprietary growth factors, against microfracture. Furthermore, HistoGenics, has started a Phase III clinical trial in the US with their autologous chondrocyte tissue implant NeoCart. This study is estimated to be completed in 2015. The Company cannot exclude that other companies may be active in the cartilage repair market as well.

In Europe, where the barriers to entry for ACI services and cell-based products have so far been relatively low, a number of smaller companies are active in the field. Most ACI companies are situated in Germany. With approximately 600 to 700 procedures per year, Tetec, a subsidiary of the B. Braun, and Co.don are market leaders in Germany. Other companies active on the German market include CellGenix, Arthrokinetics, Biotissue Tech and Geistlich. Other important ACI companies active in Europe are Genzyme (through the acquisition of Verigen in 2005) with approximately 400 commercial procedures per year, Anika Therapeutics (through the acquisition of Fidia in 2010) with 200 to 300 commercial procedures (mainly in Italy) and Cellmatrix with approximately 100 commercial procedures in Scandinavia. Next to these companies, there are a number of hospitals that produce autologous cartilage for their own patients[41].

Given the new regulatory framework for Advanced Therapy products, most of these companies are under pressure to demonstrate clinical efficacy in, preferably randomized controlled trials, by the end of 2012 at the latest. Apart from Genzyme (Verigen), for its MACI product (Phase III ongoing); Tetec, for its Novocart product (Phase III to be started) and TBF in France with Cartipatch (Phase III ongoing), these companies have, to the best of the Company's knowledge, not initiated prospective, randomised, controlled clinical trials to validate their products.

Alternative competition may come from cell-free products that also target the cartilage repair market, which will generally be brought to market through the medical device regulatory route. Different smaller ACI companies such as BioTissue and ArthroKinetics are considering to abandon the cell-based route and attempting to bring on-step, cell-free products to the market through the CE-marking route in Europe. Depuy (a Johnson & Johnson company) is developing a one-step enhanced microfracture product (CAIS) and is currently performing a clinical trial in the US. Examples of other competing products are AMIC (Geistlich), a collagen membrane used in combination with microfracture and BST-Cargel (Piramal) a self-gelling gel, also for use in combination with microfracture.

41 KBC Securities research, November 26, 2010.

ChondroMimetic competition

The main competition in the small-lesion segment is microfracture and other off-the-shelf, single-intervention products. The latter can be other biphasic osteochondral scaffolds, or membranes or in-situ setting gels, typically used in combination with microfracture.

The table below gives an overview of the three approved osteochondral scaffolds.

Company	Product	Regulatory status	Composition
TiGenix	ChondroMimetic	Approved in EU (CE mark)	Natural
Smith & Nephew	TruFit	Approved in EU (CE mark) and U.S. (510k as Bone Void filler)	Synthetic
Kensey Nash	OsseoFit	Approved in EU (CE mark)	Natural and synthetic
Finceramica	Maioregen	Approved in EU (CE mark)	Natural

The market leader in this market is TruFit, a product marketed by Smith & Nephew, with an estimated 8,000 patients treated per year for osteochondral applications. Osseofit manufactured by Kensey Nash recently obtained CE-mark approval in Europe.

While all four osteochondral scaffold products in the market offer the important benefit of offering the capacity to treat both cartilage and the subchondral bone, TiGenix believes that ChondroMimetic distinguishes itself as the only product that offers the four key features of: 1) an all natural composition free of synthetic polymers, 2) a best in class, all-in-one procedure pack, 3) novel mechanical properties for safety and ease of implantation for the surgeon and 4) strong potential for the downstream delivery of autologous blood products, cells and molecules.

Other competition

For other products in its development portfolio the Company may face competition from companies focusing on other tissues, such as Regen Biologics, Orteq and Regentis for cell-free solutions for meniscal repair, or from broad-focus stem cell companies like Osiris, Aastrom and Mesoblast for the development of allogeneic stem cell-based products for different musculoskeletal indications.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on the competition of Cellerix are provided in section 6.14.8.

6.10 HUMAN RESOURCES

TiGenix recognises that the Company's success largely depends on its human capital. Therefore, TiGenix selects talented people to participate and drive its development programmes and to develop its commercial strategy.

TiGenix seeks to offer a dynamic, international and entrepreneurial working environment. On the date of this prospectus, TiGenix has in total about 56 permanent employees and mandate contractors (Full Time Equivalents). About 30% work in research and development activities (including clinical development), about 45% in manufacturing and commercial operations, the remainder in corporate functions. TiGenix' scientific and staff has expertise in the broad range of fields including but not limited to molecular biology, cell and developmental biology, biomaterials, immunology, histopathology, rheumatology, and surgery. The commercial team brings together expertise from the pharmaceutical and device industries and combines expertise in therapy development, market access and reimbursement, marketing, sales and customer support. Corporate functions include finance, human resources, legal, ICT, business development, investor relations, and intellectual property.

For further details of the headcount evolution, reference is made to section 8.1.5.5.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on human resources of Cellerix are provided in section 6.14.9.

6.11 FACILITIES

Facilities in Belgium

The Company's registered and main office and research & development site, based in the Romeinse straat 12, box 2, 3001 Leuven, Belgium, is currently leased pursuant to a lease agreement.

The Company leases additional premises from the Katholieke Universiteit Leuven (Universitaire Ziekenhuizen Leuven) for its production facility in Leuven.

Facility in the Netherlands

On June 25, 2009, TiGenix B.V. has entered into a long term lease agreement for a building on the Chemelot Campus in Sittard-Geleen. These premises are being adapted and equipped to become TiGenix' cell expansion facility for commercial production in Europe.

Facility in the UK

TiGenix Ltd's registered office and research and development site is based at premises leased at the Byron House in the Cambridge Business Park, Cowley Road, Cambridge, UK.

Facility in the US

In 2007, TC CEF LLC (a joint venture asset management company set up by TiGenix Inc. and Cognate BioServices, Inc.) acquired the assets of a fully equipped CEF from Cell Genesys, Inc. in Memphis, TN, U.S. On November 23, 2010 TiGenix Inc. has withdrawn itself form TC CEF LLC and hence has no longer a cell expansion facility in the US.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on the facilities of Cellerix are provided in section 6.14.10.

6.12 GRANTS & SUBSIDIES

Since its incorporation TiGenix has been awarded multiple research and development grants from the Flemish government (through the IWT[42]) in 2000 (€992,465), 2003 (€574,899), 2008 (€1,814,658, paid in the course of 2009, 2010 and 2011) and 2010 (€209,043, part of which was paid in the course of 2010 and part of which is expected to be paid in the course of the following years), a European FP7 grant in 2008 (€1,156,500, part of which was paid in the course of 2008 and 2009 and part of which will be paid in the course of the following years), two grants from the UK Technology Strategy Board in 2008 (£328,067, partially paid in the course of 2009 and 2010 and part is expected to be paid in the course of 2011), two grants in 2009 (£135,000, fully paid in the course of 2010), one grant from the National Institute for Health Research (£382,021 which is expected to be paid in the course of the following years), one grant of Provincie Limburg (€150,000, part of which was paid in the course of 2010 and part of which is expected to be paid in the course of the following years) and one grant of Sittard Geleen (€125,000, fully paid in the course of 2010).

TiGenix has also received a grant for the set-up of its office in the U.S. To the extent the granting conditions are met, these grants must not be refunded.

A summary of the main outstanding grants can be found in section 8.1.5.27.

It is the Company's intention to request additional grants from different sources in the coming years.

Acquisition of Cellerix

As a result of the Contribution, the Company acquired all shares in Cellerix. Further details on grants and subsidies received by Cellerix are provided in section 6.14.11.

6.13 LITIGATION

On the date of this prospectus and since the incorporation of the Company, TiGenix is not involved in any legal proceeding, except for the proceedings in which Cellerix is involved as set out in section 6.14.12.

6.14 ACQUISITION AND ACTIVITIES OF CELLERIX S.A.

6.14.1 Introduction

Cellerix is a product-focused biopharmaceutical company headquartered in Madrid, Spain, that is developing innovative medicines based on cell therapy. Cellerix is a recognised leader in the research and application of expanded allogeneic (donor-derived) stem cells of adult origin in severe diseases with high unmet medical need. Its pipeline builds upon a well characterized and EMA validated population of stem cells derived from human adipose tissue (ASCs), which are expanded

42 Agentschap voor Innovatie door Wetenschap en Technologie (Agency for Innovation through Science and Technology)

in Cellerix' GMP facility in Madrid and are delivered to patients via different routes of administration to best take advantage of the ASC's immunomodulatory properties.

Cellerix' product candidates are based on innovative cell therapy technologies that exploit the ASC's effective mechanism for treating immune-mediated inflammatory processes based on the cell's anti-inflammatory properties.

Cellerix' lead product candidate, Cx601, completed a Phase II clinical trial investigating its potential in the treatment of patients with complex perianal fistula suffering from Crohn's disease in 2010. In Phase II, Cx601 showed an efficacy rate at twenty four weeks above 56% in the complete closure of treated tracts and 69.2% of patients had a reduction in the number of initially draining tracts. The trial provided excellent safety data, reinforcing the very safe profile of the product. Complex perianal fistula is a rare, painful and debilitating condition often suffered by patients diagnosed with Crohn's disease or other inflammatory bowel diseases. The incidence in Europe 27 is estimated to be around 51,000 patients per year according to an internal market study conducted by Cellerix taking into account numerous publications. Based on the relatively rare occurrence, severe nature and lack of effective treatments of the therapeutic indication, Cx601 received Orphan Drug status from the EMA in 2009, a designation that provides several benefits for product development, including research grants and subsidies, detailed feedback and assistance from the EMA in developing clinical trials, a streamlined process for obtaining the relevant regulatory approvals in Europe as well as up to 10 years European marketing exclusivity from the date of the product's launch.

Cellerix' second clinical product candidate, Cx611, has initiated enrolment in a Phase I/II clinical trial to assess its safety and efficacy as an intravenous treatment for patients suffering from rheumatoid arthritis. Cellerix has additional product candidates in various stages of preclinical development, including Cx621 (treatment of autoimmune diseases via intralymphatic administration of ASCs), which is scheduled to enter the clinic in 2011, Cx602 (endoscopic treatment of Inflammatory Bowel Disease (IBD)) and Cx603 (intra-articular administration of eASCs for the treatment of osteaoarthritis).

Further products that do not build upon the same platform are:

- Cx501: A chimeric skin combining autologous keratinocytes, allogeneic fibroblasts and a blood plasma matrix, for the treatment of a rare hereditary skin disease called Recessive Dystrophic Epidermolysis Bullosa ("**RDEB**"), which is characterized by the deficiency of collagen VII. Cx501 received Orphan Drug designation by EMEA in April 2006 and completed a 12 patient phase II clinical trial in two different centers in Spain in 2010. Even though the trial demonstrated the safety of the product and its engraftment at 12 months post implant evaluation, results were not statistically significant. This made the intended objective to register Cx501 for RDEB after Phase II based on the regulation of "approval under exceptional circumstances"[43] and use the underlying the development of Cx501 to expand its application or that of similar products to other indications an unrealistic goal. These results, together with Cellerix' revised strategy to focus on its eASC platform, resulted in Cellerix' decision to divest the Cx501 product at the end of **2010.**
- Cx911: Autologous regulatory T-cell platform that is being developed based on the immunosuppressive characteristics of these cells and their particular potential in the modulation of self-reactive T-cells in autoimmune diseases. Cellerix is developing a process for the in-vitro generation of regulatory T-cells based on the use of adipose derived cells, with the intention to develop therapies for the treatment of autoimmune diseases.

In line with the strategy being pursued at TiGenix, Cellerix aims to become a fully integrated biopharmaceutical company with R&D, manufacturing and sales and marketing capabilities to market its products in Europe, benefitting from TiGenix' existing commercial infrastructure and future manufacturing plant in The Netherlands. License and distribution partners are being sought to exploit the commercial potential of its products in other regions. A first such partner is Axcan Pharma Inc., who acquired development and marketing rights to a first autologous product and an option for Cx601 (limited to the fistula indication) for the North American market in 2007.

Cellerix' manufacturing facility was the first pharmaceutical laboratory to be approved in Spain by European health authorities for the development of cell therapies according to Good Manufacturing Practices (GMP) guidelines and to receive approval for commercial production of advanced therapy medicinal products (ATMPs). The facility provides sufficient capacity to conduct Cellerix' R&D activities, clinical trials and initial phases of commercial rollout.

43 This regulation provides a pathway for marketing authorization where the applicant is unable to provide comprehensive data on efficacy and safety under normal conditions of use, which was the case in RDEB as an ultra orphan indication.

6.14.2 Competitive strengths

TiGenix believes that Cellerix' competitive strengths are as follows:

- **Allogeneic treatments.** eASCs are isolated from healthy donors, expanded and stored in a cell bank ready to be thawed when the treatment is required and therefore constituting an "off-the-shelf "product (in comparison to an autologous product, where the patient needs to undergo a liposuction himself in order to obtain his own eASCs as the source of the pharmaceutical treatment). Allogeneic treatments offer several advantages, including timing and patient comfort (liposuction on the patient is avoided), optimization and scale up of production and easier logistics.
- **Well characterised stem cell platform.** Cellerix' stem cell platform based on expanded adipose-derived stem cells (eASCs) has been extensively characterized in line with EMA requirements and benefits from exhaustive preclinical and CMC packages that have been discussed with EMA on various occasions at scientific advice level. Analytical procedures and methods are fully validated according to ICH Quality Guidelines and EMA validated release assays (potency, purity, identity) are in place. Cellerix has the combined experience of more than 600 cell product procedures performed/documented to date.
- **Two products in clinical development.** Cellerix' lead product, Cx601, successfully completed Phase II clinical trials in 2010 and has received positive scientific advice for Phase III from EMA in March 2011. Complex perianal fistula, for which Cx601 is being developed, represents a debilitating condition underserved by available treatment options and for which there are, to the best knowledge of TiGenix, relatively few competing programmes in development. The condition is characterised by a well defined patient population, potentially enabling Cellerix to penetrate rapidly the target market in a highly focused manner. Cx611 has recently commenced Phase I/II clinical trials and is targeting Rheumatoid Arthritis (RA), a therapeutic indication underpinned by high levels of unmet medical need despite current therapeutics.
- **Orphan Drug designation for lead clinical programme.** Cx601 has been granted Orphan Drug designation by the EMA in 2009. This designation confers several significant benefits including: a streamlined development process, potential financial R&D incentives from the EU, detailed development feedback from the regulatory authorities and support for the clinical trial protocol, an expedited regulatory review period by the EMA, as well as up to 10 years marketing exclusivity from the date of the product's launch.
- **R&D engine which has resulted in several promising pre-clinical candidates.** The effective mechanism of action of eASCs represents a new approach to cell-based treatments of immune-mediated inflammatory diseases. The potential application in other therapeutic indications is being explored in several preclinical stage programs: Cx621 for the intralymphatic treatment of autoimmune diseases anticipated to enter in the clinic in 2011, Cx602 for the endoscopic treatment of IBD and Cx603 for the intra-articular treatment of osteoarthritis.
- **In-house industrial cell manufacturing capability.** Cellerix has accredited facilities which meet the GMP standards of the European Medicines Agency (EMA) and is also the first Spanish company approved by the Spanish Medicines and Medical Devices Agency (AEMPS) for the manufacture of ATMPs both for clinical trials and commercialization purposes. The manufacturing process is fully validated according to specifications established for each cell bank, which have registered stability data for more than 2.5 years.

6.14.3 History and development of Cellerix

Cellerix began operations in the research and development of cell therapy product candidates in 2002 as a division of Genetrix, S.L., a Spanish biotechnology incubator.

Cellerix was spun-off from Genetrix in 2004 as a stand alone entity. An overview of some of the key events and milestones in Cellerix' history is presented in the table below in chronological order:

Year	Key milestones & achievements
2004	Incorporation of Cellerix SL as stand-alone business Obtained good manufacturing practice ("GMP") certification as a pharmaceutical manufacturing facility Cx401 (former autologous product) initiates phase II trials in complex perianal fistulas
2005	Closing of series A financing round Cx401 granted Orphan Drug status by the EMA
2006	Cx501 granted Orphan Drug status by the EMA Acute phase of Cx401 phase II trial completed: 71% efficacy after 8 weeks
2007	Series B closed with blue chip venture capital investors and corporate funds of large pharma companies Licence and development agreement for Cx401 signed with Axcan Pharma
2008	€10 million venture debt secured with ETV Capital First patient successfully treated with Cx601 on compassionate use grounds
2009	Cx601 is granted Orphan Drug status by EMA Series C financing round closed
2010	Results for first Phase III clinical trial of Cx401 in non-Crohn patients GMP facility approved for commercial production of ATMPs Cx601 receives positive results from Phase II clinical trials Results of Cx501 Phase II clinical trial
2011	Cx611 initiates Phase I/II clinical trials Announces business combination with TiGenix NV Cx601 received positive EMA scientific advice for Phase III trial

6.14.4 Market opportunity

Perianal fistula in Crohn´s Disease

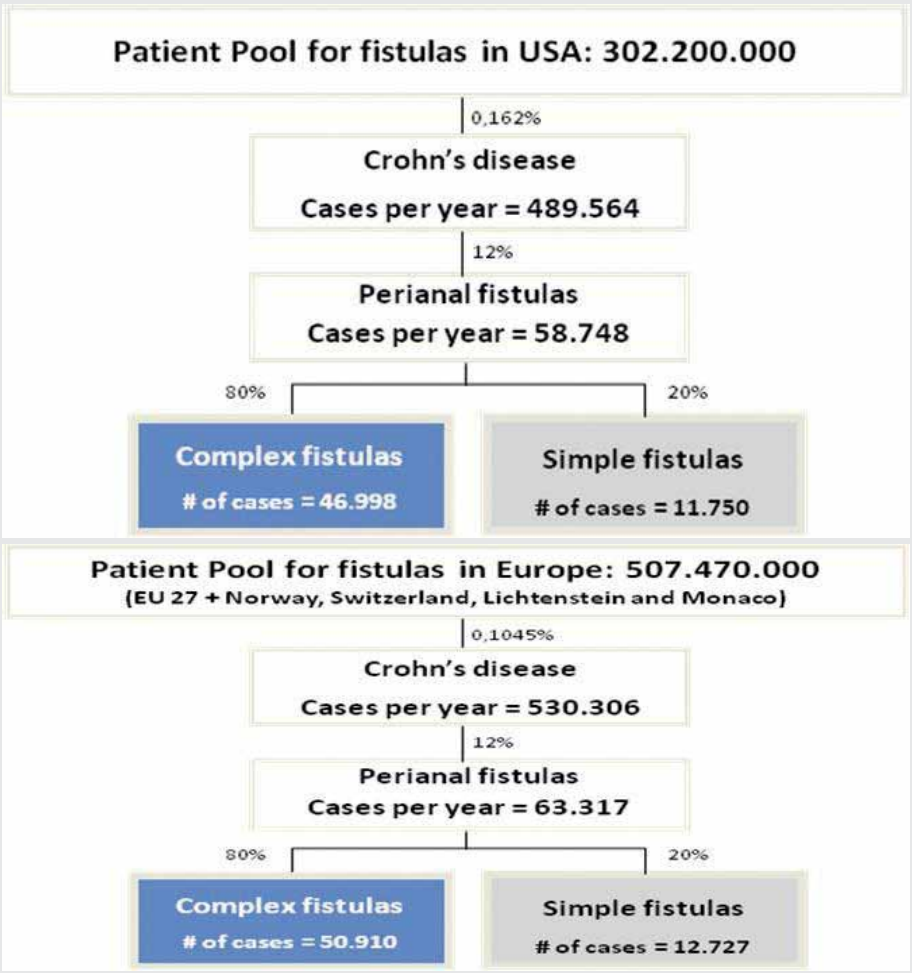
Crohn's disease is a chronic inflammatory disease of the intestine of unknown etiology. It is characterized by focal or segmental transmural inflammation which may occur in any part of the digestive tract with occasional granuloma formation. The transmural inflammation disrupts intestinal mucosal integrity, favouring the development of abscesses and fistulas. A fistula is an abnormal tract connecting two surfaces; a perianal fistula is defined as a tract between the perianal space and the epithelial surface proximal to the anus. Although multiple schemes of fistula classification have been proposed, none have been universally adopted. However, the American Gastroenterology Association recommends classification according to complexity as either complex or simple. Patients with complex fistula involving large portions of the sphincter muscles are generally accepted as being at high risk of incontinence subsequent to aggressive surgical intervention and of having low healing rates.

Symptomatic perianal fistulas in patients with Crohn's disease can have a large negative impact on quality of life and treatment of complex perianal fistulas remains a difficult problem.

Limited data is available on the epidemiology of perianal fistula in Crohn´s disease patients. Cellerix has estimated the worldwide epidemiology of the indication on the basis of collated scientific publications (up to 2007) based on (i) known Crohn´s disease epidemiology, (ii) the assumption that approximately 12% of Crohn's disease patients will develop a perianal fistula and (iii) that 80% of these will be classified as complex.

The following graphs provide an overview of the estimated patient population suffering from complex perianal fistula in Europe and USA:

Fig. 6.8: Overview of estimated patient population suffering from complex perianal fistula



Cellerix is developing Cx601 for the treatment of complex perianal fistula in Crohn's disease patients. Cx601 utilizes expanded adult stem cells which are derived from adipose tissue, which have shown to have anti-inflammatory properties and to be an effective mechanism for the treatment of fistulae.

In Phase I/II clinical trials, Cx601 showed efficacy at 24 weeks of 56% in treated fistula tracts while confirming safety of the treatment. The effective mechanism of action of Cx601 represents a new approach to cell-based treatments with adult stem cells and has potential application in other inflammatory and autoimmune therapeutic indications.

Complex perianal fistulae in Crohn patients tend to occur in individuals between the ages of 20 and 40, though 10-15% of patients are diagnosed before adulthood[44]. Persons who suffer from the condition are often unable to carry out ordinary daily activities and the recurrent nature of the condition significantly decreases patients' quality of life. They generally experience severe discomfort, pain and embarrassment and, in many cases, have significant psychological problems, requiring additional treatment and often causing substantial burdens for national health care systems that cover the associated treatment costs.

Currently, treatments of choice are antibiotics and azathioprine or 6-mercaptopurine as first-line therapy, and the biologic drug Remicade® (Infliximab) which is reserved as a second-line treatment in case of failure. Both treatment alternatives offer poor outcomes and in many instances notable side effects such as the reactivation of tuberculosis and increased risk of infection with Aspergillus, Listeria and Cryptococcus.

44 Source: Panés, Gomollón, Taxonera et al. "Crohn's Disease. A Review of Current Treatment with a Focus on Biologics Drugs". 2007; 67 (17): 2511-2537.

The table below gives an overview of the most common treatments for perianal fistulae in Crohn's disease patients with a brief description of their main characteristics:

	Antibiotics	Immuno-suppressants	Antibiotics + immune-suppressants	Biologicals
Use	First line or adjuvant therapy to treat infections and abscess from fistula.	Azatioprine and 6-mercaptopurine used as first line after antibiotics therapy.	Antibiotics and immunosuppresors often used in combination as first line therapy.	Second line. Remicade® (Infliximab) is the only approved biologic drug for fistulizing Crohn's.
Evaluation	Seem to be useful if used short term or intermittently but adverse effects result from prolonged use.	Very low efficacy in fistula closure but often reduction of inflammation, discharge and discomfort.		Some efficacy in fistula closure. However, recurrence is almost assured when Infliximab is stopped. Serious side effects known.

The burden of the perianal fistula in Crohn´s disease is high, both to the individual patient and to the health care provider. In financial terms the most significant portion of the cost burden of diagnosis and treatment can be attributed to the pharmaceutical treatment. In a recent study conducted by IMS (independent provider of market research) on behalf of Cellerix, the annual median cost associated with pharmaceutical treatment was €4,419 (total annual median cost per patient in the study was €6,272).

Rheumatoid Arthritis

Rheumatoid arthritis ("**RA**") is one of the most common autoimmune diseases. It is a chronic systemic disorder characterized by inflammation of the joint tissues, primarily the synovium. The resultant inflammation and build up of fluid in the joint leads to debilitating pain, stiffness, swelling and redness. Inflammation of the synovium may progress to degeneration of the joint bone and cartilage as a result of enzymatic actions of the cells involved in the inflammatory process and the resultant joint damage can lead to joint deformity.

The prevalence of RA is between 0.4% and 2% worldwide, varying between the higher end of range in the United States and the lower end in developing countries as well as Japan and China[45]. The arthritic population is estimated at 3 million people in Europe[46] and 1.3 million in the US[47], with women at approximately double the risk of developing the condition.

In the US alone, all forms of arthritis are responsible for 39 million physician visits, 3 million outpatient visits, 744,000 hospitalizations and 2.2 million visits to emergency departments each year. The figures indicate the high cost and medical services utilization rates associated with the disease. The Center for Disease Control figures predicts arthritis, already the leading cause of disability, to affect over 41 million by 2030[48].

Due to its onset in middle age and the progressive nature of the disease, patients commonly live for 30 or more years with the disease. This creates a significant burden on society as the percentage of people aged 60+ continues to increase worldwide, particularly in those territories such as the US and EU that have significantly ageing populations.

RA has a great impact on the patient's quality of life and gives rise to important economic and social costs. From the early stages of the disease RA has a significant effect on the daily activities of those afflicted, not only in terms of physical activity but also in social, psychological and economic terms.

The largest cost of RA comes from losses of productivity, as many patients have to leave the workforce as early as three years after disease onset. Within ten years of the start of their condition, half of those with rheumatoid arthritis are unable to hold down a full-time job. There are considerable costs associated with RA, such as informal care, non-medical costs and lost production, which increase with disease progression. Therefore, early diagnosis and effective treatment leads to considerable savings and improvements in patients' quality of life[49].

45 Biotech in Autoimmune/Inflammatory Disease 2006 2nd Edition Arrowhead Publishers.

46 Lundkvist J et al. Eur J Health Econ 8 (Suppl 2):S49–S60..

47 Biotech in Autoimmune/Inflammatory Disease 2006 2nd Edition Arrowhead Publishers.

48 Biotech in Autoimmune/Inflammatory Disease 2006 2nd Edition Arrowhead Publishers.

49 Lundkvist J et al. Eur J Health Econ 8 (Suppl 2):S49–S60.

The direct medical cost of treating RA has risen greatly over the past ten years as a result of new biologics, which can cost up to and above $12,000 a year. In 1996, the average cost of treating RA was roughly $6,000 a year. In 2005, for those receiving biologic treatments, this number was in the range of $15,000 to $17,000[50].

Total costs to society have been estimated at €45.3 billion in Europe and at €41.6 billion in the United States[51].

Commonly prescribed drugs for RA include non-steroidal anti-inflammatory drugs ("**NSAIDs**"), analgesics, steroids and disease-modifying anti-rheumatic drugs ("**DMARDs**").

NSAIDs have been used in the treatment of RA for many years. They are used to reduce swelling and pain associated with the disease but do not address the underlying cause of the disease and are limited in their effect. Analgesics are additionally for symptomatic relief but are also limited in their usefulness. Corticosteroids act by reducing inflammation of the joints; however their use is limited by their wide ranging serious side effects.

The current recommended pharmacological management of rheumatoid arthritis involves early intervention with synthetic DMARDs either singly or in combination. If inflammation cannot be adequately suppressed by these means, biologic DMARDs targeting the pro-inflammatory cytokine tumor necrosis factor ("**TNF**") are employed. In the event of inadequate response, further anti-TNFs may be tried or in the case of Infliximab, dose optimization, or alternatively, biologics of a different mechanism of action class can be used. Despite all the available treatments, RA remains an unmet clinical need where several concerns about long term treatments based on biologics have arisen[52] while there are still approximately 20-40% of rheumatoid arthritis patients that do not have an adequate response to anti-TNF therapy. [53]

Cellerix is developing Cx611 as a new treatment for RA. Cx611 is an allogeneic cellular suspension of living adult stem cells of mesenchymal origin (eASCs), extracted from adipose tissue. Although the first intended application for which Cx611 is being developed is the treatment of RA via intravenous infusion (Phase I/II on-going), the Company is aiming to expand the pipeline though development of Cx611 and other products in other autoimmune diseases that still represent a major clinical unmet need.

Autoimmune conditions

Autoimmune diseases are a group of more than 80 conditions that are caused by disruptions to immune homeostasis. This results in the targeting of autoantigens by the immune system, *i.e.* the body attacks itself. Although the causes of autoimmune diseases are still being investigated, recognized risk factors include genetic predisposition, lifestyle factors, environmental factors and gender. The characteristic immediate result of an autoimmune condition is inflammation. This is the result of the aggregation of cells and molecules associated with the immune pathways in a tissue. While inflammation is a critical component of healing processes, uncontrolled and inappropriate inflammatory processes can lead to serious complications such as tissue degeneration. As such autoimmune diseases are often chronic and debilitating conditions that place a huge burden on not only individuals but also their health care providers.

In 2009 more than 30 million individuals suffered from autoimmune diseases in the seven major markets (U.S., Japan, France, Germany, Italy, Spain and UK)[54]. The incidence of autoimmune diseases in the U.S. alone has been estimated at being in the range of 14.7 to 23.5 million affected individuals (up to 8% of the population), with rising incidence and prevalence[55]. A higher proportion of women are affected than men (up to 2.7 times greater risk) and it is a leading cause of mortality amongst young and middle aged women. [56]

The global autoimmune disease therapeutics market is in the order of $25.2 billion in 2009[57] and is expected to grow to $48 billion by 2015, with an average cost of therapy of $13,400[58]. Although the market encompasses a broad range of indications, the six major diseases listed in the table below are each significant markets in their own right.

50 Biotech in Autoimmune/Inflammatory Disease 2006 2nd Edition Arrowhead Publishers.

51 Lundkvist J et al. Eur J Health Econ 8 (Suppl 2):S49–S60.

52 Bongartz, 2009.

53 Vander CB, 2006.

54 Datamonitor. "Stakeholder Opinions: Autoimmune Diseases in Emerging Markets". May 2010.

55 NIH report to congress "Progress in Autoimmune Diseases Research" March 2005.

56 NIH report to congress "Progress in Autoimmune Diseases Research" March 2005.

57 Datamonitor.

58 The Future of Autoimmune Diseases Therapeutics – Market Forecasts to 2015, Competitive Benchmarking, Product Pipeline and Deal Analysis. GBI Research Dec 2009.

	Prevalence	No. of cases (2010)	Estimated market
Rheumatoid Arthritis	0.59%	4.2 million	$27 billion (2015)[59]
Psoriasis	2.36%	20.3 million	$7.3 billion (2015)[60]
Crohn´s Disease	0.1%	0.9 million	$4.2 billion (2019)[61]
Systemic Lupus Erythematosus (SLE)	0.05%	0.4 million	$2.5 billion (2017)[62]
Multiple Sclerosis	0.09%	0.9 million	$12.5 billion (2015)[63]
Ankylosing Spondylitis	0.18%	1.1 million	$660 million (2016)[64]

Autoimmune diseases have for many years been treated with anti-inflammatory drugs such as corticosteroids, NSAIDs and cytotoxics. Although some success has been achieved by use of these therapies, in general these benefits are limited. In recent years, biologics have been developed in order to meet the need for more specific, safer treatments for a range of autoimmune diseases and as such command premium pricing. Adipose derived stem cell therapy, which combines anti-inflammatory and immune modulatory mechanisms of action, represents a promising alternative therapy.

6.14.5 Marketed products and commercial strategy

Cellerix does not currently have any products on the market.

In terms of commercial strategy in combination with TiGenix, Cellerix aims to become a fully integrated biopharmaceutical company with R&D, manufacturing and sales and marketing capabilities to market its products in Europe while exploiting the commercial potential of its products via license and distribution partners in other regions. A first such partner is Axcan Pharma, who acquired development and marketing rights to a first autologous product and an option for Cx601 (limited to the fistula indication) for the North American market in 2007.

Expanded adipose tissue as active ingredient

Cellerix has developed its platform using expanded stem cells extracted from adipose tissue (eASCs). By sourcing cells from adult adipose (fat) tissue, Cellerix is able to capitalize on the benefits associated with this type of cell compared to other cell types (such as stem cells sourced from bone marrow). These advantages include:

- Ease and amount of supply: Fat is a readily available tissue source collected through a simple liposuction that does not affect the patient's health.
- Rich supply of progenitor cells: Progenitor cells represent 2% of the total cells of the Stromal Vascular Fraction ("SVF") of the fat tissue whereas the equivalent cell type on bone marrow only represents 0.002% of total cells. This results in a yield of 500 to 1,000 times more stem cells derived from adipose tissue when compared to a similar volume of bone marrow, thus implying a more abundant cell supply from a lower volume of tissue.
- Robust phenotype: ASCs do not require overly elaborate growth conditions and can be grown continuously without loss of their primary characteristics.
- No ethical issues: The ASCs are sourced from and applied to consenting adult patients. For this reason, and in contrast to cells of embryonic origin, there are no complex ethical issues associated with the use of eASCs.
- Enhanced safety through well understood mechanism of action: The mechanism of action is based on the anti-inflammatory effect of the eASCs. It does not depend on cell differentiation, thereby reducing the risk of unforeseen cell type formation.

59 "Rheumatoid Arthritis – Drug Pipeline Analysis and Market Forecasts to 2015". Global Industry Analysts.

60 Psoriasis Drugs: A Global Strategic Business Report. Global Industry Analysts.

61 Decision resources.

62 Systemic Lupus Erythematosus - Pipeline Assessment and Market Forecasts to 2017 Aarkstore.

63 Multiple Sclerosis Therapeutics: A Global Strategic Business Report. Global Industry Analysts.

64 Market Opportunities in Ankylosing Spondylitis. Decision Resources.

Allogeneic approach

An allogeneic treatment is advantageous over an autologous for several reasons such as:

(a) Producing cells for many patients is more efficient:

- Scale-up can go much further
- Quality control can be applied to larger lots
- Existing attachment cell technology for production scale is useful
- Material of high consistency
- Allows high patient throughput

(b) Cells are always available:

- Can address emergency indications
- Represents a good commercial opportunity

(c) No patient biopsy/tissue procurement needed:

- Less clinical time and resources
- Avoids needing biopsy consent from severely ill patients
- Enables patients who may not possess sufficient tissue or who for any other medical reason cannot undergo tissue procurement

(d) Commercial product orientated. Lower product cost of goods

Mechanism of action

It has been scientifically documented[65] that certain stem cell populations are capable of acting as immunoregulatory agents by interacting with cells of the immune system. Scientists at Cellerix in agreement with published data from academic groups have confirmed an activation of eASCs by the cytokine interferon-gamma ("**IFN-γ**")[66] , and the subsequent expression of the tryptophan metabolizing enzyme Indoleamine 2,3 dioxygenase ("**IDO**")[67] as pivotal processes. The underlying mechanism of action (MoA) of eASCs and their immunomodulatory effects are based on this activation cascade. This immune-modulation is described shortly as follows:

During the inflammatory process, IFN-γ is secreted by the patient's lymphocytes. When eASCs are injected into the inflamed site, they are activated by the IFN-γ, resulting in the expression of the enzyme IDO. The enzymatic activity of IDO suppresses the proliferation of activated lymphocytes, shutting down chronic inflammation and thereby allowing a natural healing of the inflamed tissue. In parallel, physical interaction of lymphocytes with the eASCs generates antigen specific Treg (T-suppressor) cells, which allows a systemic suppression of an activated immune system, an important aspect in regulating autoimmunity. Importantly, the immunomodulation capacity is not altered within ex vivo expansion of ASCs but the differentiation capacity is indeed limited with expansion.

Product development strategy and pipeline

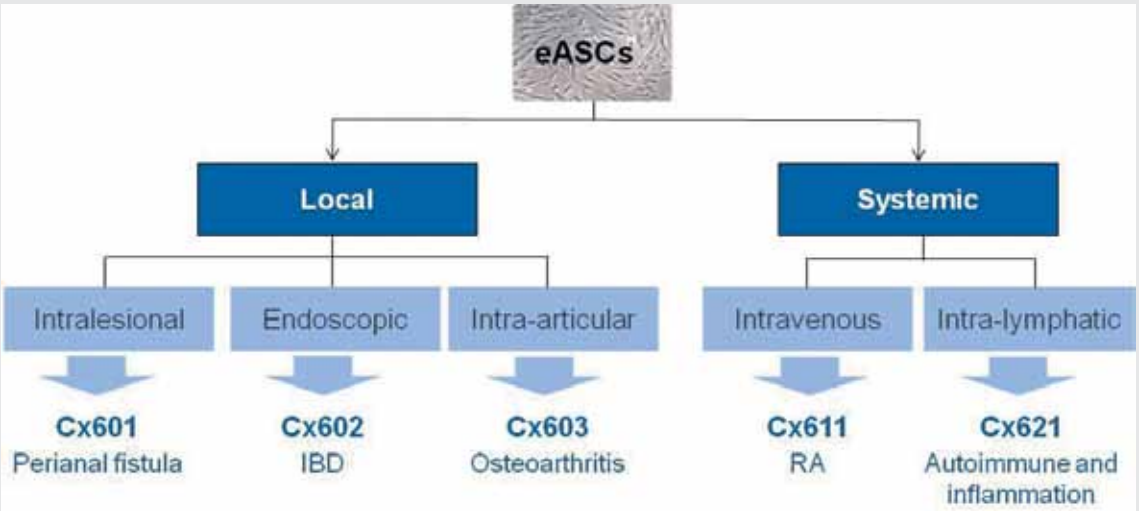
Cellerix aims to exploit the immuno-modulatory capacity of eASCs pursuing the delivery of the cells via the most appropriate route of administration according to the indication targeted. Accordingly, clinical stage programs are currently in place using both local and systemic administration. Further programs are in pre-clinical development using additional routes of administration within these two categories. The platform development strategy is pictured in figure 6.9.

65 Isr Med Assoc J. 2010 Feb;12(2):110-5. "Cellular therapy in 2010: focus on autoimmune and cardiac diseases."Perl L, Weissler A, Mekori YA, Mor A.

66 Best Pract Res Clin Haematol. 2011 Mar;24(1):49-57. Epub 2011 Feb 23. "Mesenchymal stem cells and autoimmune diseases."

67 Stem Cells Dev. 2008 Aug;17(4):681-93."Soluble factors-mediated immunomodulatory effects of canine adipose tissue-derived mesenchymal stem cells.
" Kang JW, Kang KS, Koo HC, Park JR, Choi EW, Park YH.

Fig. 6.9: Platform development strategy



Cx601

Product

Cx601 is a suspension of allogeneic eASCs to be delivered locally in the fistula through intra-lesional injection. Cx601 is being developed for the treatment of complex perianal fistulas in Crohn's patients as a first indication and builds upon the experience and certain data obtained with its autologous predecessor Cx401 (intended to be marketed under the name Ontaril).

Cx601 received Orphan Drug status in Q4 2009.

Indication

A fistula is an abnormal connection or passageway between organs or vessels that normally do not connect with one another. Fistula can develop in various parts of the body. In the case of perianal fistulae, the abnormal connection passes from the rectum or other anorectal area to the surface of the skin. Fistulae are classified according to their complexity into simple and complex:

- A simple perianal fistula is a superficial fistula having only a single external opening, without pain or fluctulence to suggest abscess.
- A complex perianal fistula is a serious condition that typically involves more of the anal sphincters, can have multiple tracts, is associated with a perianal abscess and/ or is recurrent. Patients with complex fistulas are at increased risk for incontinence following aggressive surgical intervention and have less chance for healing.

Complex perianal fistulae commonly develop in patients suffering from Crohn's disease, an inflammatory disorder of the digestive tract. They may also develop spontaneously in patients without Crohn's disease due to an infection of an anal gland (fistula of cryptoglandular origin).

This condition represents a significant medical challenge for both Crohn's and non-Crohn's patients. Complex perianal fistulae in Crohn patients tend to occur in individuals between the ages of 20 and 40, though 10–15% of patients are diagnosed before adulthood[68]. Persons who suffer from the condition are often unable to carry out ordinary daily activities and the recurrent nature of the condition significantly decreases patients' quality of life. They generally experience severe discomfort, pain and embarrassment and, in many cases, have significant psychological problems, requiring additional treatment and often causing substantial burdens for national health care systems that cover the associated treatment costs.

A study regarding the epidemiology, efficacy of current treatments and burden of the disease of perianal fistulas in patients with Crohn's disease ("**CD**") was conducted by IMS on behalf of Cellerix in 2010. The transversal multicentre study was carried out in 11 hospitals in Madrid and considered complex perianal fistulae if the fistula fulfilled any of the following criteria: high location (high intersphincteric, high transsphincteric, extrasphincteric or suprasphincteric), multiple external openings, perianal abscess, anal stenosis or proctitis. All other fistulae were classified as simple.

68 Source: Panés, Gomollón, Taxonera et al. "Crohn's Disease. A Review of Current Treatment with a Focus on Biologics Drugs". 2007; 67 (17): 2511-2537.

Of 2,391 patients included in the study, 581 had developed perianal fistula at some point since diagnosis of CD. The mean time of evolution of CD was 12 years. The cumulative incidence of perianal fistula was 24% (CI95%: 22-30%) and the cumulative incidence of complex perianal fistula was 12% (CI95%: 11-13%). The rate of incidence of development of perianal fistula was 1.2% per patient-year during the study time period and for complex fistula it was 0.7% per patient-year. The median age of patients with perianal fistula was 41 years, and 55% were male. Based on this data, the study concluded that perianal fistulas are very common, appearing in 25% of CD patients, of which approximately half are complex. It also concluded that complex perianal fistulae are frequently associated with the presence of perianal abscess and in a significant percentage of patients with anal stenosis.

For Crohn patients, current treatment alternatives are very limited and they are basically, antibiotics, immunosuppressants and anti-TNFα (Remicade®/Infliximab).

Although **antibiotics** are commonly used as first line therapy in fistulizing CD, the efficacy of these drugs has never been shown in appropriate randomized clinical trial (RCT). A small RCT failed to demonstrate statistical significance between antibiotics and placebo (*Thia et al., 2009*). However, antibiotics are currently recommended as fistula therapy in international clinical guidelines (*Van Assche et al., 2010*).

Immunosuppressants (IMMs) are commonly used as second line therapy, but again no RCT assessing the efficacy of this treatment on fistulizing CD exists. Data on efficacy has been derived from post-hoc analyses of RCT in which IMMs were used for treatment of active luminal disease. A metanalysis of these post-hoc results show efficacy of this treatment in terms of achieving response (closure or reduction in drainage) but no data assessing the recommended endpoint of remission can be analyzed in this post-hoc analysis (*Pearson et al., 1995*).

Finally, within the **anti-TNFsα** treatments, the one directly demonstrating efficacy for the treatment of perianal fistulizing CD in a RCT has been **Infliximab** (IFX) (*Sands et al., 2004*); 69% of patients responded at week 14 and of these 25% of the overall randomized population were in remission at week 54. The anti-TNFα therapy in complex perianal fistulas has been proven as the most effective medical treatment of this difficult to treat disease. However, despite this treatment, a large number of patients have continuous disease activity and high relapsing rates (*Roumeguere et al., 2011*) whereas only a small percentage of them have a complete fistula healing (*Bourikas et al., 2010*), as confirmed by MRI. Of note, serious infections, malignancies and neurological disease complicate anti-TNFα use in clinical practice.

In brief, response to the available options for the treatment of perianal fistulas in CD patients is low. In addition, there is a high percentage of recurrence in patients who had initial response to the treatment. A significant proportion of patients have to discontinue the treatment due to in many instances notable side effects such as the reactivation of tuberculosis and increased risk of infection with Aspergillus, Listeria and Cryptococcus. Therefore the effectiveness of the treatments available for perianal fistulas in patients with CD is very limited.

Clinical development

The development of Cx601 builds upon the experience gained with Cx401, its autologous predecessor, which was intended to be marketed under the name Ontaril in Europe.

Ontaril utilized expanded adult stem cells which are derived from adipose tissue extracted from the patient being treated. In phase I and II clinical trials, Ontaril showed a short term efficacy (eight weeks after implant) of >70% and a long term efficacy at 1 year after implant of 58% (efficacy being measured as the complete closure and re-epithelisation of the fistula being treated with absence of drainage).

These results set the basis for Cellerix to proceed into the next phase of clinical trials. Following EMA's request, Cellerix initiated Phase III clinical trials with Ontaril in two different indications:[69]

- Complex perianal fistula of cryptoglandular origin
- Complex perianal fistula in patients with Crohn's disease

In January 2010 Cellerix received the final clinical report for the Phase III trial being conducted in non-Crohn's patients. The trial confirmed the safety of the product and demonstrated its efficacy in the closing of complex perianal fistulas. Nonetheless, the very good results achieved in the control arm, did not allow Cellerix to establish statistical significance for its product and proceed to its registration. Given these results, the delays being experienced in the second Phase III trial being conducted in Crohn's patients and the speedy development of the allogeneic follow-on product Cx601, Cellerix' board of directors decided in February 2010 to halt the autologous developments and centre Cellerix' efforts and resources on the allogeneic eASC platform.

69 Phase I was conducted in Crohn patients and Phase II in a mixed patient population of Crohn's and non Crohn's patients

In developing Cx601, Cellerix has been able to build upon certain preclinical and CMC data obtained for the development of Cx401 as well as capitalize on the regulatory experience (the Phase III trial in Crohn's patients was approved in eight European countries).

Cx601 recently completed a multicentre (6 centres) phase II clinical evaluation on 24 patients.

The final clinical report was received in December 2010 and confirmed the safety of allogeneic eASCs (including no immune-reaction to allogeneic eASCs determined after first or second administration) and the efficacy of the compound in the treatment of complex perianal fistula.

Efficacy at twenty four weeks after implant was >56% in the treated fistula tracts. Efficacy was measured as the complete closure and re-epithelisation of the fistula being treated with absence of drainage. Additionally, 69.2% of patients had a reduction in the number of initially draining tracts.

Based on these results, Cellerix sought scientific advice from EMA in March 2011 on the future development path of Cx601. The scientific advice meeting was held on March 3, 2011 and positive feedback was received on a proposed trial design for a follow-on trial of the compound.

Cx611

Product

Cx611 is an allogeneic cellular suspension of living adult stem cells of mesenchymal origin (eASCs), extracted from adipose tissue. The first intended application for which Cx611 is being developed is the treatment of rheumatoid arthritis via intravenous (i.v.) infusion.

Indication

Rheumatoid Arthritis ("**RA**") constitutes an inflammatory, autoimmune, systemic and chronic disease which incidence has been maintained through decades and represents the most common inflammatory arthritis, affecting 0.3% to 1% of the general population in industrialized countries. [70]

RA has a great impact on the patient's quality of life and gives rise to important economic and social costs. It is remarkable that within ten years of the start of the disease condition, half of those with rheumatoid arthritis are unable to hold down a full-time job. The economic burden associated to the treatment of RA is huge for any health care economy and is estimated that the combined annual economic cost of this disease is up to 45.5 billion Euros across Europe (*Lundkvis et al 2008*).

The current pharmacological management of rheumatoid arthritis involves early intervention with synthetic disease modifying anti-rheumatic drugs ("**DMARDs**") either singly or in combination. If inflammation cannot be adequately suppressed by these means, biologic DMARDs targeting the pro-inflammatory cytokine TNF are employed. In the event of inadequate response, dose optimisation (*i.e.* in the case of the anti-TNFα Infliximab), further anti-TNFs, or alternatively, biologics of a different mechanism of action class can be used. Despite all these treatments, RA remains as an insufficiently unmet clinical need where several concerns about long term treatments based on biologics are documented (Bongartz, 2009):

- Lack of efficacy of biological treatments in some patients, non-tolerability or recurrent secondary infections have been factors which have contributed to the need of developing new therapies.
- Adverse effects from current antirheumatic medication occur, affecting various organ systems and sometimes being serious.
- It is estimated that approximately 20-40% of RA patients do not have an adequate response to treatment with anti-TNF agents.

Clinical development

In January 2011, Cellerix obtained official approval by the Spanish Medicines Agency to start a Phase I/II clinical trial using allogeneic eASCs, for the intravenous treatment of rheumatoid arthritis.

The protocol for this study has been drafted in close collaboration with an advisory board comprised of internationally recognized experts in novel and early outcome studies in RA.

Local scientific advice with the Spanish Medicines Agency regarding preclinical package of the clinical trial submission and the Phase I/II trial design was finalized in September 2010.

The primary objective of the study is to determine the safety, feasibility and tolerance, and to identify, if possible, the dose limiting toxicity and the dose for future clinical trials on efficacy of the intravenous infusion of allogeneic eASCs for patients suffering rheumatoid arthritis under treatment with at least two non-biologic-DMARD who have previously failed to treatment with at least two biologics.

70 WHO Report "The global burden of rheumatoid arthritis in the year 2000". Deborah Symmons Colin Mathers, Bruce Pfleger.

The secondary objective is to obtain information on the clinical and functional effects of the intravenous infusion of allogeneic eASCs cells in patients with RA.

The exploratory objective is related to explore pharmacodynamic parameters.

The multicentre study will involve approximately 53 patients divided in 3 cohorts with different dose and with the same administration regimens and is expected to be conducted in more than 20 Spanish centres. The blinded Plan will be confirmed with each site in order to ensure the blinded and unblinded procedures.

A patient recruitment period of approximately 1 year is planned with a follow-up of 6 months for each patient. Enrolment began in Q1 2011.

Cx602

Cx602 is a suspension of allogeneic eASCs to be delivered endoscopically for the treatment of IBD. The project is currently in preclinical stage, with the work being conducted in collaboration with La Paz Hospital in Madrid.

Cx603

Product

Cx603 is an allogeneic cellular suspension of eASCs for the treatment of osteoarthritis (OA) via intra-articular injection.

Indication

OA is a group of mechanical abnormalities involving degradation of joints including articular cartilage and subchondral bone. Inflammation plays an important role in OA and specifically in some sub-sets of primary OA, such as erosive OA (also called inflammatory OA). OA is the most common form of arthritis and the leading cause of chronic disability: In Western populations it is one of the most frequent causes of pain, loss of function and disability in adults. Radiographic evidence of OA occurs in the majority of people by 65 years of age and in about 80% of those aged over 75 years. In the US it is second only to ischemic heart disease as a cause of work disability in men over 50 years of age, and accounts for more hospitalizations than rheumatoid arthritis (RA) each year. [71]

Development

The Company is currently designing the preclinical studies that will be needed to support the existing package for allogeneic eASCs and aims to complete these studies during 2011. In the wake of integration, Cellerix and TiGenix are working together to identify synergies between the two companies' OA programs and bring the most suitable product into the clinic.

Cx621

Product

Cx621 is an allogeneic cellular suspension of eASCs for the treatment of autoimmune diseases via intra-lymphatic administration.

Scientific rationale and development plan

The intralymphatic route appears to be very attractive, given that the systemic effect of the cells shown to be ultimately executed at the secondary lymphoid organs: draining lymph nodes and spleen. Recent preclinical and clinical experience with vaccines[72] and antitumor[73] agents indicate that it is a feasible and safe route of administration. Indeed, the subcutaneous lymph nodes are readily visible by ultrasound, as their paracortical area is hypoechoic. Injection of a superficial lymph node in the groin area can be performed within minutes, even by doctors that have little experience in ultrasound. The pain of intralymphatic injection arises solely from penetrating the skin, as lymph nodes are poorly innervated. The pain of intralymphatic injection might be comparable to subcutaneous injection. In fact, patients rated intralymphatic injection less painful than venous puncture (*Senti et al., 2008*).

Cellerix has obtained positive results from toxicology, biodistribution and efficacy models in mice using human eASCs via the intralymphatic route. Based on these results, Cellerix intends to initiate a Phase I clinical study to determine the safety, tolerance and injection technique feasibility, of allogeneic eASCs in the inguinal ganglia (primary objective). The secondary objective is to obtain information of the pharmacodynamic ("**PD**") parameters of the local intranodal injection of allogeneic eASCs.

71 MRC Epidemiology Resource Centre, University of Southampton, Southampton General Hospital.

72 Curr Opin Allergy Clin Immunol. 2009 Dec;9(6):537-43. "Intralymphatic immunotherapy."Senti G, Johansen P, Kündig TM.

73 Cytotherapy. 2007;9(8):755-70. Epub 2007 Oct 4."Phase I study of tumor Ag-loaded IL-12 secreting semi-mature DC for the treatment of pediatric cancer." Dohnal AM, Witt V, Hügel H, Holter W, Gadner H, Felzmann T.

6.14.6 Manufacturing & logistics

Cell-based medicinal products must be manufactured by a laboratory authorised by the regulatory authorities and must be carried out in compliance with Good Manufacturing Practices ("**GMP**"). These requirements also apply to the medicines manufactured for use in clinical trials.

Cellerix' cellular therapy medicine facility is authorised by the Spanish Medicines and Medical Devices Agency (Registration number: 4.190-E) as a pharmaceutical laboratory which manufactures cellular medicinal products for investigational use (clinical trials) and for commercial use. For the production of cells for clinical use, Cellerix applies a specific and effective pharmaceutical quality assurance system in compliance with the medicinal products standards of the European Union and GMP.

Throughout all of Cellerix' manufacturing processes, there are different quality controls to guarantee that the product complies with the adequate specifications for use. Of particular importance are the controls applied during the process, on raw materials, the finished product before it is packaged and after packaging. Furthermore, Cellerix conducts microbiological and environmental controls and process controls to ensure that the manufacturing conditions are compliant for the distribution of the finished product. All of the materials used through the manufacturing process are reviewed and approved before use to guarantee that each one complies with the applicable specifications. For the performance of certain quality control analyses and other activities of interest, Cellerix has contracts with officially approved, specialised external companies which establish the conditions and obligations of each one of the parties.

The characterization of eASCs has been established in terms of, identity (in terms of phenotypic profile), purity, potency, morphology, viability and cell growth kinetic according to the Guideline on Cell-Based Medicinal Products (EMEA/CHMP/410869/2006) and the Reflection Paper on Stem Cells (EMA/CAT/571134/2009, adopted on January 14, 2011) in order to set the routine controls that will be applied at final product release as well as those to be performed at different stages of the manufacturing process to guarantee the batch consistency.

External and self-review audits are conducted periodically along with inspections of the Quality System, including two inspections by the Spanish Medicines and Medical Devices Agency ("*Agencia Española De Medicamentos Y Productos Sanitarios*") ("**AEMPS**"), four audits of the Chamber of Commerce for ISO 9001:2000 certification and audits by investors prior to the financing negotiations.

In Spain, since the Order SCO/3461/2003 came into force, Cellerix' products have been considered medicinal products and therefore must be manufactured in compliance with GMP. Because of this requirement, Cellerix was obliged to adapt its facilities, procedures and personnel to the requirements established for pharmaceutical laboratories, successfully passing the inspection of the AEMPS and receiving certification as a pharmaceutical laboratory in 2004. Cellerix has established a Quality Control system for its production processes in line with standard pharmaceutical practice and applicable national and international guidelines to ensure the quality and safety of the finished product.

The logistics surrounding Cellerix' clinical stage products includes the transport of the finished product in a special temperature controlled kit, which can maintain temperature for 5 days, ensuring sufficient time for transport and implantation. The shipping process has been fully validated with two specialist courier services. Based on its experience with these companies and the proximity of the manufacturing facility to the Madrid international airport of Barajas, Cellerix believes it can reliably deliver the finished product to treatment sites anywhere in Europe, within 24 hours.

6.14.7 Intellectual property

Overview of Patents and Patent Applications

The protection of Cellerix' intellectual property is a strategic part of its business and Cellerix currently owns, or has in-licensed, 20 granted patents and 66 patent applications distributed across 17 families. In addition Cellerix currently has 13 registered trademarks in Europe, as well as 3 registration pending trademarks in the US.

Licenses

Except in the case of PCT Publication Number WO2007065927, Cellerix holds the exclusive rights to the patents listed below either through exclusive ownership of the patents and patent applications or otherwise as exclusive licensees or by co-ownership agreements with exclusive licensee provisions.

Exclusive License Agreement

Cellerix has exclusively licensed the patent family "Artificial dermis and production method thereof" underlying the Cx501 product from the consortium of assignees CIEMAT, the Asturias Community Transfusion Centre – Spanish Red Cross and the Marcelino Botín Foundation. The license agreement was executed on May 13, 2005. The licensor reserves the right to terminate the agreement if the product is not commercially available within 10 years as foreseen in the agreement. There is the risk that the agreement may be terminated should a product not be available within this timeframe.

Co-ownership Agreements

A number of Cellerix´ patent families are the result of collaborations with academic parties, and are jointly owned. Co-ownership agreements are in place for all such patent families.

The Universidad Autónoma de Madrid (UAM) and Cellerix have jointly developed the following patents:

- "Biomaterial for suturing." (PCT Publication Number WO2006035083)
- "Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue." (PCT Publication Number WO2006037649)
- "Use of adipose tissue-derived stromal stem cells in treating fistula." (PCT Publication Number WO2006136244)

As agreed in the license executed on November 3, 2004 and amended on April 24, 2008, UAM exclusively licensed rights (including the right to sub-license) to (the parent applications) P200402355 and P200402083 (and their subsequent international equivalents as listed above) of the above patent families to Cellerix.

The Consejo Superior de Investigaciones Científicas (CSIC) and Cellerix have jointly developed the patent "Cell populations having immunoregulatory activity, method for isolation and uses" (PCT Publication number WO2007039150). A co-ownership agreement exclusively licensing all rights was executed on June 1, 2009.

The University of Seville, CSIC and Cellerix have jointly developed the patent "Uses of mesenchymal stem cells" (PCT Publication Number WO2010015929). A co-ownership agreement exclusively licensing all rights was executed on January 17, 2011.

The Centro de Investigaciones Energéticas, Medioambientales y Tecnológicas (CIEMAT) and Cellerix have jointly developed the patent "Use of adipose tissue derived mesenchymal stem cells for the treatment of graft versus host disease" (PCT Publication Number WO2007065927). A co-ownership agreement was executed on December 2, 2005 recognizing that the patent was jointly owned and outlining procedures for the joint prosecution of such.

Patent Portfolio

Cellerix' commercial success will depend, in part, on its ability to obtain patent protection in Europe and the US for certain aspects of its cell therapy products, processes and related technologies. Cellerix therefore seeks to obtain patent protection for these products, processes and technologies and will continue to file patent applications with respect of multiple aspects of its technologies and products. A combination of in-licensed and owned patent rights aims at protecting, as much as reasonably possible, Cellerix to exploit the commercial applications of certain adult stem cell technologies.

Cellerix' current patent position is as follows:

- eASC key base patents:
- "Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue": A patent family of one granted Spanish patent, also pending in CA, CN, JP, SG, IL, US, EP, KR, AU and IN protecting a non-osteochondral derived multipotent adult stem cell population, characterized by a set of markers. Additionally the patent claims methods for identifying and isolating such cells its method of identification and isolation, as well as pharmaceutical compositions and therapeutic uses in healing and tissue regeneration.
- "Use of adipose tissue-derived stromal stem cells in treating fistula": A patent family pending in CA, CN, JP, SG, IL, US, BR, MX, EP, KR, AU, NZ, RU & IN protecting an adipose derived stem cell composition characterized by a panel of cell surface markers, methods of preparation of such a composition and the use thereof in treating fistula.
- "Cell populations having immunoregulatory activity, method for isolation and uses" (PCT Publication number WO2007039150): A patent family pending in CA, CN, JP, SG, IL, US, MX, EP, KR, AU & IN claiming a stem cell

population, methods for the isolation thereof, their use in the preparation of regulatory T-cells and cell therapy of autoimmune diseases and chronic inflammation.

Other therapeutic applications:

- "Biomaterial for suturing.": A patent family of US & EP pending applications and a Spanish granted patent protecting a suturing biomaterial coated in stem cells and its therapeutic use.
- "Use of adipose tissue derived mesenchymal stem cells for the treatment of graft versus host disease": A patent family of EP & US applications protecting the use of a stem cell population in the treatment of graft versus host disease.
- "Uses of mesenchymal stem cells": A patent family of US, EP, JO, KR, CA & AU applications protecting the use of a stem cell population in the treatment of sepsis.

eASC delivery patents:

- "Injection Device": A patent family of EP, US & JP applications protecting an injection device of use in the administration of cellular therapies.
- "Methods and compositions for use in cellular therapies.": A PCT application protecting novel methods for the intralymphatic administration of cellular therapies, cell composition, kits and therapeutic uses including in the treatment of autoimmune and inflammatory disorders.
- "Methods and compositions for use in cellular therapies.": An EP priority application (lapsed) protecting novel compositions, dosage and dosage regimens for the intralymphatic administration of cellular therapies, cell composition, kits and therapeutic uses including in the treatment of autoimmune and inflammatory disorders.

eASC technology improvements:

- "Methods for the preparation of adipose derived stem cells and utilizing said cells in the treatment of diseases": A PCT patent application protecting methods for the preparation of adipose derived stem cells using a CD26 antagonist or inhibitor, and the utilization of said cells in the treatment of diseases.
- "Compositions comprising adipose stem cells": A PCT patent application protecting microencapsulated adipose derived stem cells and their use in therapeutic applications.
- "Cells, nucleic acid constructs, cells comprising said constructs and methods utilizing said cells in the treatment of diseases. ": A PCT patent application protecting a genetically engineered adipose derived stem cell, nucleic acid expression constructs, methods for the preparation thereof, kits and uses of the cells in the preparation of regulatory T-cells and in the therapy of diseases.
- "Methods for the preparation of cellular therapies": A priority U.K. patent application protecting novel methods for the preparation of cellular therapies, products and uses thereof.
- "Stem cell culture media and methods.": A priority EP application (lapsed) that protects a culture medium and cell culture methods.
- "Cell populations having immunoregulatory activity, methods for the preparation and uses thereof." (EP application number EP11157930): An EP priority application protecting a population of adipose derived stem cells as characterized by cell surface markers. The application also claims methods for the preparation of said cell populations as well as kits, therapeutic applications and the use of said cell populations in the preparation of regulatory T-cells.

Cx501:

- "Artificial dermis and production method thereof": A worldwide patent family protecting an artificial dermis, its manufacturing method, therapeutic applications (such as main burn treatments, chronic skin ulcers, etc.) and its use as a vehicle for therapeutic molecules. This patent family is granted in Europe (nationalized in FR, AU, BE, PT, SE, CH, DE, DK, ES, GB, IE, IT, NL), TW, AU US & JP. It is pending in the US, EP, JP and CA.

Cx911 (Tregs):

- "Cell populations having immunoregulatory activity, method for isolation and uses" (PCT Publication number WO2007039150): As described above, this patent family protects a method for the preparation of regulatory T-cells using ASC, the use thereof in the therapy of diseases and kits comprising said cells.
- "Cell populations having immunoregulatory activity, methods for the preparation and uses thereof." (PCT Application Number PCT/EP2010/066007): A PCT patent

application protecting a method for the preparation of regulatory T-cells using ASC, the use thereof in the therapy of diseases and kits comprising said cells.

- "Cells, nucleic acid constructs, cells comprising said constructs and methods utilizing said cells in the treatment of diseases.": As described above, this patent family protects a method for the preparation of regulatory T-cells using genetically engineered ASC, the use thereof in the therapy of diseases and kits comprising said cells.

An overview of Cellerix' patent portfolio is included in Section D of "Appendix 3: Overview of Patents and trademarks".

Trademark Portfolio

Cellerix currently has 13 registered trademarks in Europe. The Cellerix brand is protected by registered CTM trademarks Cellerix (figurative), Cellerix (word), Living Medicines (word), Cellerix Living Medicines (word) and Cellerix (Spanish "commercial name"). Additionally prospective product names have been registered as CTM word trademarks to protect the brands Retrofect, Efisel, Idryon, Ontaril, Miredal, Alocellix, Adicell-X and Alofisel.

In addition to its EU trademark portfolio Cellerix currently has 3 trademark registrations pending before the USPTO namely Cellerix (figurative), Ontaril (word) and Cellerix Living Medicines (word).

An overview of Cellerix' registered trademark portfolio is included in Section D of "Appendix 3: Overview of Patents and trademarks".

Other Proprietary Rights

Cellerix believes that part of its intangible assets is represented by several elements of its cell therapy program involving unpatented proprietary technology, processes, know-how, or data, including cell isolation, production and release processes. With respect to proprietary technology, know-how and data which are not patentable or potentially patentable, or processes other than production processes for which patents are difficult to enforce, Cellerix has chosen to protect its interests by relying on trade secret protection and confidentiality agreements with its employees, consultants and certain contractors and collaborators. All employees at Cellerix are parties to employment agreements that include confidentiality agreements.

Freedom to Operate

In regard to the Cx601 and Cx611 products, freedom to operate studies have been carried out by independent legal counsels in the US and Europe of the cell therapy product, manufacturing process and therapeutic uses. Cellerix has not identified any valid third party rights either in the US or EU and is unaware of any third party rights in further territories that would prevent the commercialization of the expanded ASC products. In regard to the Cx501 and Cx911 products Cellerix is unaware of any third party rights that would impede the commercialization of these products.

6.14.8 Competition

Biologicals

The standard treatment of complex perianal fistula in Crohn disease patients involves the prescription of anti TNFs. Remicade® (Infliximab) is currently the only biological approved for the treatment of fistulizing Crohn. Remicade® is a chimeric monoclonal antibody that targets tumor necrosis factor alpha (TNF-α) and has been approved by EMA and FDA for treating and maintaining fistula closure in patients with Crohn's disease. In the pivotal 54 week ACCENT II trial, 296 Crohn's patients with some sort of disease related fistulae were administered Infliximab at induction at weeks 0, 2 and 6. Patients who had ongoing fistula response to the drug at week 14 were re-randomized and placed on a maintenance regimen administered every 8 weeks thereafter. By the end of the trial, 36% of the patients that went on to receive a maintenance therapy continued to be incomplete remission. If remission after initial induction is taken into account, efficacy of Infliximab at 1 year is limited to 23% (only 48% of patients evaluated after induction therapy achieved a complete remission). Remission is hereby defined as complete healing.

Other biologicals being used in the treatment of luminal Crohn (but not specifically approved for the treatment of fistulizing Crohn) are:

- Humira (adalimumab) - Abbott: Second generation anti TNF, which has been approved for the treatment of Crohn's disease (but not fistulizing Crohn's). Humira has the advantages of requiring only subcutaneous dosing (instead of intravenous infusion) and being a fully human antibody. Fistula healing was studied as a secondary endpoint in the Humira maintenance trial ("CHARM"). Efficacy results were 33% rate of complete closure at 56 weeks.

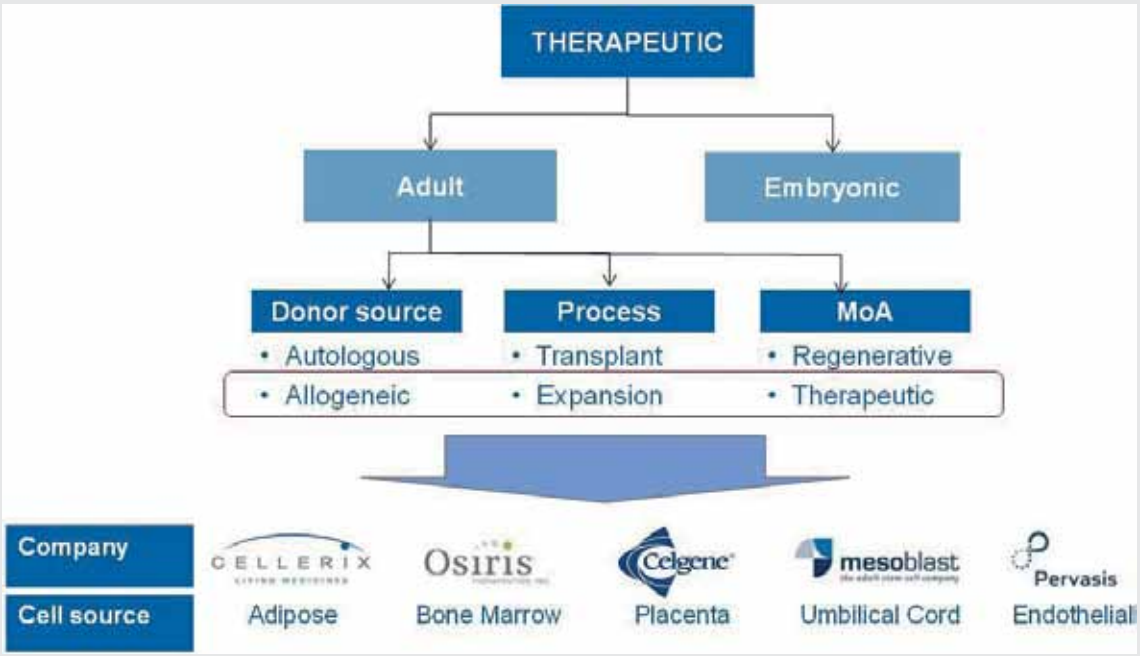
- Cimzia (certolizumab) - UCB: Although not developed for the treatment of fistulizing Crohn directly, fistula healing was a secondary endpoint in one of Cimzia's maintenance trials (PRECISE 1) and a small number of patients in PRECISE 2 also had fistula as a baseline. In none of the two trials did Cimzia outperform efficacy of placebo.
- Tysabri (natalizumab) – Elan-Biogen: Approved by the FDA for the treatment of moderate to severe Crohn's disease. However, Tysabri is not effective in the treatment of fistulizing Crohn's disease and the ENACT-1, ENACT-2 and ENCORE trials all specifically excluded patients with active fistulae.

Biologicals are currently also the standard of care for the treatment of a large number of autoimmune-mediated inflammatory diseases, including Rheumatoid Arthritis. However, and although a number of products are available today for the treatment of RA, the lack of efficacy of biological treatments in some patients, the non-tolerability or recurrent secondary infections and the adverse effects from current antirheumatic medication are widely documented and contribute to the need of developing new therapies.

Stem cell companies

As a result of the significant promise of cell therapy, there are more than 100 companies currently developing stem cells as a therapeutic modality to treat diseases. They can be broadly categorized according to the following diagram:

Fig. 6.10: Categorization of companies developing stem cells as a therapeutic modality to treat diseases



Cellerix uses allogeneic expanded adult stem cells as therapeutic agent and bases its developments on the immune-modulatory capacity of the stem cells (vs. differentiation into other tissue types).

Other clinical stage stem cell companies currently pursuing a similar approach in terms of tissue source and mechanism of action are:

- Celgene Cellular Therapeutics (USA): Celgene's stem cell therapy business, which begun in 2002 through the acquisition of Anthrogenesis; The company is developing a platform around PDA-001, a placenta-derived expanded stem cell population; Clinical development focus is on immune-mediated inflammatory diseases and ischemic stroke; A positive safety profile of PDA001 has been demonstrated in a Phase I trial in Crohn´s.

- Mesoblast (Australia): Largest adult stem cell company in the world, after consolidation of investment in Angioblast in 2010; Mesoblast is developing its proprietary MPC purified cell platform in a broad pipeline of products from autologous proof of principle in orthopedic & cardiovascular indications to allogeneic trials in orthopedic, cardiac and haematopoetic transplant in orthopedic and cardiac applications.
- Osiris (USA): Is developing a therapeutic platform based on expanded adult stem cells from bone marrow thought to be useful to treat a variety of diseases by controlling inflammation, promoting growth of new tissue and preventing scars. The proposed MoA is based on immune-privilege of cells and their immuno-modulatory and anti-inflammatory capabilities as well as anti-fibrotic and tissue regeneration capacities.
- Pervasis Therapeutics (USA): This company is developing a platform of therapeutic products with the potential to improve outcomes following vascular procedures based on the ability of the body's endothelium to regulate natural healing processes.

Other clinical stage companies that work with adipose tissue as stem cell source include:

- Anterogen (South Korea): In Phase II for perianal fistula (autologous)
- Cytori Therapeutics (USA): In Phase I for chronic myocardial infarction
- BioHeart (USA): In pre-clinic for acute myocardial infarction
- Cardio3bio: Is shifting development from bone marrow to adipose derived tissue

These companies either pursue a different approach in regards to donor source (anterogen) or work with stromal vascular fraction instead of expanded stem cells (Cytori and BioHeart).

6.14.9 Human resources

Cellerix counts on a team of experienced professionals in all areas required to meet its strategic objectives including medical & regulatory, manufacturing, R&D, business development, product development, infrastructures, intellectual property and finance.

On March 31, 2011, Cellerix had a total of 33 permanent employees and 7 mandate contractors. About 63% of these persons are engaged in research and development activities (including clinical development); about 13% are working in manufacturing and about 24% are engaged in corporate functions.

Cellerix is lead by a management team comprised of four persons:

- Eduardo Bravo: CEO
- Claudia D'Augusta: CFO
- Jose Luis Bravo: VP Global Medical and R&D
- Maria Pascual: VP Regulatory and Manufacturing

6.14.10 Facilities

Cellerix' GMP facilities in Madrid consist of two separate clean rooms. The first of these was approved under GMP regulations in 2004. In 2007, Cellerix built a second clean room that allowed tripling capacity. After this extension, Cellerix' facilities now consist of two separate clean rooms that can work in parallel or used as backup if needed. TiGenix currently believes that the combined capacity of both clean rooms is sufficient and is fully authorized to take care of manufacturing for ongoing clinical trials, R&D activities and manufacturing for the initial commercial roll-out of Cx601 in Europe. The manufacturing model is a standardized and coordinated process that is reproducible providing appropriate technology transfer by Cellerix. Cellerix has undergone EMA quality scientific advice to ensure that its manufacturing process is fully aligned with EMA requirements.

6.14.11 Grants & subsidies

The strategy of grants developed by Cellerix is focused on maximizing public financing to support expenses related to R&D, clinical trials and IP strategy. In accordance with this strategy, Cellerix has obtained the following subsidies from various public bodies:

1. European Commission:

- Marie Curie Actions program: European grants to promote hiring of European investigators coming from abroad. For the period 2007-2008, Cellerix received €32.000 under this program to support its personnel expenses. No grants under this program have been received since 2008.

2. Spanish National R&D Plan:

- Since inception and until December 2010, Cellerix has received, through several call of proposals promoted by the Spanish Ministry of Industry, Tourism and Trade, the

Spanish Ministry of Education and Science and the Spanish Ministry of Science and Innovation, grants in excess of €3.3 million under the Spanish National R&D Plan, mainly devoted towards expenses related to research and clinical development costs in the company's projects: eASCs platform, Cx611, Cx621, Cx911 and Cx501.

3. Madrid Regional R&D plan:

- Launched and managed by Madrid Regional Government this plan is aimed at foster the Madrid biotech sector. Since inception and until December 2010, Cellerix has been granted with a total subsidies amount of €2.8 million.

In general, expenses covered by the grants include personnel costs, consumables, subcontracting and other direct costs of the project funded. Since all public bodies' requirements have been fulfilled, no refund of these grants is expected.

Furthermore, on February 10, 2011, Cellerix submitted a grant proposal to be evaluated by the European Commission under the cooperation area (Health theme), topic 1.4.1.1.(Innovative therapeutic approaches and interventions: Regenerative medicine clinical trials). This is a large, integrated, R&D collaborative project in which ten entities from different countries across Europe are committed to contribute in Cellerix' project Cx611, aimed at developing a Phase I/II clinical trial for testing the safety and the efficacy of the eASCs in the treatment of Rheumatoid Arthritis. The total budget of the project amounts to €8 million. The maximum grant that can be obtained by Cellerix is expected to be up to €3 million in non-reimbursable financial support.

In addition, Cellerix has benefited from "soft" loans awarded by various public entities as enumerated in the table below:

Public Body	Soft Loan	Year	Status	Amount
Empresa Nacional de Innovación SA ("**ENISA**")(National Innovation Company)	Participative loan, first payment	2006	Paid	€450,000
ENISA	Participative loan, second payment	2006	Paid	€450,000
Spanish Ministry of Science and Education	PROFIT Loan[74] 2005	2005	Cashed in 2005	€158,653
Spanish Ministry of Science and Innovation ("**MICINN**")	ACTEPARQ[75]	2009	Cashed in 2009	€108,908
MICINN	Soft loan under the "Singular" scheme	2009	Cashed in 2010	€311,729
MICINN	Soft loan under the "Singular" scheme	2010	Cashed in 2010	€887,950
MICINN	INNPACTO[76]	2010	Cashed in 2011	€527,000
MICINN	INNPACTO	2011	Not cashed in yet	€0
MICINN	INNPACTO	2012	Not cashed in yet	€0
MICINN	INNPACTO	2013	Not cashed in yet	€0
Spanish Ministry of Science and Education	Singular Loans[77]	2006	Cashed in 2006	€100,000
	Subtotal Cellerix' soft loans			**€2,994,240**

These "soft" loans are all awarded with a 0% interest rate and a repayment period between 10 and 15 years. Start of repayment is not due until between 3 and 5 years of the loan being awarded.

6.14.12 Litigation

Apart from a procedure involving the invalidation of a US patent (described below), Cellerix is not involved in any litigation process or is aware of any pending procedures.

On April 1, 2011 Cellerix wfiled a re-examination request with the United States Patent and Trademark Office ("USPTO") regarding US6777231, owned by the University of Pittsburgh and licensed to several parties, including Artecell. Cellerix has requested re-examination of all claims of this patent and has asked the USPTO to consider prior art not evaluated during previous examination of the patent. Cellerix is of the opinion that this prior art is materially relevant to the patentability of the claims.

74 PROFIT Loans: Soft loans provided by the Spanish Ministry of Science and Innovation for the financing of projects of advanced technological development.

75 ACTEPARQ: Grants provided by the Spanish Ministry of Science and Innovation to entities that have their activities within science and technology parks.

76 INNPACTO: Soft loans provided by the Spanish Ministry of Science and Innovation to further cooperation between public centers and companies through the collaboration in R&D programs.

77 Singular loans: Soft loans provided by the Spanish Ministry of Science and Innovation in order to foster large scale R&D collaboration projects.

7. Management's discussion and analysis of TiGenix' financial condition and result of operations

The following outlook discussion contains forward-looking statements, including statements about the Company's beliefs and expectations. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company cautions investors that a number of important factors could cause actual results or outcomes to materially differ from those expressed in any forward-looking statements. See also "Forward-looking information" on page39.

With respect to the expectations for 2011 and beyond there can be no assurance that such expectations will occur due to a number of factors including, among others, general economic and business conditions, industry trends, availability and the terms of available funding, competition, currency fluctuations, failure to achieve the expected research and development results and regulatory approvals to commercialize the product as a medicinal product, the commercial success of ChondroCelect and ChondroMimetic, the loss of key personnel, availability of suitably qualified personnel and consultants on commercially reasonable terms and other factors, some of which are referred to elsewhere in this prospectus. See also "Risk Factors", beginning on page 23. All financial information set out in this chapter has been derived from the audited consolidated financial statements of TiGenix as of December 31, 2008 December 31, 2009 and December 31, 2010. The financial information has been presented in accordance with International Financial Reporting Standards (IFRS).

7.1 OVERVIEW

Section 6 contains a general overview of the Company's activities.

Despite the numerous achievements since incorporation, including the regulatory approval of its two lead products ChondroCelect and ChondroMimetic in the European Union, the Company has not yet achieved profitability. The Company incurred a cumulated loss of €78.9 million until December 31, 2010.

In the years to come, TiGenix will continue (i) to increase its commercialization and manufacturing efforts for its lead products and potential third-party products, (ii) to invest in clinical validation of its products and (iii) to expand its research and development projects in the biomaterial and stem cell area.

TiGenix expects to generate operating charges to commercialise its lead products ChondroCelect and ChondroMimetic in Europe, to obtain regulatory approval of its lead products in other regions, to maintain the market authorizations for its lead products, to expand the commercial product portfolio, to ensure the necessary production capacity for the manufacturing of its lead products according to GMP and QMS/R requirements and to develop new products based on its complementary biomaterials and stem cell platform.

TiGenix anticipates to increase its revenues over time from the sales generated by ChondroCelect and ChondroMimetic and from research and development grants. It is not certain that the generated revenues will fully offset the incurred operating charges in the years to come.

7.2 CONSOLIDATED INCOME STATEMENT

	Twelve months ending		
Thousands of Euro (€)	31/12/10	31/12/09	31/12/08
CONSOLIDATED INCOME STATEMENT			
Sales billed	*982*		
Deferred sales	*(361)*		
Sales	621	46	0
Other revenues	1,802	986	321
Revenues	**2,423**	**1,032**	**321**
Cost of sales	(860)	0	0
Gross Profit	**1,563**	**1,032**	**321**
Research and development expenses	9,873	8,114	9,975
Selling, general and administrative expenses	8,353	7,316	6,851
Other operating income	0	0	0
Other operating expenses	0	0	0
Total operating charges	18,226	15,430	16,825
Operating Result (EBIT)	**(16,663)**	**(14,398)**	**(16,505)**
Financial result	579	300	1,340
Profit/(Loss) before taxes	**(16,084)**	**(14,098)**	**(15,165)**
Income taxes	368	0	0
Net Profit/(Loss)	**(15,716)**	**(14,098)**	**(15,165)**
Attributable to Equity holders of TiGenix NV	*(15,716)*	*(14,098)*	*(15,165)*

7.2.1 Revenues

The Company started to generate sales from ChondroCelect end 2009/beginning 2010 (pre-reimbursement sales) and started generating sales from ChondroMimetic in Q4 2010. Its revenues to date mainly consisted of government grants and collaborative research and licence deals. This resulted in limited revenues and in significant volatility in revenues. It is anticipated that with the launch and successful commercialisation of its products, the sales of the Company will increase gradually over time.

7.2.2 Research and development expenses

Research and development expenses consist primarily of expenses associated with:

- the research and development of medicinal products and devices in the domain of cartilage, meniscus, ligament and tendon repair and expansion and maintenance of the intellectual property portfolio;
- clinical validation of its lead products;
- regulatory filings and maintenance of its lead products with the authorised bodies; and
- for the time being the production of these products.

These costs mainly consist of:

- direct personnel costs and material expenses;
- laboratory consumables;
- subcontracting expenses for research, development, validation, analysis of results, medical writing and regulatory advise; and
- depreciation charges on intangible and tangible assets.

To date, internally-generated development expenditures have been partially capitalized: €781k has been capitalized in H2, 2009; a further €1,621k has been capitalised in 2010 related to development costs for ChondroCelect and ChondroMimetic.

The Company spends part of its research and development budget on external collaboration agreements. The Company utilizes such collaborations to access key orthopaedists and scientific and clinical experts on a worldwide basis so as to improve the research and development and clinical programs of the Company.

7.2.3 Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of sales and marketing expenses, professional services (such as pricing & reimbursement, market access, financial, legal, accounting, audit, HR, IT and administration expenses and insurances), salaries and other personnel-related expenses, general expenses and office rental payments.

Although significant efforts in building the commercial team were done in the past years, it is expected that selling expenses will increase further with the commercialisation of ChondroCelect, ChondroMimetic and potential third-party products. Market access, pricing and reimbursement, marketing and sales efforts will continue in the years to come.

General and administrative costs are expected to remain relatively flat over the coming years.

7.3 ANALYSIS OF RESULTS OF OPERATIONS

7.3.1 Year Ended December 31, 2010 compared to Year Ended December 31, 2009

7.3.1.1 Revenues

Total revenues were €2,423k in 2010 compared to €1,032k in 2009 representing an increase of 135%.

	Years ended December 31	
Thousands of Euro (€)	2010	2009
Sales billed	*982*	
Deferred sales	*(361)*	
Sales	621	46
Other revenues	1,802	986
Total	**2,423**	**1,032**

For ChondroCelect, 2010 was the first full year of non-reimbursed commercial sales in a limited number of European reference centres. Only part of the ChondroCelect sales could be recognized as revenues as the Company had an agreement with a limited number of Dutch reference centres in place whereby only part of the price had to be paid upfront with the remainder to be paid at the moment ChondroCelect would be admitted to the "Lijst Dure Geneesmiddelen". The ChondroCelect sales are limited and will continue to be limited and irregular until ChondroCelect will be reimbursed. In 6.5, an update can be found with respect to reimbursement in the different European countries. Billed sales of ChondroCelect amounted to approximately €830,000 in 2010.

For ChondroMimetic, the commercial sales started only in October of last year after the launch at the 9th World Congress of the International Cartilage Repair Society (ICRS) in Barcelona, Spain. Billed sales of ChondroMimetic amounted to approximately €150,000 in 2010.

For the development work done in stem cells and biomaterials mainly in the indications of meniscus and osteoarthritis, the Company received grant revenues of €1.8 million.

7.3.1.2 Research and development expenses

Research and development expenses amounted to €9,873k in 2010 compared to €8,114k in 2009, an increase of 22%.

Thousands of Euro (€)	Years ended December 31	
	2010	**2009**
Personnel costs	3,144	4,264
Operating costs	4,064	2,035
Production costs	0	433
General costs	686	737
Depreciation	1,979	644
Total	**9,873**	**8,114**

The costs of TiGenix B.V. and TiGenix Ltd. and the amortisation of intangible assets related to the acquisition of Orthomimetics Ltd. (today TiGenix Ltd.) are in 2010 accounted for a full year. Besides that, there were in 2010 the costs related to the preparation of the post-approval commitments for ChondroCelect and the delivery device for ChondroMimetic. In 2010, a total of €1.6 million costs were capitalised compared to €0.8 million in 2009.

7.3.1.3 Selling, general and administrative expenses

Selling, general and administrative expenses were €8,353k in 2010 compared to €7,316k in 2009, an increase of 14%. The main components of these expenses were as follows for 2009 and 2010:

Thousands of Euro (€)	Years ended December 31	
	2010	**2009**
Personnel costs	4,816	4,268
Operating costs	2,501	2,011
General costs	8042,501	773
Depreciation	232	265
Total	**8,353**	**7,316**

The increase by 14% compared to 2009 is a result of the expansion of the commercial sales team , increased pricing and reimbursement costs and the additional G & A costs associated with the acquisition of Othomimetics Ltd (today TiGenix Ltd).

7.3.1.4 Financial results

In 2010, the financial result was €579k compared to €300k in 2009. The vast majority relates to unrealized exchange rate differences with respect to the intercompany loans in USD and GBP.

7.3.1.5 Net loss

The net loss was €15,716k in 2010 compared to €14,098k in 2009, an increase of 11%. This increase is mainly related to the increase of the operating charges, both in R&D and S,G&A expenses, and the cost of sales of ChondroCelect and ChondroMimetic.

7.3.2 Year Ended December 31, 2009 compared to Year Ended December 31, 2008

7.3.2.1 Revenues

Total revenues came in at €1,032k in 2009 compared to €321k in 2008.

Thousands of Euro (€)	Years ended Dec
	2009

Sales	46	0
Other revenues	986	321
Total	**1,032**	**321**

The revenues mainly consisted of grant revenues. These grants relate mainly to contributions that TiGenix has received for its research and development activities in meniscus, the IWT grant, and OA, the grant that was awarded by the European Union under the 7th framework programme.

7.3.2.2 Research and development expenses

Research and development expenses amounted to €8,114k in 2009 compared to €9,975k in 2008, a decrease of 19%.

The main components of the research and development expenses were as follows for the years ended December 31, 2008 and December 31, 2009:

	Years ended Dec	
Thousands of Euro (€)	**2009**	
Personnel costs	4,264	4,804
Operating costs	2,035	3,502
Production costs	433	497
General costs	737	685
Depreciation	644	487
Total	**8,114**	**9,975**

The decrease was mainly due to the capitalization of the development costs of ChondroCelect of €781k and a decrease in the operating costs as less research and development work has been outsourced to third parties.

7.3.2.3 Selling, general and administrative expenses

Selling, general and administrative expenses were €7,316k in 2009 compared to €6,851k in 2008, an increase of 7%.

The main components of these expenses were as follows for the years ended December 31, 2008 and December 31, 2009:

Thousands of Euro (€)	Years ended Dec 2009	
Personnel costs	4,268	3,595
Operating costs	2,011	2,378
General costs	773	667
Depreciation	265	210
Total	**7,316**	**6,851**

The major part of the increase has occurred as a result of an increase in the sales & marketing costs in preparation for the commercial sales of the Company's lead products ChondroCelect and ChondroMimetic in 2010.

7.3.2.4 Financial results

In 2009, the Company had a financial result of €300k as compared to €1,340k in 2008.

TiGenix receives net interest on the sums it has outstanding on its bank deposits, in 2008 the Company invested 20 million in time deposits of 3 and 6 months, taking into consideration the cash needs of the period in between, which was the result of the higher financial result in 2008.

7.3.2.5 Net loss

The net loss was €14,098k in 2009 compared to €15,165k in 2008, a decrease of 7%. The revenues increased and the operating charges decreased as explained above. Part of the operating loss was offset by the positive financial result of €300k in 2009.

7.4 CONSOLIDATED CASH FLOW STATEMENT

Thousands of Euro (€)	31/12/
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Result	**(16,6**
Depreciation, amortization and impairment results	2,
Capitalized development costs	(1,6
Share-based compensation	
Other financial result	
Interest paid	
Income taxes	
Increase/(decrease) in trade payables	(
Increase/(decrease) in other current liabilities	(3
(Increase)/decrease in inventories	
(Increase)/decrease in receivables	(4
(Increase)/decrease in deferred charges & accrued income	(6
Total adjustments	(3

Net cash provided by/(used in) operating activities	(16,964)	(13,252)	(14,601)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	174	656	1,490
Purchase of tangible assets	(1,925)	(428)	(1,446)
Purchase of intangible assets	(32)	(19)	(247)
Acquisition of subsidiaries, net of cash acquired	0	0	0
Net cash provided by/(used in) investing activities	**(1,783)**	**(2009)**	**(203)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments cash deposits	(123)	(96)	11
Payments investments associates	(153)	0	0
Payments on financial loan	(80)	(80)	(80)
Payments on leases	(28)	(28)	(24)
Payments on subordinated loan	(130)	0	0
Proceeds of financial loan	0	0	0
Proceeds from long-term leases	0	0	82
Proceeds from issuance of Shares	37	12,723	999
Net cash provided by/(used in) financing activities	**(476)**	**12,519**	**989**
Net increase/(decrease) in cash & cash equivalents	**(19,223)**	**(524)**	**(13,815)**
Cash & cash equivalents at beginning of year	24,745	25,162	39,101
Effect on exchange rate changes	34	107	(124)
Cash & cash equivalents at end of period	**5,555**	**24,745**	**25,162**

7.4.1 Cash flows from operating activities

The level of net cash used in operating activities over the reviewed period generally reflects the increase in personnel costs (the FTE's increased from 44 beginning of 2007 to 74 end of 2010) and the increased operating costs as explained above.

In 2010, net cash used in operating activities increased to €16,964k (from €13,252k in 2009) primarily due to an increase in the operating loss to €16,663k, and taking into account the adjustments of €302k as detailed in the table above. The most important adjustments consisted of (i) the depreciation of €2,211k which has increased due to the depreciation of the capitalised development costs and the amortisation of intangible assets following the acquisition of Orthomimetics and, (ii) the capitalized development costs of €1,621k, and (iii) the changes in working capital. The increase of cash used in the working capital is mainly due to an increase of trade receivables, an increase of the accrued grant income (for the OA and meniscus development) and a decrease in other debts relating to remuneration and social security contributions.

In 2009, the net cash used in operating activities of €13,252k was due to the operating loss of €14,398k that was partly compensated by several adjustments totalling €1,146k as referred to in the table above. The most important adjustments were the depreciation of €909k as a result of the continuous investments in tangible and intangible assets, share-based compensation of €1,140k as a result of the granting of warrants and capitalized development costs of €781k.

In 2008, the net cash used in operating activities of €14,601k was due to the operating loss of €16,505k that was partly compensated by several adjustments totalling €1,904k as referred to in the table above. The most important adjustments were the depreciation of €697k, the share-based compensation of €931k as a result of the granting of warrants to all personnel of the Company and the increase in receivables of €(300)k and in other current liabilities of 507k.

7.4.2 Cash flows from investing activities

Net cash used in investing activities over the reviewed period was mainly related to net investments in tangible assets and the acquisition of subsidiaries. The cash used in the purchase of tangible assets, includes:

- the leasehold improvements of the building located in Romeinse straat 12, box 2, 3001 Leuven, Belgium;
- the instalment and refurbishment of the cell expansion facility in the Netherlands (in Sittard-Geleen), The net cash used in the acquisition of subsidiaries relates to the acquisition of Orthomimetics at the end of November 2009.

In 2010, net cash used in investing activities amounted to €2,863k compared to net cash used in investing activities of €12,387k in2009. The decrease is primarily due to the acquisition of Orthomimetics Ltd (today TiGenix Ltd) at the end of 2009.

In 2009, the net cash used in investing activities increased to €12,387k from €203k in 2008, primarily due to the acquisition of Orthomimetics Ltd of €12,595k at the end of November 2009.

In 2008 the net purchase of tangible assets of €1,446k was mainly for the improvements of the new R&D labs and offices in the newly leased building located at the Romeinse straat 12, box 2, 3001 Leuven. The net purchase of intangible assets of €247k was partially offset by the interest received.

7.4.3 Cash flows from financing activities

Net cash provided by financing activities over the reviewed period was mainly due to the issuance of new Shares, resulting from several capital increases and exercises of warrants (see section 8.1.5.15 for more details). The Company has limited financial debt financing.

In 2010, the net cash provided by financing activities amounted to €604k and consist of the exercise of 2,500 warrants on 4 March 2010 and the capital increase in kind on 9 November 2010 with respect to the deferred payment of a part of the Orthomimetics shares, in exchange for 2,500 and 252,486 TiGenix shares, which led to an increase in capital of €9k and €1,081k, including issuance premiums. and the first repayment of the subordinated loan with IWT.

In 2009 the net cash provided by financing activities of €25,114k mainly consisted of two private placements on June 26 and December 15, 2009 of 1,080,000 and 2,204,300 new TiGenix shares which led to an increase in capital of €5,400k and €7,715k, including issuance premiums, and of the acquisition of Orthomimetics Ltd on November 30, 2009 which led to an increase in capital of €12,885k, including issuance premiums.

In 2008, the net cash provided by financing activities of €989k mainly consisted of the net proceeds of the exercise of warrants.

7.5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands of Euro (€)	Twelve months ending		
	31/12/10	31/12/09	31/12/08
ASSETS			
Intangible assets	20,683	20,562	441
Tangible assets	4,738	2,856	2,484
Available-for-sale investments	153	0	0
Other non current assets	254	130	34
Non-current assets	**25,828**	**23,548**	**2,959**
Inventories	244	156	158
Receivables	1,812	1,315	792
Cash & cash equivalents	5,555	24,745	25,162
Deferred charges & accrued income	907	282	335
Current assets	**8,518**	**26,497**	**26,447**
TOTAL ASSETS	**34,346**	**50,045**	**29,406**

Thousands of Euro (€)	Twelve months ending		
	31/12/10	31/12/09	31/12/08
EQUITY AND LIABILITIES			
Share capital	25,197	24,956	19,484
Share premium	73,357	72,480	52,633
Shares to be issued	2,296	3,377	0
Accumulated profit/(loss)	(63,144)	(49,045)	(33,881)
Result of the period	(15,716)	(14,098)	(15,165)
Share-based compensation	4,185	3,509	2,369
Translation reserves	(355)	21	(86)
Equity attributable to equity holders	**25,820**	**41,199**	**25,355**
Total equity	**25,820**	**41,199**	**25,355**
Subordinated loan	130	260	391
Financial loan	440	520	600
Finance lease obligations	0	12	40
Deferred tax liabilities	3,519	3,886	0
Non-current liabilities	**4,089**	**4,679**	**1,031**
Current portion of lease debt	12	28	28
Current portion of financial loan	80	80	80
Current portion of subordinated loan	130	130	0
Trade payables	2,557	2,045	1,498
Other current liabilities	1,657	1,884	1,414
Current liabilities	**4,437**	**4,167**	**3,020**
TOTAL EQUITY AND LIABILITIES	**34,346**	**50,045**	**29,406**

Cash & cash equivalents and intangible assets, since the acquisition of Orthomimetics Ltd and the capitalization of the development costs for ChondroCelect and ChondroMimetic, are the main assets of the Company, as expressed in the balance sheet. At December 31, 2010, the intangible assets of the Company amounted to €20,683k and the cash & cash equivalents to €5,555. Besides the intangible assets and the cash position, the tangible assets (mainly consisting of the instalment and refurbishment of the manufacturing facility in the Netherlands and the improvements of the leased building in the Romeinse straat 12, box 2, 3001 Leuven, Belgium) were the other main assets of the Company.

7.5.1 Off-balance sheet commitments

The Company has off-balance sheet commitments relating to the renting of its facilities, vehicles and equipment. At December 31, 2010, these commitments amounted to €,5,434k, of which €4,818k for outstanding commitments for future minimum rent payments and €616k for contingent commitments. (see also section 8.1.5.18).

There are no other off-balance sheet commitments.

7.5.2 Taxation

Since its incorporation, TiGenix has not generated profits and has not paid corporate taxes. Its accumulated losses amount to €78,860k at December 31, 2010. These losses can be offset against future profits if and when they are made. However, no deferred tax assets were recorded so far due to the lack of guarantees that the Company will generate profits in the near future which could be offset against current losses.

7.6 CAPITAL EXPENDITURES

7.6.1 Investments in tangible assets

The Company is leasing all of its premises. The investments in tangible assets mainly consist of laboratory and IT equipment and leasehold improvements.

In 2010, capital expenditures amounted to €2,969k and consisted mainly of the instalment and refurbishment of the manufacturing facility at Sittard-Geleen.

The investments in tangible assets of €618k in the full year 2009 were mainly related to costs made to prepare the expansion of the manufacturing capacity in Belgium and the Netherlands in anticipation of the commercial sales of ChondroCelect and ChondroMimetic in 2010 and beyond.

In 2008, the investments of €1,536k were mainly related to the improvements in the R&D labs and offices in the newly leased building located in Belgium.

7.6.2 Investments in intangible assets

The Company capitalises the internal development costs of ChondroCelect as from July 2009 and of ChondroMimetic as from January 2010 according IAS 38 Intangible assets. In 2010, €1,621k internal development costs have been capitalised, €781k has been capitalised in the year 2009.

The Company recorded an intangible asset of €19,700k in 2009, being the costs of the acquisition of Orthomimetics Ltd using the fair value purchase method of accounting.

The intangibles also include software rights purchased and software development costs, mainly the development costs of an integrated ERP system. The investments in software amounted to €66k in 2010, €19k in 2009 and €247k in 2008.

7.7 CASH AND FUNDING SOURCES

Since its incorporation, the Company has primarily obtained funding through private and public placements of its Shares and via government grants. The issuance of Shares has generated total proceeds of €98,554k, net of issuance costs. Until December 31, 2010, the Company had received €5.0 million in grants.

As of December 31, 2010, the Company had non-current liabilities of €4,089k mainly consisting of a deferred tax liability of €3,519 following the acquisition of Orthomimetics Ltd, a subordinated IWT loan of €130k and a financial loan of €440k. The Company had no ongoing commercial commitments, such as lines of credit or guarantees which would affect its liquidity over the next five years, other than rent payments related to its leased facilities, vehicles and equipment.

7.8 LONG-TERM CONTRACTUAL OBLIGATIONS

The Company entered into a subordinated loan with IWT that will end on October 31, 2012 and into two €400,000 roll-over credit facility agreements with each of ING België NV and Fortis Bank NV where each quarter €20k is paid back.

7.9 FUTURE FUNDING REQUIREMENTS

In the years to come, TiGenix will continue (i) to increase its commercialization and manufacturing efforts for its lead products and potential third-party products, (ii) to invest in clinical validation of its products and (iii) expand its research and development projects in the biomaterial and stem cell area.

This strategy will likely increase the operating charges and cash consumption of the Company in the coming years. However, the sales uptake of ChondroCelect, ChondroMimetic and other future products should decrease these cash requirements over time. It is not certain that the generated revenues will fully offset the incurred operating charges in the years to come and will depend on many factors, including, among others:

- the level of success in commercialising ChondroCelect, ChondroMimetic and other future products;
- the prices that could be charged for ChondroCelect, ChondroMimetic and other future products;
- the level of reimbursement that can be obtained in the various geographies in which the above products will be commercialised.
- the level of research and development needed to bring the Company's products in development to the market;
- the level of clinical validation required to obtain and maintain regulatory approval in the different markets of the Company's products;
- the level of manufacturing costs needed to reach and to preserve the GMP and QMS/R requirements;
- the costs associated with maintaining, defending and expanding the Company's intellectual property position;
- the regulatory and competitive environment in which the Company operates; and
- the ability and the costs associated with attracting and maintaining key personnel and consultants.

7.10 FINANCIAL RISKS

A. Capital management

The Group policy with respect to capital management is to safeguard the Group's ability to operate on a going concern basis and to obtain over time an optimal capital structure.

B. Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group.

There are no significant concentrations within trade receivables and the Company does not expect this to occur in the future. Customer's compliance with agreed credit terms is monitored closely. The 2010 year-end balance of trade account receivables amounted to €765k.

Receivables related to research grants are recognized when there is a reasonable assurance that the Company will comply with the conditions attached to them and the grant will be received. The Company considers the overall recognition criteria being met when an award letter has been received, the related project costs have been incurred, and grant specific milestones have been achieved or are assumed to be reliably achieved in the future.

The credit risk on cash and cash equivalents of €5,555k at year end is limited given that the counterparties are banks with high credit scores attributed by international rating agencies.

C. Interest risk

Changes in interest rates may impact interest-bearing assets and liabilities.

The Group is not subject to material interest risk. Financial loans are limited to €520k being roll over credits with ING Bank and BNP Paribas Fortis. The interest rate for these loans is set at Euribor plus a margin of 140 bp. Should there be future interest rate volatility, then options to fix interest rates could be examined. The subordinated loan of €260k is a loan granted by IWT carrying a fixed interest rate of 7.95% and is scheduled for repayment on Oct 2012. All financial leases have fixed interest rates.

D. Currency risk

The Group may be subject to limited currency risk. The Group has cash outflows in U.S. Dollars for its reduced US operations. The group also has cash outflows in British pounds.

As of December 31, 2010, the Group's financial assets and financial liabilities were denominated in the following currencies:

Thousands	EUR		USD		GBP		Other		Totals (€)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial assets										
Cash and cash equivalents	5,422	23,828	17	94	105	815	11	8	5,555	24,745
Trade and other receivables	1,296	633	209	102	307	580	0	0	1,812	1,315
Total Financial assets	**6,718**	**24,461**	**226**	**196**	**412**	**1,395**	**11**	**8**	**7,367**	**26,059**
Financial liabilities										
Trade and other payables	**2,280**	**1,320**	**23**	**57**	**254**	**665**	**0**	**4**	**2,557**	**2,045**
Loans and borrowings	792	1,031	0	0	0	0	0	0	792	1,031
Total financial liabilities	**3,072**	**2,351**	**23**	**57**	**254**	**665**	**0**	**4**	**3,349**	**3,076**

For compliance with the IFRS 7 rule, the Company discloses a sensitivity analysis of an increase / decrease of exchange rate of operations in USD and GBP of 10%.

As of December 31, 2010, the exposure of operations to the currency risk is limited to the net amount of $1,292k, giving a potential loss or a potential gain of €96k in case of an increase respectively a decrease of the $/€ exchange rate by 10% and £724k, giving a potential loss or a potential gain of €85k in case of an increase respectively a decrease of the £/€ exchange rate by 10%.

E. Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group has limited borrowing arrangements at December 31, 2010 and has no derivative instruments.

7.11 RECENT DEVELOPMENTS

7.11.1 Acquisition of Cellerix

On February 25, 2011 TiGenix NV and Cellerix announced that the two cell therapy-focused biotechnology companies, Cellerix' shareholders and certain other investors of Cellerix entered into a Contribution Agreement to combine the operations of both companies by means of a share for share exchange.

Shareholders and investors of Cellerix have committed to make a cash contribution of €18,155, 669.74 in Cellerix before the closing of the proposed Contribution.

The Company also announced its intention to raise additional funds through a public rights offering, of which €10,012,000.00 has already been secured via commitments from certain existing shareholders and new investors.

7.11.2 Reimbursement

In Belgium TiGenix NV has received on February 24, 2011 the notification by the Minister of Social Affairs of the approval of a convention agreement between the RIZIV/INAMI and TiGenix for the reimbursement of ChondroCelect for well-indicated patients in specialised treatment centres. This convention covers a period of three years and defines the specific treatment criteria and follow-up measures the company has to conduct.

In France a positive advice has now been issued by the "Haut Collège" of the "Haut Autorité de Santé" recommending the conditional reimbursement of the combination of cultured autologous chondrocytes, membrane and surgical procedure under a special reimbursement scheme ("Remboursement dérogatoire" Art. 165-1-1). Since ChondroCelect is the only approved medicinal product for autologous chondrocyte transplantation in France, this decision opens the perspective to obtain controlled access to the French market.

In the Netherlands, the procedure for reimbursemet of ChondroCelect under a special reimbursement scheme for innovative new medicines ("Beleidsregel Dure Geneesmiddelen") is still ongoing. A decision is now expected in the second quarter of 2011.

In Germany, thirty-six German hospitals filed for NUB approval at the end of 2010. These hospitals were recently informed by InEK that the product obtained this year NUB Status 4 meaning that ChondroCelect is eligible for reimbursement on a case by case basis.

In Spain, a decision on the national level is expected in the second quarter of 2011. Discussions at the regional level will follow and are currently being prepared.

7.12 OUTLOOK

7.12.1 Outlook 2011 and beyond

TiGenix will focus on the commercial activities of its lead products ChondroCelect and ChondroMimetic in Europe and will try to broaden the geographic scope towards Eastern Europe, North America and Asia.

The sales of ChondroCelect should increase further and will be complemented by the sales of ChondroMimetic. It is anticipated that sales should increase significantly once positive reimbursement decisions are obtained for ChondroCelect and distribution agreements are signed for ChondroMimetic.

Further efforts in maintaining the regulatory approvals and in expanding the manufacturing capacity for its lead products are envisaged.

Finally, the Company will continue to progress its stem cells pipeline, in particular the Phase I/II in Rheumatoid Arthritis and the initialisation of the clinical study for Cx621 (intra-lymphatic administration of eASCs) and anticipates to obtain some CE-mark extensions for ChondroMimetic.

Despite the anticipated growth in revenues, it is expected that TiGenix will be in a net loss situation in 2011.

7.12.2 Outlook beyond 2011

In the coming years, an increasing part of TiGenix' revenues should be generated from the sales of ChondroCelect and ChondroMimetic. However, the timing and growth of these revenues will depend, among others, on:

- the (in)ability of TiGenix to successfully commercialise its lead products in Europe;
- the pricing and the (in)ability to obtain reimbursement of its lead products in the market;
- the Company obtaining timely regulatory marketing approvals for ChondroCelect and ChondroMimetic in other geographic markets; and
- the prevailing and future competitive and regulatory environment.

The Company will continue to expand its research and development capabilities and facilities to cope with the development of its product pipeline, to be able to manage the products that reach the validation phase. The Company will also continue to expand its commercial and manufacturing capabilities to cope with the commercial roll-out of ChondroCelect and ChondroMimetic in the different geographic markets. As a result, it is not certain that TiGenix will reach profitability in the years to come.

8. Consolidated Financial information on TiGenix

8.1 AUDITED CONSOLIDATED FINANCIAL STATEMENTS 2010 - 2009 - 2008

The consolidated financial statements of TiGenix have been drawn up in accordance with the IFRS accounting principles as adopted by the EU, which are set out in the coming pages. The consolidation scope can be found in section 8.1.5.30.

8.1.1 Consolidated income statement & statement of comprehensive income

		Years ended December 31		
Thousands of Euro (€)	Notes	2010	2009	2008
CONSOLIDATED INCOME STATEMENT				
Sales billed		*982*		
Deferred sales		(361)		
Sales	8.1.5.3	621	46	0
Other revenues	8.1.5.3	1,802	986	321
Revenues		**2,423**	**1,032**	**321**
Cost of sales		(860)	0	0
Gross Profit		**1,563**	**1,032**	**321**
Research and development expenses	8.1.5.4.a	9,873	8,114	9,975
Selling, general and administrative expenses	8.1.5.4.b	8,353	7,316	6,851
Other operating income		0	0	0
Other operating expenses		0	0	0
Total operating charges		18,226	**15,430**	**16,825**
Operating Result (EBIT*)		**(16,663)**	**(14,398)**	**(16,505)**
Financial result	8.1.5.6	579	300	1,340
Profit/(Loss) before taxes		**(16,084)**	**(14,098)**	**(15,165)**
Income taxes	8.1.5.22	368	0	0
Net Profit/(Loss)		**(15,716)**	**(14,098)**	**(15,165)**
Attributable to equity holders of TiGenix NV		*(15,716)*	*(14,098)*	*(15,165)*
Basic loss per share		**(0.51)**	**(0.55)**	**(0.62)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Net Profit/(Loss)	(15,716)	(14,098)	(15,165)
Currency translation differences	(376)	107	(124)
Other comprehensive income/(loss)	(376)	107	(124)
Total comprehensive income/(loss)	**(16,092)**	**(13,991)**	**(15,289)**
Attributable to equity holders of TiGenix NV	(16,092)	(13,991)	(15,289

*EBIT: Earnings before interest and taxesw

8.1.2 Consolidated balance sheet

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
ASSETS				
Intangible assets	8.1.5.9	20,683	20,562	441
Tangible assets	8.1.5.10	4,738	2,856	2,484
Available-for-sale investments		153	0	0
Other non current assets		254	130	34
Non-current assets		**25,828**	**23,548**	**2,959**
Inventories	8.1.5.11	244	156	158
Receivables	8.1.5.12	1,812	1,315	792
Cash & cash equivalents	8.1.5.13	5,555	24,745	25,162
Deferred charges & accrued income	8.1.5.14	907	282	335
Current assets		**8,518**	**26,497**	**26,447**
TOTAL ASSETS		**34,346**	**50,045**	**29,406**

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
EQUITY AND LIABILITIES				
Share capital	8.1.5.15	25,197	24,956	19,484
Share premium		73,357	72,480	52,633
Shares to be issued	8.1.5.21	2,296	3,377	0
Accumulated profit/(loss)		(63,144)	(49,045)	(33,881)
Result of the year		(15,716)	(14,098)	(15,165)
Share-based compensation	8.1.5.25	4,185	3,509	2,369
Translation reserves		(355)	21	(86)
Equity attributable to equity holders		**25,820**	**41,199**	**25,355**
Total equity		**25,820**	**41,199**	**25,355**
Subordinated loan	8.1.5.16	130	260	391
Financial loan	8.1.5.17	440	520	600
Finance lease obligations	8.1.5.18	0	12	40
Deferred tax liability	8.1.5.22	3,519	3,886	0
Non-current liabilities		**4,089**	**4,679**	**1,031**
Current portion of subordinated loan	8.1.5.16	130	130	0
Current portion of lease debt	8.1.5.18	12	28	28
Current portion of financial loan	8.1.5.17	80	80	80
Trade payables	8.1.5.19	2,557	2,045	1,498
Other current liabilities	8.1.5.20	1,657	1,884	1,414
Current liabilities		**4,437**	**4,167**	**3,020**
TOTAL EQUITY AND LIABILITIES		**34,346**	**50,045**	**29,406**

8.1.3 Consolidated cash flow statement

Thousands of Euro (€)	Notes	Years ended December 31w 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Result		**(16,663)**	**(14,398)**	**(16,505)**
Depreciation, amortisation and impairment results	8.1.5.9 & 8.1.5.10	2,211	909	697
Capitalized development costs	8.1.5.9	(1,621)	(781)	0
Share-based compensation	8.1.5.25	676	1,140	931
Other financial result	8.1.5.6	105	(170)	102
Interest paid	8.1.5.6	(72)	(20)	(47)
Income taxes		0	0	0
Increase/(decrease) in Trade payables		(101)	65	151
Increase/(decrease) in Other current liabilities		(300)	(61)	507
(Increase)/decrease in inventories		(88)	2	(76)
(Increase)/decrease in receivables		(466)	139	(300)
(Increase)/decrease in deferred charges & accrued income		(647)	(76)	(61)
Total Adjustments		(302)	**1,146**	**1,904**
Net cash provided by/(used in) operating activities		**(16,964)**	**(13,252)**	**(14,601)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		174	656	1,490
Purchase of tangible assets	8.1.5.10	(1,925)	(428)	(1,446)
Purchase of intangible assets	8.1.5.9	(32)	(19)	(247)
Acquisition of subsidiaries, net of cash acquired	8.1.5.21	0	0	0
Net cash provided by/(used in) investing activities		**(1,783)**	**209**	**(203)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments cash deposits		(123)	(96)	11
Payments investments associates		(153)	0	0
Payments on financial loan	8.1.5.17	(80)	(80)	(80)
Payments on leases	8.1.5.18	(28)	(28)	(24)
Proceeds of subordinated loan		(130)	0	0
Proceeds of financial loan		0	0	0
Proceeds from long-term leases		0	0	82
Proceeds from issuance of Shares (net of issue costs)		37	12,723	999
Net cash provided by/(used in) financing activities		**(476)**	**12,519**	**989**
Net increase/(decrease) in cash & cash equivalents		**(19,223)**	**(524)**	**(13,815)**
Cash & cash equivalents at beginning of year		24,745	25,162	39,101
Effect on exchange rate changes		(34)	(107)	(124)
Cash and cash equivalents at end of period		**5,555**	**24,745**	**25,162**

8.1.4 Consolidated statement of changes in equity

Thousands of Euro (€)	Attributable to equity holders of the Company								
	Number of Shares	Share capital	Issuance cost	Share premium	Shares to be issued	Retained loss	Share-based compen-sation	Trans-lation reserves	Total Equityw
Issuance of Shares	713,410	713	(108)	393					999
Net Profit/(Loss)						(15,165)			(15,165)
Share-based compensation							931		931
Translation reserves								(124)	(124)
Balance at Dec. 31, 2008	**24,564,489**	**24,002**	**(4,518)**	**52,633**	**0**	**(49,045)**	**2,369**	**(86)**	**25,355**
Issuance of Shares	6,301,679	6,176	(704)	19,847					25,318
Shares to be issued*					3,377				3,377
Net Profit/(Loss)						(14,098)			(14,098)
Share-based compensation							1,140		1,140
Translation reserves								107	107
Balance at Dec. 31, 2009	**30,866,168**	**30,178**	**(5,222)**	**72,480**	**3,377**	**(63,144)**	**3,509**	**21**	**41,199**
Issuance of Shares	254,986	250	(9)	877					1,118
Shares to be issued*					(1,081)				(1,081)
Net Profit/(Loss)						(15,716)			(15,716)
Share-based compensation							676		676
Translation reserves								(376)	(376)
Balance at Dec. 31, 2010	**31,121,154**	**30,428**	**(5,231)**	**73,357**	**2,296**	**(78,860)**	**4,185**	**(355)**	**25,820**

* as part of the consideration in business combinations (see note 8.1.5.21)

8.1.5 Notes to consolidated financial statements

The principal accounting policies applied in the preparation of the above consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

8.1.5.1 General

TiGenix NV/SA (TiGenix or the Company) and its subsidiaries (together the Group) is a biomedical company that focuses on innovative local treatments for damaged and osteoarthritic joints. The Group is exploiting the power of regenerative medicine for the development of durable treatments, validated through controlled clinical studies, for these indications. TiGenix is located in Leuven and was founded as a spin-off of the Catholic University of Leuven and the University of Ghent. The Group has research and development facilities in Belgium and the UK and production facilities in Belgium and the Netherlands (under construction). With effect as of November 23, 2010 TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership interests in TC CEF LLC.

TiGenix is developing a portfolio of products that addresses specific musculoskeletal problems. The lead indication among these is cartilage damage, which is a debilitating affliction severely affecting the mobility and functioning of patients, a large and growing unmet medical need. The Group has two approved products in Europe, ChondroCelect and Chondromimetic, and started commercialising these products in the course of 2010. ChondroCelect is a medicinal product for the regeneration of traumatic cartilage lesions and Chondromimetic is a biomaterial to repair smaller traumatic osteochondral lesions.

TiGenix NV/SA, the parent company, is a limited liability company incorporated and domiciled in Belgium. The registered office is located at Romeinse straat 12 - box 2, B-3001 Leuven, Belgium.

The shares of TiGenix are listed on Euronext Brussels under the international code number ISIN BE0003864817 and symbol TIG.

8.1.5.2 Basis of preparation

The principal accounting policies applied in the preparation of the above consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

All amounts are presented in th. € unless otherwise indicated, rounded to the nearest € 1.000.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, as adopted by the European Union up to December 31, 2010.

Changes in accounting policy and disclosures

a. New and amended standards adopted by the Group

During the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting period commencing on January 1, 2010. The Group has not applied any new IFRS requirements that are not yet effective in 2010.

The following new standards, interpretations and amendments issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Improvements to IFRSs (Issued in April 2009);
- IFRS 1 (revised 2009) additional exemptions for first-time adopters;
- IFRS 2 (revised 2009) Share-based Payment - Group Cash-settled Share-based Payment transactions;
- IFRS 3 (revised 2008) Business Combinations – comprehensive revision on applying the acquisition method;
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3;
- IAS 28 (revised 2008) Investments in Associates - Consequential amendments arising from amendments to IFRS 3;
- IAS 31 (revised 2008) Investments in Joint Ventures – Consequential amendments arising from amendments to IFRS 3;
- IAS 39 (revised 2009) Financial Instruments: Recognition and Measurement;
- IFRIC 17 Distribution of Non-cash Assets to Owners;
- IFRIC 18 Transfers of Assets from Customers.

Their adoption has not led to any major changes in TiGenix' accounting policies.

b. Standards and interpretations issued but not yet effective in the current period

The Company elected not to early adopt the following new Standards, Interpretations and Amendments, which have been endorsed by the by the EU but are not yet mandatory as per December 31, 2010:

- Improvements to IFRSs (Issued in May 2010);
- IAS 24 (revised 2009) Related Party Disclosures – Revised definition of related parties, applicable for annual periods beginning on or after January 1, 2011;
- IAS 32 (revised 2009) Financial instruments: Presentation – Amendments relating to classification of rights issues, applicable for annual periods beginning on or after February 1, 2010;
- IFRIC 14 Minimum Funding Requirements and their Interaction, applicable for annual periods beginning on or after January 1, 2011;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, applicable for annual periods beginning on or after July 1, 2010.

The directors anticipate that all of the above Standards and Interpretations will be adopted in the Group's financial statements for the period commencing January 1, 2011 and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

The principle accounting policies adopted when preparing these consolidated financial statements are set out below.

The financial statements have been prepared on the basis of the historical cost price method. Any exceptions to the historical cost price method are disclosed in the valuation rules described hereafter.

The financial statements have been established assuming the Company is in a state of going concern. The Group has generated losses since its inception, which is inherent to the current stage of the Group's business life cycle as a biotech company. Sufficient funds have been raised since inception and especially the combination with Cellerix should provide the Company with sufficient cash for the foreseeable future (see section 8.1.5.28).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the notes 8.1.5.7: Taxes, 8.1.5.9: Valuation of intangible assets, 8.1.5.25: Valuation of share-based payments.

Basis of consolidation

Companies controlled by the Group (i.e. in which the Group has, directly, or indirectly, an interest of more than one half of the voting rights or is able to exercise control over the operations) have been fully consolidated.

Companies over which the Group exercises joint control with a limited number of partners (joint ventures) are consolidated using the proportionate consolidation method.

All significant intra-group transactions, balances, income and expenses are eliminated in consolidation.

Foreign currency translation

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions and balances

Based upon the closing rate method, assets and liabilities of the consolidated subsidiary are converted at closing rate, while the income statement is converted at the average rate of the period, which results in translation differences included in the consolidated equity (Translation Reserves).

Segment information

The Group's activities are in one segment, biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. The management review the

operating results and operating plans and make resource allocation decisions on a company-wide basis, therefore TiGenix operates as one segment.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their full fair values at the acquisition date. The results of the acquired operations are included in the consolidated statements of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Revenue recognition

Revenue from sales of goods is recognized when:

- the significant risks and rewards of the ownership of goods are transferred to the buyer; The Group retains neither effective control nor involvement to the degree usually associated with ownership over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

License fees are recognised when the Group has fulfilled all conditions and obligations. The license fee will not be recognised if the amount cannot be reasonably estimated and if the payment is doubtful. License up-front (signature fees) and non-refundable fees for access to prior research results and databases are recognised when earned, provided that the Group has no continuing performance obligations and all conditions and obligations are fulfilled (this means after the delivery of the required information).

If the Group has continuing performance obligations towards fees, the fee will be recognised on a straight-line basis over the contractual performance period.

Research and development service fees are recognised as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of full-time equivalents ("FTE") at a specified rate per FTE.

Government grants are recognised as revenue over the life of the grant as the required or planned activities are performed and the related costs incurred and when there is reasonable assurance that the Group will comply with the conditions of the grant. The grants are usually in the form of periodic progress payments.

Deferred revenue represents amounts received prior to revenue being earned.

Cost of sales

Cost of sales includes primarily the direct production costs, the direct sales costs and the services rendered. Royalty expenses directly linked to goods sold are also included.

Research & development costs

Internally-generated intangible assets – research & development expenditure

Development costs are capitalised to the extent that all conditions for capitalisation have been satisfied as specified in IAS 38. The Company considers that the regulatory and clinical risks inherent to the development of its products preclude it in general from capitalising development costs until the moment of regulatory approval. Nevertheless after the positive CHMP opinion of ChondroCelect end of June 2009, the Company has decided to capitalise the development costs. In the consolidated IFRS financial statements of the Group, development costs of ChondroCelect and ChondroMimetic have been capitalised as from July 2009 and as from January 2010 as intangible assets if all conditions for capitalisation have been satisfied as specified in IAS 38.

Acquired intangible assets

In-process research & development projects acquired through business combinations are capitalised as intangible assets.

These intangible assets are amortised on a straight-line basis over their estimated useful life from the moment that they are available for use.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Repair and maintenance costs are charged to the income statement as incurred. Gains and losses on the disposal of property, plant and equipment are included in other income or expense.

Depreciation is charged so as to write off the cost or valuation of assets over their useful lives, using the straight-line method pro rata in the year of purchase, on the following basis:

- Equipment: 5 years;
- IT hardware: 3 years;
- Furniture: 5 years;
- Leasehold improvements: in line with the lease agreement period; and
- Leases: in line with the lease agreement period.

Intangible assets

Patents, licenses, trademarks and other intangible assets

Costs related to patents that were in-licensed are expensed as incurred. Costs related to the filing, maintenance and defence of patents are expensed as incurred.

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Intangible assets (except for goodwill) are amortised over their useful lives on a straight-line basis as from the moment they are available for use. Estimated useful life is based on the lower of the contract life or the economic useful life (between 5 to 20 years).

Computer software

Software licenses and software development costs are measured internally at purchase cost and are amortised on a straight-line basis over 3 years and pro rata in the year of purchase.

Leases

Leases are considered as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are at the start of the lease term recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The financial costs need to be accounted to each term of the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

At each balance sheet date and at each interim reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and at each interim reporting date, and whenever there is an indication that the asset might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash generating unit is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at re-valued amount, in which case the impairment is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the relevant asset was carried at re-valuated amount, in which case the reversal of the impairment is treated as a revaluation increase.

Inventories

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost determined according to the FIFO-method (first in first out) or their net realisable value.

The costs of finished goods comprises all costs of purchase , costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

The Group does not account for work in progress, as the production process is short and finished goods are shipped to customers immediately thereafter, resulting in no such items on the balance sheet at year-end for any of the periods reported.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand and deposits held on call with banks. In the balance sheet, bank overdrafts, if any, are included in borrowings in current liabilities.

Income tax

Deferred income tax is provided in full using the "balance sheet liability method", on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets relating to tax losses carried forward are recognised to the extent that it is probable that the related tax benefits will be realised.

Borrowings

Interest-bearing loans and overdrafts are accounted for in the amount of the net proceeds received. Financial charges are charged over the term of the facility.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded in the amount of the proceeds received, net of direct issue costs.

Derivative instruments

The Company has not used any derivative financial instruments.

Retirement benefit schemes and employee savings schemes

The Group offers retirement benefit schemes. These schemes are financed through payments to insurance companies. All retirement benefit schemes are in accordance with the system of defined contributions. These contributions are charged as personnel benefit expenses as they fall. The Company does not offer nor operate any defined benefit schemes for its employees.

Share-based compensation plans for personnel

The Company has share-based compensation plans for personnel, directors and business associates. The fair value of the employee services received for the granted compensation plans are measured as an expense. The corresponding credit is recorded directly into equity.

The total cost to be charged as an expense over the vesting period is measured at the fair value of the granted and accepted compensation plans. The estimate of the number of compensation plans which will be vested is revised at each reporting date. The change in estimates will be recorded as expense with a corresponding correction in equity.

At the moment of exercise of the compensation plans no adjustments will be made into the share-based compensation reserve.

Financial Risk Management

The principal financial instruments used by the Group, from which financial risk arises, are as follows :

- Cash at bank;
- Trade and other payables;
- Bank loans;
- Receivables;
- Available-for-sale investments.

Capital risk management

The Group policy with respect to managing capital is to safeguard the Group ability to continue as a going concern and to obtain over time an optimal capital structure.

- Credit risk management

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group.

The Company has started in 2010 the commercialising of its lead products ChondroCelect and Chondromimetic. There are no significant concentrations within trade receivables and the Company does not expect this to occur in the future. Customer's compliance with agreed credit terms is monitored regularly and closely. The year-end balance of trade accounts receivable was € 765k.

Receivables related to research grants are recognized when there is a reasonable assurance that the Company will comply with the conditions attached to them and the grant will be received. The Company considers the overall recognition criteria being met when an award letter has been received, the related project costs have been incurred, and grant specific milestones have been achieved or are assumed to be reliably achieved in the future;

The credit risk on cash and cash equivalents of € 5,555k is limited given that the counterparties are banks with high credit scores attributed by international rating agencies.

- Interest risk management

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities.

The Group is not subject to material interest risk. The financial loans are limited to € 520k and all leases have fixed interest rates.

- Currency risk management

The Group may be subject to limited currency risk. The Group has cash outflows in U.S. Dollars for the operations of its U.S. subsidiaries. The Company has no commercial revenues denominated in U.S. Dollars. The 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.

As of December 31, 2010, the Group's financial assets and financial liabilities were denominated in the following currencies:

	EUR		USD		GBP		Other		Totals	
Thousands of Euro (€)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial assets										
Cash and cash equivalents	5,422	23,828	17	94	105	815	11	8	5,555	24,745
Trade and other receivables	1,296	633	209	102	307	580	0	0	1,812	1,315
Total Financial assets	**6,718**	**24,461**	**226**	**196**	**412**	**1,395**	**11**	**8**	**7,367**	**26,059**
Financial liabilities										
Trade and other payables	2,280	1,320	23	57	254	665	0	4	2,557	2,045
Loans and borrowings	792	1,031	0	0	0	0	0	0	792	1,031
Total financial liabilities	**3,072**	**2,351**	**23**	**57**	**254**	**665**	**0**	**4**	**3,349**	**3,076**

For compliance with the IFRS 7 rule, the Company discloses a sensitivity analysis of an increase / decrease of exchange rate of operations in USD and GBP of 10%.

The exposure of operations to the currency risk is limited to the net amount of $1,292k, giving a potential loss or a potential gain of €96k in case of an increase respectively a decrease of the $/€ exchange rate by 10% and £724k, giving a potential loss or a potential gain of €85k in case of an increase respectively a decrease of the £/€ exchange rate by 10%.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group has limited borrowing arrangements at December 31, 2010 and has no derivative instruments.

More details in regard to the line items are included in the respective notes:

- Trade and other payables: note 8.1.5.19
- Loans and borrowings: note 8.1.5.16 and 8.1.5.17

8.1.5.3 Revenues

Sales

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Sales billed	*982*		
Deferred sales	(361)		
Sales	621	46	0
Total Sales	**621**	**46**	**0**

For ChondroCelect, 2010 was the first full year of non-reimbursed commercial sales in a limited number of European reference centres. Only part of the ChondroCelect sales could be recognized as revenues as the Company had an agreement with a limited number of Dutch reference centres in place whereby only part of the price had to be paid upfront with the remainder to be paid at the moment ChondroCelect would be admitted to the "Lijst Dure Geneesmiddelen". The ChondroCelect sales are limited and will continue to be limited and irregular until ChondroCelect will be reimbursed. In 8.1.5.28, an update can be found with respect to reimbursement in the different European countries.

For ChondroMimetic, the commercial sales started only in October of last year after the launch at the 9th World Congress of the International Cartilage Repair Society (ICRS) in Barcelona, Spain.

Other revenues

The other revenues can be split into:

		Years ended December 31		
Thousands of Euro (€)	Notes	2010	2009	2008
Grant revenues	8.1.5.27	1,765	934	245
Licence & deal revenues		38	38	49
Contribution to costs		0	15	27
Total		**1,802**	**986**	**321**

The revenues from grants relate mainly to contributions that TiGenix has received for its research and development activities in meniscus, the IWT grant, and in osteoarthritis, the grant that was awarded by the European Union under the 7th framework programme.

More details of the grants are given in section 8.1.5.27.

8.1.5.4 Operating result (EBIT)

Result from operations has been arrived at after charging:

(a) Research and development expenditures

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
Personnel costs	8.1.5.5	3,144	4,264	4,804
Depreciations		1,979	644	487
Operating costs		4,064	2,035	3,502
General costs		686	737	685
Production costs		0	433	497
Total		**9,873**	**8,114**	**9,975**

The Group's research and development costs increased with 22% between 2009 and 2010. The personnel costs were lower in 2010 due to the allocation of the personnel costs related to the direct production of ChondroCelect and ChondroMimetic to cost of sales and the downscaling of the R&D staff. The amortization of intangible assets related to the acquisition of Orthomimetics Ltd (today TiGenix Ltd) led to higher depreciations in 2010. The operating costs have doubled compared to 2009. Main drivers of the increase were the preparation of the post-market trial for ChondroCelect as requested by EMA, the costs related to the delivery device for ChondroMimetic and the full period impact of Orthomimetics Ltd (today TiGenix Ltd) and TiGenix BV. The direct production costs were part of the cost of sales in 2010. In 2010, € 1,621 of research and development expenditures were capitalized compared to € 781 in 2009. The production costs of 2010 are included in the cost of sales.

(b) Selling, general and administrative expenses

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
Personnel costs	8.1.5.5	4,816	4,268	3,595
Depreciations		232	265	210
Operating costs		2,501	2,011	2,378
General costs		804	773	667
Total		**8,353**	**7,316**	**6,851**

The selling, general and administrative expenses increased with 14% between 2009 and 2010. The increase is a result of the expansion of the commercial sales team with 5 people, increased pricing and reimbursement costs and the additional G&A costs associated with the acquisition of Orthomimetics Ltd (today TiGenix Ltd).

8.1.5.5 Personnel costs

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
The number of employees and mandate contractors at the end of the year was:			
Production staff	9	0	0
R&D staff	33	59	52
SG&A staff	32	35	26
Total	**74**	**94**	**78**
Their aggregate remuneration comprised:			
Wages, salaries, fees and bonuses	6,681	6,305	6,044
Social security cost	1,367	1,257	1,025
Group & Hospitalisation insurance	333	281	230
Share-based compensation	676	1,140	931
Other costs	296	107	169
Total	**9,353**	**9,090**	**8,399**

The aggregate remuneration is € 9,353k. Out of this amount, € 1,009k was capitalized according to IAS 38 Intangible assets and € 384k was classified under cost of goods sold. For further details about the retirement benefit schemes and share-based compensation, please refer to 8.1.5.23 and 8.1.5.24.

8.1.5.6 Financial result

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Interest on bank deposits	140	489	1,285
Interest paid	(72)	(20)	(47)
Other finance costs	511	(170)	102
Total financial results	**579**	**300**	**1,340**

TiGenix receives net interest on the sums it has outstanding on its bank deposits. Interest paid consists of the interest paid for the roll-over credits from ING and Fortis and interest paid for the subordinated loan of IWT. The interest rate for these loans is the 3 month Euribor plus a margin of 140 bp. Other finance income/costs mainly consist of exchange rate differences and the interest to be allocated from the subordinated loan by the Institute for the Promotion of Innovation by Science and Technology in Flanders (IWT).

Those loans are further commented in notes 8.1.5.16 and 8.1.5.17.

8.1.5.7 Taxes

There is no current tax accounted for in any of the periods presented.

The Group has net tax loss carry forwards available to reduce future corporate income taxes, if any. These carry forwards can be offset against future income of the Group for an indefinite period and can be summarised in the table below:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Tax losses carried forward under local GAAP (risk capital deduction included)	**(90,992)**	**(67,481)**	**(52,544)**
IFRS timing differences	(2,633)	(2,654)	(2,659)
IFRS carried forward losses	(93,625)	(70,135)	(55,203)
Deferred taxes @ 34%	31,833	23,846	18,769
Tax credit research and development	142	111	77
Total deferred tax asset	**31,975**	**23,957**	**18,846**
Deferred taxes of the year	8,018	5,111	

The Group has not recorded the total deferred net tax assets of € 31,975k on the basis that in the past no profits were realised and that there is no certainty that it will generate profits in the future which could be offset against current losses.

The deferred taxes are calculated on the following items:

- Tax losses as per tax return;
- Tax deductions offered under the Belgian tax legislation such as the Belgian Tax Deduction for Risk Capital (notional interest deduction) and investment deduction;
- The financial figures under IFRS are not necessarily the same as the local GAAP financial figures used for tax declarations. Tax losses as per tax return refers to accounting rules of the tax authorities which in certain cases differ from IFRS accounting rules;
- in the statutory accounts the issuance cost is capitalised and amortised on a straight-line basis pro rata in the year of purchase and over a period of 5 years. In the IFRS statements the issuance costs related to realised capital increases are deducted directly from the share capital, the others are directly expensed in the income statement;
- in the statutory accounts certain intangible assets are capitalised and amortised on a straight-line basis over a period of 5 years. According to IAS 38, these intangible assets need to be expensed directly in the income statement;
- depreciation in consolidation of intangible assets capitalized in the process of business combination;
- the total share-based compensation is not accounted for in the statutory accounts;
- According to IAS 20, the interests related to the subordinated loan of IWT are taken into expenses over the duration of the loan;
- Tax credits offered under the Belgian tax legislation such as tax credits for research and development.

8.1.5.8 Loss per Share

Basic loss per share is calculated by dividing the net result attributable to shareholders by the weighted average number of shares outstanding during the year.

In 2008 and 2009, the Company has granted warrants to staff members (see note 8.1.5.24), which have a dilutive potential. Under IAS 33 Earnings per Share, no disclosure is required of the diluted result per share, since as long as the Company is reporting a net loss; the warrants have an anti-dilutive effect rather than a dilutive effect.

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Result for the purpose of basic loss per Share, being net loss	(15,716)	(14,098)	(15,165)
Number of Shares	30,910,332	25,451,744	24,301,661
Weighted average number of Shares for the purpose of basic loss per share			
Basic loss per Share (in Euro *(€)*)	(0.51)	(0.55)	(0.62)

8.1.5.9 Intangible assets

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Gross value			
At January 1	21,504	1,004	757
Additions externally acquired	66	19	247
Additions internally developed	1,621	781	0
Additions through business combinations	0	19,700	0
Subsidy	0	0	0
Impairment	0	0	0
Gross value at December 31	**23,191**	**21,504**	**1,004**
Accumulated amortisation			
At January 1	942	563	283
Additions externally acquired	155	263	280
Additions internally developed	98	7	0
Additions through business combinations	1,313	109	0
Disposals	0	0	0
Related to subsidy	0	0	0
Impairment	0	0	0
Accumm. amortisation at December 31	**2,508**	**942**	**563**
Net value at December 31	**20,683**	**20,562**	**441**

The majority of the Group's intangible assets result from the acquisitions made by the Group, i.e. the acquisition of Orthomimetics Ltd (today TiGenix Ltd) at the end of November 2009. These assets are recorded at fair value in the purchase method of accounting and are subsequently amortised over their useful life. Besides this, the Company has capitalized the development costs for ChondroCelect as from July 2009 and for ChondroMimetic as from January 2010 according to IAS 38 Intangible Assets. They will be also amortised over their useful life (10 years).

8.1.5.10 Tangible assets

Thousands of Euro (€)	IT & mach equipment	Furniture	Laboratory equipment	Leasehold improvements	Leasing	TOTAL
Gross value						
At January 1, 2008	1,109	149	198	681	23	2,160
Additions	267	180	4	1,003	83	1,536
Disposals	0	(76)	(4)	(13)	(23)	(116)
Translation Reserves	15	0	0	24	0	39
At December 31, 2008	**1,390**	**252**	**198**	**1,696**	**83**	**3,618**
Accumulated amortisation						
At January 1, 2008	515	86	137	32	16	786
Additions	212	33	37	120	15	417
Disposals	0	(47)	(2)	(9)	(16)	(74)
Translation Reserves	4	0	0	3	0	7
At December 31, 2008	**730**	**71**	**172**	**145**	**15**	**1,135**
Net value at Dec. 31, '08	**660**	**181**	**26**	**1,550**	**67**	**2,484**
Gross value						
At January 1, 2009	1,390	252	198	1,696	83	3,618
Additions	217	13	5	384	0	618
Additions through business combinations	269	20	0	0	0	289
Disposals	0	0	0	0	0	0
Translation Reserves	(2)	0	0	(9)	0	(11)
At December 31, 2009	**1,874**	**285**	**202**	**2,070**	**83**	**4,514**
Accumulated amortisation						
At January 1, 2009	730	71	172	145	15	1,135
Additions	263	49	15	175	27	530
Disposals	0	0	0	0	0	0
Translation Reserves	(4)	0	0	(3)	0	(7)
At December 31, 2009	**989**	**120**	**187**	**318**	**43**	**1,658**
Net value at Dec. 31, '09	**885**	**164**	**15**	**1,752**	**40**	**2,856**
Gross value						
At January 1, 2010	1,874	285	202	2,070	83	4,514
Additions	184	17	0	2,768	0	2,969
Additions through business combinations	0	0	0	0	0	0
Disposals	(245)	0	0	(612)	0	(858)
Translation Reserves	53	5	0	48	0	106
At December 31, 2010	**1,865**	**307**	**202**	**4,275**	**83**	**6,731**
Accumulated amortisation						
At January 1, 2010	989	120	187	318	43	1,658
Additions	368	64	6	179	27	645
Disposals	(168)	0	0	(179)	0	(347)
Translation Reserves	23	3	0	10	0	37
At December 31, 2010	**1,213**	**188**	**193**	**328**	**70**	**1,993**
Net value at Dec. 31, '10	**652**	**118**	**9**	**3,946**	**12**	**4,738**

The investments are mainly related to the leasehold improvements in the Netherlands. The disposals are the result of TiGenix Inc withdrawing from TC CEF LLC.

8.1.5.11 Inventories

The carrying values of the different components of the inventory are as follows:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Raw materials and consumables	147	148	144
Finished goods and goods for resale	97	8	13
Total inventories	**244**	**156**	**158**

Inventories are valued according to the FIFO-method (first in first out) or, if lower, at the realisable value.

8.1.5.12 Receivables

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Receivables	765	193	101
Recoverable taxes	789	596	666
Other	258	525	25
Total other accounts receivable	**1,812**	**1,315**	**792**

Receivables mainly consist of amounts due from the medical centres. The deferred sales of € 361 were deducted from the receivables (see section 3.2.3.1). Recoverable taxes mainly consist of VAT and withholding taxes. As a result of the exercise of options in Orthomimetics Ltd that were not fully paid at year end, the Company has advances to option holders of € 214k. This amount is included in the other receivables. The Company considers that the carrying amount of trade and other receivables approximates their fair value.

The aging analysis of the Group receivables at year-end is as follows:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Not past due	1,281	1,201	714
Up to 3 months	453	61	47
3 to 6 months	65	29	9
6 to 12 months	0	1	2
more than 1	13	22	20
Total receivables	**1,812**	**1,315**	**792**

8.1.5.13 Cash and cash equivalents

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Cash at bank and in hand	5,555	24,745	25,162
Total cash and cash equivalents	**5,555**	**24,745**	**25,162**

8.1.5.14 Deferred charges & accrued income

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Deferred charges & accrued income	907	282	335
Deferred charges & accrued income	**907**	**282**	**335**

8.1.5.15 Share capital

The share capital of TiGenix amounts to € 25.2 million at December 31, 2010, represented by 31,121,154 shares. The Company's shares are without par value. The holders of TiGenix shares are entitled to receive dividends as declared and to one vote per share at the shareholders' meeting of the Company. All shares issued are fully paid in and subscribed.

The change of the number of Shares during each of the 3 years ending on December 31, 2008, December 31, 2009 and Decembwer 31, 2010 is as follows:

Per January 01, 2008	**23,851,079**
Exercise of warrants	713,410
December 31, 2008	**24,564,489**
Exercise of warrants	6,790
Capital increase in cash	3,284,300
Capital increase in kind	3,010,589
December 31, 2009	**30,866,168**
Exercise of warrants	2,500
Capital increase in kind	252,486
December 31, 2010	**31,121,154**

At December 31, the Company's share capital was:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Share Capital	30,429	30,178	24,002
Issuance cost	(5,231)	(5,222)	(4,518)

On March 27, 2007 a total of 9,200,000 common Shares were issued with a price of €5.00 as a result of the initial public offering (IPO) and the exercise of the over-allotment option. The shares issued were fully paid in.

On March 27, 2007 a total of 494,065 warrants issued on February 26, 2007, subject to the completion of the IPO, were exercised with a strike price of €0.01, resulting in 494,065 additional common Shares. The Shares issued were fully paid in.

On April 17, 2008 a total of 603,910 warrants issued on September 15, 2003 were exercised with a strike price of €1.00 or €3.00 resulting in 603,910 additional common Shares. The Shares issued were fully paid in.

On October 13, 2008 a total of 109,500 warrants issued on September 30, 2003 were exercised with a strike price of €3.00 resulting in 109,500 additional common Shares. The Shares issued were fully paid in.

On April 23, 2009 a total of 6,790 existing warrants issued on May 14, 2004 were exercised with a strike price of €3.00 resulting in 6,790 additional common Shares. The Shares issued were fully paid in.

On June 26, 2009 a total of 1,080,000 common Shares were issued with a price of €5.00 as a result of a capital increase. The Shares issued were fully paid in.

On November 30, 2009 a total of 3,010,589 common Shares were issued with a price of €4.28 as a result of a capital increase in kind. The Shares issued were fully paid in.

On December 15, 2009 a total of 2,204,300 common Shares were issued with a price of €3.50 as a result of a capital increase. The Shares issued were fully paid in.

On March 4, 2010 a total of 2,500 warrants issued on March 20, 2008 were exercised with a strike price of €3.45, resulting in 2,500 additional common Shares. The Shares issued were fully paid in.

On November 9, 2010 a total of 252,486 common Shares were issued with a price of €4.28 as a result of a capital increase in kind. The Shares issued were fully paid in.

8.1.5.16 Subordinated loan

Non current portion of long-term debt	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Subordinated loan	130	260	391

In 2006, the Company obtained from the Flemish Innovation Institute IWT a subordinated loan of € 391k to support the project "Novel treatment approaches for Osteoarthritic joints: from stem cells to nutriceuticals". This loan needs to be paid back in quarterly instalments partly consisting of capital and partly of interest. The first instalment of € 48.4k needs to be paid back on January 31, 2010 and the last instalment of € 41.2k on October 31, 2012.

Term and debt repayment schedule	Years ended December 31			
Thousands of Euro (€)	2012	2013	2014	2015+
IWT loan-base amount	130	0	0	0
IWT loan-interests	38	0	0	0
IWT loan-total	169	0	0	0

8.1.5.17 Financial loan

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Amounts payable under financial loan :			
Within one year	80	80	80
In the second to fifth year	320	320	320
After five years	120	200	280
Total	**520**	**600**	**680**
Less future finance charges	0	0	0
Present value of financial loan	**520**	**600**	**680**

The acquisition of the manufacturing equipment in the US has been financed with a bank loan. ING and Fortis each provided a roll-over credit of € 400k. Each quarter € 20k is paid back.

8.1.5.18 Finance lease obligations and other lease obligations

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Amounts payable under finance lease :			
Within one year	12	28	28
In the second to fifth year	0	12	40
After five years	0	0	0
Total	**12**	**40**	**68**
Less future finance charges	0	0	0
Present value of lease obligations	**12**	**40**	**68**
Outstanding commitments for future minimum rent payments, which fall due as follows :			
Within one year	625	785	611
In the second to fifth year	2,195	2,565	1,913
After five years	1,998	2,889	1,117
Contingent commitments:			
Within one year	68	0	0
In the second to fifth year	288	0	0
After five years	260	0	0

The fair value of the Group's finance lease obligations approximated their carrying value. Outstanding operating lease commitments for future minimum rent payments include rental fees related to leased facilities, vehicles and equipment. These operating lease contracts can be terminated early with certain indemnity fees. All figures shown assume that the lease contracts will not be terminated early. Rentals payable under operating leases are charged to the income statement as operating charges on a straight-line basis over the term of the lease.

Although TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership interests in TC CEF LLC, TiGenix Inc is still liable for the operating lease commitments of the TC CEF LLC. These amounts are presented as a contingent commitment.

8.1.5.19 Trade accounts payable

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Trade accounts payable	1,783	1,399	1,386
Accruals for invoices to be received	774	646	112
Total trade payables	**2,557**	**2,045**	**1,498**

Maturity analysis of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised costs, is as follows:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Not past due	2,030	1,932	1,067
Up to 3 months	516	100	421
3 to 6 months	11	9	7
6 to 12 months	0	1	3
More than 1 year	0	3	0
Total trade accounts payable	**2,557**	**2,045**	**1,498**

8.1.5.20 Other current liabilities

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Other debts relating to remuneration and social security	755	1,195	710
Other accruals	902	689	704
Total other current liabilities	**1,657**	**1,884**	**1,414**

Other debts relating to remuneration and social security contributions consist of the holiday pay and bonus provision.

Other accruals consist of deferred grant income, rent payments and other accruals.

8.1.5.21 Business combinations

Past business combination Orthomomimetics Ltd

On November 30, 2009, TiGenix has acquired 100% of the total outstanding shares of Orthomimetics Ltd on a fully diluted basis at a price of €16.3 million.

The shareholders of Orthomimetics Ltd have contributed 2,605,752 Orthomimetics shares, valued at €12.9 million to TiGenix in exchange for 3,010,589 new TiGenix shares and sold 680,686 Orthomimetics shares, valued at € 3.4 million. The payment of the purchase price for these 680,686 shares was deferred, as a result of which the shareholders involved have a receivable on TiGenix of €3.4 million. This receivable has been contributed in kind to TiGenix on November 13, 2010 for approximately 32% and approximately 68% will be contributed in kind on March 30, 2012 in exchange for new shares in TiGenix at an issuance price of €4.28 per new share. At December 31, 2010, 252,486 shares were issued for a total amount of €1.1 million with the remainder being presented as "shares to be issued" in equity.

Business combination Cellerix SA

Description of Cellerix and contribution in kind:

Cellerix is a Spanish cell therapy company that was founded in 2004 as a spin-off from the Genetrix Group. The company has a clinical stage pipeline of cell-based products for indications of inflammatory and autoimmune origin. The products are based on Cellerix' proprietary fat derived adult stem cell platform and represent a new generation of off-the-shelf cell therapy medicines. Cellerix' stem cell platform and manufacturing capabilities have been fully validated according to EMA requirements. The company recently completed a successful Phase IIa study in complex perianal fistula in Crohn's patients and has received authorization to start a Phase I/II study in rheumatoid arthritis. Further to the Genetrix Group, Cellerix has a solid and outstanding investor base including specialized European healthcare funds (Ysios, LSP and Ventech), pharma corporate investment funds (Roche Venture Fund and Novartis Venture Fund), and Spanish private and institutional investors.

Cellerix' stem cell platform and product portfolio represent an excellent fit for TiGenix to realize its ambition of leadership in regenerative medicine and cell therapy. The combined group will have two commercial products on the market, including ChondroCelect, the first and only centrally approved cell-based product in Europe, and a unique commercial and manufacturing infrastructure for advanced therapies. The initial focus of the combined group will remain on damaged and arthritic joints while ensuring long term upside potential through expansion to other inflammatory and autoimmune disorders of high unmet medical need. With headquarters in Leuven and focused operations in Spain, the Netherlands and the United Kingdom, the combined group will be well positioned to become the leading cell therapy company in Europe.

The board of directors is of the opinion that the acquisition of Cellerix, through the Contribution, allows the Company to strengthen further its leadership profile through the creation of the first stem cells group with a commercial offering and a strong product development pipeline, and the exploitation of synergies between the two companies.

The closing of the contribution in kind has taken place on the Contribution Date. The consideration has been fully paid in TiGenix shares, valued at a price of €1.2977 per share.

Valuation of the contribution in kind:

Within the framework of the agreement, Cellerix was valued at €40.0 million prior to the Cellerix shareholders investment of €18.2 million.

Taking into account the amount of the Cellerix shareholders investment, the agreement provided for an aggregate valuation of €58,2 million for 100% of the voting rights of Cellerix.

The €40 million valuation of Cellerix prior to the Cellerix shareholders investment is based on an assessment of the technology value of Cellerix using three different methods:

- the pre-money valuation of Cellerix in its last financing rounds;
- an analysis of comparable companies and transactions; and
- a "sum of the parts" Net Present Value analysis of Cellerix' lead programmes.

For the Cellerix shareholders investment a pre-money valuation of Cellerix of €39.5 million is used. This value could be considered as a minimum value as it does not yet take into account certain value enhancing milestones that have been realized recently:

- positive data of the phase IIa clinical study for Cx601 in complex perianal fistulas;
- authorization to start a phase I/II clinical study for Cx611 in Rheumatoid Arthritis (RA).

This analysis is supported by the other valuation methods used (analysis of the valuation of comparable companies and deals[78] and a "sum of the parts" Net Present Value analysis of Cellerix' lead programmes[79]), leading to a Technology Value of Cellerix ranging between €50 million and €75 million.

The €18.2 million cash that has been invested in Cellerix prior to the Contribution pursuant to the Cellerix Shareholders Investment is valued on a € for € basis.

On the basis of the preceding, the board of directors proposed to value the contribution of the entirety of the Cellerix shares at the time of the contribution, i.e. after completion of the Cellerix shareholders investment, at €58.2 million.

78 Which gives a Cellerix technology value of €52 million based on the equity raised by Cellerix and even €74 million based on the total cash received byCellerix (i.e. besides the equity also taking into account other cash items such as grants received).

79 Which gives a Cellerix technology value of €70 million.

As regards the above valuation, the board of directors of TiGenix also explicitly refers to the report of the statutory auditor of the Company, BDO Bedrijfsrevisoren CVBA, with registered office at The Corporate Village, Da Vincilaan 6, box E.6, Elsinore Building, 1935 Zaventem, represented by Gert Claes.

Pro forma figures of the enlarged Group can be found under section 3.2.3.

Based on actual information, it is anticipated that most of the €40 million will be allocated to intangible assets and goodwill. Nevertheless, the final allocation of the technology value of €40 million will be done after closing of the transaction. Potential synergy effects are not yet available but will be decided after the new board of directors is installed. The allocation of the tech value to these assets will imply future depreciations and/or amortizations.

8.1.5.22 Deferred tax liabilities

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Intangible assets	3,519	3,886	0
Total deferred tax liabilities	**3,519**	**3,886**	**0**

This deferred tax liability, as a result of the purchase method of accounting of Orthomimetics Ltd, is diminished with € 368k, the tax impact on the amortization of the intangible assets out of this business combination.

More information about the business combination can be found in note 8.1.5.21.

8.1.5.23 Retirement benefit schemes

The Company operates defined contribution systems for all its qualifying employees. The assets of the schemes are held separately from those of the Company in designated funds.

A total cost of € 311k in 2010 (€ 267k in 2009) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

8.1.5.24 "Stock option" plans

The Company has created several pools of warrants for grant to employees, directors, and consultants.

The table below provides an overview as of December 31, 2010 of all outstanding warrant pools remaining together with the activities under the different pools of warrants for the last 3 years ending on December 31, 2010.

	Weighted average exercise price	TOTAL	Warrants issued in					
Creation date			Mar 20, 2008	Febr 26, 2007	Nov 03, 2005	April 20, 2005	May 14, 2004	Sept 30, 2003 Sept 15, 2003
Total number created			**400,000**	**800,000**	**454,570**	**45,268**	**135,802**	**784,290**
Outstanding 31 Dec '07	**3.64**	**1,803,834**		**577,750**	**301,805**	**45,268**	**116,657**	**762,354**
Granted	4.08	362,000	362,000					
Lapsed	5.65	(67,744)	(2,500)	(54,000)	(6,142)		(5,102)	
Exercised	1.54	(713,410)						(713,410)
Expired	3.00	(48,944)						(48,944)
Outstanding 31 Dec '08	**4.80**	**1,335,736**	**359,500**	**523,750**	**295,663**	**45,268**	**111,555**	**0**
Exercisable 31 Dec '08	***3.00***	***89,291***	**-**	**-**	**-**	**-**	***89,291***	**-**
Creation date			June 19, 2009	Mar 20, 2008	Febr 26, 2007	Nov 03, 2005	April 20, 2005	May 14, 2004
Total number created			**500,000**	**400,000**	**800,000**	**454,570**	**45,268**	**135,802**

	Weighted average exercise price	TOTAL			Warrants issued in				
Outstanding 31 Dec '08	**4.80**	**1,335,736**			**359,500**	**523,750**	**295,663**	**45,268**	**111,555**
Granted	3.97	170,200		170.200					
Lapsed	4.39	(8,250)		(2,000)	(4,000)	(2,250)			
Exercised	3.00	(6,790)							(6,790)
Expired									
Outstanding 31 Dec '09	**4.72**	**1,490,895**		**168,200**	**355,500**	**521,500**	**295,663**	**45,268**	**104,765**
Exercisable 31 Dec '09	***3.43***	***223,064***		***-***	***88,875***	***-***	***-***	***29,424***	***104,765***
Creation date			Mar 12, 2010	June 19, 2009	Mar 20, 2008	Febr 26, 2007	Nov 03, 2005	April 20, 2005	May 14, 2004
Total number created			**500,000**	**500,000**	**400,000**	**800,000**	**454,570**	**45,268**	**135,802**
Outstanding 31 Dec '09	**4.72**	**1,490,896**	**0**	**168,200**	**355,500**	**521,500**	**295,663**	**45,268**	**104,765**
Granted	2.58	372,000	372,000						
Lapsed	4.31	(87,812)	(7,000)	(13,000)	(55,125)	(10,687)	(2,000)		
Exercised	3.45	(2,500)			(2,500)				
Expired									
Outstanding 31 Dec '10	**4.29**	**1,772,584**	**365,000**	**155,200**	**297,875**	**510,813**	**293,663**	**45,268**	**104,765**
Exercisable 31 Dec '10	***3.56***	***631,433***		***38,800***	***148,938***	***-***	***293,663***	***45,268***	***104,765***

Warrants issued in March 2000 for the founders

By a decision of the extraordinary shareholders' meeting of March 13, 2000, the Company issued 375,000 warrants. On the date of this prospectus, all such warrants have been exercised.

Warrant issued in March 2001 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of March 22, 2001, the Company issued 120,000 warrants. On the date of this prospectus, all such warrants either have been exercised (50,000 warrants) or have lapsed or expired (70,000 warrants).

Warrants issued in September 2003 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of September 15, 2003, the Company issued 632,439 warrants giving the beneficiaries the right to subscribe to shares in the Company of class B or D. By a decision of the extraordinary shareholders' meeting of September 30, 2003, the Company issued an additional 151,851 warrants giving the beneficiaries the right to subscribe to shares in the Company of type B or D. The warrants were granted with an exercise price equal to the fair market price of the underlying shares at the date of grant.

The warrants were granted to selected beneficiaries by decision of the board of directors. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment agreement, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested, it being understood that they can only be exercised as from January 1 of the fourth year following the year in which they are granted (i.e., from January 1, 2007 onwards for warrants granted in 2003). Non-exercisable warrants become exercisable in case of an IPO or trade sale of the Company. All warrants were granted for free. The duration of the warrants is 5 years as of the issue date of the warrants. Warrants that have not been exercised within 5 years of their creation become null and void.

On the date of this prospectus, none of these warrants are outstanding.

Warrants issued in May 2004 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of May 14, 2004, the Company issued 135,802 warrants giving the beneficiaries the right to subscribe to shares of the Company of class B or D. The warrants were granted with an exercise price equal to the fair market price of the underlying common shares at the date of grant.

The warrants were granted to selected beneficiaries by decision of the board of directors. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment agreement, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested, it being understood that they can only be exercised as from January 1 of the fourth year following the year in which they are granted (i.e., from January 1, 2008 onwards for warrants granted in 2004). Non-exercisable warrants become exercisable in case of an IPO or trade sale of the Company. All warrants were granted for free. The duration of the warrants is 5 years as of the issue date of the warrants. Warrants that have not been exercised within 5 years of their creation become null and void[80].

On the date of this prospectus, 6,790 warrants were exercised.

Warrants issued in April 2005 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of April 20, 2005, the Company issued 45,268 warrants giving the beneficiaries the right to purchase shares of the Company of class B or D. The warrants were granted with an exercise price equal to the fair market price of the underlying common shares at the date of grant.

The warrants were granted to selected beneficiaries by decision of the board of directors. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment agreement, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested, it being understood that they can only be exercised as from January 1 of the fourth year following the year in which they are granted (i.e., from January 1, 2009 onwards for warrants granted in 2005). Non-exercisable warrants become exercisable in case of an IPO or trade sale of the Company. All warrants were granted for free. The duration of the warrants is 5 years as of the issue date of the warrants. Warrants that have not been exercised within 5 years of their creation become null and void.[81]

Warrants issued in November 2005 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of November 3, 2005, the Company issued 454,570 warrants giving the beneficiaries the right to purchase shares of the Company of class B or D. The warrants were granted with an exercise price equal to the fair market price of the underlying common shares at the date of grant.

The warrants were granted to selected beneficiaries by decision of the board of directors. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment contract agreement, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested, it being understood that they can only be exercised as from January 1 of the fourth year following the year in which they are granted (i.e., from January 1, 2009 onwards for warrants granted in 2005). Non-exercisable warrants become exercisable in case of an IPO or trade sale of the Company. All warrants were granted for free. The duration of the warrants is 5 years as of the issue date of the warrants. Warrants that have not been exercised within 5 years of their creation become null and void. [82]

Warrants issued in February 2007 for employees, directors, and consultants

By a decision of the extraordinary shareholders' meeting of February 26, 2007, the Company issued 800,000 warrants giving the beneficiaries the right to purchase common shares of the Company.

577,750 warrants were granted to selected beneficiaries by decision of the board of directors. The weighted average exercise price of the warrants was €6.50. The remaining 222,250 warrants became null and void on September 26, 2007. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment contract agreement, a director's mandate or another collaboration agreement. The warrants can only be exercised once vested, it being understood that they can only be exercised as from January 1 of the fourth year following the year in which they are granted (i.e., from January 1, 2011 onwards for warrants granted in 2007). All warrants were granted for free. The duration of the warrants is 10 years as of

80 The extraordinary shareholders' meeting of May 13, 2009 approved an extension of the warrant exercise period for these warrants up until May 13, 2014, in accordance with Article 583 of the Companies Code and in accordance with Article 21 of the Belgian Economic Recovery Law of March 27, 2009.

81 Idem footnote 80.

82 Idem footnote 80.

the respective issue date of the warrants. Warrants that have not been exercised within 10 years of their creation become null and void.

Warrants issued in March 2008 for employees, and consultants

By a decision of the board of directors of March 20, 2008, the Company issued 400,000 warrants giving the beneficiaries the right to purchase common shares of the Company.

362,000 warrants were granted to selected beneficiaries by decision of the board of directors. The weighted average exercise price of the warrants was €4.08. The remaining 38,000 warrants became null and void on September 20, 2008. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment contract agreement, 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 10 years as of the respective issue date of the warrants. Warrants that have not been exercised within 10 years of their creation become null and void.

Warrants issued in June 2009 for employees, and consultants

By a decision of the board of directors of June 19, 2009, the Company issued 500,000 warrants giving the beneficiaries the right to purchase common shares of the Company.

170,200 warrants were granted to selected beneficiaries by decision of the board of directors. The weighted average exercise price of the warrants was €3.97. The remaining 329,800 warrants became null and void on November 30, 2009. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment contract agreement, 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 10 years as of the respective issue date of the warrants. Warrants that have not been exercised within 10 years of their creation become null and void.

Warrants issued in March 2010 for employees, and consultants

By a decision of the board of directors of March 12, 2010, the Company issued 500,000 warrants giving the beneficiaries the right to purchase common shares of the Company.

372,000 warrants were granted to selected beneficiaries by decision of the board of directors. The weighted average exercise price of the warrants was €2.58. The remaining 128,000 warrants became null and void on August 31, 2010. Under this plan, 25% of the warrants become vested on each anniversary of the date of the grant, provided that the beneficiary still has a relationship with the Company via an employment contract agreement, 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 10 years as of the respective issue date of the warrants. Warrants that have not been exercised within 10 years of their creation become null and void.

8.1.5.25 Accounting for share-based payment

The warrants have been accounted for in accordance with IFRS 2 Share-based payment. The share-based compensation expense recognised in the income statements as such is given below:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Research and development expenses	373	578	569
Selling, general and administrative expenses	304	562	362
Total for the year	**676**	**1,140**	**931**
Total per year end	**4,185**	**3,509**	**2,369**

The fair value of each warrant is estimated on the date of grant using the binomial model by Black Scholes with the following assumptions:

- The historic volatility of the Company (currently determined at 60%).
- Weighted average risk-free interests rates based on Belgian Sovereign Strips at the date of grant with a term equal to the expected life of the warrants, ranging between 2.6% and 4.6%.

The expected lifetime of the warrants, which on average is about 7.5 years for the warrants with a maximum duration of 10 years.

8.1.5.26 Related party transactions

Transactions between TiGenix NV/SA, TiGenix Inc., TC CEF LLC, TiGenix BV and TiGenix Ltd, which are related parties, have been eliminated in consolidation and are not disclosed in this note. In 2010, there were no material services. Transactions between the Company and its employees, consultants or directors are disclosed below.

There were no other related party transactions.

Remuneration of key management personnel

The combined remuneration package, excluding employer taxes, amounted to the following:

	Years ended December 31		
Thousands of Euro (€)	2010[1]	2009	2008
Number of management members	4	6	7
Short-term employee benefits	851	1,294	1,437
Post-employment benefits	32	38	46
Share based compensation	224	312	391
Other employment costs	41	42	62
Total benefits	**1,148**	**1,685**	**1,936**
Number of warrants offered	30,000	65,000	151,000
Cumulative outstanding warrants	522,749	492,749	527,377
Exercised warrants	0	0	173,623
Exercisable warrants	223,999	64,188	29,198
Outstanding receivables from persons	0	244	0
Outstanding payables to persons	0	3,067	0
Shares owned	498,999	431,124	357,123

(1) In 2010, the management team has changed. As a result the 2009 and 2010 figures are not fully comparable.

No loans, quasi-loans or other guarantees are outstanding with members of the management team.

Transactions with non-executive directors

Non-executive directors that represent shareholders of the Company receive no compensation for their position as directors.

The independent directors receive a fee for attending and preparing the meetings of the Board of Directors and they receive reimbursement for expenses directly related to the board meetings and related committees. In 2010 an amount of € 55k (€ 47k in 2009 and € 61k in 2008) in total was paid as fees and expense reimbursement to independent members of the board of directors. One of the non-executive directors, Eduard Enrico Holdener, holds EBIP options (see section 5.7.1), which were granted by Cellerix prior to the Contribution.

As a result, the total remuneration of the Board of Directors in 2010 was € 55k excluding VAT (€ 47k in 2009). No advances or credits have been granted to any member of the board of directors. None of the members of the board of directors have received any non-monetary remuneration other than warrants.

8.1.5.27 Significant agreements, commitments and contingencies

Collaborative research agreements and clinical research agreements

The Company has entered into several agreements with universities, medical centres and external researchers for research and development work and for the validation of the Company's technology and products. These agreements typically have durations of one to three years. The Company must pay fixed fees to the collaborators and in exchange receives access and rights to the results of the work.

Intellectual property in-licensing agreements

The Company has entered into several agreements with universities and companies for in-licensing intellectual property. These agreements typically require the Company to pay an up-front fee, annual maintenance fees and/or minimum annual royalty fees, legal fees related to the patents, and certain milestone and royalty fees if the patents are eventually used in a commercialised product. In addition, the Company must provide the licensor with periodic reports.

Legal proceedings

On the date of this report and since the incorporation of the Company, TiGenix is and has not been involved in any legal proceeding. As a result, the Company has no provisions for legal proceeding at this time.

Grants

Since its incorporation, TiGenix NV has been awarded several grants to support its research and development activities in the field of regenerative medicine.

TiGenix BV has been awarded two grants one from the city Sittard-Geleen and one from the province Limburg to cover a part of the construction costs of the new European cell expansion facility in the Netherlands.

Orthomimetics Ltd received several grants from the Department of Trade and Industry and the Technology Strategy Board, mainly to develop its biomaterials platform.

A summary of the main outstanding grants can be found in the table below:

(1) Name (2) Source (3) Description (4) Applicability	Start date	End date	Amount approved	Amount received	Main conditions
(1) **Translational Research in Europe – Applied Technologies for Osteoarthritis (Treat OA)** (2) Commission of the European communities (3) Research and coordination to develop new treatments (4) Covers part of personnel/lag costs, collaborator costs.	1/01/08	31/12/12	€ 1,156,500	€ 626,009	Respect plans and budget
(1) **Business contribution - the Netherlands** (2) Sittard-Geleen (3) Business contribution - the Netherlands (4) Covers part of construction costs Cell expansion facility	26/11/09	26/11/09	€ 125,000	€ 125,000	General conditions Sittard-Geleen

(1) Name (2) Source (3) Description (4) Applicability	Start date	End date	Amount approved	Amount received	Main conditions
(1) **Construction European human cell expansion facility** (2) Province Limburg (3) Construction European human cell expansion facility (4) Covers part of construction costs Cell expansion facility	15/07/09	31/03/11	€ 150,000	€ 75,000	General conditions Province Limburg
(1) **IWT 080365 An investigation into biology of meniscus tissue formation, homeostasis and repair towards the development of novel cellular therapies for treatment of damaged menisci.** (2) Flemish Government (IWT) (3) Meniscus Biology (4) Covers part of personnel/lag costs, collaborator costs.	1/10/08	30/09/10	€ 1,814,658	€ 1,452,000	General conditions IWT 2008.1
(1) **Ligamimetic** (2) Technology Strategy Board, UK (3) Development of Ligamimetic repair collagen implants (4) Covers labour, overheads, materials, travel, IP, CE marking, trials	1/04/08	30/03/11	£ 118,067	£ 98,154	Adhere to plans and budget
(1) **Cell Therapy** (2) Technology Strategy Board, UK (3) Development of cell therapy systems for cartilage repair (4) Covers labour, overheads, materials, travel, IP, CE marking, trials	01/09/08	31/08/11	£ 210,000	£ 124,367	Adhere to plans and budget
(1) **Clinical Trial preparation** (2) Technology Strategy Board, UK (3) Preparation of materials and centres for large scale EU wide trial (4) Labour & overheads, Materials, Subcontracts, Travel & Subsistence	30/11/09	29/05/10	£ 100,000	£ 100,000	100% of project costs within categories funded
(1) **Freeze Drying scale up** (2) Technology Strategy Board, UK (3) Development of scale up freeze drying manufacturing process (4) Labour & overheads, Materials, Travel & Subsistence	30/11/09	06/06/10	£ 35,000	£ 35,000	100% of project costs within categories funded
(1) **Meniscus Development (i4i)** (2) National Institute for Health Research, UK (3) Development of a smart implant for meniscus repair using Platelet Rich Plasma (PRP) mediated biological repair (4) Labour & overheads, Capital equipment, Materials, Patent & legal, Travel & Subsistence, Subcontracts	1/08/10	31/07/13	£ 382,021	£ 0	39% of project costs within categories funded
(1) **IWT 090727 Development of Tools for Quality Control of Combination Product Design and Manufacturing for Use in Skeletal Tissue Engineering Applications** (2) Flemish Government (IWT) (3) Baekeland (4) Covers labour, operating costs, equipment, collaborator costs	1/02/10	31/01/14	€ 209,043	€ 46,000	General conditions IWT 2008.1

8.1.5.28 Subsequent events

Acquisition wof Cellerix and expected pro froma cash position

On February 25, 2011 TiGenix NV and Cellerix announced that the two cell therapy-focused biotechnology companies, Cellerix' shareholders and certain other investors of Cellerix entered into a Contribution Agreement to combine the operations of both companies by means of a share for share exchange.

Shareholders and investors of Cellerix committed to make a cash contribution of €18,155, 669.74 in Cellerix before the closing of the proposed Contribution.

The Company also announced its intention to raise additional funds through a public rights offering, of which €10 million has already been secured via commitments from certain existing shareholders and new investors.

The capital increase at Cellerix was subject to approval by the shareholders' meeting of Cellerix. Besides this, the transaction is also subject to the approval of the contribution by TiGenix shareholders at an extraordinary shareholders' meeting ("ESM") to be convened by the Board of TiGenix and certain other conditions, including the approval by the FSMA of the prospectus relating to the subsequent public rights offering and the admission to trading of the new TiGenix shares.

As a result, the combined group is expected to have a pro forma cash position of at least €33.5 million at closing.

Reimbursement

In Belgium TiGenix NV has received on February 24, 2011 the notification by the Minister of Social Affairs of the approval of a convention agreement between the RIZIV/INAMI and TiGenix for the reimbursement of ChondroCelect for well-indicated patients in specialised treatment centres. This convention covers a period of three years and defines the specific treatment criteria and follow-up measures the company has to conduct.

In France a positive advice has now been issued by the "Haut Collège" of the "Haut Autorité de Santé" recommending the conditional reimbursement of the combination of cultured autologous chondrocytes, membrane and surgical procedure under a special reimbursement scheme ("Remboursement dérogatoire" Art. 165-1-1). Since ChondroCelect is the only approved medicinal product for autologous chondrocyte transplantation in France, this decision opens the perspective to obtain controlled access to the French market.

In the Netherlands, the procedure for reimbursemet of ChondroCelect under a special reimbursement scheme for innovative new medicines ("Beleidsregel Dure Geneesmiddelen") is still ongoing. A decision is now expected in the second quarter of 2011.

In Germany, thirty-six German hospitals filed for NUB approval at the end of 2010. These hospitals were recently informed by InEK that the product obtained this year NUB Status 4 meaning that ChondroCelect is eligible for reimbursement on a case by case basis.

In Spain, a decision on the national level is expected in the second quarter of 2011. Discussions at the regional level will follow and are currently being prepared.

8.1.5.29 Reconciliation between the consolidated financial statements under local GAAP and IFRS

The Group's consolidated financial statements have been prepared in accordance with IFRS as endorsed by the EU.

The statutory annual accounts are prepared on a non-consolidated basis and under local (Belgian) GAAP.

In the table below the equity reconciliation and profit & loss reconciliation between local (Belgian) GAAP and IFRS can be found:

Thousands of Euro (€)	Years ended December 31					
	2010		2009		2008	
	Equity	Loss of The year	Equity	Loss of the year	Equity	Loss of the year
Under local GAAP	**27,760**	**(18,825)**	**45,458**	**(11,778)**	**31,214**	**(13,039)**
Impact consolidation	(1,248)	3,754	(5,002)	(1,888)	(3,114)	(2,051)
Translation reserves	(355)	0	21	0	(86)	0
Issuance cost	(5,241)	0	(5,232)	0	(4,528)	0
Depreciation of incorporation cost	3,758	946	2,812	825	1,987	864
Purchase of intangible assets	(214)	(29)	(185)	(14)	(171)	(12)
Depreciation of intangible assets	(1,264)	(1,288)	24	(78)	101	29
Share based compensation	0	(676)	0	(1,140)	0	(931)
Interests subordinated loan	(38)	35	(73)	(24)	(48)	(24)
Shares to be issued	2,296	0	3,377	0	0	0
Income taxes	368	368	0	0	0	0
Total IFRS restatements	(336)	(644)	723	(431)	(2,659)	(74)
Under IFRS	**25,820**	**(15,716)**	**41,199**	**(14,098)**	**25,355**	**(15,165)**

8.1.5.30 TiGenix companies - consolidation scope

Consolidation scope

The consolidated financial statements incorporate the financial statements of TiGenix NV/SA (Belgium legal entity), TiGenix Inc (United States legal entity), TC CEF LLC (United States legal entity), TiGenix BV (The Netherlands legal entity) and Orthomimetics Limited (United Kingdom legal entity).

Subsidiaries

	2010 Ownership %	2009 Ownership %
Fully consolidated		
Belgium		
TiGenix NV Romeinse straat 12 – Box 2, 3001 Haasrode	100%	100%
USA		
TiGenix Inc 1209 Orange Street Wilmington, Delaware	100%	100%
The Netherlands		
TiGenix BV Urmonderbaan 22, 6167 RD Geleen	100%	100%
United Kingdom		
TiGenix Limited (former Orthomimetics Limited) Cambridge Business Park Milton Road, Cambridge CB4 0WZ	100%	100%
Proportionate consolidated		
USA		
TC CEF LLC 2711 Centerville Road, Suite 400, Wilmington, Delaware	50%	(until 23/11) 50%

8.1.5.31 Disclosure under Article 114 of the Belgian Royal Decree of January 30, 2001 implementing the Companies Code (Koninklijk besluit tot uitvoering van het wetboek van vennootschappen / Arrêté royal portant exécution du code des sociétés)

Subsidiaries

The Company has the following subsidiaries:

TiGenix Inc.	
Registered office	1209 Orange Street Wilmington, Delaware 19801, U.S.A.
Memphis address	Suite 108, 4600 East Shelby Drive, Memphis, Tennessee 38118, U.S.A.
Incorporation Date	February 7, 2006
Number of employees	0
TC CEF LLC	
Registered office	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, U.S.A.
Memphis address	Suite 108, 4600 East Shelby Drive, Memphis, Tennessee 38118, U.S.A.
Incorporation Date	May 2, 2007
Number of employees	0
TiGenix B.V.	
Registered office	Urmonderbaan 22, 6167RD Geleen
Incorporation Date	September 24, 2009
Number of employees	1
TiGenix Ltd.	
Registered office	Cambridge Business Park Milton Road, Cambridge CB4 0WZ.
Incorporation Date	March 29, 2005
Number of employees	6

Remuneration of the board

The total remuneration of the board of directors in 2010, 2009 and 2008 was €55k, €47k and €61k respectively. No credits have been granted to any member of the board of directors. None of the members of the board of directors have received any non-monetary remuneration.

8.2 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS PER DECEMBER 31, 2010

BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, with registered office at The Corporate Village, Da Vincilaan 9 -Box E.6, Elsinore Building, 1935 Zaventem, Belgium, represented by Gert Claes, has been appointed statutory auditor of the Company for a term of three years ending after closing of the shareholders' meeting to be held in 2013.

The aggregate fees booked by TiGenix to its auditor in 2010 amounted to €83,915.

The statutory auditor has issued an unqualified opinion for the years 2008 and 2009 and unqualified opinion with an explanatory paragraph for the year 2010.

The statutory auditor's report on the consolidated financial statements per December 31, 2010 is as follows:

"In accordance with the legal requirements, we report to you on the performance of the engagement of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements.

Unqualified audit opinion, with an explanatory paragraph on the consolidated financial statements

We have audited the consolidated financial statements of TiGenix NV for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards as agreed by the European Union, which show a balance sheet total of 34.346 kEUR and a consolidated loss of 15.716 kEUR.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting principles and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the company's internal control relating to the preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have also assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statement. Finally, we have obtained from management and the company's officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operations and cashflow, in accordance with International Financial Reporting Standards as agreed by the European Union.

Notwithstanding the negative effect on the financial position due to the significant losses the company has

suffered, the annual accounts have been drawn up in the assumption of going concern. This assumption is only justified if the capital increases, announced by the Board of Directors and described in the annual report, will be realized within the foreseen time frame. Without modifying our opinion as expressed above, we want to draw your attention to the annual report, in which the Board of Directors justifies the application of the valuation rules in going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the company be unable to continue as a going concern.

Additional statements

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements, which do not modify our audit opinion on the consolidated financial statements:

- *The consolidated Directors' report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our engagement.*

Zaventem, March 30, 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Gert Claes"

9. Stand-alone Financial information on Cellerix S.A.

9.1 STAND-ALONE FINANCIAL INFORMATION DERIVED FROM THE AUDITED STAND-ALONE FINANCIAL STATEMENTS 2010 – 2009 - 2008

The stand-alone financial information of Cellerix have been prepared in accordance with IFRS accounting principles as adopted by the EU, which are set out in the following pages. This financial information has been derived from the audited stand alone financial statements and was adapted to TiGenix' classifications and disclosures.

"Appendix 5: 2008, 2009 and 2010 management reports of Cellerix" contains the management reports of the board of directors of Cellerix in respect of the financial years 2008, 2009 and 2010.

9.1.1 Stand-alone statement of comprehensive income

		Years ended December 31		
Thousands of Euro (€)	Notes	2010	2009	2008
STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME				
Sales	9.1.5.3	105	95	72
Other revenues	9.1.5.3	603	1,204	1,305
Revenues		**708**	**1,299**	**1,377**
Research and development expenses	9.1.5.4.a	6,176	7,073	6,210
Selling, general and administrative expenses	9.1.5.4.b	4,678	5,695	5,361
Other operating income		-	-	-
Other operating expenses		-	-	-
Total operating charges		10,854	**12,768**	**11,571**
Operating Result		**(10,146)**	**(11,469)**	**(10,194)**
Financial income (loss), net	9.1.5.6	197	77	(431)
Profit/(Loss) before taxes		**(10,343)**	**(11,546)**	**(9,763)**
Income taxes		-	-	-
Net Profit/(Loss)		**(10,343)**	**(11,546)**	**(9,763)**
Net gain on available-for-sale financial assets		1	2	4
Other comprehensive income for the year		1	2	4
Total comprehensive income (loss) for the year		**(10,342)**	**(11,544)**	**(9,759)**
Net profit (loss) per Share – base		(1.47)	(2.01)	(1.86)
Number of outstanding Shares - base		**7,029,536**	**5,737,379**	**5,239,180**

9.1.2 Stand-alone balance sheet

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
ASSETS				
Intangible assets	9.1.5.9	404	312	277
Tangible assets	9.1.5.10	1,447	1,830	1,624
Other financial assets	9.1.5.11	575	602	137w
Non-current assets		**2,426**	**2,744**	**2,038**
Inventories	9.1.5.12	69	83	18
Receivables	9.1.5.13	740	583	2,136
Other financial assets	9.1.5.11	679	1,220	577
Cash & cash equivalents	9.1.5.14	3,786	9,792	11,595
Deferred charges & accrued income		33	44	74
Current assets		**5,307**	**11,722**	**14,400**
TOTAL ASSETS		**7,733**	**14,466**	**16,438**

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
EQUITY AND LIABILITIES				
Share capital	9.1.5.15	104	83	74
Share premium		41,631	37,484	32,251
Own shares and equity investments		(78)	(7)	(6)
Accumulated profit/(loss)		(32,368)	(20,823)	(11,061)
Result of the year		(10,343)	(11,546)	(9,763)
Share-based compensation	9.1.5.20	2,128	1,500	665
Equity attributable to equity holders		**1,074**	**6,691**	**12,160**
Total equity		**1,074**	**6,691**	**12,160**
Provisions		-	48	80
Other financial liabilities	9.1.5.16	1,830	2,258	692
Deferred revenue	9.1.5.17	85	89	73
Non-current liabilities		**1,915**	**2,395**	**845**
Current portion of financial liabilities	9.1.5.16	1,162	1,527	475
Advance payments on capital increases		-	200	-
Trade payables	9.1.5.18	2,457	2,564	2,212
Other current liabilities	9.1.5.19	1,075	1,039	696
Provisions		50	50	50
Current liabilities		**4,744**	**5,380**	**3,433**
TOTAL EQUITY AND LIABILITIES		**7,733**	**14,466**	**16,438**

9.1.3 Stand-alone cash flow statement

Thousands of Euro (€)	Notes	Years ended December 31 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Result		**(10,146)**	**(11,469)**	**(10,194)**
Depreciation, amortisation and impairment results	9.1.5.4	461	398	306
Net variation in non-current provisions		(47)	(50)	(50)
Share-based compensation	9.1.5.5	627	836	665
Interest on borrowings from third parties			(17)	
Application of subsidies	9.1.5.17	(16)	(17)	(18)
Gains (losses) on sale of fixed assets		9	37	4
Impairment losses and change in provisions	9.1.5.13	15	-	-
Increase/(decrease) in Provisions		-	17	(98)
Increase/(decrease) in Trade payables	9.1.5.18	(107)	352	(140)
Increase/(decrease) in Other current liabilities		36	341	(119)
(Increase)/decrease in inventories	9.1.5.12	14	(65)	35
(Increase)/decrease in receivables	9.1.5.13	(172)	1,553	(640)
(Increase)/decrease in deferred charges		11	30	(54)
Total Adjustments		**831**	**3,415**	**(109)**
Net cash provided by/(used in) operating activities		**(9,315)**	**(8,054)**	**(10,303)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		65	163	788
Purchase of tangible assets	9.1.5.10	(42)	(605)	(399)
Purchase of intangible assets	9.1.5.9	(136)	(71)	(182)
Investments financial assets	9.1.5.11	(336)	(685)	(565)
Desinvestments intangible assets				11
Desinvestments financial assets	9.1.5.11	484	-	102
Net cash provided by/(used in) investing activities		**35**	**(1,198)**	**(245)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(263)	(222)	(369)
Equity instruments-				
Capital increase		3,967	5,241	4,236
Own shares and equity investments		(70)	-	-
Advances on account of capital increases		-	200	-
Grants	9.1.5.17	12	33	-
Liability instrument-				
Issuance of other debts		1,156	3,000	-
Payment financial liabilities		(1,528)	(803)	(502)
Net cash provided by/(used in) financing activities		**3,274**	**7,449**	**3,365**
Net increase/(decrease) in cash & cash equivalents		**(6,006)**	**(1,803)**	**(7,183)**
Cash & cash equivalents at beginning of year		9,792	11,595	18,778
Cash and cash equivalents at end of period		**3,786**	**9,792**	**11,595**

9.1.4 Stand-alone statement of changes in equity

Thousands of Euro (€)	Attributable to equity holders of Cellerix						
	Number of Shares	Share capital	Share premium	Own shares and equity investments	Accumulated profit/(loss)	Share-based compensation	Total Equity
Balance at Jan. 1, 2007	**4,783,255**	**62**	**27,275**	**-**	**(11,065)**	**-**	**16,272**
Capital increases	886,448	12	4,976	-	-	-	4,988
Own shares	-	-	-	(6)	-	-	(6)
Net Profit/(Loss)	-	-	-	-	(9,763)	-	(9,763)
Net gain on available-for-sale financial assets	-	-	-	-	4	-	4
Share-based compensation	-	-	-	-	-	665	665
Balance at Dec. 31, 2008	**5,669,703**	**74**	**32,251**	**(6)**	**(20,824)**	**665**	**12,160**
Capital increases	740,766	9	5,232		-	-	5,241
Own shares	-	-	-	(1)	-	-	(1)
Net Profit/(Loss)	-	-	-	-	(11,546)	-	(11,546)
Net gain on available-for-sale financial assets	-	-	-	-	1	-	1
Share-based compensation	-	-	-	-	-	836	836
Balance at Dec. 31, 2009	**6,410,469**	**83**	**37,483**	**(7)**	**(32,369)**	**1,501**	**6,691**
Capital increases	1,626,176	21	4,148	-	-	-	4,169
Own shares	-	-	-	(71)	-	-	(71)
Net Profit/(Loss)	-	-	-	-	(10,343)	-	(10,343)
Net gain on available-for-sale financial assets	-	-	-	-	1	-	1
Share-based compensation	-	-	-	-	-	627	627
Balance at Dec. 31, 2010	**8,036,645**	**104**	**41,631**	**(78)**	**(42,711)**	**2,128**	**1,074**

9.1.5 Notes to the stand-alone financial information

The most significant accounting policies applied in the preparation of the above stand-alone financial information are those set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

9.1.5.1 General

Cellerix, S.L. was incorporated in Madrid, on May 24, 2004. Its registered office is located at Calle Marconi, 1, Parque Tecnológico de Madrid, 28760, Tres Cantos (Madrid). It was later agreed and put on public record, on December 12, 2007, to change Cellerix' corporate status from that of a limited company to that of a public limited company (sociedad anónima), from which date the company is henceforth known as Cellerix S.A.

Cellerix, according to its articles of association, pursues the following registered corporate objects:

(a) Research, development, production and marketing of cell therapy and tissue engineering products and technologies.

(b) The use of stem cells for cell therapy.

(c) The production of viral and non-viral transfection agents for human or veterinary therapy and research purposes.

(d) Research and development of engineered skin or any other type of tissue using tissue engineering techniques for application in the treatment of diseases or as a screening platform.

(e) Development, production and marketing of molecule screening platforms in the field of cell biology and stem cell therapy.

(f) Research, development and marketing of monoclonal antibodies for selection and identification of stem cells, as a diagnostic, therapeutic or laboratory tool.

(g) Production of cells in its facilities for commercial or research purposes.

(h) Performance of preclinical and clinical trials, registration and marketing of cell therapy drugs.

(i) Transfer of the company's technology, know-how, skills and expertise.

(j) Fabrication of cells as cellular medicines.

The corporate objects may be pursued by Cellerix directly or indirectly through equity holdings in companies with the same or similar objects.

Since its foundation in 2004, Cellerix has acted as a cell therapy entity with a clear clinical focus. Cellerix actively develops innovative drugs based on the use of lipoaspirate-derived adult stem cells, which are isolated from the adipose tissue of the patient or donor. Cellerix has developed the first pharmaceutical laboratory in Spain authorised by the Spanish Drug and Health Products Agency for the production of cellular medicines.

The shares of Cellerix are not currently listed on any stock exchange market.

9.1.5.2 Basis of preparation

The most significant accounting policies applied in the preparation of the above stand-alone financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

All amounts are presented in € unless otherwise indicated, rounded to the nearest €1,000.

The stand-alone financial information have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union up to December 31, 2010.

Changes in accounting policy and disclosures

a) New and amended standards adopted by Cellerix

During 2010, new accounting standards came into effect and were therefore taken into account when preparing the accompanying stand-alone financial statements.

The following standards have been applied in these stand-alone financial statements, with no impact on the figures reported or on presentation and disclosures of these stand-alone financial statements:

Revision of IFRS 3, Business Combinations: The published amendment to IFRS 3 affects the accounting for business combinations, changes the scope, the calculation of goodwill and the treatment of contingent consideration, and introduces the option of measuring non-controlling interests at fair value In view of its nature, this amendment did not affect Cellerix' financial statements.

Amendment to IAS 27, Consolidated and Separate Financial Statements: The amendment to IAS 27 affects the accounting for changes in the level of ownership interest in subsidiaries and for non-controlling interests with a deficit balance. In view of its nature, this amendment did not affect Cellerix' financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items. In view of its nature, this amendment did not affect Cellerix' financial statements.

Amendments to IFRS 2 -Group Cash-settled Share-based Payment Transactions: The amendment to IFRS 2 clarifies the treatment of cash-settled share-based payment transactions between companies within the same group. In view of its nature, this amendment did not affect Cellerix' financial statements.

Improvements to IFRSs (2009): The annual improvements published in April 2009 gave rise to a series of amendments to certain standards and interpretations. The directors of Cellerix consider that the entry into force of these amendments did not have a significant effect on the financial statements.

b) Standards and interpretations issued but not yet in effect

At the date of these stand-alone financial statements were prepared, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but were not in effect, either because their effective date fell later than the date of the stand-alone financial statements or because they had not yet been adopted by the European Union:

Standards and amendments to standards		Obligatory application in the years beginning on or after
Approved for use in the EU		
Amendment IAS 32	Classification of rights issues	February 1, 2010
Revision IAS 24	Related party disclosures	January 1, 2011
Amendment IFRIC 14	Minimum funding requirements	January 1, 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010
Not approved for use in EU		
IFRS 9	Financial instruments: Classification and measurement	January 1, 2013
Improvements to IFRSs	Amendments to a series of standards	Several (mainly January 1, 2011)
Amendment IFRS 7	Disclosures on transfers of financial assets	July 1, 2011
Amendment IAS 12	Measurement of deferred tax relating to investment property	January 1, 2012

The directors have reviewed the potential impact of the application of these standards in the future and consider that they will have no material impact on the stand-alone financial statements when they become effective.

Estimates made and sources of uncertainly

In the stand-alone financial statements, estimates have been used that were prepared by the management of Cellerix (later ratified by its directors) to quantify some assets, liabilities, revenues, expenditure and commitments that are recorded there. Those estimates basically refer to:

- The useful life of tangible and intangible assets.
- Evaluation of recognition criteria for revenues in respect of agreements made with third parties concerning licenses and product development.
- The market value of certain assets and liabilities.
- Impairment losses of certain tangible and intangible assets.
- Assessment of lawsuits, commitments and assets and liabilities, which were contingent at closing.

These estimates were made on the basis of the best available information on the items analysed. Nevertheless, it is possible that events could take place in the future that might require them to be adjusted upwards or downwards in future years, which would be done as provided in IAS 8, on a prospective basis, and the effects of a change in estimation would be recorded in the relevant stand-alone comprehensive income statement.

Going concern principle

Cellerix has incurred losses since its incorporation, due to the nature of Cellerix' present activity and its major investments in clinical drug research and development and it has obtained the resources it needs in order to finance its activities through capital increases and grants primarily received from public bodies.

On November 10, 2009 Cellerix' shareholders undertook to invest in Cellerix €27 million in Class C shares, in several tranches, in the framework of an investment agreement. The first tranche of €5 million was disbursed in 2009, while a second tranche of €4 million was disbursed on October 15, 2010.

In view of the results of the FATT 1 Phase III clinical trials of Ontaril, which did not satisfy the expectations of effectiveness compared with the treatment used in the control arm of the study, and the results of the Cx-501 project, Cellerix' board of directors decided not to go ahead with the clinical development of these products.

This decision has prompted Cellerix' management to adopt various measures, including the implementation of a workforce adjustment plan (ERE) in early 2010. Cellerix' management has also adapted the expense budget for financial year 2011, which no longer includes the development of the aforementioned products and now indicates that, after the capital increase as described below is completed, the necessary financial resources will be available in order to continue with the development projects in progress, for an additional period of at least twelve months. Cellerix' directors have opted to prepare these stand-alone financial statements on a going concern basis since, at the date of preparation of these stand-alone financial statements, a transaction is in progress whereby, if it is performed, the outstanding disbursement of €18 million relating to the round of the capital increase involving Class C shares will be carried out. This contribution would be made, if necessary, in April 2011.

Segment information

Given the long maturation periods involved in the research and development activities currently being carried out by Cellerix, at the present date no drug has entered the marketing stage, and it is not therefore possible to provide information broken down by business segments.

Recognition of revenues and expenses

Income and expenses are recognised on an accruals basis, that is, when the actual goods and services occurs, irrespective of the timing of the related financial or monetary flow. According to the principles set out in the conceptual framework of the IFRSs, Cellerix records revenues that accrue and all of the necessary associated expenses.

As a general rule, licence up-front fees received by Cellerix are taken to income in the financial year in which the agreement is made, provided:

- the fee is not refundable,
- said fee is in consideration of costs incurred by Cellerix prior to the signing of the contract,
- there are no future material obligations to be assumed by Cellerix,
- the risks and benefits inherent in the asset are substantially transferred.

If these circumstances are not satisfied, the revenues derived from these up-front fees are recorded as deferred income in the effective period of the future assumed commitments, the remaining life of the product or the period deemed applicable according to the circumstances of each agreement.

Furthermore, as a general rule, those monetary considerations tied to the fulfilment of determined technical or regulatory requirements (milestone fees), within the framework of collaboration agreements signed with third parties, are recognised as income, following the guidelines detailed in the criteria for the recognition of income from up-front fees set out above.

Royalties received from the licensee arising from the sale of the products in the market covered by the agreement are recorded as income in the financial year in which the sales occur.

Interest revenue accrues according to a financial time condition reflecting principal pending payment and the applicable effective interest rate.

Deferred revenue

Grants received are recognised according to the following policy:

- Non-repayable capital grants (related to capitalised assets) are valued at the amount granted, and are recorded as deferred revenues and released to income once all of the conditions have been fulfilled, in proportion to the depreciation undergone during the year by the assets financed with those grants.
- Operating grants received for research and development activities pursued by Cellerix are recorded as revenues, once all of their conditions have been fulfilled, in the same year as the research and development costs incurred by Cellerix are expensed.

Research & development costs

The costs of new drugs research are recorded as expenditure during the financial year in which they are incurred.

Expenditure incurred by Cellerix on the clinical development of new drugs is only recorded as assets if all of the conditions specified in IAS 38 have been satisfied.

The clinical development of new drugs is subject to a long, protracted maturity period (normally several years). In each of the different phases of the development process, the project may need to be abandoned, either because it does not meet medical and regulatory standards, or because it fails to meet profitability thresholds. For these reasons, the directors of Cellerix have decided to record development expenses as expense for the year they are incurred, until the time the drug has been approved by the competent authorities in a reference market.

Thus, at December 31, 2010, 2009 and 2008 no development expenses were capitalised as the above condition had not been fulfilled in any of the development projects under way.

Property, plant and equipment

Property, plant and equipment is initially carried at historical cost of acquisition, and then, reduced by the accumulated depreciation and such impairment losses as may have been recognised.

The costs of repair and maintenance of property, plant and equipment are taken to the comprehensive income statement for the year incurred. Conversely, sums invested in improvements that contribute to increasing productivity, capacity or efficiency, or to lengthening the useful life of those assets are recorded as an increase in their cost.

Cellerix depreciates its property, plant and equipment using the straight-line method, distributing the cost of the assets over the years of their estimated useful life, as specified below:

	Years of estimated useful life
Laboratory equipment	8.33
Technical facilities	8.33
Furniture	10
IT equipment	4
Other property, plant and equipment	2 – 8

Cellerix has not capitalised any financial costs associated with property, plant and equipment.

Intangible assets

Intangible assets are initially recorded at acquisition cost and later are carried at cost, less any cumulative amortisation or impairment losses that may apply.

Any patent acquired from third parties and the costs arising from registration of patents and trademarks are initially recorded at their price of acquisition and are amortised on a straight-line basis over the estimated period of use of the related products. These periods normally do not exceed 10 years.

Expenditure derived from patents and trademarks that are not economically viable is fully expensed in the year in which such circumstance becomes known.

Impairment of tangible and intangible assets

Each year, Cellerix assesses the possible existence of indications of impairment losses that would require it to reduce the book value of its tangible and intangible fixed assets. An impairment loss is considered to exist when the recoverable value is less than the book value.

The recoverable value is determined as the higher amount between the net sale value and the value in use. Value in use is calculated on the basis of estimated future cash flows discounted to present value using a pre-tax discount rate that reflects the current market valuations with respect to the time value of money and the specific risks associated with the asset.

If it is estimated that the recoverable amount of an asset is less than its book value, the latter is reduced to its recoverable amount and the related write-down is recognised in the statement of comprehensive income.

When an impairment loss is later reversed, the book value of the asset is increased to the limit of the asset's book value that would be recognised at the reversal date if the impairment had not been recorded.

Leases

Cellerix has no finance leases. Regarding operating leases, rentals payable arising from these agreements, in which Cellerix acts as lessee are expensed on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Financial assets

Cellerix presents deposits and guarantees at cost of acquisition and/or the amounts delivered, which does not differ significantly from the amortised cost. Shares in investment funds in money market assets are carried, in accordance with IAS 39, at fair value (their year-end net asset value).

Inventories

Inventories are carried at the lower of acquisition cost or net realisable value. Commercial discounts, rebates obtained, other similar items are deducted when determining the acquisition cost.

Cellerix makes the relevant valuation adjustments, recognising them as an expense in the statement of comprehensive income, when the net realisable value of inventories falls below their acquisition cost.

Receivables

As a general rule, these accounts receivable do not accrue any interest and are presented at their nominal value.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the stand-alone cash flow statements, prepared according to the indirect method, cash and cash equivalents comprise cash on hand and deposits held with banks with a maturity date of three months or less.

Financial liabilities

Financial liabilities are those debts and payable arising from the purchase of goods or services as part of the company's trading activities, or those arising from non-trading activities but which are not considered to be derivative financial instruments.

Debts and payables are initially stated at the fair value of the consideration received plus any directly attributable transaction costs. They are subsequently stated at their amortised cost.

Cellerix eliminates financial liabilities from the balance sheet once the associated obligations are extinguished.

Interest bearing loans received from public bodies are recorded at the amount received, net of direct costs associated with those loans, if applicable. Finance costs, including premiums payable on settlement or reimbursement and direct costs of the issue are recorded on an accrual basis in the comprehensive income statement using the effective interest method, and are added to the booked amount of the instrument, to the extent that they are not settled during the period in which they are produced.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Provisions

When preparing Cellerix' financial statements, the directors distinguish between:

- Provisions: Credit balances covering obligations existing at the date of the stand-alone balance sheet arising as a result of past events or contractual obligations, which could result in future outflows of funds, specific in nature but whose amount and/or reversal date are uncertain, and,
- Contingent liabilities: Possible obligations arising as a result of past events, whose materialisation is dependent on the occurrence, or otherwise, of one or more future events falling outside the organisation's control.

The financial statements show all provisions for which it is considered more likely than not that the obligation will have to be met. In respect of contingent liabilities, not being derived from any business activity, they are not recognised and are detailed in the notes to the stand-alone financial statements.

Income tax; deferred tax assets and liabilities

Corporate income tax expense is calculated by adding the current tax yielded by applying the tax rate to the taxable income for the year and after applying the admissible tax deductions, to the variation in deferred tax assets and liabilities.

Deferred tax assets and liabilities include timing differences, which are identified as the expected balances payable or recoverable as a result of differences in the book value and tax value of assets and liabilities, as well as tax losses pending carry forward and credits for tax deductions not applied. These amounts are recorded applying to the timing difference or credit in question the tax rate at which they are expected to be collected or settled.

Deferred tax liabilities are recognised for all taxable timing differences, except those in which the timing difference derives from the initial recognition of other assets and liabilities in operations that affect neither tax income nor accounting income.

On the other hand, deferred tax assets, identified with timing differences, are only recorded when it is considered likely that Cellerix will have sufficient future taxable earnings against which they can be applied and provided they do not arise from the initial recognition of other assets and liabilities in operations that affect neither tax income nor accounting income. The remaining deferred tax assets (tax losses and deductions pending carry forward) are only recorded when it is considered that Cellerix will probably have sufficient tax earnings in the

future against which they may be applied. In this regard, in the balance sheet, Cellerix did not record any deferred tax asset or tax credit arising from tax loss carry forward or tax deductions pending application, given that Cellerix has not initiated the product marketing phase, and therefore, to date does not have revenues from its core business on which to base forecasts of likely future financial earnings.

Equity instruments

An equity instrument represents a share in the net assets of Cellerix after deducting all of its liabilities. The capital instruments issued by Cellerix are recorded under equity at the amount received net of the costs of the issue.

Own shares acquired by Cellerix are recorded directly as a reduction in equity, at the value of the consideration paid. Gains or losses arising on the purchase, sale, issue or amortisation of own equity instruments are booked directly to equity and no amount is ever recorded in this respect in the comprehensive income statement.

Derivative instruments

Cellerix does not have any derivative financial instruments.

Share-based payments

The shares option plans granted to certain directors, managers and employees are recorded under equity as the operation will be carried out, where applicable, through the purchase of Cellerix' own shares.

Both the services provided and the increase in equity are measured at the fair value of the equity instruments granted (share options) at the date the award is agreed.

Foreign currency translation

Transactions in foreign currencies are converted to euro at the rate of exchange in effect on the date of the transaction.

Monetary assets and liabilities held in foreign currencies are converted to euro at the rate of exchange in effect at the close of the financial year.

Exchange differences arising from the settlement of transactions in foreign currencies and the conversion to euro of assets and liabilities recorded in foreign currencies are taken to the statement of comprehensive income.

Financial risk management

The financial management function is responsible for the management of financial risks, having established the necessary mechanisms to monitor exposure to interest rate and exchange rate fluctuations and to credit and liquidity risks.

The main financial risks affecting Cellerix are detailed below:

Interest risk:

Both Cellerx' cash and cash equivalents, and its financial debt are exposed to interest rate risk, which could have an adverse effect on its net finance income and on cash flows.

Cellerix has carried out a sensitivity analysis to measure the impact on equity and net income (loss) of a 1% increase or decrease in market interest rates in a scenario where all other variables remain constant. The main hypotheses of this analysis are:

- Changes in market interest rates affect financial costs and income on the financial assets and liabilities arranged by Cellerix at variable interest rates.
- Changes in the fair value of financial assets and liabilities are estimated on the basis of future discounted cash flows, using market interest rates prevailing at the end of each financial year.

On this basis, the effect of a 1% increase or decrease in market interest rates on Cellerix' income before tax and its equity would not have a significant effect.

Credit risk:

Cellerix' cash and cash equivalents are held with financial entities with strong credit ratings. In addition its revenues are principally in the form of grants received mainly from public bodies.

Liquidity risk:

In order to guarantee liquidity and to meet the payment obligations derived from its operations, Cellerix maintains the cash and cash equivalents shown in its balance sheet and continuously monitories forecast and actual cash flows. Cellerix has no derivative instruments.

Currency exchange risk:

Exchange rate risk mainly corresponds to the purchase of supplies and to professional service costs in the United States, as well as to certain financial investments in dollars, the exposure to this risk is assessed by management as not significant.

9.1.5.3 Revenues

Revenues can be split into:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Sales	105	95	72
Sales	**105**	**95**	**72**

These amounts correspond to sales for compassionate use of the drug Cx 601 to different hospitals in Spain.

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Operating grant revenues	587	1,187	1,286
Capital grants transferred to income and other	16	17	19
Total	**603**	**1,204**	**1,305**

Operating grants have been received by Cellerix, mainly from public bodies, to finance of its research and development activities.

9.1.5.4 Operating result

Result from operations has been arrived at after charging:

(a) Research and development expenditures

Expenditure incurred by Cellerix on the clinical development of new drugs is detailed below:

		Years ended December 31		
Thousands of Euro (€)	Notes	2010	2009	2008
Personnel costs	9.1.5.5	2,470	2,715	1,681
Depreciations		299	284	256
Operating and general costs		2,996	3,603	3,765
Supplies		411	471	508
Total		**6,176**	**7,073**	**6,210**

Cellerix' research and development expenditures decreased 13% between 2009 and 2010. This decrease is mainly due to measure adopted by the board of directors, which decided not to go ahead with the clinical development of Ontaril in view of the results of the FATT 1 Phase III clinical trials.

(b) Selling, general and administrative expenses

Shown below is an itemisation of the "Selling, general and administrative expenses" heading

		Years ended December 31		
Thousands of Euro (€)	Notes	2010	2009	2008
Personnel costs	9.1.5.5	2,475	2,607	2,429
Depreciations		162	113	50
Operating and general costs		2,041	2,975	2,882
Total		**4,678**	**5,695**	**5,361**

Cellerix' selling, general and administrative expenses decreased 18% between 2009 and 2010. This decrease is mainly due to measure adopted by the board of directors, which decided not to go ahead with the clinical development of Ontaril in view of the results of the FATT 1 Phase III clinical trials. As a result, several measures were adopted to cut expenses, including the implementation of workforce adjustment plan in early 2010.

9.1.5.5 Personnel costs

The table below highlights the number of employees and their aggregate remuneration at the end of the year.

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Executives	4	6	6
Supervisors	10	16	16
Technical staff	15	34	30
Other	6	16	6
Total	**35**	**72**	**58**
Their aggregate remuneration comprised:			
Wages, salaries, fees and bonuses	3,183	3,879	2,936
Social security cost	521	482	466
Share-based compensation	627	836	665
Severance costs	566	44	-
Other costs	48	81	43
Total	**4,945**	**5,322**	**4,110**

In February 2010, as a result of the decision to abandon, for the time being, with the clinical development of Ontaril, Cellerix redefined its business plan, which included the implementation of a workforce adjustment plan (ERE), affecting 31 employees, with an actual cost of €566k. The caption "severance" includes those payments associated to workforce plan adjustment. Wage and salaries decreased in 2010 because the reduction of the headcount.

9.1.5.6 Financial result

Below is the breakdown of financial result:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Interest gained on bank deposits	-	(73)	(461)
Interest on borrowings from third parties	210	130	44
Interest on long-term Group debts	-	-	31
Exchange gains (losses), net	(13)	25	(40)
Other finance revenue and cost, net	-	(5)	(5)
Total financial income (loss), net	**197**	**77**	**(431)**

9.1.5.7 Taxes

There is no current tax accounted for in any of the periods presented. Cellerix has net tax loss carryforward available and tax deductions to reduce future corporate income taxes, if any, as follows:

Tax loss carry forward

At December 31, Cellerix had tax loss carry forward pending to be offset in the amounts and subject to the time limits indicated below:

	2010		2009		2008	
Year	Thousands of Euro	Expiry	Thousands of Euro	Expiry	Thousands of Euro	Expiry
2004	826	(*)	826	(*)	826	(*)
2005	1,421	(*)	1,421	(*)	1,421	(*)
2006	2,740	(*)	2,740	(*)	2,740	(*)
2007	5,217	(*)	5,217	(*)	5,217	(*)
2008	9,362	(*)	9,362	(*)	9,362	(*)
2009	11,045	(*)	11,045	(*)	-	N/A
2010	9,877	(*)	-	N/A	-	N/A
	40,488		**30,611**		**19,566**	

(*) These tax loss carry forward may be offset over a period of fifteen years from the first tax year in which the company obtains profits.

No tax assets have been recorded in respect of these tax loss carry forward.

Tax deductions pending application

The following table gives the research and development tax deductions pending application by Cellerix, with their amount and year of expiry, at December 31:

Year	2010 Thousands of Euro	Expiry	2009 Thousands of Euro	Expiry	2008 Thousands of Euro	Expiry
2002	53	(*)	53	(*)	53	(*)
2003	170	(*)	170	(*)	170	(*)
2004	450	(*)	450	(*)	450	(*)
2005	592	(*)	592		592	(*)
2006	1,109	(*)	1,109		1,109	(*)
2007	1,222	(*)	1,222	(*)	1,222	(*)
2008	2,020	(*)	2,020	(*)	2,020	(*)
2009	2,132	(*)	2,132	(*)	-	N/A
2010	1,670	(*)	-	N/A	-	N/A
	9,418		**7,748**		**5,616**	

(*) These deductions for research and development may be taken over a period of fifteen years from the first tax year in which the company obtains profits.

Similarly, Cellerix had the following tax deductions for training activities and donations to non-profit organisations pending application, in the amounts and with the time limits indicated below:

Year	2010 Thousands of Euro	Expiry	2009 Thousands of Euro	Expiry	2008 Thousands of Euro	Expiry
2004	1	(*)	1	(*)	1	(*)
2005	1	(*)	1	(*)	1	(*)
2006	2	(*)	2	(*)	2	(*)
2008	1	(*)	1	(*)	1	(*)
2009	2	(*)	2	(*)	-	N/A
	7		**7**		**5**	

(*) These deductions may be taken over a period of ten years from the first year in which the company obtains profits.

Furthermore, Cellerix had the following tax deductions pending application for overseas tax withholdings, in the amounts and with the time limits indicated below:

Year	2010 Thousands of Euro	Expiry	2009 Thousands of Euro	Expiry	2008 Thousands of Euro	Expiry
2007	712	2017	712	2017	712	2017
	712		**712**		**712**	

No tax assets have been recorded as a result of tax deductions pending application showed above.

9.1.5.8 Loss per share

The basic loss per share is determined by dividing the net loss recorded by Cellerix, S.A. by the weighted average number of shares outstanding during the year, as shown below:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Result for the purpose of basic loss per Share, being net loss	(10,343)	(11,546)	(9,763)
Number of Shares at year-end	8,036,645	6,410,469	5,669,703
Weighted average number of Shares for the purpose of basic loss per share	7,030	5,737	5,239
Basic loss per Share (in Euro (€))	(1.47)	(2.01)	(1.86)

9.1.5.9 Intangible assets

Shown below are the movements of this caption of the balance sheets:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Gross value			
At January 1	390	320	159
Additions	136	71	182
Disposals	-	(2)	(20)
Gross value at December 31	**526**	**390**	**320**
Accumulated amortisation			
At January 1	77	43	23
Additions	44	34	24
Disposals	-	(0)	(5)
Accumm. amortisation at December 31	**121**	**77**	**43**
Net value at December 31	**404**	**312**	**277**

All of the intangible assets included in the table above have a definite useful life and correspond to intellectual property rights (patents). Cellerix has not capitalised any finance costs under intangible assets. They are amortized over their estimated useful life (these period normally do not exceed 10 years).

At December 31, 2010, in order to meet the requirements to obtain a line of credit from ETV Capital, S.A., Cellerix has granted this entity a power of attorney to establish a mortgage guarantee over its patents.

9.1.5.10 Tangible assets

Shown below are the movements recorded in this caption of the balance sheet:

Thousands of Euro (€)	Laboratory equipment	Technical facilities	Furniture	IT equipment	Other property, plant and equipment	Advances and fixed assets in progress	TOTAL
Gross value							
At January 1, 2008	1,011	487	207	113	14	95	1,927
Additions	125	58	55	85	1	75	399
Transfer	75	-	-	59	-	(134)	-
At December 31, 2008	**1,211**	**545**	**262**	**258**	**15**	**35**	**2,326**
Accumulated amortisation							
At January 1, 2008	275	95	26	20	4	-	419
Additions	135	62	24	53	7	-	282
At December 31, 2008	**410**	**157**	**50**	**73**	**10**	**-**	**701**
Net value at Dec. 31, 2008	**801**	**388**	**211**	**184**	**4**	**35**	**1,624**
Gross value							
At January 1, 2009	1,211	545	262	258	15	35	2,326
Additions	208	321	5	65	6	-	605
Disposals	-	-	-	-	-	(35)	(35)
At December 31, 2009	**1,419**	**866**	**267**	**323**	**21**	**-**	**2,896**
Accumulated amortisation							
At January 1, 2009	410	157	50	73	10	-	701
Additions	152	103	27	77	5	-	363
At December 31, 2009	**562**	**261**	**77**	**150**	**16**	**-**	**1,065**
Net value at Dec. 31, 2009	**857**	**605**	**190**	**173**	**5**	**-**	**1,830**
Gross value							
At January 1, 2009	1,419	866	266	323	21	-	2,895
Additions	11	23	4	1	2	-	42
Disposals	-	-	(6)	(10)	-	-	(16)
At December 31, 2010	**1,430**	**889**	**264**	**314**	**23**	**-**	**2,921**
Accumulated amortisation							
At January 1, 2010	562	261	77	150	16	-	1,065
Additions	169	135	27	82	5	-	417
Disposals	-	-	(2)	(6)	-	-	(7)
At December 31, 2010	**731**	**395**	**102**	**226**	**20**	**-**	**1,474**
Net value at Dec. 31, 2010	**699**	**494**	**162**	**88**	**3**	**-**	**1,447**

9.1.5.11 Other financial assets

Non-current financial assets

Show below is the breakdown and the movements of this caption of balance sheets:

	Years ended December 31		
Thousands of Euro (€)	Deposits and guarantees	Shares in investment funds	Total
At January 1, 2008	29	104	133
Net gain on available-for-sale financial assets	-	4	4
At December 31, 2008	**29**	**108**	**137**
Additions	391	72	463
Net gain on available-for-sale financial assets	-	2	2
At December 31, 2009	**420**	**182**	**602**
Additions	336	-	336
Net gain on available-for-sale financial assets	-	1	1
Transfers to short-term	(364)	-	(364)
At December 31, 2010	**392**	**183**	**575**

The "Deposits and guarantees" balance mainly includes the amounts delivered by Cellerix as security deposit to rent the buildings in which it has its headquarters and carries on its activities. Besides, this caption includes deposits in a current account with Banco Santander. These deposits were pledged to guarantee fulfilment of the requirements for the award of grants obtained, the payment of which requires the presentation of a guarantee equal to the amount of such as grants. Given the normal timescale for proof of completion of the subsidised project, this deposit has been classified as long-term.

The balance of "Shares in investment funds" account reflects the holding in a money market asset investment fund (Bankinter Dinero 3 FIAMM), which was acquired by Cellerix in December 2006 for €100k and in 2009 was increased by €72k. From its date of acquisition to the close of 2010, that holding has increased in value by €10k (€1k in 2010). The investment in the fund is pledged as security for a bank guarantee delivered to the lessor of the building where Cellerix carries on its activities.

Current financial assets

Shown below are the breakdown and the following movements of this caption of the balance sheets:

Thousands of Euro (€)	Years ended December 31			
	Deposits	Current fixed-income securities (bank notes)	Loans	Total
At January 1, 2008	-	102	-	102
Additions	577	-	-	577
Disposals	-	(102)	-	(102)
At December 31, 2008	**577**	**-**	**-**	**577**
Additions	222	-	421	643
At December 31, 2009	**799**	**-**	**421**	**1,220**
Additions	-	-	-	-
Transfer	364	-	-	364
Disposals	(484)	-	(421)	(905)
At December 31, 2010	**679**	**-**	**-**	**679**

These current deposits were pledged to guarantee fulfilment of the requirements for the award of grants obtained, the payment of which requires the presentation of a guarantee equal to the amount of said grants. As these amounts relate to projects for which Cellerix has already presented proof of completion, they have been classified as short-term.

Additionally, as of December 31, 2009 this balance included two loans granted in 2009 by the Spanish Ministry of Science and Innovation in the amount of €109k and €312k that were no received at the end of such year and were collected in 2010.

9.1.5.12 Inventories

The whole balance of this caption relates to raw materials acquired by Cellerix to be consumed in the course of its clinical drug research and development activities.

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Raw materials and consumables	69	83	18
Total inventories	**69**	**83**	**18**

9.1.5.13 Receivables

Shown below is the break down of the balance of this caption:

Thousands of Euro (€)	2010	2009	2008
Receivables	35	51	23
Recoverable taxes	269	196	778
Salary advances	29	20	27
Receivable from group companies	11	2	-
Other receivables	396	314	1,308
Total other accounts receivable	**740**	**583**	**2,136**

The "Receivables" balance corresponds to amounts due from hospitals for compassionate sales of the drug Cx 601. Recoverable taxes mainly relates of VAT receivable.

The balance of "Other receivables" includes the amount pending of collection related to different grants obtained by Cellerix.

Cellerix considers that the carrying amount of these receivables approximates their fair value.

9.1.5.14 Cash and cash equivalents

The breakdown of items under this caption is as follows:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Banks deposits (maturity 3 months or less)	-	8,159	10,433
Cash at bank and in hand	3,786	1,633	1,162
Total cash and cash equivalents	**3,786**	**9,792**	**11,595**

9.1.5.15 Share capital

As of December 31, Cellerix' share capital was comprised of the following number of shares (units):

	Years ended December 31		
Number of shares	2010	2009	2008
Common Shares	8,036,645	6,410,469	5,669,703
Total	**8,036,645**	**6,410,469**	**5,669,703**

The change of the number of shares during each of the 3 years ending at December 31, 2010, 2009 and 2008 is as follows:

Per January 01, 2008	**4,783,255**
Capital increase in cash	821,800
Capital increase through loan cancellation	64,648
December 31, 2008	**5,669,703**
Capital increase in cash	740,766
December 31, 2009	6,410,469
Capital increase in cash	1,626,176
December 31, 2010	**8,036,645**

At December 31, Cellerix' share capital, share premium and associated issuance costs were as follows:

Thousands of Euro (€)	Years ended December 31		
	2010	2009	2008
Share capital	104	83	74
Share Premium	41,673	37,652	32.301
Issuance cost	(42)	(168)	(50)

As of May 20, 2008 Cellerix increased its capital through the issuance of 415,700 new Class A shares with nominal value of €0.013/share. These shares were issued at par and all shareholders waived their preference rights. The shares were fully subscribed by Cx EBIP Agreement, S.L., a financial vehicle created to manage the Equity Based Incentive Plans of Cellerix ("**EBIPs**") granted to managers, directors and employees of Cellerix.

Another round of capital increases took place on July 25, 2008, implemented as follows:

- Capital increase through the creation of 64,648 new class B shares, all with the same nominal value, paid for by the cancellation of a loan held by Cellerix from Genetrix Life Science, A.B. in the amount of €752k.
- Capital increase through the creation of 368,250 new class B shares, all with the same nominal value, paid for by a monetary contribution and fully paid up.
- Capital increase through the creation of 37,850 new Class A shares, all with the same nominal value, issued at par and paid for by a monetary contribution. The new shares were subscribed to by the company Cx EBIP Agreement, S.L.

On November 10, 2009, a new capital increase was subscribed as follows:

- Capital increase through the creation of 681,478 new Class C shares, all with the same nominal value, paid for by a monetary contribution and fully paid up.
- Capital increase through the creation of 59,288 new Class A shares, all with the same nominal value, issued at par and paid for by a monetary contribution. The new shares were subscribed to by the company Cx EBIP Agreement, S.L.

A further capital increase was subscribed to on February 12, 2010, as follows:

- Capital increase through the creation of 25,198 new Class C shares, all with the same nominal value, paid for by a monetary contribution and fully paid up.
- Capital increase through the creation of 2,191 new Class A shares, all with the same nominal value, issued at par and paid for by a monetary contribution. The new shares were subscribed to by the company Cx EBIP Agreement, S.L.

On May 18, 2010 Cellerix increased its capital through the issuance of 49,446 new Class A shares, 228,457 Class B shares and 348,988 Class C shares, all with nominal value. These shares were issued at par and paid for by a monetary contribution.

A further capital increase was subscribed on October 15, 2010, as follows:

- Capital increase through the creation of 755,994 new Class C shares, all with the same nominal value, paid for by a monetary contribution.
- Capital increase through the creation of 138,151 new Class B shares, all with the same nominal value, issued at par and paid for by a monetary contribution.
- Capital increase through the creation of 77,751 new Class A shares, all with the same nominal value, issued at par and paid for by a monetary contribution. The new shares were subscribed to by the company Cx EBIP Agreement, S.L.

As of December 31, 2010 the capital stock of Cellerix stood at €104,476.385, consisting of 8,036,645 shares with nominal value of €0.013 each (of which 2,974,091 are Class A shares, 3,250,896 are Class B shares and 1,811,658 are Class C shares). All of Cellerix' shares are fully subscribed and totally paid up.

9.1.5.16 Other financial liabilities

Non-current financial liabilities

Below is the composition and breakdown by maturity date of this caption of the balance sheets as of December 31:

Thousands of Euro (€)

	Non-current					
	Limit	2010	2011	2012	Rest	Total
	(*)	487	37	37	131	692
Total at December 31, 2008		**487**	**37**	**37**	**131**	**692**

	Non-current					
	Limit	2011	2012	2013	Rest	Total
Other financial liabilities	(*)	1,168	537	37	515	2,258
Total at December 31, 2009		**1,168**	**537**	**37**	**515**	**2,258**

	Non-current					
	Limit	2012	2013	2014	Rest	Total
Other payables		24	-	-	-	24
Other financial liabilities	(*)	531	40	40	1,196	1,806
Total at December 31, 2010		**555**	**40**	**40**	**1,196**	**1,830**

(*) On September 22, 2008 Cellerix signed a credit facility with ETV Capital, S.A. for a limit amount of €10 million, available in three tranches, the first being available from March 1, 2009.

On September 22, 2008 Cellerix signed a credit facility with ETV Capital, S.A. for a limit amount of €10 million, available in three tranches, the first being available from March 1, 2009. To guarantee this loan, Cellerix has made the following commitments:

- to offer an option to purchase shares in Cellerix linked to the tranches established in the agreement;
- that Cellerix' debt levels during the life of the agreement, without considering the working capital generated in the ordinary course of business, the loans received from the Spanish Ministry of Education and Science and from Empresa Nacional de Innovación, S.A. and the debt generated by the financing of the plant construction, will not be more than €1 million greater than the value of the outstanding repayments due to ETV Capital, S.A;
- to grant power of attorney to ETV Capital, S.A. to establish a mortgage guarantee over its intellectual property rights; this mortgage may be exercised by ETV Capital, S.A. when it considers that an event of termination under the loan agreement has occurred; and
- to pledge the credit rights Cellerix holds in banking institutions, represented by the balance of the funds of which Cellerix is the holder in any of the bank accounts. This pledge may be exercised by ETV Capital, S.A. when it considers that an event of termination under the loan agreement has occurred.

The caption "Other financial liabilities" mainly includes the amounts corresponding to Interest-free loans received from the Ministry of Education and Science valued at amortized cost and the non-current portion of the loan received from ETV Capital, S.A. Additionally, in 2009 and 2008, this caption included loans received from Empresa Nacional de Innovación, S.A., which were paid up in 2010.

Current financial liabilities

The balance under this heading includes the current porting of the loan received from ETV Capital, S.A. and the interest-free loans received from the Spanish Ministry of Education and Science.

9.1.5.17 Deferred revenue

The balance of the "Deferred revenues" heading recorded the following movements:

Thousands of Euro (€)	Years ended December 31 Capital Grants
At January 1, 2008	91
Taken to income	(18)
At December 31, 2008	**73**
Additions	33
Taken to income	(17)
At December 31, 2009	**89**
Additions	12
Taken to income	(16)
At December 31, 2010	**85**

9.1.5.18 Trade Payables

The breakdown of items recorded under this heading is as follows:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Trade accounts payable	1,625	1,146	931
Accruals for invoices to be received	832	1,418	1,281
Total trade payables	**2,457**	**2,564**	**2,212**

9.1.5.19 Other current liabilities

Below is the composition of the balance of this heading at December 31:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Other debts relating to remuneration and social security	702	821	517
Short-term payables to fixed asset suppliers	15	123	127
Payable to group companies and associates	-	95	52
Other liabilities	358	-	-
Total other current liabilities	**1,075**	**1,039**	**696**

The balance of "Other liabilities" includes mainly €334k in respect of grants to be repaid.

9.1.5.20 Equity Based Incentive Plans

Cellerix has created two Equity Based Incentive Plans ("EBIPs") (stock option plans) for its directors, managers and employees. The table below provides an overview of all options granted. This overview must be read together with the note referred to below.

	Weighted average exercise price(1)	TOTAL	Stock options issued under	
			EBIP 2010	EBIP 2008
Creation date			October 15, 2010	May 20, 2008
Total number created			**221,508**	**453,550**
Outstanding January 1, 2008		**-**	**-**	**-**
Granted	8.72	453,550	-	453,550
Lapsed	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding December 31, 2008	**8.72**	**453,550**	**-**	**453,550**
Granted	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding December 31, 2009	**8.72**	**453,550**	**-**	**453,550**
Granted	5.29	221,508	221,508	-
Lapsed	-	(32,832)	-	(32,832)
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding December 31, 2010	**5.29**	**642,226**	**221,508**	**420,718**

Notes

(1) Not yet taking into account the impact of the Contribution. As a result of the Contribution the exercise price for all EBIP 2010 options is reduced to €0.013.

The EBIPs and the impact of the Contribution on the EBIPs are further described in section 5.7.4.

9.1.5.21 Share-based payments

The EBIPs have been accounted for in accordance with IFRS 2 Share-based payment. The share-based compensation expense recognised in the statements of comprehensible income as such is given below:

	Years ended December 31		
Thousands of Euro (€)	2010	2009	2008
Research and development expenses	201	337	273
Selling, general and administrative expenses	426	499	392
Total for the year	**627**	**836**	**665**
Total per year end	**2,128**	**1,501**	**665**

The fair value of each stock option is estimated on the date of grant using the binomial model by Black Scholes with the following assumptions:

- The volatility of Cellerix (currently determined at 55%).
- Weighted average risk-free interests rates based on German Sovereign bond at the date of grant with a term equal to the expected life of the stock option, ranging between 0.85% and 1.95%.

Remuneration of the board of directors and top senior management

The total remuneration earned by the members of the board of directors and top senior management in 2010, 2009 and 2008 were as follows:

	Years ended December 31		
Thousands of Euro (€)	Wages and salaries	Share based Compensation	Total
Board of directors	296	275	571
Senior management	586	149	735
Total benefits at December 31, 2008	**882**	**424**	**1,306**
Board of directors	278	296	574
Senior management	764	189	953
Total benefits at December 31, 2009	**1,042**	**485**	**1,5927**
Board of directors	351	282	633
Senior management	892	113	1,005
Total benefits at December 31, 2010	**1,243**	**395**	**1,638**

9.1.5.22 Related parties

Remuneration of board of directors members and top senior management is showed in the following captions. Remaining transactions with other related parties are immaterial.

As of July 27, 2010, Cellerix' board of directors approved a modification to the managing director's variable remuneration for 2010, the annual amount of which may not exceed 100% of the annual gross fixed remuneration. This remuneration is based on criteria of effort, dedication and the achievement of targets, which in 2010 corresponded to the completion of a corporate operation and certain operational goals.

In 2009 Cellerix had taken out life insurance policies on two of its managers, in favour of Cellerix. These policies were cancelled in early 2010. The premiums amounted to €2k in 2010, €11k in 2009 and €21k in 2008.

Cellerix had no commitments in respect of pensions and had made no advances or loans to members of the board of directors or top senior management.

9.1.5.23 Significant agreements, commitments and contingencies

a) Collaborative research agreements and clinical research agreements

Cellerix has entered into numerous agreements with universities, medical centres and external researchers for research and development work and for the validation of Cellerix' technology and products. Cellerix must pay agreed fees to the collaborators and in exchange receives access and rights to the results of the work.

b) Intellectual property in-licensing agreements

Cellerix has entered into several agreements with universities and companies for in-licensing intellectual property. These agreements typically require Cellerix to pay a small price, legal fees related to the patents, and certain milestone and royalty fees if the patents are eventually used in a commercialised product. In addition, Cellerix must provide the licensor with periodic reports.

c) Contingent liabilities

As of December 31, 2010 and 2009, Cellerix granted a bank guarantee amounting to €173k (€100k in 2008), which was delivered in relation to the lease of the building where Cellerix carries out its operations.

In addition, in 2010, Cellerix received bank guarantees in the amount of €1,276k (in 2009 and €940k in 2008) for grants received. Cellerix' directors estimate that any liabilities that might arise from these guarantees would not be material.

As of December 31, 2009, Cellerix deposited €222k at a bank for the issuance of a guarantee on behalf of Cellerix' managing director, which was cancelled subsequently in 2010.

There are no other contingent liabilities at the date of these stand-alone financial statements that could entail a significant cash outlay by Cellerix in the future.

d) Commitments

As a result of the research and development activities carries out by Cellerix, in 2009 and 2008, there were firm agreements for the pursuit of research and development activities which would have to be paid in future years if there accrued the services commissioned to these third parties, with the following due dates:

2009:

	Thousands of Euro (€)
	2010
Payment for R&D activities	508

2008:

	Thousands of Euro (€)	
	2009	2010
Payment for R&D activities	2,330	508

As of December 31, 2010 there are no such commitments.

Additionally, there are also outstanding commitments for future minimum rent payments related to the rental contracts of the offices where Cellerix carries out its operations, which fall due as follows:

Thousands of Euro (€)	2010	2009	2008
Within one year	311	303	189
In the second to fifth year	230	184	199

e) Contingent assets

There are no significant contingent assets at the date of these financial statements

Legal proceedings

Apart from a procedure involving the invalidation of a US patent (see section 6.14.12), on the date of this prospectus and since the incorporation of Cellerix, Cellerix is and has not been involved in any legal proceeding. As a result, Cellerix has no provisions for legal proceedings at this time.

Grants

Cellerix received several grants mainly from public bodies to finance its research and development activities. The following table gives details the main grants obtained by Cellerix as of December 31, 2010 and the related results taken to the comprehensive income statement:

Granting equity	Thousands of Euro	Pending collection at 31/12/10	Taken to income			To be taken to income at 31/12/10
			2010 (Operations)	2010 (Capital)	Previous years	
Department of Economy and Technological Innovation of the Regional Government of Madrid	300	-	-	3	287	11
Spanish Ministry of Education and Science (MEC)	398	-	-	3	382	13
Spanish Ministry of Science and Innovation	336	-	-	-	336	-
Regional Government of Madrid	214	-	-	-	214	-
CDTI	210	32	167	2	27	14
Regional Government of Madrid	299	299	299	-	-	-

9.1.5.24 Reconciliation between the consolidated financial statements under local GAAP and IFRS

The stand-alone financial statements have been prepared in accordance with IFRS as endorsed by the EU.

The statutory annual accounts are prepared on a non-consolidated basis and under Spanish GAAP. In the table below, an equity reconciliation and profit & loss reconciliation between local (Spanish) GAAP and IFRS can be found:

	Years ended December 31					
Thousands of Euro (€)	2010		2009		2008	
	Equity	Loss of the year	Equity	Loss of the year	Equity	Loss of the year
Under local GAAP	**1,159**	**(10,343)**	**6,780**	**(11,546)**	**12,233**	**(9,763)**
Capital grants	(85)	-	(89)	-	(73)	-
Total IFRS restatements	(85)	-	(89)	-	(73)	-
Under IFRS	**1,074**	**(10,343)**	**6,691**	**(11,546)**	**12,160**	**(9,763)**

9.1.5.25 Subsequent events

Contribution of Cellerix shares into TiGenix

On February 25, 2011 TiGenix NV and Cellerix announced that the two cell therapy-focused biotechnology companies, Cellerix' shareholders and certain other investors of Cellerix entered into a Contribution Agreement to combine the operations of both companies by means of a share for share exchange.

Shareholders and investors of Cellerix committed to make a cash contribution of €18,155, 669.74 in Cellerix before the closing of the proposed Contribution.

The Contribution was completed on the Contribution Date, resulting in 44,814,402 Shares in TiGenix being issued as consideration for the contribution in kind by Cellerix shareholders of all of the outstanding Cellerix shares into TiGenix at an agreed subscription price (including issuance premium) of €1.2977 per new TiGenix Share, valuing Cellerix at approximately €58 million, including the paid-in equity contribution of €18,155, 669.74 in Cellerix.

As part of this transaction, there were certain liabilities assumed by Cellerix that became payable on the date of closing of the Contribution and that are related to contingent fees of the advisors who took part in the transaction. These fees are calculated using a mechanism related to the final amount of the transaction.

Termination of credit facility with ETV Capital, S.A.

Cellerix and ETV Capital, S.A. have reached an agreement by which, prior to the completion of the Contribution, the credit facility agreement and the ancillary pre-emptive right agreement entered into by Cellerix and ETV Capital, S.A. on September 22, 2008 were amended by the parties resulting in ETV Capital, S.A. no longer having any options to purchase shares in Cellerix under the pre-emptive right agreement.

10. Report regarding unaudited pro forma financial information of the enlarged Group

"We report on the Pro forma financial information (the "Pro forma financial information") set out in section 3.2.3 of the prospectus submitted by TiGenix NV for approval by the FSMA on or about April 28, 2011, which has been prepared on the basis described in note 3.2.3., for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by TiGenix NV in preparing the financial statements for the period ending 31/12/2010. This report is required by the EU Commission Regulation No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of TiGenix NV to prepare the Pro forma financial information in accordance with the guidance issued by the Regulation and the Committee of European Securities Regulators (CESR)

It is our responsibility to form an opinion, as required by the Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of our opinion

We conducted our work in accordance with the audit standards and related guidance issued by the Instituut van de Bedrijfsrevisoren (IBR). The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of TiGenix NV.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with the reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of TiGenix NV.

Opinion

In our opinion:

(a) The Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of TiGenix NV.

Zaventem, April 27, 2011

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Gert Claes"

11. BUSINESS AND SCIENTIFIC Glossary

510(k)	A 510(k) is an FDA license for a medical device. For 510k-type medical devices, the approval is based on the demonstration that the device is at least as safe and effective as an already legally marketed device.
Arthroscopy	Arthroscopy is a minimally invasive surgical procedure to visualize, diagnose and treat problems inside a joint. In an arthroscopic examination, an orthopaedic surgeon makes a small incision in the patient's skin and then inserts pencil-sized instruments that contain a small lens and lighting system to magnify and illuminate the structures inside the joint. By attaching the arthroscope to a miniature television camera, the surgeon is able to see the interior of the joint through this very small incision rather than a large incision needed for surgery.
Allogeneic	Produced from another person's tissues or derived from the body of another person, such as an organ taken from one person and implanted into another person.
Articular	Of or pertaining to a joint. Articular cartilage is the cartilage that covers the ends of bones in joints and enables the bones to move smoothly over one another.
ASC	Stem cells derived from human adipose tissue.
ATMP	Advanced Therapy Medicinal Product under the new Advanced Therapies Regulation.
Autologous	Produced from the subject's own tissues or derived from the subject's own body, such as skin taken from one part of the body and grafted to another part.
Bone	The dense connective tissue that makes up the majority of the skeleton of most vertebrates, consisting of a mineralised matrix surrounding living osteocytes.
Cartilage (stable)	A dense connective tissue consisting of chondrocytes and extracellular matrix containing collagen type II and large amounts of proteoglycans. Cartilage is more flexible and compressible than bone and often serves as an early skeletal framework, becoming mineralised or replaced by bone as the animal ages. Stable cartilage is cartilage that remains intact over time and that will never undergo mineralisation nor be replaced by bone.
CAT	Committee for Advanced Therapies.
CBER	Center for Biologics Evaluation and Research, a division of FDA that regulates biological products in the U.S.
CEF	Cell Expansion Facility, production facility where the cells taken from the patient's biopsy are expanded according to specific culture methods in order to obtain a sufficient number of cells for re-implantation into the cartilage defect.
CE mark	A mandatory conformity mark certifying that a product as met EU consumer safety, health or environmental requirements.
CHMP	Committee for Medicinal Products for Human Use.
Chondrocyte	Differentiated cell responsible for secretion of extra-cellular matrix of cartilage.
ChondroMimetic	A porous, resorbable implant which is designed to support the regenerative repair of damaged joint surfaces and bony defects caused by trauma or disease. ChondroMimetic contains three readily-absorbed, non-synthetic biomaterials: collagen, glycosaminoglycan and calcium phosphate in a dual-layer porous implant.
Collagen	A gelatinous protein present in all multi-cellular organisms, particularly in the connective tissue, to which it gives strength and flexibility.
Culture media	Any liquid or solid preparation made specifically for the growth, storage, or transport of micro-organisms or cells/tissues. The variety of media that exist (such as differential media, selective media, test media, and defined media) allow for the culturing of specific micro-organisms and cell types. Solid media consist of liquid media that have been solidified with an agent such as agar or gelatine.
DMARDs	Disease-modifying anti-rheumatic drugs.
eASC	Expanded adipose derived stem cell.
EEA	European Economic Area, *i.e.* the Member States of the European Union, Norway, Iceland, and Liechtenstein.
Embryonic	Pertaining to the earliest stage of development of an organism.

EMA	European Medicines Agency, regulatory authorities in Europe responsible for medicinal products, public and animal health.
FDA	Food and Drug Administration, regulatory authorities in the U.S. responsible for food and medicinal products.
Fibrous tissue	Tissue consisting mainly of fibres or fibre-containing materials, such as fibrous connective tissue.
GCP	Good Clinical Practice, international regulations that must be observed to ensure high quality clinical studies and admissible data.
GMP	Good Manufacturing Practice, industry standards according to which a production facility should be operated in order to be allowed for production of medicinal products.
Growth factors	A complex family of polypeptide hormones or secreted proteins that are produced by the body to control growth, division and maturation of cells. These factors occur naturally but some can be synthesised using molecular biology and are used in a variety of clinical indications. Examples include epidermal growth factor, platelet-derived growth factor and fibroblast growth factor. Perturbation of growth factor production or of the response to growth factor may be important in neoplastic transformation.
Histomorphometry	The quantitative measurement and characterisation of microscopical images using a computer; manual or automated digital image analysis typically involves measurements and comparisons of selected geometric areas, perimeters, length angle of orientation, form factors, centre of gravity coordinates, as well as image enhancement.
Homeostasis	In medicine and biology, this term is applied to the inherent tendency in an organism toward maintenance of physiological and psychological stability.
Hyaline cartilage	A type of cartilage that appears translucent, bluish-white in the fresh condition and predominantly consists of a type II collagen network and large amounts of highly sulphated, high molecular weight proteoglycan aggregates.
Hyaluronic acid; hyaluronan	A mucopolysaccharide, forming a gelatinous material in the tissue spaces and acting as a lubricant and shock absorbent generally throughout the body
ICH	The International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) is a project that brings together the regulatory authorities of Europe, Japan and the U.S. and experts from the pharmaceutical industry in the three regions to discuss scientific and technical aspects of product registration.
ICRS	International Cartilage Repair Society.
Immunogeneic	Having the ability to provoke an immune response; having the properties of an antigen or any substance that may trigger a particular immune reaction, such as the production of antibodies.
IND	Acronym for Investigational New Drug Application. An IND is an application filed (usually by the sponsor) with the FDA that includes a detailed description of the planned clinical investigation.
Joint surface	The (cartilage) layer covering the ends of bones in the joint.
Joint surface defect	Defect of the cartilage and often also of the underlying bone in the joint.
Ligament	A type of white fibrous connective tissue that connects bones or cartilage, serving to support and strengthen joints.
MAA	European Marketing Authorisation Application.
Medicinal product	Pharmaceutical product.
Meniscus	An intra-articular structure of fibrocartilaginous tissue.
Microfracture	Perforation of the subchondral bone plate to create a blood clot which, mixed with bone marrow stem cells, tends to form a scar-like fibro-cartilaginous repair tissue.
Musculoskeletal	Referring to the muscles, tendons, ligaments, cartilage, bones, joints, and spinal discs.
Notified Bodies	In the European Union, a notified body is an organisation that has been accredited by a Member State to assess whether a product meets certain preordained standards. For this purpose, a notified Body may designate that a medical device conforms to the EU Medical Devices Directive, which defines the standards for medical devices.
NSAID	Non-steroidal anti-inflammatory drugs.
OA	Osteoarthritis.
Osteochondral lesion	A lesion to the joint that involves the cartilage as well as part of the underlying bone.
Osteoarthritis or OA	Joint disorder associated with the degeneration of the joints including the bone and cartilage.
Osteocyte	A mature bone cell.
Periosteum	The membrane of fibrous connective tissue which closely surrounds all bones except at the articular surfaces, and has bone-forming potentialities.

Progenitor cell	Undifferentiated cells whose lineal descendants differentiate along the appropriate pathway to produce a fully differentiated phenotype.
Proteoglycans	Proteoglycans represent a special class of glycoproteins that are heavily glycosylated. They consist of a core protein with one or more covalently attached glycosaminoglycan chain(s). These glycosaminoglycan (GAG) chains are long, linear carbohydrate polymers that are negatively charged under physiological conditions, due to the occurrence of sulphate and uronic acid groups. Proteoglycans are a major component of the extracellular matrix, the 'filler' substance existing between cells in an organism.
RA	Rheumatoid arthritis.
Regenerative Medicine	Regenerative medicine refers to technologies that repair, replace, or regenerate diseased or defective tissues or organs. The main types of regenerative medicine utilize products naturally occurring in the body, such as genes and proteins (antibodies, growth factors, hormones); cells and tissues; embryonic stem cells, and biomaterials.
Scaffold	A support structure, either natural or synthetic, that supports cells and can provide a specific tissue contour.
Stem cell	Cell that gives rise to distinct daughter cells, one a replica of the stem cell, one a cell that will further proliferate and differentiate into a mature cell. "Pluripotent" stem cells can give rise to different lineages, "Committed" stem cells only to some.
Synovial membrane	The synovium or synovial membrane is a thin, weak layer of tissue which lines the non-cartilaginous surfaces within the joint space, sealing it from the surrounding tissue. The membrane contains a fibrous outer layer, as well as an inner layer that is responsible for the production of specific components of synovial fluid, which nourishes and lubricates the joint. The membrane is also responsible for the removal of undesirable substances from the synovial fluid.
Tissue	An integrated group of cells with a common structure and function.
TNF	Tumor necrosis factor, a cytokine involved in systemic inflamation. The primary role of TNF is the regulation of immune cells.
Vascularisation	The growth of blood vessels into a tissue to improve the oxygenation and nutrient supply.
Xenograft	A surgical graft of tissue from one species onto or into individuals of unlike species, genus or family. Also known as a heteroplastic graft.

Appendix 1: Press releases 2006-2010

Below is a summary of the press releases issued by TiGenix in 2006, 2007, 2008, 2009 and 2010 (year-to-date). For further information relating to the contents of these press releases, referral is made to the Company's website www.tigenix.com.

January 5, 2006	TiGenix closes €16 million Series B financing round and expands shareholder base worldwide
March 28, 2006	TiGenix establishes US presence
January 11, 2007	TiGenix expands management team
January 24, 2007	TiGenix and Fidia Advanced Biopolymers enter into strategic partnership
February 19, 2007	TiGenix announces positive Phase III results and plans listing on Eurolist by Euronext Brussels
March 9, 2007	TiGenix to raise up to €40 million through IPO
March 20, 2007	Early closing of TiGenix public offer
March 21, 2007	Successful TiGenix IPO prompts early closing
March 23, 2007	TiGenix raises additional €6.0 million by exercise of over-allotment option. Total proceeds of IPO increase to €46.0 million
May 7, 2007	TiGenix and Cognate BioServices join forces for the management of a US cell expansion facility
June 1, 2007	TiGenix announces the acquisition of a US cell expansion facility
June 19, 2007	TiGenix files for marketing approval of ChondroCelect® in Europe
August 30, 2007	Business update and financial results for first half of 2007
November 28, 2007	TiGenix announces changes to Board of Directors
February 5, 2008	Publication of ChondroCelect pivotal trial results in the American Journal of Sports Medicine
February 20, 2008	TiGenix announces changes to Board of Directors
March 20, 2008	TiGenix gives business update and announces the full year 2007 financial results
April 28, 2008	Three-year patient follow-up confirms clinical benefit of ChondroCelect®
June 2, 2008	Financial update
June 10, 2008	TiGenix awarded European Union grant
August 28, 2008	Business update and financial results for first half of 2008
September 15, 2008	Publication in accordance with the Law of May 2, 2007 on the disclosure of major holdings
November 3, 2008	Disclosure of major shareholdings
November 5, 2008	Business and financial update for the third quarter of 2008
December 12, 2008	TiGenix receives a €1.8 million grant for its meniscus repair program over the next two years
March 16, 2009	TiGenix gives business update and announces the full year 2008 financial results
May 19, 2009	Business and financial update for the third quarter of 2009
June 19, 2009	TiGenix selects location and secures financing for its new cell expansion facility
June 26, 2009	Update on capital increase
June 26, 2009	TiGenix receives positive CHMP opinion on European MAA for ChondroCelect
July 10, 2009	Transparency information
July 13, 2009	Publication of ChondroCelect pivotal trial awards honoured with prestigious award
August 26, 2009	Business update and financial results for first half of 2009
October 6, 2009	ChondroCelect approved in Europe
October 29, 2009	ChondroCelect 36 month data published in the American Journal of Sports Medicine
November 2, 2009	The ChondroCelect Harvester™ receives CE mark approval
November 3, 2009	Business and financial update for the third quarter of 2009
November 5, 2009	TiGenix comments on rumours of a capital increase
November 16, 2009	TiGenix to acquire Orthomimetics
December 1, 2009	TiGenix closes Orthomimetics acquisition
December 10, 2009	TiGenix announces private placement
December 10, 2009	TiGenix successfully completes private placement raising €7.7 million

December 16, 2009	Transparency Information
February 12, 2010	Transparency Information
March 8, 2010	Transparency Information
March 9, 2010	TiGenix reports on sales ChondroCelect
March 16, 2010	TiGenix reports 2009 business update and financial results
March 16, 2010	Clarification on US regulatory path for ChondroCelect
March 17, 2010	Conference Call Webcast – 2009 results
May 19, 2010	Business and Financial Update for the First Quarter of 2010
June 8, 2010	Positive 5-year ChondroCelect follow-up results to be presented at ESSKA
July 23, 2010	Transparency Information
August 25, 2010	TiGenix announces spin-out of its targeted drug discovery activities in newco Arcarios
August 26, 2010	Business and Financial Update for the First half of 2010
August 30, 2010	TiGenix announces the grant of a US patent for ChondroMimetic
September 8, 2010	TiGenix announces final closing of Arcarios' seed-financing round
September 20, 2010	TiGenix awarded new grant for biomaterials platform development
October 6, 2010	TiGenix announces ChondroMimetic launch at ICRS 9th international meeting
November 3, 2010	Business and Financial Update for the Third Quarter of 2010
November 9, 2010	TiGenix announces second closing of Orthomimetics acquisition
November 9, 2010	Transparency Information
February 24, 2011	ChondroCelect reimbursement and reimbursement update for other European countries
February 25, 2011	TiGenix announces proposed combination with Cellerix and capital increase through a public rights offering
March 17, 2011	TiGenix gives business update and presents 2010 financial results

Appendix 2: REGULATORY APPROVAL PROCESSES

Regulation by governmental authorities worldwide is a significant factor in the development, manufacture, commercialisation and reimbursement of TiGenix' product portfolio. All of the Company's products will require marketing approval, or licensure, by governmental agencies prior to commercialisation.

Human medicinal products are as a rule always subject to rigorous preclinical and clinical testing and approval procedures of the FDA in the US, EMA in Europe and similar Regulatory Authorities in other countries. Various governmental statutes and regulations also govern or influence testing, manufacturing, safety, labelling and record keeping related to such products and their marketing. State, local or other authorities may also regulate pharmaceutical manufacturing facilities. The process of obtaining such approvals and the subsequent compliance with the appropriate statutes and regulations require the expenditure of substantial amounts of time and money.

The Company believes that the key to success in cell- and tissue-based therapies is to excel in "evidence-based medicine". Only by proving efficacy in prospective randomised clinical trials and by demonstrating the health-related economic benefits in well-designed pharmacoeconomic studies, it will be possible to convince Regulatory Authorities of the overall benefits provided by the use of these products. Under "evidence-based medicine", it is no longer sufficient to demonstrate the safety of cellular products. Their efficacy and potency must also be demonstrated and validated. The Company anticipated this early on and so positioned its cell-based products as defined medicinal products.

Since cell-based therapies are a relatively new field, the regulatory framework for these products is still developing. When TiGenix started designing its first clinical trials for ChondroCelect, no clear regulatory framework for cell-based products existed in Europe. The Company therefore used an FDA guidance document, describing the regulation of products for cartilage repair as biologics (guidance for products comprised of living autologous cells intended for structural repair (MAS-cells; Docket No. 95N-0200)). TiGenix decided to set up a fully controlled, prospective randomised clinical trial in compliance with GCP requirements deriving from Directive 2001/20/EC[83] as well as related implementation measures and applicable guidelines, thus anticipating the future regulatory requirements of the European Regulatory Authorities.

This regulatory anticipation has proven to be the right choice, as cell-based products are now clearly classified as biological medicinal products, also in Europe. From December 30, 2008 onwards, a new regulatory framework has been implemented, regulating the development and market access of all ATMPs including tissue-engineered, somatic cell therapy and gene-therapy products across the European Union[84]. The implementation of the ATMP regulation in Europe creates a regulatory environment for the above mentioned product categories that is similar to the one existing for biologicals, both in Europe and the US.

According to the 2009 report of the Millenium research group "implementation of the advanced therapies regulation will fuel growth in the emerging tissue engineering industry, propel innovation, and boost the competitiveness of the EU in the biotechnology market." [85]

Although the basic regulatory frameworks are now in place in Europe and the US, at present still little experience with such products exists, and consequently the regulatory framework will continue to evolve. An example of this is the still limited number of regulatory guidance documents providing practical guidance on product development and requirements. The Company will therefore continue to proactively address the

83 Directive 2001/20/EC of the European Parliament and of the Council of April 4, 2001 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use.

84 Regulation (EC) No 1394/2007 of 13 November 2007, published on December 10, 2007.

85 Millenium Research Group European Market for Orthopedic Biomaterials, July 2009.

regulatory environment and to contribute, as an experienced industry player in the field, to the shaping of future guidance documents.

For classic pharmaceutical and biological products, the pre-clinical and clinical development paths are broadly similar in Europe and in the U.S. Initially, pre-clinical studies (both *in vitro* and *in vivo*) are conducted to evaluate the mode of action (proof of concept/principle) and to establish adequate proof of safety. Upon successful completion of pre-clinical studies, regulatory authorities may grant approval for clinical trials, which are typically conducted in three sequential phases that may overlap. In Phase I clinical trials, which consists of the initial introduction of the pharmaceutical into healthy human volunteers, the emphasis is on testing for safety and adverse effects, dosage tolerance, metabolism, distribution, excretion and clinical pharmacology. Phase II clinical trials consist of studies in a limited patient population to determine the initial efficacy of the pharmaceutical for specific targeted indications, to determine dosage tolerance and optimal dosage and to identify possible adverse side effects and safety risks. Once a compound shows evidence of effectiveness and is found to have an acceptable safety profile in Phase II clinical trials, Phase III clinical trials are undertaken to more fully evaluate clinical outcomes. In these Phase III trials, which are often referred to as registration, pivotal or confirmatory studies, the final product candidate is tested for its efficacy in a large trial setting in the relevant patient group(s). The product is usually tested in a blinded controlled randomised trial comparing the new product to an approved form of therapy. The goal of these studies is to obtain strict statistical evidence of the efficacy and safety of the new product compared to the control.

Given the specific nature of cell-based products, the clinical development paths are less standardized than for classic pharmaceutical or biological products. Phase I studies are often not relevant, in particular for autologous cell-based products, since cells often need to be directly implanted into a tissue defect only present in patients. As cellular therapy Phase III studies are very complex to organize, often limited numbers of patients can be enrolled, and follow up times can be very long, so that the design and execution of these large confirmatory trials might not always be possible to the classical extent. Upfront discussions and agreement with the regulatory authorities is an important criterion to success. It is also expected that new regulatory guidance will become available in the near future, more clearly describing the regulatory expectations.

Upon successful completion of the above-referred clinical trials, a company can submit an application for marketing authorisation to the relevant regulatory authority. After review of the application, the regulatory authority may grant marketing authorisation, deny the application or request additional information, including further clinical testing of the drug candidate. When granting marketing authorisation, a Regulatory Authority may impose upon the sponsor an obligation to conduct additional clinical testing, referred to as Phase IV clinical trials or post-approval commitments, to monitor the drug after commercialisation. Additionally, marketing authorisation may be subjected to limitations on the indicated uses for the drug.

Europe – EMA approval process

Although different terminology is sometimes used, the general approval process for medicinal products by the EMA in Europe is quite similar to the process in the U.S. described above.

Similar to the US, prior regulatory approval is required in EU Member States for conducting clinical trials on human healthy volunteers. Currently, in each EU Member State, relevant data is submitted in summarised format to the relevant regulatory authority in the Member State in respect of applications for the conduct of clinical studies (Phases I to IV). The regulatory authorities in the European Union typically have between one (1) and three (3) months from the date of receipt of the application to raise any objections to the proposed clinical trial and they often have the right to extend this review period at their discretion. The authorities may require additional data before allowing the studies to commence and could demand that the studies be discontinued at any time if there are significant safety issues. In addition to obtaining regulatory approval, clinical trials must receive Ethics Committee approval. The exact composition and responsibilities of the Ethics Committees differ from one EU Member State to another. In each EU Member State, one or more independent Ethics Committees (depending on whether the study is a monocentre or multicentre clinical trial) will review the ethics of conducting the proposed research.

Upon successful completion of final Phase III trials, the sponsor can submit a Marketing Authorisation Application (MAA) for the drug candidate. In Europe, three routes exist to obtain marketing approval for the product: national product application, mutual recognition or decentralized procedure including several EU countries, and the Central Procedure at the EMA granting a licence for the whole European Union and Norway, Iceland, and Liechtenstein. ATMP products,

like ChondroCelect or the future cell-based products of the Company, compulsory have to be submitted through the central procedure at the EMA.

When TiGenix started its product development activities no uniform European regulatory framework or well-defined regulatory path existed for cell-based products. At that time, cell-based products were (wholly or partially) subject to various legislations. This has led to a situation where certain cell-based products could nationally be marketed under different legal status. The EU ATMP Regulation of 2009 now requires that all new cell-based products first need to receive central EU approval before they can be put on the market. ATMPs require now a marketing authorisation granted by the European Commission (the centralised procedure), with the EMA co-ordinating the marketing authorisation application, the scientific assessment and post-authorisation supervision.

Companies that already have tissue-engineered products on the market before December 30, 2008 will have until December 30, 2012 to meet the standards of the regulation. Any products not meeting the standards after the deadline will be no longer legally on the market. Meanwhile, these products can legally remain on the market on the basis of their former regulatory approval status.

Finally, it is worthwhile noting that cell-based products also have to comply with the Directive 2004/23/EC of the European Parliament and of the Council of March 31, 2004 on setting standards of quality and safety for the donation, procurement, testing, processing, preservation, storage and distribution of human tissues and cells (SANCO Tissues and Cells Directive), describing the conditions and quality requirements which have to be applied when sourcing the cells intended for manufacturing of the cell-based medicinal product. The SANCO Tissues and Cells Directive has been translated into the respective national laws of the different EU Member States. Locally different interpretations of the directive have occurred during the national legal implementations, and this has now lead to a complex situation with respect to the respective national legislations. Differences in these national SANCO requirements do not preclude marketing of the products, but rather add-on complexity in complying with the all-over requirements in this already difficult regulatory field.

US – FDA approval process

The FDA was the first to adopt a regulatory framework for cell therapy products. With the exception of cell-based products for skin repair, most cell therapy products are regulated as biologics (medicinal products) by the Center for Biologics Evaluation and Research (CBER), requiring product characterisation and solid clinical validation in prospective randomised clinical trials.

The FDA generally requires the following steps for licensure of a new biological product:

- pre-clinical laboratory and animal testing, conducted to assess a product's biological activity, to identify potential safety problems and to characterize and document the product's manufacturing controls, formulation and stability;
- submission to the FDA of an Investigational New Drug (IND) application, which must become effective before clinical testing in humans can begin in the US;
- obtaining approval of Institutional Review Boards (IRB) of research institutions or other clinical sites to introduce the biological drug candidate into humans in clinical trials;
- adequate and well-controlled human clinical trials to establish safety and efficacy of the product for its intended indications, conducted in compliance with the FDA's GCP requirements;
- compliance with all GMP regulations and standards;
- submission to the FDA of a biologics licence application (BLA) for marketing that includes adequate results of product quality testing, pre-clinical testing and results of clinical trials;
- FDA review of the BLA in order to determine whether the product is safe, effective and potent for its intended uses;
- FDA review and inspection of the product's manufacturing facility for being compliant with GMP requirements,
- in case of a positive review, granting approval of the BLA for commercial sale or shipment of the product. In case of non-approvability, request for additional studies or data.

Appendix 3: Overview of Patents and trademarks

A. Patents of TiGenix and its subsidiaries (excluding Cellerix)

The table below gives an overview of TiGenix' and its subsidiaries' (excluding Cellerix) granted patents and pending patent applications.

Title	Country/ region	Patent/application number (publication number)
Granted patents		
In vivo assay for testing the phenotypic stability of cell populations for autologous transplantation	Europe	EP1 218 037 B1
Isolation of precursor cells and their use for tissue repair	Europe	EP1 282 690 B1
In vivo assay and molecular markers for testing the phenotypic stability of cell populations for autologous transplantation	US	US 7,482,114 B1
In vivo assay and molecular markers for testing the phenotypic stability of cell populations for autologous transplantation	US	US 7,479,367 B1
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	US	US 7,485,310 B1
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	US	US12/345369 (WO05/014026) Notice of allowance
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Singapore	PN°118893
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Russia	RU2363491
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	New Zealand	NZ54702
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	China	CN100427151
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	UK	GB2407580
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise)	Singapore	PN°121617
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise)	US	US 7,780,994

Title	Country/ region	Patent/application number (publication number)
Pending Patents		
In vivo assay and molecular markers for testing the phenotypic stability of cell populations for autologous transplantation	US	US 12/323,185 (2009/0162328)
In vivo assay and molecular markers for testing the phenotypic stability of cell populations, and selecting cell populations for autologous transplantation	Europe	EPA 04077642.9 (EP-A-1,498,146) (WO01/24833)
In vivo assay and molecular markers for testing the phenotypic stability of cell populations, and selecting cell populations for autologous transplantation	Hong Kong	HK 05106052.7 (WO01/24833)
In vivo assay and molecular markers for testing the phenotypic stability of cell populations, and selecting cell populations for autologous transplantation	Canada	CA 2,397,610 (WO01/24833)
Isolation of precursor cells and their use for tissue repair	US	US 12/176,256 (2009/0123927)
Isolation of precursor cells and their use for tissue repair	Canada	CA 2,386,506 (WO01/25402)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Europe	EP 1,653,994
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Canada	CA 2,533,124 (WO05/014026)

Title	Country/ region	Patent/application number (publication number)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Australia	AU 4262451 (WO05/014026)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Japan	JP2007501807 (WO05/014026)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Norway	NO20060464 (WO05/014026)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Israel	IL173,544 (WO05/014026)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	New Zealand	NZ545,702 (WO05/014026)
Use of CXCL6 chemokine in the prevention or repair of cartilage defects	Hong Kong	HK06105628.3 (WO05/014026)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Europe	EP 07723416.9 (EP 2 004 806) (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Norway	NO20084274 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	China	CN 11432419 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Canada	CA 2,646,488 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Australia	AU 2007229009 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Russia	RU2008141279 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Israel	IL194175 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	US	US12/293,438 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Japan	JP500762/2009 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	NZ	NZ572055 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	China	200780015243.0 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	India	IN8690/DELNP/2008 (WO07/107330)
Methods to maintain, improve and restore the cartilage phenotype of chondrocytes	Singapore	SG200806975-9 (WO07/107330)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Europe	EP 2 094 310 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Norway	NO20091571 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Canada	CA 2,670,419 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Australia	AU 2007324705 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Israel	IL198799 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	US	(WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Japan	(WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	NZ	NZ576360 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Singapore	SG200903163-4 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	China	(WO08/061804)

Title	Country/ region	Patent/application number (publication number)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	India	IN2890/DELNP/2009 (WO08/061804)
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production	Russia	RU2009123960 (WO08/061804)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Australia	AU 2004292384 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Canada	CA2543587 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	China	CN101391117A (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Europe	EP1689460 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	India	IN2339/DELNP/2006 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Japan	JP537412/2006 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Korea	10-2006-7010357 (WO05/051447)
Composite biomaterials comprising calcium phosphate materials, collagen and glycosaminoglycans (Exclusive license from Cambridge Enterprise Ltd)	Norway	NO20062373 (WO05/051447)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	Australia	AU2005286755 (WO06/034365)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	Canada	CA 2581328 (WO06/034365)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	Europe	EP 1804716 (WO06/034365)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	China	CN 101060821A (WO06/034365)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	Hong-Kong	HK 08104570.2 (WO06/034365)
Gradient scaffolding and methods of producing the same (Exclusive license from Cambridge Enterprise Ltd)	Japan	JP 2007-532653 (WO06/034365)
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Australia	AU 2006221849 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Brazil	P/0609019-2 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Canada	CA 2600470 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	China	CN 200680011492.8 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Colombia	07.092.514 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Europe	EP 1855734 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	UK	GB 2424223 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Hong Kong	07113223.5 WO06/095154

Title	Country/ region	Patent/application number (publication number)
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Israel	185714 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	India	6896/DELNP/2007 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Japan	JP 2008-531230 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Korea	10-2007-7022847 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Mexico	MX/a/2007/010785 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Norway	20075037 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	New Zealand	561209 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Singapore	200706486-8 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	US	US 11/908045 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	South Africa	2007/07645 WO06/095154
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Australia	AU 2007283280 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Canada	CA2659385 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	China	 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Europe	EP 07789175.2 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	UK	GB 2440721 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Hong Kong	1125561A WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Israel	 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	India	 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Japan	 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Korea	20090038035 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Norway	20091082 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	New Zealand	574424 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	Singapore	 WO08/017858
Biomaterials (Exclusive license from Cambridge Enterprise Ltd)	US	US 12/377221 WO08/017858
Hydraulic Implant Delivery Method	UK	GB 2454326 WO09/056802
Defect Site Preparation Kit	UK	GB 0821765.5
Fabrication process	UK	GB1003656.4
Biopsy device (jointly owned with Dokter Yves Fortems BVBA)	WO	WO10/092100

B. Patents of Cellerix

The table below gives an overview of Cellerix' patent portfolio:

Title	Country/ region	Patent Number (granted patent)/ Application Publication Number (published applications) or Application Number (unpublished applications). Granted patents highlighted in bold.
"Artificial dermis and production method thereof" WO02072800	Taiwan	TW1258506
	US	US7244552
	US	US2007275461
	Europe	EP2165678
	Canada	CA2439387
	Japan	4,235,452
	Japan (Divisional)	JP2008253788
	Australia	AU2002235958
	France	EP1375647
	Austria	60234323.2
	Belgium	EP1375647
	Portugal	EP1375647
	Sweden	EP1375647
	Switzerland	EP1375647
	Germany	60234323.2
	Denmark	EP1375647
	Spain	2336430
	UK	EP1375647
	Greece	EP1375647
	Ireland	EP1375647
	Italy	EP1375647
	Netherlands	EP1375647
"Biomaterial for suturing." WO2006035083	Spain	ES2264862
	US	US2006047312
	US	US20090292311
	Europe	EP1803472
"Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue." WO2006037649	Spain	ES2313805
	Canada	CA2583151
	China	CN101056974
	Japan	JP2008515413
	Singapore	SG158853
	Israel	IL182441
	US	20070248580
	Europe	EP10183073.5
	South Korea	KR20070085294
	Australia	AU2005291353
	India	1524/KOLNP/2007
"Use of adipose tissue-derived stromal stem cells in treating fistula." WO2006136244	US	US20060045872
	Brazil	PI 0613811-0
	Canada	CN101263224
	Mexico	Mx/a/2008/000001
	Singapore	166770
	USA	US20100098669
	China	CN101263224
	Hong Kong	1124087A
	Japan	JP2008546397
	Israel	IL188378
	South Korea	KR20080036588

Title	Country/ region	Patent Number (granted patent)/ Application Publication Number (published applications) or Application Number (unpublished applications). Granted patents highlighted in bold.
	Australia	AU2006261383
	India	184/KOLNP/2008
	New Zealand	NZ565246
	Russian Federation	RU2008102643
	Europe	EP2292737
"Cell populations having imunoregulatory activity, method for isolation and uses" WO2007039150	Canada	CA2623353
	Mexico	Application Number: MX/a/2008/003881
	Singapore	SG165418
	USA	US2009130067
	China	CN101313062
	Japan	JP2009508507
	Israel	IL190363
	Hong Kong	1124884A
	South Korea	KR20080048555
	Australia	AU2006299144
	India	Application Number: 1410/KOLNP/2008
	Europe	EP1926813
"Use of adipose tissue derived mesenchymal stem cells for the treatment of graft versus host disease" WO2007065927	Europe	EP1974019
	US	US20090148419
"Injection Device" WO/2009/141727	EP	EP09750184
	US	Pending
	JP	Pending
"Use of mesenchymal stem cells" WO/2010/015929	EP	WO/2010/015929 (Application number: EP09786159)
	US	WO/2010/015929 (Application number: US 13/057467)
	JP	WO/2010/015929 (Application number: Pending)
	KR	WO/2010/015929 (Application number: 10-2011-7005274)
	AU	WO/2010/015929 (Application number: 2009278853)
	CA	WO/2010/015929 (Application number: 2,732,908)
"Cell populations having imunoregulatory activity, methods for the preparation and uses thereof." WO2005/094353	WO	WO2005/094353
"Compositions comprising adipose stem cells." WO/2010/070141	WO	WO/2010/070141
"Cells, nucleic acid constructs, cells comprising said constructs and methods utilizing said cells in the treatment of diseases. " WO/2010/052313	WO	WO/2010/052313
"Methods for the preparation of adipose derived stem cells and utilizing said cells in the treatment of diseases." WO/2010/052313	WO	WO/2010/063743
"Methods and compositions for use in cellular therapies." WO/2011/004264	WO	WO/2011/004264
Methods for the preparation of cellular therapies. (Unpublished)	GB	Unpublished priority filing, application number GB1012186.1
Stem cell culture media and methods. (Unpublished)	EP	Unpublished priority filing, application number EP10382244
Methods and compositions for use in cellular therapies.	EP	Unpublished priority filing, application number EP 11250025
"Cell populations having imunoregulatory activity, methods for the preparation and uses" (Unpublished)	EP	Unpublished priority filing, application number EP11157930

C. Trademarks of TiGenix and its subsidiaries (excluding Cellerix)

The table below gives an overview of the registered trademark portfolio of TiGenix and its subsidiaries (excluding Cellerix):

Mark	Country	Classes	Filing date	Registration date	Renewal date
ChondroCelect	Austria	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Benelux	5-10-42	18/5/2001	18/5/2001	18/5/2011
	Canada	5-10-42	14/11/2001		
	Denmark	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Finland	5-10-42	14/11/2001	14/11/2001	14/11/2011
	France	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Germany	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Italy	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Norway	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Spain	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Sweden	5-10-42	14/11/2001	14/11/2001	14/11/2011
	Switzerland	5-10-42	14/11/2001	14/11/2001	14/11/2011
	United Kingdom	5-10-42	14/11/2001	14/11/2001	14/11/2011
	United States	5-10-42	16/11/2001	9/5/2006	9/5/2016
TiGenix	Austria	5-42	3/10/2000	3/10/2000	3/10/2010
	Benelux	5-10-41-42	10/4/2000	10/4/2000	10/4/2010
	Canada	5-42	3/10/2000		
	Croatia	5-42	5/10/2000	5/10/2000	5/10/2010
	Denmark	5-42	3/10/2000	3/10/2000	3/10/2010
	Finland	5-42	3/10/2000	3/10/2000	3/10/2010
	France	5-42	3/10/2000	3/10/2000	3/10/2010
	Germany	5-42	3/10/2000	3/10/2000	3/10/2010
	Italy	5-42	3/10/2000	3/10/2000	3/10/2010
	Norway	5-42	3/10/2000	3/10/2000	3/10/2010
	Spain	5-42	3/10/2000	3/10/2000	3/10/2010
	Sweden	5-42	3/10/2000	3/10/2000	3/10/2010
	Switzerland	5-42	3/10/2000	3/10/2000	3/10/2010
	United Kingdom	5-42	3/10/2000	3/10/2000	3/10/2010
	United States	1-5	5/10/2000	22/11/2005	22/11/2015
ChondroBoost	Benelux	5-10-42	23/10/2006	23/10/2006	23/10/2016
CCI	Benelux	5-10-42	23/10/2006	23/10/2006	23/10/2016
	US	1, 5, 10, 42, 45	23/10/2006	04/08/2009	04/08/2019
MeniscoCelect	Community	5-10-42	24/7/2007	24/7/2007	24/7/2017
	US	1, 5, 10, 42, 45	24/7/2007	04/08/2009	04/08/2019
CCH	Benelux	5-10-44	04-03-2010	24-06-2010	04-03-2020
	US	10-44-42	04-03-2010		
	Canada	5-10-42	04-03-2010		
	Community	5-10-42	01-09-2010		
ChondroMimetic	Application filed				

D. Trademarks of Cellerix

The table below gives an overview of Cellerix' registered trademark portfolio:

Country	Trademark	Registration number	Classes
Spain (Commercial Name)	CELLERIX	260.857(X)	5 & 42
Europe	CELLERIX	4,142,774	5, 10 & 42
Spain	RETROFECT	2.507.407(5)	35
Europe	EFISEL	4.68.77.61	10
Europe	IDRYON	4.68.77.78	10
Europe	ONTARIL	5,652,599	5
Europe	MIREDAL	5,652,698	5
Europe	LIVING MEDICINES	4.67.92.54	16 & 35
Europe	CELLERIX LIVING MEDICINES	6,879,721	5, 10 & 42
Europe	ALOCELLIX	7,328,164	3 & 5
Europe	ADICELL-X	7,328,693	3 & 5
Europe	CELLERIX (Graphic)	7,335,888	5, 10 & 42
Europe	ALOFISEL	7,352,081	3 & 5
USA	CELLERIX (Graphic)	78/920,563 (Registration Pending)	5 & 42
USA	ONTARIL	77/370,501 (Registration Pending)	5
USA	CELLERIX LIVING MEDICINES	77/461,497 (Registration Pending)	5 & 42

Appendix 4: Bibliography

The following is a bibliography from which certain information in this prospectus has been derived.

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Appendix 5: 2008, 2009 and 2010 management reports of Cellerix

CELLERIX S.A.
MANAGEMENT REPORT

(Financial year ended 31 December 2010)

Contents

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1. THE YEAR IN BRIEF

The Company has reached its financial targets and most of its strategic milestones for 2010 on schedule, both in Spain and internationally.

The Company's Capital and Reserves have been strengthened with the disbursement of a new tranche of 4 million euros within the latest "Series C" financing round (established in late 2009 for a total of 27 million euros to be disbursed in several tranches, the first of which, worth 5 million euros, was disbursed during the last financial year).

Progress with respect to clinical trials can be broken down across two platforms, the autologous platform and the allogeneic platform:

Autologous platform

Ontaril (*): The results of the phase III clinical trials for the product Ontaril did not meet expectations in terms of efficacy compared with the treatment used in the control arm of the trial. At the end of 2009, therefore, the Company's Board of Directors decided not to go ahead with clinical development of this product for the time being.

Note (*): Ontaril is the name of the product conceived as an alternative for treatment of complex perianal fistulas in patients with and without Crohn's disease. This product was the first cellular therapy product to be designated an Orphan Drug by the European Medicines Agency (EMA) in July 2005.

Cx501(**): Once the results of the clinical trials were known, the need to evaluate its use on ulcers (of various types: burns, diabetic, etc.) became clear, requiring a structured Development Plan. Cellerix has decided not to carry out this measure itself but to seek a dermatology specialist to do the work.

Note (**): Cx501 is an innovative chimeric skin graft that combines expanded cutaneous cells taken from the patient (autologous) and from a donor (allogeneic) to create a dermic matrix that is less likely to be rejected by the patient, making it suitable as a long-term cutaneous repair treatment for sufferers of Epidermolysis Bullosa Dystrophica Recessiva (EBDR). EBDR is an extremely debilitating hereditary skin disease that produces severe damage and blistering to the skin, and, in extreme cases, causes the fingers to join together, a condition known as syndactylia.

Allogeneic platform

The Company has decided to develop a number of products based on the allogeneic platform:

Cx601: (Gastroenterology -- Complex perianal fistula). This is the allogeneic version of Ontaril (from stem cells taken from a donor other than the recipient). It is being developed as an alternative to Ontaril (FATT 1 autologous platform). The molecule, presently known as Cx601, has been designated an Orphan Drug by the European Medicines Agency. Phase II of the clinical development (obtaining preliminary information on the effectiveness of the drug) was completed at the end of 2010.

Cx611: Programme aimed at developing an intravenous treatment for rheumatoid arthritis. Phase II clinical trials were about to begin at the end of 2010 (which will provide information on the efficacy of the drug).

Cx-621. Allogeneic product aimed at providing an intra-lymphatic treatment for certain autoimmune and inflammatory disorders as rheumatoid arthritis. Phase I trials on healthy patients are expected to take place in 2011.

Cx-602. Allogeneic product for the treatment of autoimmune and inflammatory disorders, as ulcerative colitis, in pre-clinical development phase.

Cx911 T-regs: Product aimed at the treatment of autoimmune disorders based on the use of regulatory T cells. In pre-clinical phase at the close of 2010.

Having decided to abandon the autologous platform, Cellerix has had to reformulate its business plan, involving a number of decisions which have had a major impact on the Company:

Staffing cuts: A workforce adjustment plan (ERE) was implemented in the first quarter of 2010, affecting 31 employees.

Two clinical trials which were in progress were abandoned: Ontaril FATT2 (same indications as Ontaril but aimed at Crohn's disease sufferers) and an additional clinical trial on this product to analyse the data from the first trial over the long term.

This change of strategy to focus on the allogeneic platform has resulted in lower operating costs in 2010 than in 2009.

EBITDA in 2010 was negative, as in previous financial years, as the Company is currently in the development phase. As in similar companies, the figures for previous financial years are not comparable.

2. FINANCIAL INFORMATION

a. The Income Statement

IFRS 000s euros	31-12-10	31-12-09	% Change
Net Sales	105	95	11%
Other revenues	587	1.187	(51%)
Supplies	(417)	(549)	(24%)
Staff costs	(4.945)	(5.322)	(7%)
Amortisations	(461)	(397)	16%
Other operating expenses (*)	(5.022)	(6.463)	(22%)
Other extraordinary gains or losses	7	(20)	(135%)
Operating loss	**(10.146)**	**(11.469)**	**(12%)**
Net financial income (loss)	**(197)**	**(77)**	**156%**
Loss for the year	**(10.343)**	**(11.546)**	**(10%)**

(*) Includes other operating expenses and other gains or losses.

- Other revenues have fallen by 51% in 2010, mainly due to a drop in subsidies from public bodies.
- Supplies costs fell in 2010 as a result of abandoning the autologous platform, while staff costs fell by just 7% as the reduction in salaries costs was offset by redundancy indemnities.
- Other operating costs also fell in line with the Company's new strategy.
- Net financial loss for the year grew by 156% as a result of the finance costs arising on the 3 million euros drawn against the ETV credit line and also because, given the instability of the market in 2010, the Company decided not to invest cash surpluses and thus no significant capital gains were generated.

b. Balance Sheet and Financial Situation

000s euros	31-12-10	31-12-09	% Change
Non-current assets	2.426	2.744	(12%)
Current assets	5.307	11.722	(55%)
Total assets	**7.733**	**14.466**	**(47%)**
Equity	1.074	6.691	(84%)
Non-current liabilities	1.915	2.395	(20%)
Current liabilities	4.744	5.380	(12%)
Total equity and liabilities	**7.733**	**14.466**	**(47%)**

Cellerix's balance sheet at 31 December 2010 reflects the impact of the main events in the year:

- Current assets and equity reflect the disbursement of the second 4 million euro tranche of the series C financing round, with a total of 27 million euros committed.
- Non-current assets fell by 12% mainly due to the reclassification of debt securities as current assets and to depreciation and amortisation.
- Current assets decreased by 20%, mainly due to reduced cash and cash equivalents as a result of the Company's activities.
- Current liabilities reflect a reduction in trade and other payables as a result of the aforementioned changes in the Company's strategy.
- Non-current liabilities fell as a result of the prepayment of the principal on the loan from ETV during the financial year.

3. BUSINESS DEVELOPMENT

Cellerix is actively seeking partners to develop some of its products, but no agreements had been signed at the close of 2010.

4. EMPLOYEES

The average number of employees in the years ended 31 December 2010 and 2009 was as follows:

2010	Average no. of	No. of employees at 31/12/2010
Executives	5	4
Supervisors	17	10
Technical staff	21	15
Others	11	6
Total	**54**	**35**

2009	Average no. of	No. of employees at 31/12/2009
Executives	6	4
Supervisors	17	16
Technical staff	39	34
Others	6	16
Total	**68**	**72**

5. RISK FACTORS

- Cellerix has no products currently on the market, it has limited financial resources and it may not become a profit-making business
- Highly regulated business sector
- Dependence on patents

6. SHAREHOLDERS

Cellerix's shareholders are as follows:

7. MANAGEMENT BODIES, THE BOARD

Governing bodies

The governing bodies are the Shareholders' Annual General Meeting and the Board of Directors. Any matter not provided for in the Articles of Association will be governed by the provisions of Article 93 et seq. of the Spanish Corporations Law.

Shareholders' General Meeting

The shareholders in General Meeting will decide on the matters within their powers.

The voting rights of shareholders will not exceed 40%.

Decisions will be adopted by simple majority.

Exceptionally, for the following resolutions to be passed, a favourable vote of at least half plus one is required, together with approval by at least 75% of those holding series B shares:

(a) Increases or reductions in capital, amendments to the articles of association, mergers, demergers, changes in corporate status, liquidation and winding up of the Company.

(b) The issue of any kind of securities or instruments which entitle the holder to acquire shares in the Company or any of its subsidiaries or assign rights which authorise others to take part and vote in Shareholders' General Meetings.

(c) Application of income and distribution of dividends or reservesv

Other matters will be decided by the Shareholders' General Meeting with the majorities specified in Article 93 of the Spanish Corporations Law.

The Company's executives must vote jointly through the Managing Director.

The Shareholders' General Meeting may be held in the municipality in which the Company has its registered address, or in any other municipality of the Autonomous Community of Madrid specified in the call of the meeting.

The General Shareholders' Meeting will be called by the Directors, or the liquidators, if the case should arise, by means of an individual written notice sent by registered letter with acknowledgement of receipt to the address recorded in the register, or sent by fax or e-mail with acknowledgement of receipt sent to the number or address provided for this purpose by the shareholders. At least fifteen days' notice must be given of the Meeting.

The Directors shall call a Shareholders' General Meeting to be held in the first six months of each year, to assess the management of the Company, approve, or otherwise, the accounts for the previous year and decide on the application of income.

The Directors will be required to call a Shareholders' General Meeting when so requested by one or more shareholders who represent at least five per cent of capital stock. In their request they must specify what matters are to be dealt with at the Shareholders' General Meeting.

Without prejudice to the terms of the previous paragraph, the Shareholders' General Meeting will be considered valid without the need for it to be called in advance if members representing all the capital are present and so decide.

All shareholders are entitled to attend the Shareholders' General Meeting in their own right or to appoint a proxy, who may but need not be a shareholder. Proxy appointments will be for all shares of the principal. Proxy appointments must be made in writing and, if not recorded in a public instrument, will be for individual meetings.

Board of Directors

The Board of Directors will consist of a minimum of EIGHT and a maximum of TEN members, two of whom must be independent.

It is not necessary to be a shareholder to be appointed to the Board.

The Board of Directors will meet within three months from the close of the financial year, to prepare the Annual Financial Statements, the Management Report and the Proposed Application of Income. If two members of the Board request the holding of a Board Meeting, the Chairman must call the meeting within five days of receiving the request.

Notice of the meeting, including the agenda, must be sent to each member of the Board by registered post, fax or e-mail, with acknowledgement of receipt, at least 14 days in advance.

Board members can attend in person or be represented by others. Such representation will be conferred by letter addressed to the Chairman. The Board Meeting will be quorate when half of its members plus one are present at the meeting or represented.

Nevertheless, valid meetings may be held without having been called previously, if all the members of the Board of Directors are either present in person or duly represented by others and decide to conduct a Board Meeting after establishing the agenda.

Meetings held using videoconferencing or any other similar means will be considered valid, as will action without meeting, provided that none of the Board Members states a reasoned objection.

Decisions will be adopted by absolute majority of the Board Members attending the meeting. However, the following decisions will be subject to a majority of (i) SOX votes in favour if the number of members is eight or nine, or (ii) SEVEN votes in favour if the number of members is ten:

(a) Approval and modification of the Budget and Annual Business Plan

(b) Approval of decisions not included in the Annual Budget involving sums exceeding 25,000 euros

(c) Signing of loan contracts, credit lines and other similar instruments involving sums of 25,000 euros or over

(d) Provision of guarantees, sureties and other similar instruments committing sums exceeding 10,000 euros and which fall outside the ordinary operations of the Company

(e) Transfer of assets vital to the Company or its subsidiaries, in particular industrial property rights. Transfer of all or part of the Company's business or one of its business lines

(f) Signing of licensing contracts transferring industrial property rights belonging to the Company to a third party, or to acquire such rights from third parties

(g) Signing of major contracts with companies whose activities are the same as those of Cellerix

(h) Opening and closing of offices, branches and other establishments

(i) Creation, dissolution, merger or reorganisation of subsidiaries. Acquisition and sale of shares in other companies

(j) Appointment and termination of appointment of the Chairman and Managing Director

(k) Approving the implementation of equity based incentive schemes for senior managers and employees

(l) The contracting of services related to admission of the Company's shares to trading in a stock exchange, and decisions concerning said process

(m) Appointment of consultants to advise on the strategy and development of the Company and its subsidiaries. Appointment of legal advisers to monitor the corporate activity of the Company and its subsidiaries

(n) Adoption of any agreement between the Company and the Managing Director, or between the Company and its shareholders, except those which by law require the approval of the shareholders in General Meeting.

(o) Initiation or termination of legal proceedings

All the powers of the Board of Directors will be delegated to the Managing Director except those described above.

8. SIGNIFICANT RESOLUTIONS

Pursuant to Article 130 Act of the fourth Additional Provision of the Spanish Public Limited Companies Act, an Equity Based Incentive Plan (EBIP) for the directors, managers and employees of Cellerix S.A. was approved at the shareholders Annual General Meeting held on 22 November 2007, with the following terms:;

(a) **Implementation of the EBIP:** The EBIP consists of the granting of share options in Cellerix allowing its beneficiaries to obtain shares in the Company at a price set at the time the option is granted, provided that the requisites established by the Board of Directors in each case have been fulfilled.

The options will be awarded without charge and are not transferable inter vivos, but may be transferred mortis causa according to the terms established by the Board of Directors.

The options are not exercisable in the first twelve months of the Plan, i.e. in 2008.

(b) **Option Plan beneficiaries:** The Option Plan beneficiaries are directors, managers and employees of the Company as designated by the Board of Directors. The maximum number of beneficiaries is, approximately, 60.

These beneficiaries may include persons holding the post of Executive Director or General Manager, and employees at senior management level who report directly to the Board of Directors, to such Board Committees as may be created, to the Chairman or to the Company's Managing Director.

(c) **Award of Options:** To receive options under the Plan, the beneficiary must work for the Company under an employment, commercial or service agreement at the award date, and must commit their services exclusively to the Company and assume other such commitments as are required.

(d) **Duration:** The Options Plan will be in force for a maximum of six years from 6 August. Without affecting this period, if the Company's shares are not traded on the Stock Market, the options exercise period will commence on the date that the shares are admitted to trading and will be extended to, at the latest, 6 August 2015. Notwithstanding the above, if there is a change in the Company's controlling ownership (in accordance with the definition of "control" established in Article 4 of the Spanish Securities Market Act), the Options Plan will be considered to be fully paid, unless pursuant to the request of the acquiring third party, the Beneficiaries agree with the acquirers to an additional transition period of up to one year.

(e) **Maximum number of Cellerix shares included in the Options Plan:** No more than 453,550 of the Company's shares may be included in the Options Plan, representing 8% of the Company's capital stock.

This limit will not be affected by the possible inclusion of new Beneficiaries in the future.

(f) **Option Plan coverage:** To cover the Options Plan, the Company may resolve to issue new shares, use own shares held as treasury stock or contract a suitable financial instrument, and/or enter into the relevant contracts with a reputable creditworthy financial institution or entity associated with the Company to allow future delivery of the Company shares to the Beneficiaries on exercise of their Options.

(g) **Previous compensation plans:** From 2008, the EBIP will replace all existing employee incentives.

On 15 October 2010, the Company's Shareholders' General Meeting approved a modification to the conditions of the 2008 EBIP, as follows:

- Exercise price changed to 5.291 euros per share. The new price will come into effect on 31 December 2011 or in the event of a change of control as described in the conditions of the 2008 EBIP.

A new incentives plan for Cellerix's directors, managers and employees (henceforth EBIP 2010) was also approved at the same Shareholders' General Meeting, with the following conditions:

(a) Duration: the Plan will come into force on 1 October 2010 with an initial term of 6 years from that date, and will therefore close on 1 October 2016. Notwithstanding the above, if after four (4) years from the start date of the Plan there has been no change in the status of the company, the exercise period will open when said change of status occurs and will be extended to, at the latest the eighth (8) anniversary of the start date, i.e. to 30 September 2018, on which date the Plan will be automatically extinguished.

(b) Option Plan beneficiaries: The Option Plan beneficiaries are directors, managers and employees of the Company as designated by the Board of Directors. There are 5 beneficiaries.

(c) Award of Options: the shares will be formally awarded on 1 October 2011.

(d) Award period:

1. Normal award date: the Options will be awarded in a single tranche three years from the start date, i.e. on 1 October 2013.
2. Proportional award: Exceptionally, should the events described in section 15.2 of the general conditions arise prior to the normal award date, the options will be awarded in the proportion of 1/36 for each month from the start date of the Plan up to the last day of the month prior to the date the director, manager or employee ceases to be a beneficiary.
3. Advance award: Notwithstanding the above, the award of the options will be brought forward in the event of a permanent change in the Company's status (understood as one of the following transactions: 1.- the listing of the Company's shares on an organised stock market, 2.- acquisition for cash of 100% of the Company, 3.- change of control) within three years of the start date.

(e) Exercise price:

1. In the event of an IPO or Trade Sale, giving rise to the exercise of preference rights as established in clause 8 of the shareholders' contract, the exercise price will be 0.013 euros per share.
2. In all other circumstances, the exercise price will be 5.291 euros per share.
3. In the event of new options being awarded, the exercise price of said options will be as established by the Shareholders' General Meeting approving the new award.

(f) Exercise mechanism:

1. In the event of an IPO, the beneficiary may acquire the number of shares in Cellerix that correspond to the number of options exercised, net of the corresponding income tax and social security withholdings and, if applicable, any expenses arising on the operation.
2. In the event of a Trade Sale, the options will be understood to have been automatically exercised and will be settled in cash. The beneficiaries may, in this event, opt to receive in cash the difference between the share price offered by the acquiring third party or parties and the exercise price, multiplied by the number of options held, net of the corresponding income tax and social security withholdings and any expenses arising in accordance with the general conditions of the Plan.
3. In the event of a change of control, the beneficiary may opt to:

   (i) Exercise all the options awarded, in which case the Company may deliver shares in Cellerix or in the new company formed following the change of control, in a single tranche within twenty (20) calendar days of the date the change of control takes place.

   (ii) Alternatively, the beneficiary may opt to exchange all the options awarded for new options on the new shares in the company formed following the change of control, based on the exchange ratio used in the change of control operation, or an equivalent parameter.

9. POST-BALANCE SHEET EVENTS

On 25 February 2011, it was announced that an agreement had been entered into between the Company's shareholders and TiGenix, N.V. to combine the activities of the two companies through an exchange of shares.

TiGenix is a biomedical company with headquarters in Leuven, which is listed on the Belgian stock market and is exploiting the power of regenerative medicine to develop effective treatments for bone tissues ("Regenerating Motion") and has two products approved for marketing and sale in Europe.

The investors in Cellerix have undertaken to carry out a capital increase of approximately 18 million euros at Cellerix which would be paid up prior to the completion of the transaction and which is subject to the approval by the shareholders of Cellerix at the Company's Shareholders' Meeting. This capital increase would provide the group with a solid financial base.

TiGenix has also announced its intention to raise approximately 15 million euros through a public rights offering, of which 10 million has already been secured via pre-commitments from certain existing shareholders and new investors. Together with an 18 million euros capital increase by Cellerix investors prior to the transaction, the combined group is expected to have a proforma cash position of at least 33 million euros at closing.

The contribution is to be effected pursuant to the terms of the contribution offer as accepted by the shareholders of Cellerix and resulting in a binding contribution agreement. Under the terms of the contribution agreement, TiGenix will issue approximately 44.8 million new TiGenix shares as consideration for the contribution in kind by Cellerix shareholders, holding all of the outstanding Cellerix shares, into TiGenix at an agreed subscription price of 1.2977 euros per new TiGenix share, valuing Cellerix at approximately 58 million euros, including the paid-in capital increase of 18 million euros.

This transaction is subject to the approval of the contribution by TiGenix shareholders at an extraordinary shareholders' meeting to be convened by the Board of Directors of TiGenix. The transaction is also subject to certain other conditions, including the approval by the Belgian Banking, Finance and Insurance Commission ("Commissie voor het Bank-, Financie- en Assurantiewezen") of the prospectus relating to the subsequent public rights offering and the admission to trading of the new TiGenix shares.

As part of this transaction, there are certain liabilities assumed by the Company that will be payable on the date that the aforementioned transaction is formalised and that are related to contingent fees of the advisors who took part in the transaction. These fees are calculated using a mechanism related to the final amount of the transaction.

If this transaction in not carried out, the Board of Directors of Cellerix has requested payment of tranche 3 of the investment agreement amounting to at least 8 million euros, which ensures the continuity of the business in any event throughout the following year.

10. EVOLUTION OF THE BUSINESS

Cellerix will continue the development of its allogeneic platform togheteher with its consolidation with TiGenix.

If this transaction is not carried out, as it is subject to certain conditions, there is a firm commitment dated 28 February 2011 whereby the Board of Directors has requested the Company's shareholders to pay tranche 3 of the investment agreement amounting to at least 8 million eurosThis contribution would be made, where appropriate, in April 2011 and will ensure the continuity of the business in any event throughout the following year and through the first quarter of 2012.

On the other hand, the Company is also actively seeking new partners to license those products whose internal development it has put on hold.

CELLERIX S.A.
MANAGEMENT REPORT

(Financial year ended 31 December 2009)

Contents

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1. THE YEAR IN BRIEF

2009 was a very important year for Cellerix as it has reached its financial targets and continued to develop its products.

The Company's Capital and Reserves have been strengthened with the conclusion of a financial round worth 27 million euros, approximately 20% of which had been paid in by year end.

R&D spending in the year increased by 28%, due to the changes in product development.

Other expenses increased mainly in respect of staff costs reflecting the strong growth in the workforce, which went from an average of 50 to 68 employees.

EBITDA in 2009 was negative, as in previous financial years, as the Company is currently in the development phase. For these reasons we do not consider that the figures are comparable with those of previous financial years.

The 27th of August saw a milestone in terms of clinical trials, with the entry of the first patient into clinical trials for Phase I/III of Cx601. Also, the calendar marked for Phase III clinical trials of Ontaril for non-Crohn's patients and of Cx501 for Epidermolysis Bullosa continued on schedule.

To sum up, these achievements show that the Company has continued to strengthen its domestic and international strategy in 2009, reaching its targets on schedule.

2. PRODUCTS

Cellerix's products are based on innovative cell therapy technologies.

Ontaril uses expanded stem cells obtained from human adipose tissue taken from the patient being treated, making it an efficient mechanism for treating complex perianal fistulas based on the cells' own anti-inflammatory properties. Complex perianal fistulas are a rare, painful and debilitating disorder that frequently affect patients diagnosed with Crohn's disease or other inflammatory intestinal conditions. In clinical trials, Ontaril has proven to be over 70% effective in completely closing complex perianal fistulas after 8 weeks of treatment. There are estimated to be around 69,179 cases a year in Europe (the 27 EU countries plus Switzerland, Monaco, Norway and Liechtenstein). Ontaril's effective action represents a new approach to cell therapies using adult stem cells, which could potentially be applied to the treatment of other inflammatory disorders.

Cx501 is an innovative chimeric skin graft that combines expanded cutaneous cells taken from the patient (autologous) and from a donor (allogeneic) to create a dermic matrix that is less likely to be rejected by the patient, making it suitable as a long-term cutaneous repair treatment for sufferers of Epidermolysis Bullosa Dystrophica Recessiva (EBDR). EBDR is an extremely debilitating hereditary skin disease that produces severe damage and blistering to the skin, and, in extreme cases, causes the fingers to join together, a condition known as syndactylia.

Given the relative rarity and serious nature of the conditions for which Cellerix is developing its products, and the scarcity of available treatments for them, both Ontaril and Cx501 have been designated as Orphan Drugs by the European Medicines Agency (EMEA). This designation brings a number of benefits from a product development standpoint, including research grants and subsidies, assistance and technical collaboration from the EMEA in the pursuit of clinical trials, a less costly procedure for obtaining regulatory approval to market the products in Europe, and exclusive marketing rights in Europe for ten years from the product launch date.

Cellerix is also developing a new generation of products based on the use of allogeneic expanded stem cells, i.e. obtained from donors (Cx601, Cx611 and Cx621).

Cx-601 is the allogeneic version (from stem cells taken from a donor other than the recipient) of Ontaril. At the end of 2009 the product is in phase II of its clinical development (obtaining preliminary information on the effectiveness of the drug).

The rest of the programmes are currently in the pre-clinical development phase and are aimed at developing treatments for fistulas and certain autoimmune disorders, respectively.

3. FINANCIAL INFORMATION

a. The Income Statement

EUR 000s (IFRS)	31-12-09	31-12-08	Change
Net Sales	95	72	31%
Other revenues	1,187	1,287	-8%
Supplies	(549)	(555)	-1%
Staff costs	(5,322)	(4,110)	29%
Other operating expenses (*)	(6,880)	(6,888)	0%
Operating loss	**(11,469)**	**(10,194)**	**13%**
Finance costs	(77)	431	-118%
Loss for the year	**(11,546)**	**(9,763)**	**18%**

(*) Includes amortisation and depreciation, other operating expenses and other extraordinary gains or losses.

- Other revenues have fallen by 8%, principally because during 2009 the government agencies that award subsidies have reduced the amount of these grants and replaced them with soft loan facilities.
- The costs of supplies remained in line with those for 2008, while staff costs rose 29%, reflecting the expansion of the company's workforce.
- Operating costs recorded no significant changes.
- Financial results declined 118%, because there was no surplus treasury in 2009 to generate financial income and due to the financial expenses in connection with the 3 million euros retired from the credit facility with ETV.

b. Balance Sheet and Financial Situation

EUR 000s (IFRS)	31-12-09	31-12-08	% Change
Non-current assets	2,744	2,038	35%
Current assets	1,930	2,804	-31%
Cash and equivalents	9,792	11,596	-16%
TOTAL ASSETS	**14,466**	**16,438**	**-12%**
Equity	6,691	12,160	-45%
Non-current liabilities	2,395	845	183%
Current liabilities	5,380	3,433	57%
Total equity and liabilities	**14,466**	**16,438**	**-12%**

Cellerix's balance sheet at 31 December 2009 reflects the impact of the main events in the year:

- Cash and equivalents and equity reflect the disbursement of the first tranche of the round of financing of the series C, with a total of 27 million euros committed. This financing round was concluded in November 2009, in which the disbursement of three tranches of up to 27 million euros was agreed, based on the achievement of certain milestones. The first tranche of 5 million euros was disbursed.
- Non-current assets increased by 35% as a result of the Company's growth.
- The 31% decrease in current assets mainly reflects the receipt at year-end of subsidies granted.
- Current liabilities record, among other things, the growth in the volume of the company's operations, the part of the salaries and wages for 2009 in respect of the bonus that will be paid to employees in February 2010, the part of the debt under the ENISA loan and the short-term portion of the debt on the 3 million euros ETV credit line.
- Non-current liabilities mainly refer to the long-dated portion of the of the debt on the 3 million euros ETV credit line.

4. BUSINESS DEVELOPMENT

In 2009 Cellerix held talks with a number of companies potentially interested in licensing Ontaril for Israel, Japan and Korea, although no agreement has been reached to date.

5. EMPLOYEES

The average number of employees in the years ended 31 December 2009 and 2008 was as follows:

2009	Average no. of	No. of employees at 31/12/2009
Executives	6	6
Supervisors	17	16
Technical staff	39	46
Administrative	0	0
Others	6	6
Total	**68**	**74**

2008	Average no. of	No. of employees at 31/12/2009
Executives	5	6
Supervisors	15	16
Technical staff	26	30
Administrative	0	0
Others	4	6
Total	**50**	**58**

6. RISK FACTORS

- Cellerix has no products currently on the market, it has limited financial resources and it may not become a profit-making business
- Highly regulated business sector
- Dependence on patents
- High production costs of Ontaril
- Dependence on clinical success of Ontaril
- Drugs pipeline initially focused on therapies for disorders with a low incidence rate in the population

7. SHAREHOLDERS

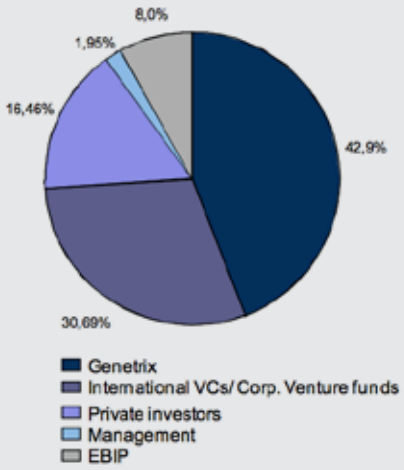
Cellerix's shareholders are as follows:

International VCs:

- Life Science Partners
- Ventech
- Ysios

Corporate venture funds:

- Novartis Venture Fund
- Roche Venture Fund



8. MANAGEMENT BODIES, THE BOARD

Governing bodies

The governing bodies are the Shareholders' Annual General Meeting and the Board of Directors. Any matter not provided for in the Articles of Association will be governed by the provisions of Article 93 et seq. of the Spanish Public Limited Companies Act.

Shareholders' General Meeting

The shareholders in General Meeting will decide on the matters within their powers.

The voting rights of shareholders will not exceed 40%.

Decisions will be adopted by simple majority.

Exceptionally, for the following resolutions to be passed, a favourable vote of at least half plus one is required, together with approval by at least 75% of those holding series B shares:

(a) Increases or reductions in capital, amendments to the articles of association, mergers, demergers, changes in corporate status, liquidation and winding up of the Company.

(b) The issue of any kind of securities or instruments which entitle the holder to acquire shares in the Company or any of its subsidiaries or assign rights which authorise others to take part and vote in Shareholders' General Meetings.

(c) Application of income and distribution of dividends or reserves

Other matters will be decided by the Shareholders' General Meeting with the majorities specified in Article 93 of the Spanish Public Limited Companies Act.

The Company's executives must vote jointly through the Managing Director.

The Shareholders' General Meeting may be held in the municipality in which the Company has its registered address, or in any other municipality of the Autonomous Community of Madrid specified in the call of the meeting.

The General Shareholders' Meeting will be called by the Directors, or the liquidators, if the case should arise, by means of an individual written notice sent by registered letter with acknowledgement of receipt to the address recorded in the register, or sent by fax or e-mail with acknowledgement of receipt sent to the number or address provided for this purpose by the shareholders. At least fifteen days' notice must be given of the Meeting.

The Directors shall call a Shareholders' General Meeting to be held in the first six months of each year, to assess the management of the Company, approve, or otherwise, the accounts for the previous year and decide on the application of income.

The Directors will be required to call a Shareholders' General Meeting when so requested by one or more shareholders who represent at least five per cent of capital stock. In their request they must specify what matters are to be dealt with at the Shareholders' General Meeting.

Without prejudice to the terms of the previous paragraph, the Shareholders' General Meeting will be considered valid without the need for it to be called in advance if members representing all the capital are present and so decide.

All shareholders are entitled to attend the Shareholders' General Meeting in their own right or to appoint a proxy, who may but need not be a shareholder. Proxy appointments will be for all shares of the principal. Proxy appointments must be made in writing and, if not recorded in a public instrument, will be for individual meetings.

Board of Directors

The Board of Directors will consist of a minimum of SIX and a maximum of EIGHT members, two of whom must be independent.

It is not necessary to be a shareholder to be appointed to the Board.

The Board of Directors will meet within three months from the close of the financial year, to prepare the Annual Financial Statements, the Management Report and the Proposed Application of Income. If two members of the Board request the holding of a Board Meeting, the Chairman must call the meeting within five days of receiving the request.

Notice of the meeting, including the agenda, must be sent to each member of the Board by registered post, fax or e-mail, with acknowledgement of receipt, at least 14 days in advance.

Board members can attend in person or be represented by others. Such representation will be conferred by letter addressed to the Chairman. The Board Meeting will be quorate when half of its members plus one are present at the meeting or represented.

Nevertheless, valid meetings may be held without having been called previously, if all the members of the Board of Directors are either present in person or duly represented by others and decide to conduct a Board Meeting after establishing the agenda.

Meetings held using videoconferencing or any other similar means will be considered valid, as will action without meeting, provided that none of the Board Members states a reasoned objection.

Decisions will be adopted by absolute majority of the Board Members attending the meeting. However, the following decisions will be subject to a majority of (i) FIVE votes in favour if the number of members is six or seven, or (ii) SIX votes in favour if the number of members is eight:

(a) Approval and modification of the Budget and Annual Business Plan

(b) Approval of decisions not included in the Annual Budget involving sums exceeding 25,000 euros

(c) Signing of loan contracts, credit lines and other similar instruments involving sums of 25,000 euros or over

(d) Provision of guarantees, sureties and other similar instruments committing sums exceeding 10,000 euros and which fall outside the ordinary operations of the Company

(e) Transfer of assets vital to the Company or its subsidiaries, in particular industrial property rights. Transfer of all or part of the Company's business or one of its business lines

(f) Signing of licensing contracts transferring industrial property rights belonging to the Company to a third party, or to acquire such rights from third parties

(g) Signing of major contracts with companies whose activities are the same as those of Cellerix

(h) Opening and closing of offices, branches and other establishments

(i) Creation, dissolution, merger or reorganisation of subsidiaries. Acquisition and sale of shares in other companies

(j) Appointment and termination of appointment of the Chairman and Managing Director

(k) Approving the implementation of equity based incentive schemes for senior managers and employees

(l) The contracting of services related to admission of the Company's shares to trading in a stock exchange, and decisions concerning said process

(m) Appointment of consultants to advise on the strategy and development of the Company and its subsidiaries. Appointment of legal advisors to monitor the corporate activity of the Company and its subsidiaries

(n) Adoption of any agreement between the Company and the Managing Director, or between the Company and its shareholders, except those which by law require the approval of the shareholders in General Meeting.

(o) Initiation or termination of legal proceedings

All the powers of the Board of Directors will be delegated to the Managing Director except those described above.

9. SIGNIFICANT RESOLUTIONS

Pursuant to Article 130 Act of the fourth Additional Provision of the Spanish Public Limited Companies Act, an Equity Based Incentive Plan for the directors, managers and employees of Cellerix S.A. was approved at the shareholders Annual General Meeting held on 22 November 2007.

(a) **Implementation of the EBIP:** The EBIP consists of the granting of share options in Cellerix allowing its beneficiaries to obtain shares in the Company at a price set at the time the option is granted, provided that the requisites established by the Board of Directors in each case have been fulfilled.

The options will be awarded without charge and are not transferable inter vivos, but may be transferred mortis causa death according to the terms established by the Board of Directors.

The options are not exercisable in the first twelve months of the Plan, i.e. in 2008.

(b) **Option Plan beneficiaries:** The Option Plan beneficiaries are directors, managers and employees of the Company as designated by the Board of Directors. The maximum number of beneficiaries is, approximately, 60.

These beneficiaries may include persons holding the post of Executive Director or General Manager, and employees at senior management level who report directly to the Board of Directors, to such Board Committees as may be created, to the Chairman or to the Company's Managing Director.

(c) **Award of Options:** To receive options under the Plan, the beneficiary must work for the Company under an employment, commercial or service agreement at the award date, and must commit their services exclusively to the Company and assume other such commitments as are required.

(d) **Duration:** The Options Plan will have a maximum term of six years from 6 August 2007. Notwithstanding the aforementioned condition, if the Company's shares are not listed for trading, the options exercise period will commence on the date that the shares are admitted to trading and will be extended to, at the latest, 6 August 2015. Notwithstanding the aforementioned conditions, if there occurs a change in the controlling ownership of the Company (within the meaning of "control" given in Article 4 of the Spanish Securities Market Act), the Options Plan will be deemed to have accrued, unless pursuant to the request of the acquiring third party, the Beneficiaries agree with the acquirers to an additional transition period of up to one year.

(e) **Maximum number of Cellerix shares included in the Options Plan:** No more than 453,550 of the Company's shares may be included in the Options Plan, representing 8% of the Company's capital stock.

This limit will not be affected by the possible inclusion of new Beneficiaries in the future.

(f) **Option Plan coverage:** To cover the Options Plan, the Company may resolve to issue new shares, use own shares held as treasury stock or contract a suitable financial instrument, and/or enter into the relevant contracts with a reputable creditworthy financial institution or entity associated with the Company to allow future delivery of the Company shares to the Beneficiaries on exercise of their Options.

(g) **Previous compensation plans:** From 2008, the EBIP will replace all existing employee incentives.

At 31 December 2008 said plan was in force.

10. POST-BALANCE SHEET EVENTS

In January 2010 the results were released of the phase III FATT 1 Ontaril clinical trial for the Non-Crohn indication.

The results were not as positive as expected as they indicated the difference in effectiveness between groups that received cells versus the group that only received fibrin was not significant. The drug's safety, however, has continued to be confirmed as excellent.

The research business is complex and even risky. The desired results are not always obtained and "failures" occur; the important thing is to know how to react and be mindful of the need for continuity and perseverance.

11. EVOLUTION OF THE BUSINESS

Cellerix is preparing a new business plan and will focus on developing allogeneic programmes with eASCs (expanded adipose-derived stem cells). As previously mentioned, the most advanced programme is Cx601, which is in phase II for treatment of fistulas in Crohn patients.

These programmes target broader indications with a larger potential market.

Cellerix is working very closely with its directors on this new business plan and both the investors and the management team believe in this new plan for the company.

This new plan entails the elimination of 30 jobs directly involved in the programmes which have not been halted (clinical trial phase III of Ontaril for Crohn and Cx501). The rest of the company will focus on the programmes that are set to continue.

As mentioned in section 3 above on financial information, in November the company concluded a capital increase of up to 27 million euros, of which a first tranche of approximately 20% has been paid in.

The two tranches pending disbursement are subject to the fulfilment of two conditions. The first (Tranche 2) is tied to approval by two-thirds of the Board of a new business plan, and the second (Tranche 3) to a possible initial public offering or cash assets to cover a period of time not to exceed 12 weeks.

If both milestones are achieved, Cellerix will have financing through year-end 2012.

CELLERIX S.A.
MANAGEMENT REPORT

(Financial year ended 31 December 2008)

Contents

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1. THE YEAR IN BRIEF

2008 has been a very important year for Cellerix as it has reached its financial targets and continued to develop and consolidate its most important projects.

The Company's Capital and Reserves have been strengthened following receipt of the second tranche from the capital increase carried out in 2007.

R&D spending in the year increased by around 53%. Other costs increased in line with expectations, mainly relating to staff costs as the number of employees grew sharply in the year.

EBITDA in 2008 was negative, as in previous financial years, as the Company is currently in the development phase. For these reasons we do not consider that the figures are comparable with those of previous financial years.

December saw a milestone in terms of clinical trials, with the recruitment of the first patient for clinical trials of Ontaril to treat Crohn's disease, while Phase III clinical trials of Ontaril for non-Crohn's patients and of Cx501 for Epidermolysis Bullosa are on schedule.

To sum up, these achievements show that the Company has continued to strengthen its domestic and international strategy in 2008, reaching its targets on schedule.

2. PRODUCTS

Cellerix's products are based on innovative cell therapy technologies.

Ontaril uses expanded stem cells obtained from human adipose tissue taken from the patient being treated, making it an efficient mechanism for treating complex perianal fistulas based on the cells' own anti-inflammatory properties. Complex perianal fistulas are a rare, painful and debilitating disorder that frequently affect patients diagnosed with Crohn's disease or other inflammatory intestinal conditions. In clinical trials, Ontaril has proven to be over 70% effective in completely closing complex perianal fistulas after 8 weeks of treatment. There are estimated to be around 69,179 cases a year in Europe (the 27 EU countries plus Switzerland, Monaco, Norway and Liechtenstein). Ontaril's effective action represents a new approach to cell therapies using adult stem cells, which could potentially be applied to the treatment of other inflammatory disorders.

Cx501 is an innovative chimeric skin graft that combines expanded cutaneous cells taken from the patient (autologous) and from a donor (allogeneic) to create a dermic matrix that is less likely to be rejected by the patient, making it suitable as a long-term cutaneous repair treatment for sufferers of Epidermolysis Bullosa Dystrophica Recessiva (EBDR). EBDR is an extremely debilitating hereditary skin disease that produces severe damage and blistering to the skin, and, in extreme cases, causes the fingers to join together, a condition known as syndactylia.

Given the relative rarity and serious nature of the conditions for which Cellerix is developing its products, and the scarcity of available treatments for them, both Ontaril and Cx501 have been designated as Orphan Drugs by the European Medicines Agency (EMEA). This designation brings a number of benefits from a product development standpoint, including research grants and subsidies, assistance and technical collaboration from the EMEA in the pursuit of clinical trials, a less costly procedure for obtaining regulatory approval to market the products in Europe, and exclusive marketing rights in Europe for ten years from the product launch date.

Cellerix is also developing a new generation of products based on the use of allogeneic expanded stem cells, i.e. obtained from donors (Cx601 and Cx611). These programmes are currently in the pre-clinical development phase and are aimed at developing treatments for fistulas and certain autoimmune disorders, respectively.

3. FINANCIAL INFORMATION

a. The Income Statement

EUR 000s (IFRS)	31-12-08	31-12-07	% Change
Net Turnover	72	-	
Other revenues	1,287	7,443	-83%
Supplies	(555)	(493)	13%
Staff costs	(4,110)	(2,890)	42%
Other operating expenses (*)	(6,888)	(6,609)	5%
Operating loss	**(10,194)**	**(2,549)**	**400%**
Finance costs	431	(119)	-463%
Loss for the year	**(9,763)**	**(2,668)**	**366%**

(*) Includes amortisation and depreciation, other operating expenses and other extraordinary gains or losses.

- Other revenues have fallen by 83%, principally because there have been no revenues from the licensing and development contract signed with Axcan Pharma, Inc. in 2007.
- Supplies and staff costs have increased by 38% in aggregate, as the Company is currently in the development stage. This trend is expected to continue in 2009.
- Operating costs have increased by 5% as both pre-clinical and clinical development have continued and expanded.
- Financial costs have declined by approximately 463% as a result of the active management of the Company's cash positions during the year. At the end of 2008 cash surpluses were invested in public debt.

b. Balance Sheet and Financial Situation

EUR 000s (IFRS)	31-12-08	31-12-07	% Change
Non-current assets	2,038	1,775	15%
Current assets	2,804	1,669	68%
Cash and equivalents	11,596	18,778	-38%
TOTAL ASSETS	**16,438**	**22,222**	**-26%**
Equity	12,160	16,272	-25%
Non-current liabilities	845	2,160	-61%
Current liabilities	3,433	3,789	-9%
Total equity and liabilities	**16,438**	**22,222**	**-26%**

Cellerix's balance sheet at 31 December 2008 reflects the impact of the main events in the year:

- Cash and equivalents and equity reflect the full disbursement of the round of financing. This financing round was finalised on 6 August 2007, in which the disbursement of three tranches of up to 27.2 million euros was agreed, based on the achievement of certain milestones. The third tranche of 5.03 million euros was disbursed.
- Non-current assets increased by 15% as a result of the Company's growth.
- The 68% growth in current assets corresponds mainly to receivables from subsidies granted but not yet received at year end.
- Current liabilities correspond to, among other things, the growth in the volume of the Company's operations, and to the part of the salaries and wages account in respect of the bonus which will be paid in February 2009.

4. BUSINESS DEVELOPMENT

In 2008 Cellerix held talks with a number of companies that expressed an interest in licensing Ontaril for Japan and Korea, although no agreement has been reached to date.

Following an agreement signed with Axcan Pharma, the transfer of technology has begun to the Company designated by Axcan to produce Cx401 in the US, and a clinical trial intended to secure approval for the product in the US in 2012 is at an advanced design stage.

5. EMPLOYEES

The number of employees in the years ended 31 December 2008 and 2007 was as follows

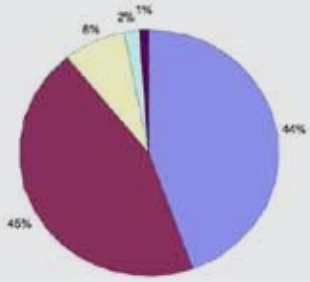
6. RISK FACTORS

- Cellerix has no products currently on the market, it has limited financial resources and it may not become a profit-making business
- Highly regulated business sector
- Dependence on patents
- High production costs of Ontaril
- Dependence on clinical success of Ontaril
- Drugs pipeline initially focused on therapies for disorders with a low incidence rate in the population

7. SHAREHOLDERS

Cellerix's shareholders are as follows:

Genetrix Life Sciences AB	44.33%
Financial investors	44.71%
Cx EBIP Agreement, S.L.	8.00%
Management team	1.99%
Private investors	0.98%



8. MANAGEMENT BODIES, THE BOARD

Governing bodies

The governing bodies are the Shareholders' Annual General Meeting and the Board of Directors. Any matter not provided for in the Articles of Association will be governed by the provisions of Article 93 et seq. of the Spanish Public Limited Companies Act.

Shareholders' General Meeting

The shareholders in General Meeting will decide on the matters within their powers.

The voting rights of shareholders will not exceed 40%.

Decisions will be adopted by simple majority.

Exceptionally, for the following resolutions to be passed, a favourable vote of at least half plus one is required, together with approval by at least 75% of those holding series B shares:

(a) Increases or reductions in capital, amendments to the articles of association, mergers, demergers, changes in corporate status, liquidation and winding up of the Company.

(b) The issue of any kind of securities or instruments which entitle the holder to acquire shares in the Company or any of its subsidiaries or assign rights which authorise others to take part and vote in Shareholders' General Meetings.

(c) Application of income and distribution of dividends or reserves

Other matters will be decided by the Shareholders' General Meeting with the majorities specified in Article 93 of the Spanish Public Limited Companies Act.

The Company's executives must vote jointly through the Managing Director.

The Shareholders' General Meeting may be held in the municipality in which the Company has its registered address, or in any other municipality of the Autonomous Community of Madrid specified in the call of the meeting.

The General Shareholders' Meeting will be called by the Directors, or the liquidators, if the case should arise, by means of an individual written notice sent by registered letter with acknowledgement of receipt to the address recorded in the register, or sent by fax or e-mail with acknowledgement of

receipt sent to the number or address provided for this purpose by the shareholders. At least fifteen days' notice must be given of the Meeting.

The Directors will call a Shareholders' General Meeting to be held in the first six months of each year, to assess the management of the Company, approve, or otherwise, the accounts for the previous year and decide on the application of income.

The Directors will be required to call a Shareholders' General Meeting when so requested by one or more shareholders who represent at least five per cent of capital stock. In their request they must specify what matters are to be dealt with at the Shareholders' General Meeting.

Notwithstanding the terms of the previous paragraph, the Shareholders' General Meeting will be considered valid without the need for it to be called in advance if members representing all the capital are present and so decide.

All shareholders are entitled to attend the Shareholders' General Meeting in their own right or to appoint a proxy, who may but need not be a shareholder. Proxy appointments will be for all shares of the principal. Proxy appointments must be made in writing and, if not recorded in a public instrument, will be for individual meetings.

Board of Directors

The Board of Directors will consist of a minimum of SIX and a maximum of EIGHT members, two of whom must be independent.

It is not necessary to be a shareholder to be appointed to the Board.

The Board of Directors will meet within three months from the close of the financial year, to prepare the Annual Financial Statements, the Management Report and the Proposed Application of Income. If two members of the Board request the holding of a Board Meeting, the Chairman must call the meeting within five days of receiving the request.

Notice of the meeting, including the agenda, must be sent to each member of the Board by registered post, fax or e-mail, with acknowledgement of receipt, at least 14 days in advance.

Board members can attend in person or be represented by others. Such representation will be conferred by letter addressed to the Chairman. The Board Meeting will be quorate when half of its members plus one are present at the meeting or represented.

Nevertheless, valid meetings may be held without having been called previously, if all the members of the Board of Directors are either present in person or duly represented by others and decide to conduct a Board Meeting after establishing the agenda.

Meetings held using videoconferencing or any other similar means will be considered valid, as will action without meeting, provided that none of the Board Members states a reasoned objection.

Decisions will be adopted by absolute majority of the Board Members attending the meeting. However, the following decisions will be subject to a majority of (i) FIVE votes in favour if the number of members is six or seven, or (ii) SIX votes in favour if the number of members is eight:

(a) Approval and modification of the Budget and Annual Business Plan

(b) Approval of decisions not included in the Annual Budget involving sums exceeding 25,000 euros

(c) Signing of loan contracts, credit lines and other similar instruments involving sums of 25,000 euros or over

(d) Provision of guarantees, sureties and other similar instruments committing sums exceeding 10,000 euros and which fall outside the ordinary operations of the Company

(e) Transfer of assets vital to the Company or its subsidiaries, in particular industrial property rights. Transfer of all or part of the Company's business or one of its business lines

(f) Signing of licensing contracts transferring industrial property rights belonging to the Company to a third party, or to acquire such rights from third parties

(g) Signing of major contracts with companies whose activities are the same as those of Cellerix

(h) Opening and closing of offices, branches and other establishments

(i) Creation, dissolution, merger or reorganisation of subsidiaries. Acquisition and sale of shares in other companies

(j) Appointment and termination of appointment of the Chairman and Managing Director

(k) Approving the implementation of equity based incentive schemes for senior managers and employees

(l) The contracting of services related to admission of the Company's shares to trading in a stock exchange, and decisions concerning said process

(m) Appointment of consultants to advise on the strategy and development of the Company and its subsidiaries. Appointment of legal advisors to monitor the corporate activity of the Company and its subsidiaries

(n) Adoption of any agreement between the Company and the Managing Director, or between the Company and its shareholders, except those which by law require the approval of the shareholders in General Meeting.

(o) Initiation or termination of legal proceedings

All the powers of the Board of Directors will be delegated to the Managing Director except those described above.

9. SIGNIFICANT RESOLUTIONS

Pursuant to Article 130 Act of the fourth Additional Provision of the Spanish Public Limited Companies Act, an Equity Based Incentive Plan for the directors, managers and employees of Cellerix S.A. was approved at the shareholders Annual General Meeting held on 22 November 2007 on the following terms:

(a) **Implementation of the EBIP:** The EBIP consists of the granting of share options in Cellerix allowing its beneficiaries to obtain shares in the Company at a price set at the time the option is granted, provided that the requisites established by the Board of Directors in each case have been fulfilled.

The options will be awarded without charge and are not transferable inter vivos, but may be transferred mortis causa death according to the terms established by the Board of Directors.

The options are not exercisable in the first twelve months of the Plan, i.e. in 2008.

(b) **Option Plan beneficiaries:** The Option Plan beneficiaries are directors, managers and employees of the Company as designated by the Board of Directors. The maximum number of beneficiaries is, approximately, 60.

These beneficiaries may include persons holding the post of Executive Director or General Manager, and employees at senior management level who report directly to the Board of Directors, to such Board Committees as may be created, to the Chairman or to the Company's Managing Director.

(c) **Award of Options:** To receive options under the Plan, the beneficiary must work for the Company under an employment, commercial or service agreement at the award date, and must commit their services exclusively to the Company and assume other such commitments as are required.

(d) **Duration:** The Options Plan will have a maximum term of six years from 6 August 2007. Notwithstanding the aforementioned condition, if the Company's shares are not listed for trading, the options exercise period will commence on the date that the shares are admitted to trading and will be extended to, at the latest, 6 August 2015. Notwithstanding the aforementioned conditions, if there occurs a change in the controlling ownership of the Company (within the meaning of "control" given in Article 4 of the Spanish Securities Market Act), the Options Plan will be deemed to have accrued, unless pursuant to the request of the acquiring third party, the Beneficiaries agree with the acquirers to an additional transition period of up to one year.

(e) **Maximum number of Cellerix shares included in the Options Plan:** No more than 453,550 of the Company's shares may be included in the Options Plan, representing 8% of the Company's capital stock.

This limit will not be affected by the possible inclusion of new Beneficiaries in the future.

(f) **Option Plan coverage:** To cover the Options Plan, the Company may resolve to issue new shares, use own shares held as treasury stock or contract a suitable financial instrument, and/or enter into the relevant contracts with a reputable creditworthy financial institution or entity associated with the Company to allow future delivery of the Company shares to the Beneficiaries on exercise of their Options.

(g) **Previous compensation plans:** From 2008, the EBIP will replace all existing employee incentives.

At 31 December 2008 said plan was in force, the shares having been transferred on two occasions, in July when the specific conditions of the Plan were approved, and in December following the carrying out of the capital increase Second Tranche Part Two.

On this second occasion, additional conditions were introduced related to the permanent nature of the contracts of employees joining the Company after 1 September.

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