TiGenix
Living Medicines

ANNUAL REPORT 2012

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Risk factors

The risks that TiGenix believes to be material are described below. The occurrence of one or more of these risks 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. However, these risks and uncertainties may not be the only ones faced by TiGenix. Additional risks, including those currently unknown or deemed immaterial, may also impair the Company's business operations. The risks listed below are not intended to be presented in any assumed order of priority.

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 KEUR 15,309 in 2010, KEUR 37,305 in 2011, and KEUR 20,393 in 2012. As of December 31, 2012, TiGenix had an accumulated deficit of KEUR 55,700, which amount was reduced during 2012 as a result of a capital decrease through the incorporation of losses carried forward of KEUR 80,452. 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 from general and administrative costs associated with the operations. Costs have always exceeded revenues, which were generated mainly through grants and early income from the sales of ChondroCelect.

TiGenix intends to expand its commercial capabilities for ChondroCelect, its research and development capabilities for its pipeline products 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 expenditure needed to implement the Company's research, development, production and commercialisation programmes will depend on numerous factors, many of which are outside TiGenix's 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 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. These expenses may slightly increase during 2013. 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 auditor's report on the statutory financial statements as per December 31, 2012 contains the following explanatory paragraph: "Notwithstanding the Company suffered significant losses that further affected its financial position and cash situation, the statutory financial statements have been drawn up in the assumption of going concern. This assumption is only justified to the extent that the assumptions of the budget, as described in chapter 8 of the annual report of the Board of Directors, will be timely realized and will timely generate sufficient new cash. If this would not be the case, the Company will need to find additional cash by means of a capital increase or alternative funding. The statutory 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."

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

It is unlikely that the currently available cash and cash equivalents, together with future revenues of ChondroCelect, will be sufficient to finance the Company's research, development, production and commercialisation programmes.

On December 31, 2012, the Company had a cash position of EUR 11.1 million, the net cash used during 2012 was EUR 8.7 million and the monthly cash used in operating activities was approximately EUR 1,5 million. This cash position is not sufficient to continue the operations for the next twelve months (until the next ordinary shareholders' meeting of April 2014).

In order to generate sufficient additional cash to continue the operations for the next twelve months, the Board of Directors developed an action plan, which is reflected in the budget, based on the following key assumptions:

- An increase of the projected commercial revenues of ChondroCelect, expected to continue the same trend in units sold as in 2012, based on the expected progressing reimbursement activities in additional countries;

- Additonal non-dilutive funding, such as grants (EU 7th FP) and soft loans already granted (Innpacto, Madrid Network), and others not yet granted;

- Partnering of Cx601; and

- Monetizing of some assets, such as the Dutch manufacturing facility (which was constructed by the Company in a building leased under a long-term lease contract running until July 2029).

According to the budget, the effective and timely realization of the above assumptions of the action plan should generate sufficient additional cash to continue the Company's operations during the next twelve months.

However, at this moment it is uncertain whether the above assumptions will be realized timely. There is a risk that the action plan will not generate sufficient additional cash, as a result of the non-realization or only partly realization of one or more assumptions. There is also a risk that, even if most of the assumptions would be realized, this realization will happen too late, so that the necessary additional cash is not generated timely to continue the Company's operations for the next twelve months.

If the execution of the above action plan would not or not timely generate sufficient additional cash, the Board of Directors intends to explore the option of obtaining additional dilutive funding (i.e. a capital increase) or non-dilutive funding.

Even though the Board of Directors is confident that the action plan described above, in combination with, if needed, dilutive funding (i.e. a capital increase), will timely generate sufficient additional cash to continue the Company's operations for the next twelve months, there can be no assurance that this will indeed be the case.

Generally, there can be no assurance that any required additional funding 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. In view of the above-mentioned action plan, the Company does not currently expect that it will need to cease certain projects or operations.

Finally, the Company may be required to repay part of two subsidies granted to TiGenix SAU in 2006 and 2007. More information on this potential risk is included in section 6.9.

TiGenix may fail in successfully commercialising ChondroCelect 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 will result in a commercial success for this product. The Company may be faced with hurdles in reimbursement, market acceptance, distribution and competition that may delay or even prevent the commercialisation of ChondroCelect and/or of future products. Reference is made to section 6.4.6 for the status of the reimbursement files.

Notwithstanding the fact that ChondroCelect is already being commercialised and, as per December 31, 2012, is reimbursed in Belgium and the Netherlands, sales have been rather limited so far due to the fact that Belgium and the Netherlands are rather small markets. If no reimbursement is granted in additional countries and if no further reimbursement can be agreed with private health insurance companies, sales of ChondroCelect may always remain limited.

TiGenix's's ability to further commercialise ChondroCelect and to commercialise future products will also 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 cell therapy products needs to acquire its place in the market over time next to the current standards of care. Recommendations and endorsements by influential physicians will be one of the essential factors for market acceptance of TiGenix's 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 will be partially sold through commercialisation and distribution partners. The future performance of the product will depend in part on TiGenix's ability to attract suitable partners that will be able to market and support ChondroCelect 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's products. Whilst TiGenix is not involved in embryonic stem cell research, the use of human cells (differentiated cartilage 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 currently has one approved commercial product, ChondroCelect, and a pipeline of adult stem cell products in the clinical development stage. TiGenix's ability to commercialise ChondroCelect 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's 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 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's technology and products obsolete and/or otherwise non-competitive. For a more elaborate decription of the potential competition that the Company may face, we refer to section 6.4.8 (Competition) in respect of ChondroCelect and to section 6.5.4 (Stem cell platform competition) in respect of the stem cell products under development.

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

TiGenix's ability to commercialise ChondroCelect 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 such as the national reimbursement in Belgium and the Netherlands, but has been unsuccessful in other instances, such as the initial response from the transparency commission of the "Haute Autorité de Santé" in France in 2010 who declared at that time that they were not able to evaluate the therapeutic benefit of ChondroCelect at that stage and therefore could not recommend the product to be put on the list of reimbursable products. 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 or failure in the preclinical and clinical development of its product pipeline.

As part of the regulatory approval process, TiGenix must conduct pre-clinical studies and clinical trials for each of its unapproved medicinal products to demonstrate safety and/or efficacy. 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's 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's 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's pipeline products will ultimately prove to be safe and efficacious 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's 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's products as medicinal products may be delayed, not obtained or not maintained.

Generally, all of the Company's products, both ChondroCelect and the products in development, require marketing approval by regulatory authorities. As cell-based products, all products require regulatory approval through the centralized marketing authorisation procedure coordinated at the European Medicines Agency ("EMA") as Advanced Therapy Medicinal Product ("ATMP"). In the US, cell-based products are subject to a Biologics License Application ("BLA") issued by the Food and Drug Adminstration ("FDA").

When a company submits an application for marketing authorization for an ATMP, the regulatory authority may grant marketing authorization, deny the application or request additional information, including further clinical testing of the drug candidate.

In the European Union, when granted initially, marketing authorization is valid for five years. If it is renewed after the initial five years, the marketing authorization is in principle valid indefinitely, subject to strict compliance with applicable rules and regulations. The Company's marketing authorisation for ChondroCelect was granted in October 2009 and must therefore be renewed by October 2014.

The Company's marketing authorisation for ChondroCelect includes certain post-authorization follow-up measures ("**FUMs**"), the scope and practical approach of which are currently being discussed with EMA.

Besides the marketing authorisation, the Company also needs to obtain and maintain specific (national) licenses to perform its commercial operations. These include manufacturing and distribution licenses, as well as authorizations to obtain and handle human cells and tissues.

Regulatory approval may be delayed, limited or denied for a number of reasons, most of which are beyond TiGenix's 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 other regulatory bodies, 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's 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's 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.

TiGenix's manufacturing facilities and third party manufacturers are subject to regulatory requirements, which may affect the Company's development of its product pipeline and the Company's successful commercialisation of ChondroCelect and future products.

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 current Good Manufacturing Practice ("**cGMP**") prescribed in the relevant country or territory of manufacture or supply.

The cGMP requirements govern quality control of the manufacturing process and documentation policies and procedures. Compliance by TiGenix and its third-party manufacturers with cGMP 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.

As from January 1, 2013, ChondroCelect is manufactured in TiGenix's manufacturing site in Geleen ("**MSG**"), the Netherlands. This site is certified by the Dutch authorities (IGZ) and the European regulators (EMA) for manufacturing of ChondroCelect. There can be no assurance that the certifications will never be interrupted, suspended or discontinued because of a failure to maintain compliance or for any other reason. 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.

TiGenix's expanded adipose derived stem cell ("**eASC**") development and clinical stage products are today manufactured in TiGenix's GMP certified facilities in Madrid, Spain. 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. 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.

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

Currently, the Company mainly operates in and focuses on Europe.

In recent years, it expanded its operations to the U.S. through the establishment of its U.S. subsidiary, TiGenix Inc., which in turn owned 50% in U.S. company TC CEF LLC, with a view to manufacturing ChrondroCelect in the context of clinical trials required by the FDA and to be able to service the US market after obtaining marketing approval of ChondroCelect in the U.S. However, in view of the time and costs related to obtaining such marketing approval in the U.S., the Company abandoned its plans to enter the US market independently as a result of which, 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. Currently, TiGenix Inc. is not active.

The Company has established a Dutch entity, TiGenix B.V., acquired a UK biomaterials company, 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 14.77%, and acquired a cell-therapy company Cellerix S.A. (currently named TiGenix SAU).

However, in view of TiGenix's new strategic direction and exclusive focus on cell therapy since 2011 and to allow the Company to fully focus on the further commercial roll-out of ChondroCelect and its cell therapy product development pipeline, the Company has decided to cease the activities of TiGenix Ltd and is currently in the process of closing down this subsidiary. Therefore, the IP of TiGenix Ltd., recognized in the Group's intangible assets, was fully impaired in the 2011 financial accounts.

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 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 authorized 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, 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 and FDA 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, Belgian, Dutch 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's dependence on third parties may reduce its profit margins and delay or limit its ability to develop and commercialise its products on a timely and competitive basis.

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. In particular, the Company relies on Nuvisan Pharma Services for the conduct of its Phase III clinical trial for Cx601. 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. In respect of ChondroCelect, TiGenix relies solely on MedInvents for the manufacturing and supply of the ChondroCelect Harvester (a device specifically designed and used for the cartilage biopsy) and on Geistlich for the supply of ChondroGide (a biological membrane used for the implantation of ChondroCelect). There is one ingredient used in the production of the Company's product Cx621 (which has recently finished a Phase I clinical trial stage) 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 of ChondroCelect or the development of TiGenix's eASC based products.

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's 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's 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 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 outside Europe. Currently, the Company has exclusive distribution agreements for the commercialization of ChondroCelect with the Finnish Red Cross Blood Service for Finland and with Genpharm for the Middle-East. 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 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 funds from other intended purposes or preventing it from building its marketing and distribution capabilities to the desired levels.

TiGenix's dependence on third parties may reduce its profit margins and delay or limit its ability to develop and commercialise its products on a timely and competitive basis.

TiGenix may not be able to adequately protect its proprietary technology or enforce any rights related thereto.

TiGenix's 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's technology. To date, TiGenix's patent applications are progressing through the examination process.

There can be no assurance that patents will be issued with respect to TiGenix's 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's 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's patents will not be revoked. Even if competitors do not successfully challenge TiGenix's patents, there can be no guarantee that they will not be able to design around TiGenix's patents or develop unique technologies or products providing effects similar to TiGenix's, which may decrease the Company's future potential revenues.

TiGenix's 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 fully 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 from developing or exploiting 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's 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 may even be forced to stop certain of its development or commercial activities. 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's 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, TiGenix SAU (then still Cellerix S.A.) filed a re-examination request with the United States Patent and Trademark Office ("USPTO") regarding US6777231, owned by University of Pittsburgh and licensed to Artecell for human therapeutic use. The USPTO Examiner has issued a decision concluding that all claims of the patent are invalid, and subsequent to the issue of the right of appeal notice, the University of Pittsburgh has appealed the Examiner's decision. 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's 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's products, it may have a material adverse effect on TiGenix's future business, financial condition, operating results and cash flows. In such an event, TiGenix's 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's success depends on its key people and it must continue to attract and retain key employees and consultants to be in a position to continue its activities.

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's 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's 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 they 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's 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's 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 unauthorized 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's 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 in the process of being closed down) 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 available resources could harm the ability to carry out the business plan.

The Company has significant flexibility and broad discretion to allocate and use the available resources. If the resources are not wisely allocated it could harm the Company's ability to carry out its business plan. 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, 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.

1. Introduction

Annual report 2012

This annual report of TiGenix (also referred to herein as the "Company") is a registration document in accordance with article 28 of the Belgian Act of June 16, 2006 relating to public offerings of securities and the admission for trading on a regulated market. The English version of this annual report has been approved by the Financial Services and Markets Authority on March 12, 2013, according to article 23 of the aforementioned Act.

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

Language of this annual report

TiGenix has prepared its annual report in English. TiGenix has also made a translation in Dutch of this annual report. Both the English version and the Dutch version of the annual report are legally binding. TiGenix has verified and is responsible for the translation and the conformity of both versions. However, in case of inconsistencies between the language versions, the English version shall prevail.

Availability of the annual report

To obtain a copy of the annual report free of charge, please contact:

TiGenix NV
Attn. Ms. Katty Vander Straeten
Romeinse straat 12, box 2
3001 Leuven
Belgium
Phone: +32 16 39 79 73
Fax: +32 16 39 79 70
E-mail: investor@tigenix.com

The annual report is also available from the website of TiGenix (www.tigenix.com).

Forward looking statements

This registration document 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 publication of this registration document. 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. This document does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer, to purchase or subscribe for any securities issued by TiGenix NV.

All statements are made and all information is provided as of December 31, 2012, except when explicitly mentioned otherwise.

2. Persons Responsible for the Content of this Registration Document

The Board of Directors of TiGenix (see section 7.2), assumes responsibility for the content of this registration document. The Board of Directors declares that having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

3. 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 (registered with the Institute of Statutory Auditors *(Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises) under number B00023)*, 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 total remuneration of the statutory auditor (and related firms) in 2012 amounted to EUR 91,597 (excluding VAT) (audit fees related to TiGenix NV and TiGenix SAU) and EUR 31,520 (excluding VAT) (fees for other services, related to the TiGenix group).

The shareholders' meeting of April 22, 2013 which will be asked to resolve on the financial statements for the financial year ended on December 31, 2012, will be asked to re-appoint BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL as statutory auditor of the Company for a term of 3 years, ending immediately after the closing of the shareholders' meeting to be held in 2016, that will have deliberated and resolved on the financial statements for the financial year ended on December 31, 2015.

4. Selected Financial Information

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Revenues	**4,084**	**1,146**	**621**
Gross profit	3,179	691	311
Research and development expenses	-13,936	-10,595	-10,189
Sales and marketing expenses	-2,881	-2,726	-2,707
General and administrative expense	-6,026	-6,593	-5,473
Other operating income/(expenses)	1,389	-2,581	1,802
Operating Profit/(Loss) (EBIT)	**-18,276**	**-21,805**	**-16,256**
Financial income	35	708	141
Financial expenses	-61	-408	-62
Foreign exchange differences	-142	434	500
Income taxes	-1	0	368
Profit/(Loss) for the period from discontinued operations	-1,949	-16,234	0
Net profit / (Loss)	**-20,393**	**-37,305**	**-15,309**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Total non-current assets	48,315	51,446	26,235
Total current assets	15,642	22,723	8,518
Of which cash and cash equivalents	11,072	19,771	5,555
Total assets	**63,956**	**75,318**	**34,753**
LIABILITIES AND SHAREHOLDERS´EQUITY			
Total equity	48,568	62,018	26,227
Non-current liabilities	6,307	6,438	4,089
Current liabilities	9,082	6,706	4,436
Liabilities related to non-current assets held for sale	0	157	0
Total liabilities and shareholders´equity	**63,956**	**75,318**	**34,753**
CONSOLIDATED STATEMENT OF CASH FLOWS			
Operating cash flows	-17,674	-18,592	-14,938
Investing cash flows	-722	15,109	-5,166
Financing cash flows	9,695	17,697	880
Net change in cash and cash equivalents	**-8,700**	**14,214**	**-19,224**
Cash and cash equivalents at end of period	11,072	19,771	5,555

5. Information about the Company and the Group

5.1. 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 Company's Articles of Association that have last been amended by the meeting of the Board of Directors of December 27, 2012.

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

5.2. 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, financial, 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."

5.3. ORGANISATIONAL STRUCTURE

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

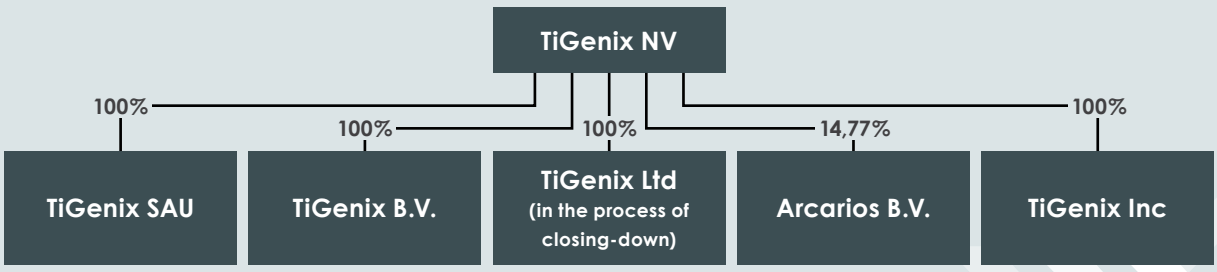
On May 8, 2007, TiGenix Inc. and Cognate BioServices, Inc. created a 50/50 joint venture asset management company, TC CEF LLC, with registered office at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, U.S. TC CEF LLC subsequently acquired the assets of a fully equipped cell expansion facility from Cell Genesys, Inc., with a view to manufacturing ChrondroCelect in the context of clinical trials required by the FDA and to be able to service the US market after obtaining marketing approval of ChondroCelect in the U.S. However, in view of the time and costs related to obtaining such marketing approval in the U.S., the Company abandoned its plans to enter the US market independently as a result of which, 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. Currently, TiGenix Inc. is not active.

On September 24, 2009, the Company set-up a wholly-owned Dutch subsidiary, TiGenix B.V., with registered office at Urmonderbaan 20b, 6167RD Geleen, The Netherlands. TiGenix B.V. constructed a new European human cell expansion facility in Geleen to increase the manufacturing capacity of ChondroCelect in Europe.

On November 30, 2009, the Company acquired Orthomimetics Limited, a biomaterials company which was later renamed to TiGenix Ltd. TiGenix Ltd designed, developed and manufactured novel, bioresorbable implants for the regenerative repair of articular joint damage resulting from sports injuries and other trauma. However, in view of TiGenix's new strategic direction and exclusive focus on cell therapy since 2011 and to allow the Company to fully focus on the further commercial roll-out of ChondroCelect and its cell therapy product development pipeline, the Company decided to cease the activities of TiGenix Ltd and close-down TiGenix Ltd. Therefore, the IP of TiGenix Ltd., recognized in the Group's intangible assets, was fully impaired in the 2011 financial accounts.

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 14.77% equity stake.

On May 3, 2011, the Company acquired Cellerix SA, which was later renamed TiGenix SAU. TiGenix SAU has an advanced clinical stage pipeline of cell-based products for indications of inflammatory and autoimmune origin.



5.4. SHARE CAPITAL AND SHARES

5.4.1. Share capital and shares

As per December 31, 2012, the Company's registered capital amounted to EUR 10,028,858.60, represented by 100,288,586 common shares without nominal value. The capital is fully paid up. The amount of the registered capital and the number of shares have remained unchanged since December 31, 2012.

As per January 1, 2012, the Company's registered capital was represented by 91,122,667 shares.

The 9,165,919 shares that were issued in 2012, were issued as follows:

- 536,534 shares were issued pursuant to a contribution in kind on April 17, 2012, and

- 8,629,385 shares were issued pursuant to a contribution in cash on December 27, 2012.

The table below provides a complete 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 (EUR) (incl. issuance premium)	Capital increase (EUR)	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
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
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
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

Date	Transaction	Number and class of shares issued	Issuance price per share (EUR) (incl. issuance premium)	Capital increase (EUR)	Share capital after transaction	Aggregate number of shares after capital increase
PHASE II CAPITAL ROUND - EXERCISE OF WARRANTS (continued)						
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 EUR 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 EUR 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 EUR 1.25 per warrant	27,417,50	13,740,529.94	13,782,014

Date	Transaction	Number and class of shares issued	Issuance price per share (EUR) (incl. issuance premium)	Capital increase (EUR)	Share capital after transaction	Aggregate number of shares after capital increase
PHASE III CAPITAL ROUND - EXERCISE OF WARRANTS (continued)						
October 31, 2006	Capital increase in cash pursuant to the exercise of 375,000 warrants [14]	375,000 Class B	exercise price of EUR 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 EUR 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 EUR 0.01 and EUR 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 EUR 1.00 and EUR 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 EUR 3.00 per warrant	109,500	24,001,834.41	24,564,489

Date	Transaction	Number and class of shares issued	Issuance price per share (EUR) (incl. issuance premium)	Capital increase (EUR)	Share capital after transaction	Aggregate number of shares after capital increase
PHASE IV CAPITAL ROUND - EXERCISE OF WARRANTS (continued)						
April 23, 2009	Capital increase in cash pursuant to the exercise of 6,790 warrants [20]	6,790	exercise price of EUR 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
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-Ortho-mimetics share-holders [25]	252,486	4.28	247,436.28	30,427,501.91	31,121,154
PHASE X CELLERIX ACQUISITION						
May 3, 2011	Capital increase in kind [26]	44,814,402	1.2977	43,815,544.32	74,243,046.23	75,935,556

Date	Transaction	Number and class of shares issued	Issuance price per share (EUR) (incl. issuance premium)	Capital increase (EUR)	Share capital after transaction	Aggregate number of shares after capital increase
PHASE XI CAPITAL ROUND						
June 6, 2011	Capital increase in cash [27]	15,187,111	1.00	14,848,609.05	89,091,655.28	91,122,667
PHASE XII CONTRIBUTION IN RELATION TO THE ORTHOMIMETICS ACQUISITION						
April 17, 2012	Capital increase in kind [28]	536,534	4.28	525,803.32	89,617,458.60	91,659,201
PHASE XIII CAPITAL DECREASE						
May 11, 2012	Capital decrease [29]	NA	NA	Decrease of EUR 80,451,538.50	9,165,920.10	91,659,201
PHASE XIV CAPITAL ROUND						
December 27, 2012	Capital increase in cash [30]	8,629,385	0.78	862,938.50	10,028,858.60	100,288,586

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. Upon completion of the initial public offiering, all existing shares were converted into common shares.

[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 (now: TiGenix Ltd) resulting from their sale of 680,686 Orthomimetics shares, valued at EUR 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 of all of the Cellerix SA (now: TiGenix SAU) shares.

[27] The 15,187,111 shares were subscribed to at the occasion of a public offering of shares with preferential subscription right.

[28] The capital increase was performed through the contribution in kind of the last part of the receivable of former shareholders of Orthomimetics Limited (now: TiGenix Ltd) resulting from their sale of 680,686 Orthomimetics shares, valued at EUR 3.4 million, to TiGenix on November 30, 2009 and marks the third and last phase of the Orthomimetics acquisition.

[29] Capital decrease through the absorption of losses carried forward as shown in the annual accounts as per December 31, 2011, without cancellation of shares.

[30] The 8,629,385 shares were subscribed to at the occasion of the private placement that was carried out in December 2012.

5.4.2. Authorized capital

On April 26, 2011, the shareholders' meeting conditionally authorized the Board of Directors to increase the Company's share capital in one or more transactions with a maximum amount equal to the Company's share capital upon completion of the offering of shares with preferential subscription right which was launched in May 2011. The authorisation was subject to completion of said offering of shares, which was effectively completed on June 6, 2011. At completion of the offering of shares, the Company's share capital amounted to EUR 89,091,655.28. Consequently, the Board of Directors was authorized to increase the Company's share capital in one or more transactions for an amount of EUR 89,091,655.28. However, as a result of the May 11, 2012 capital decrease, the Board of Directors' authorization to increase the share capital was, as of the date of such capital decrease, limited to capital increases in one or more transactions with a (cumulated) maximum amount equal to the new registered capital, *i.e.* EUR 9,165,920.10.

If the capital is increased within the limits of the authorized capital, the Board of Directors will be authorized 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 Association.

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 authorized to issue convertible bonds, warrants, a combination thereof or other securities within the limits of the authorized capital.

The Board of Directors is authorized, within the limits of the authorized 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 authorized 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 authorized 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 June 24, 2016.

Taking into account the capital increases within the framework of the authorized capital of April 17, 2012 for an amount of EUR 525,803.32 (*i.e.* 536,534 shares x the fractional value of the shares at that time, i.e. EUR 0.98) and of December 27, 2012 for an amount of EUR 862,938.50 (*i.e.* 8,629,385 shares x the fractional value of the shares at that time, *i.e.* EUR 0.10), and taking into account the conditional capital increase within the framework of the authorized capital of July 6, 2012 for an amount of EUR 400,000 in relation to the issue of 4 million warrants (excluding issuance premium) (*i.e.* 4,000,000 warrants x the fractional value of the shares at that time, *i.e.* EUR 0.10), the authorized capital amounts to EUR 7,377,178.28 (*i.e.* EUR 9,165,920.10 - EUR 525,803.32 - EUR 862,938.50 - EUR 400,000) as per December 31, 2012.

5.5. DESCRIPTION OF RIGHTS AND BENEFITS ATTACHED TO SHARES

5.5.1. 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 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.

5.5.2. Right to attend and vote at shareholders' meetings

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 remuneration report, 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, among others, 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 30 days prior to the shareholders' meeting. 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. The notice must also be published in a national newspaper 30 days prior to the date of the shareholders' meeting, 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 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). Finally, the notice must also be published in media expected to have a wide diffusion. 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 as from the date on which the convening notice for the annual shareholders' meeting is published.

Convening notices must be sent 30 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. 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.

Formalities to attend the shareholders' meeting

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 authorized 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 authorized 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.

Proxy

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.

A shareholder may only appoint one person as proxy holder for a particular shareholders' meeting, except in cases provided for in the law.

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 (6th) 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 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

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 authorized 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. 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 authorized 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.

5.5.3. Dividends

All shares participate in the same manner in the Company's profits (if any). 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 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.

5.5.4. 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 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 EUR 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 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.

5.5.5. 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 "authorized 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 authorized capital may not exceed the amount of the registered capital at the time of the authorisation). Please refer to section 5.4.2 for more information on the current status of the authorized capital.

5.5.6. 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 authorized capital, subject to the terms and conditions set forth in the Companies Code. The extraordinary shareholders' meeting of April 26, 2011 granted this authorisation to the Board of Directors. See also under section 5.4.2.

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.

5.6. WARRANTS

The Company has created a number of warrants. This section provides an overview of the outstanding warrants as at December 31, 2012.

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) and July 6, 2012 (4,000,000) in the aggregate 6,835,640 warrants were issued, subject to the warrants being granted to and accepted by the beneficiaries. Of these 6,835,640 warrants, (i) 545,683 warrants expired as they have not been granted, (ii) 379,250 warrants have expired as they have not been accepted by their beneficiaries (iii) 283,734 warrants have lapsed due to their beneficiaries leaving the Company and (iv) 9,290 warrants have been exercised. As a result, as at December 31, 2012, there are 5,617,683 warrants outstanding.

The warrants are granted to employees, consultants or directors of the Company and its subsidiaries, 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, March 12, 2010 and July 6, 2012 have a term of 10 years. Upon expiration of this term, the warrants become null and void. The warrants issued on May 14, 2004, April 20, 2005, November 3, 2005, February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010 vest, in principle, 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 their 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. As to the warrants issued on July 6, 2012, in principle, (i) 1/3rd of the warrants granted will vest on the first anniversary of the granting of the warrants and (ii) 1/24th of the remaining 2/3rd of the warrants granted will vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. The warrants can only be exercised by the warrant holder if they have effectively vested.

The table below gives an overview (as at December 31, 2012) of the 5,617,683 outstanding warrants described above. The table should be read together with the notes referred to below. On March 20, 2013, an extraordinary shareholders' meeting will be asked to decide on the issue of 777,000 new warrants. These new warrants, if effectively issued, are not included in the below overview.

Issue date	Term	Number of warrants issued	Number of warrants granted	Exercise price (EUR)	Number of warrants no longer exercisable	Number of warrants outstanding	Exercise periods vested warrants
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 (Dec. 9, 2005 grant)	24,248 (2)	104,764	From March 16 to 31, and from September 15 to 30.
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 (3)	293,663	From March 1 to 31, and from September 1 to 30.

Issue date	Term	Number of warrants issued	Number of warrants granted	Exercise price (EUR)	Number of warrants no longer exercisable	Number of warrants outstanding	Exercise periods vested warrants
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 [4]	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)	113,500 [5]	286,500	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)	357,075 [6]	142,925	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 grant)	187,250 [7]	312,750	From May 1 to 31, and from November 1 to 30.
July 6, 2012	From July 6, 2012 to July 5, 2022	4,000,000	4,000,000	1.00	78,000 [8]	3,922,000	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. 6,790 warrants have been exercised and are therefore no longer outstanding.

(3) 152,765 warrants have expired as they have not been granted and 8,142 warrants have lapsed due to their beneficiary leaving the Company.

(4) 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.

(5) 38,000 warrants have expired as they have not been accepted by their beneficiary and 73,000 warrants have lapsed due to their beneficiary leaving the Company. 2,500 warrants have been exercised and are therefore no longer outstanding.

(6) 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 27,275 warrants have lapsed due to their beneficiaries leaving the Company.

(7) 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 59,250 warrants have lapsed due to their beneficiary leaving the Company.

(8) 52,000 warrants have expired as they have not been accepted by their beneficiary and 26,000 warrants have lapsed due to their beneficiary leaving the Company.

On December 31, 2012, the total number of all outstanding warrants that have already been granted, is 5,617,683, which represents approximately 5.30% of the total number of all issued and outstanding voting financial instruments, as shown in section 5.7.

5.7. 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 on December 31, 2012 (1). The overview must also be read together with the notes referred to below.

		Number	%
A	Issued shares	100,288,586	94.70%
B	Shares to be issued upon the exercise of all outstanding warrants (2)	5,617,683	5.30%
C	Total (A)+(B)	105,906,269	100.00%

Notes

(1) On March 20, 2013, an extraordinary shareholders' meeting will be asked to decide on the issue of 777,000 new warrants. These new warrants, if effectively issued, are not included in the above overview of issued and outstanding voting financial instruments.

(2) As at December 31, 2012.

6. Business Overview

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 organizations and scientific journals. The information published by such organizations 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 has 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, data relating to market share, ranking and other similar data in this registration document, and estimates and beliefs based on such data, may not be reliable.

In this Chapter 6, (unless specifically stated otherwise), "TiGenix" and the "Company" may refer to the Company's group as a whole and/or to any or all of the individual group companies, depending on the context and the subject matter.

6.1. INTRODUCTION

TiGenix (Euronext Brussels: TIG) is a leading European cell therapy company with an advanced clinical stage pipeline of adult stem cell programs and one commercial product, ChondroCelect. TiGenix is based out of Leuven, Belgium, and has operations in Madrid, Spain, and Geleen, the Netherlands.

ChondroCelect, indicated for cartilage repair in the knee, is to date the only approved cell-based product in Europe. It is the first cell-based product that successfully completed the entire development track from research, through clinical development to European approval through the centralized procedure. ChondroCelect received Marketing Authorisation in October 2009, as the first Advanced Therapy Medicinal Product under the new regulation for Advanced Therapies and was approved for reimbursement in Belgium in February 2011, and in the Netherlands in June 2012 (retroactively to January 2011). While preparing for reimbursement in other key target markets, the Company is launching and marketing ChondroCelect in selected European markets. A commercial core team is in place and, apart from the Benelux, sales have been realized in Germany, Spain, and the United Kingdom. TiGenix has distribution agreements in place for the Finnish market and the Middle-East region.

TiGenix's stem cell programs are based on a validated platform of allogeneic (i.e. donor-derived), expanded adipose-derived stem cells ("**eASCs**") targeting autoimmune and inflammatory diseases. Built on solid pre-clinical and CMC packages, they are being developed in close consultation with the EMA. The Company has initiated a Phase III clinical trial in complex perianal fistulas in patients with Crohn's disease, is awaiting final results from a Phase IIa trial in rheumatoid arthritis, and successfully concluded a Phase I trial to investigate the potential of intra-lymphatic administration of eASCs for autoimmune disorders. Leveraging its experience in developing, manufacturing and registering cell-based products, TiGenix is aggressively progressing in the development of its proprietary adult stem cell platform.

The Company is a recognized 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, which are expanded at the Company's cGMP compliant facility in Madrid and are delivered to patients via different routes of administration to best take advantage of the eASCs anti-inflammatory immunomodulatory properties.

TiGenix's lead eASCs-based therapeutic product candidate, Cx601, is currently being investigated in a Phase III clinical trial for the treatment of patients with complex perianal fistula suffering from Crohn's disease. 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. Both numbers are significantly above the efficacy rates achieved by current treatment alternatives. Furthermore, the trial results confirmed the excellent safety profile of the product. Complex perianal fistula is a rare, painful and debilitating condition often affecting patients diagnosed with Crohn's disease or other inflammatory bowel diseases. The incidence in the EU is estimated to be around 51,000 patients per year according to Company data. Based on the relatively rare occurrence, severe nature and lack of effective treatments of the therapeutic indication, Cx601 obtained Orphan Drug designation by the EMA in 2009. Orphan drug designation provides a number of important benefits for a manufacturer, 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 market exclusivity from the date of the product's launch.

TiGenix's second cell therapy product candidate, Cx611, is concluding a Phase IIa clinical trial to assess its safety and efficacy as an intravenous treatment for patients suffering from rheumatoid arthritis. Positive interim safety data were announced in December 2012, and final results of this trial are expected to be announced in April 2013. Finally, TiGenix's third cell therapy product Cx621 is being developed for the treatment of autoimmune diseases via intralymphatic administration of eASCs. A Phase I study was successfully concluded in July 2012.

TiGenix aims to become a fully integrated biopharmaceutical company with R&D, manufacturing and sales and marketing capabilities to market its products in Europe. License and distribution partners are being sought to exploit the commercial potential of its products in other regions.

TiGenix's eASCs manufacturing facility was the first pharmaceutical laboratory to be approved in Spain by Spanish health authorities for the manufacturing of cell therapies according to current Good Manufacturing Practices ("**cGMP**") guidelines and to receive approval for production of advanced therapy medicinal products. The facility provides sufficient capacity to conduct R&D activities, and clinical trials. In addition, the Company's new central production facility in Geleen, the Netherlands, has obtained EMA approval for the commercial production of ChondroCelect, and has sufficient capacity to manufacture all of TiGenix's cell therapies in the future.

6.2. COMPETITIVE STRENGTHS

The Company believes its competitive strengths are:

- **Revenues from first commercial product**. With ChondroCelect, TiGenix benefits from a commercial product that has been approved for marketing in Europe. ChondroCelect is the first cell-based product to be approved by the European Commission, and has received reimbursement approval in Belgium and the Netherlands. While preparing for reimbursement in its other key target markets, TiGenix gradually started with the commercial "pre-reimbursement" roll out of ChondroCelect through a number of key reference centers.

- **Commercial core team in place**. Recognizing the importance of direct contact with key opinion leaders who are early adopters of its innovative product, TiGenix has set up a high-level commercial core team consisting of experienced people with medical, scientific and commercial backgrounds, and with ample experience in pharmaceutical products.

- **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 was granted central regulatory approval in Europe as an advanced therapy medicinal product. Furthermore, the Company's eASCs platform has preclinical and CMC packages validated by the EMA, allowing an accelerated route to clinical development. Several clinical trial dossiers, covering a range of clinical applications at various stages of pre-MA drug development with eASCs, have received independent regulatory review and approval by multiple national competent authorities.

- **Clinical stage pipeline**. TiGenix's lead clinical development stage product, Cx601, successfully completed a phase II clinical trial in 2010 and received supportive scientific advice for a Phase III trial from the EMA in March 2011. In 2012, an international Phase III study with Cx601 was initiated in seven European countries and Israel. 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 programs in development. The condition is characterized by a well-defined patient population, potentially enabling TiGenix to rapidly penetrate the target market in a highly focussed manner. 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, and up to 10 years market exclusivity from the date of the product's launch. Cx611 is the Company's next most advanced clinical stage product. Cx611, which targets rheumatoid arthritis (RA), a therapeutic indication with a high unmet medical need despite current therapeutics, is concluding a Phase IIa clinical trial and reported positive interim safety data in 2012. The intravenous administration with Cx611 has the potential to offer a substantial revenue stream to the Company's group in the mid-term. The

program could potentially also benefit from the development towards treatment of other autoimmune disorders. The safety of the intra-lymphatic administration of the eASCs has been successfully tested in a Phase I study in healthy volunteers with Cx621. The intra-lymphatic administration of the eASCs may lead to lower effective doses for systemic treatment of autoimmune disorders, like RA, which could further increase the safety profile of the eASCs and reduce the cost of goods.

- **A mature allogeneic adult stem cell platforms forming the basis of an R&D engine**. The company's 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 on various occasions. The immunomodulatory properties of these cells offer potential novel treatments for autoimmune and inflammatory diseases, as evidenced by promising preclinical results. The use of allogeneic or "ready to use" (off-the-shelf) stem cells offers clear advantages compared to autologous cells such as scale up of production, reduced cost of manufacturing, and the benefit for the patient, including a readily available product and the avoidance of uncomfortable procedures to obtain the source material as is needed with autologous products.

- **Key opinion leader support**. As a cell therapy pioneer, TiGenix has developed its lead products in close consultation and collaboration with key opinion leaders who share the Company's belief in the therapeutic potential of cell therapies.

- **A clear focus on major unmet medical needs**. TiGenix has a clear and singular focus on developing therapies that represent a major unmet medical need in autoimmune and inflammatory diseases. The indications pursued by TiGenix are known as debilitating conditions with well-defined patient populations, which allows the Company to have a relatively small and effective commercialization structure focused on the management of reference centers for these specific indications.

- **Solid intellectual property and commercial protection**. TiGenix has built a strong intellectual property portfolio consisting of patents and trade secrets surrounding the Company's proprietary cell culture methods, medical devices, stem cell technologies and platforms. The Company's patent portfolio includes granted patents in Europe, the US and other jurisdictions. 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's 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 first cell therapy in Europe to market and achieving key value enhancing milestones in all other areas of pharmaceutical development, including clinical development, regulatory, manufacturing and commercialization. In doing so, the Team has built up a unique expertise in the field of Regenerative Medicine and cell therapy.

6.3. IMPORTANT EVENTS IN THE DEVELOPMENT OF TIGENIX'S BUSINESS

6.3.1. Incorporation

TiGenix was founded in 2000, initially to capitalize on technology developed at the universities of Leuven and Ghent for the regeneration of cartilage, bone and other musculoskeletal tissues.

6.3.2. Acquisition and closure of Orthomimetics Ltd

On November 30, 2009, TiGenix agreed to acquire all 3,286,438 shares in Orthomimetics Limited (later renamed TiGenix Ltd) in a share based transaction structured in various steps, to add ChondroMimetic to its marketed products. In aggregate, 3,799,609 TiGenix shares were issued in the framework of this acquisition.

ChondroMimetic is an-off-the shelf biomaterial scaffold for the treatment of small osteochondral defects and small focal chondral lesions having possible underlying subchondral bone plate damage. It received CE-Mark (EU) approval in December 2008 and was launched in October 2010.

After the business combination with Cellerix in 2011 (see next paragraph), the Company redefined its strategy and decided to exclusively focus on the further commercial roll-out of ChondroCelect and its cell therapy product development pipeline. As a result, TiGenix announced in November 2012 that it would cease the activities of TiGenix Ltd and close down TiGenix Ltd.

6.3.3. Acquisition of Cellerix

On May 3, 2011, TiGenix NV acquired all shares in Cellerix, a Spanish biotechnology company focused on allogeneic, expanded adipose-derived stem cells, following a contribution in kind by the former Cellerix shareholders of all their Cellerix shares into TiGenix NV. As a result of this aquisition, the Company acquired a rich pipeline of cell therapy products in development for autoimmune diseases, creating the European leader in cell therapy.

Following the acquisition by TiGenix, Cellerix was renamed TiGenix SAU. The Team and facilities have been completely integrated into the TiGenix organization.

6.3.4. Overview of key milestones

An overview of key operational milestones and achievements since the Company's incorporation is presented below in chronological order.

Year	Key operational milestones and achievements
2000	Incorporation of TiGenix
2001	TiGenix Cell Expansion Facility ("**CEF**") in Leuven operational
2002	Start of randomized, prospective, controlled Phase III clinical trial for ChondroCelect
2004	Completion of patient enrolment of the ChondroCelect Phase III clinical trial
	Core patents granted in Europe
2005	cGMP approval of TiGenix CEF to manufacture ChondroCelect for clinical investigation
2007	Positive Phase III clinical data for ChondroCelect presented
	IPO – Listing on NYSE Euronext
2009	European Marketing Authorisation granted by the European Commission
	Acquisition of Orthomimetics Limited (renamed: TiGenix Ltd)
2010	Commercial launch of ChondroCelect
2011	National reimbursement for ChondroCelect in Belgium
	Business combination with Cellerix SA to create European leader in cell therapy
	Publication of positive 5-year follow-up data for ChondroCelect
	Commercialization agreement for ChondroCelect in Finland
	Positive scientific advice from EMA on Cx601 Phase III
	Cx611 Phase IIa initiated
	Cx621 Phase I initiated
2012	National reimbursement for ChondroCelect in the Netherlands (retroactive to January 2011)
	Manufacturing license & EMA approval for central European production facility
	Decision to close TiGenix Ltd (Orthomimetics Limited)
	Successful conclusion of Cx621 Phase I
	First patient included in the Cx601 European Phase III
	Commercialization agreement for ChondroCelect in the Middle East
	Positive interim safety results Cx611 Phase IIa

6.3.5. Funding history

Since its incorporation, the Company raised approximately EUR 111.6 million in equity financing. The table below provides a chronological overview of the various financing rounds.

Year	Key funding milestones
2000	Incorporation of TiGenix
2001	First financing round (EUR 1 million)
2003	Second financing round (EUR 12 million)
2005	Third financing round (EUR 16 million)
2007	IPO (EUR 46 million)
2009	Further financing rounds (EUR 5.4 million + EUR 7.7 million)
2011	Rights issue (EUR 15.2 million)
2012	Accellerated bookbuilt offering (EUR 6.7 million)

In addition, the Company raised approximately EUR 1.6 million through exercises of warrants between 2005 and 2010.

Other sources of funding include grants and "soft loans" as listed in detail in section 6.8, as well as limited income from licenses and research collaborations.

6.4. MARKETED PRODUCT: CHONDROCELECT

6.4.1. Product and technology

ChondroCelect, indicated for cartilage repair in the knee, is to date the only approved cell-based product in Europe. It is the first cell-based product that successfully completed the entire development track from research through clinical development to European approval through the centralized procedure. ChondroCelect received Marketing Authorisation in October 2009 as the first Advanced Therapy Medicinal Product, and was approved for reimbursement in Belgium in February 2011, and in the Netherlands in June 2012 (retroactively to January 2011). While preparing for reimbursement in other key markets, the Company is launching and marketing ChondroCelect in selected European markets. A commercial core team is in place and, apart from the Benelux countries, sales have been generated in Germany, Spain and the United Kingdom. TiGenix has distribution agreements in place for Finland and the Middle East region.

ChondroCelect is a cell-based medicinal product for use in an autologous chondrocyte implantation in which cells are taken from the patient's own knee, multiplied to reach a large quantity, and then finally re-implanted at the site of the defect. 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.

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, expanded in vitro, characterized and delivered as a suspension for implantation in the same patient. ChondroCelect can be delivered as from 9 weeks from the day of biopsy. The manufacturing process is performed under strict cGMP conditions.

TiGenix has designed a state-of-the-art treatment process with ChondroCelect that includes an extensive training program for health care professionals, instructions for the best conditions for obtaining the patient's biopsy, the implantation procedure, and the patient's rehabilitation following the re-implantation of the cells.

6.4.2. Indication and target market

Cartilage repair in the knee

Musculoskeletal diseases are the second greatest cause of disability globally, according to a study on the Global Burden of Disease published in The Lancet [1].

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. Because it is poorly vascularized, damaged articular cartilage does not heal as rapidly or effectively as other tissues in the body. Instead, the damage tends to spread, resulting in pain and severely reduced mobility.

When left untreated, cartilage injuries may lead to osteoarthritis, which is a major cause of disability and represents a significant socio-economic burden. It is commonly believed that repairing cartilage defects at an early stage can slow down or even prevent progression to osteoarthritis [2].

Various surgical procedures are currently used for the local treatment of cartilage defects in the knee, including debridement and lavage, microfracture and osteochondral grafting (also called mosaicoplasty). However, unlike ChondroCelect none of these surgical treatments have been proven to create functional and durable repair of cartilage in prospective, randomized clinical trials.

While microfracture appears to be the currently accepted standard of care for small-sized cartilage defects, it is recognized that microfracture often leads to scar-like repair tissue, and unlike stable hyaline-like cartilage as regenerated by ChondroCelect, is not associated with long-term durable outcomes. Various investigators have communicated a reducing clinical benefit from microfracture after 2 to 3 years [3].

An alternative to such surgical procedures is Autologous Chondrocyte Implantation (ACI), 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. When a patient is diagnosed with a symptomatic cartilage defect eligible for ACI treatment, a small cartilage biopsy is taken arthroscopically from a healthy,

[1] The Lancet, Volume 380, Issue 9859, Pages 2163 - 2196, 15.

[2] Cooper C, Epidemiology of osteoarthritis. Klippel JH, Dieppe PA, editors. Rheumatology, 2nd ed. London: Mosby 1998. P 1-20.

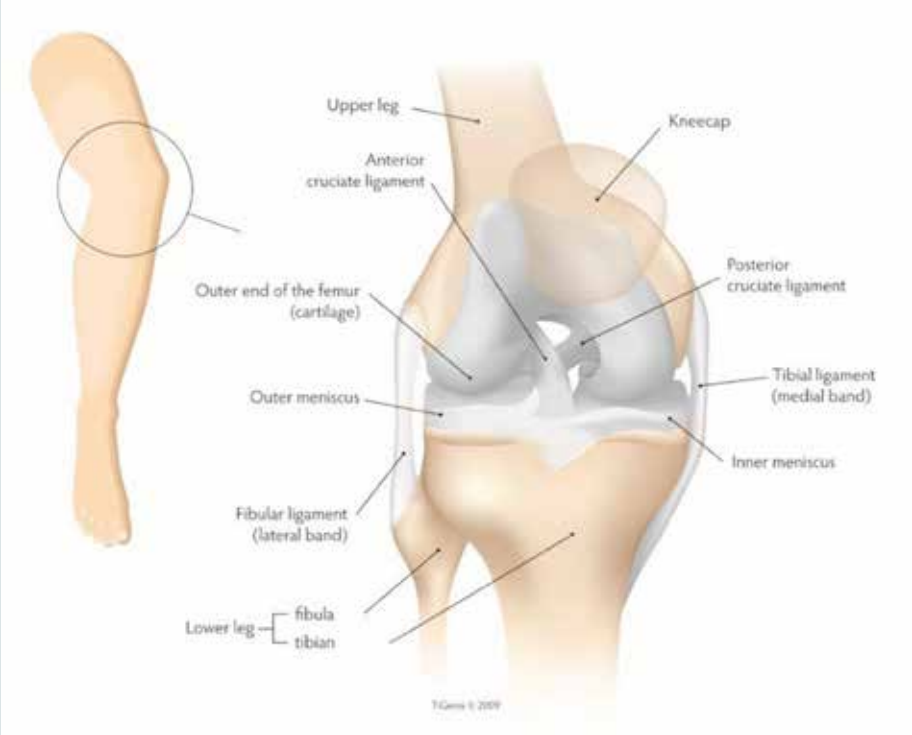
[3] Mithoefer et al., Am J Sports Med 2009.

non-weight bearing area of the joint. The cells are subsequently transported to a cell expansion laboratory and, after 9 weeks, 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, or by using a biodegradable membrane or matrix in which the cells are seeded.

ChondroCelect

ChondroCelect is a characterized cell-based medicinal product, used in an ACI procedure, in which the cell culture methods have been specifically developed to maintain the phenotypical stability of the cells to promote the formation of stable hyaline-like articular cartilage. The procedure whereby characterized cells are implanted is called 'Characterized Chondrocyte Implantation' (CCI). ChondroCelect has been validated in a prospective, controlled randomized clinical trial and can be used in combination with an easy-to-use collagen membrane. Moreover, 370 patients, presenting a wide variety of lesions, have been treated in a compassionate use program[4].

Fig. 1: ChondroCelect: regeneration of cartilage in the knee



[4] Vanlauwe J, Huylebroek J, Van Der Bauwhede J, et al., Clinical Outcomes of Characterized Chondrocyte Implantation. Cartilage. 2011: 3(2): 173-180.

Market opportunity of cartilage lesions

According to current medical practice, ICRS Grade III-IV full thickness cartilage defects (lesions in which underlying bone is exposed) larger than 2 cm^2 are indicated for treatment with ACI.

The target population with the highest expected benefit, i.e. patients with an early onset of symptoms (< 3 years), ICRS grade III and IV lesions larger than 2 cm^2 located on the femoral condyle in adults between 18 and 50 years, is estimated to be at least 17,000 per year in Europe, where TiGenix is currently focusing its commercial efforts on.

The market potential in the Middle East, where TiGenix has a signed distribution agreement in place, is estimated at around 8,000 cases per year[5].

As the Company is currently not focusing on other markets, it does not have reliable numbers on the potential global market size.

The list price for ChondroCelect is EUR 19,837 or GBP 18,301 in the UK.

6.4.3. Clinical validation

The efficacy of ChondroCelect was evaluated in a Phase III, multicenter, prospective, randomized controlled trial, the TIGACT01-study, comparing ChondroCelect with 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.

At one year following treatment, ChondroCelect formed regenerated tissue that was superior to tissue formed following microfracture. The repair tissue formed by patients treated with ChondroCelect was found to be less fibrous and to display features indicative of more durable cartilage.

The analysis of the 36-month follow-up data also demonstrated larger overall clinical benefit for the ChondroCelect group versus the microfracture group.

In July 2011, TiGenix published the results of 5-year follow-up analysis. The results confirm the durability of the therapeutic effect of ChondroCelect and demonstrate the importance of early intervention. Again, early treatment with ChondroCelect resulted in a superior clinical benefit over microfracture and a lower failure rate[6].

The pivotal TIGACT01 trial data have been complemented by supplementary information from an open label trial and other clinical programs, and in total, circa 850 patients have been treated with ChondroCelect to date.

6.4.4. Regulatory affairs

TiGenix is the first company to have obtained central regulatory approval for a cell-based medicinal product in Europe, and ChondroCelect is the first approved product under the new ATMP regulatory framework for innovative cell-based, tissue-engineered, and gene therapy medicines.

The marketing authorisation for ChondroCelect includes certain follow-up measures ("**FUMs**"), the scope and practical approach of which are currently being discussed with EMA.

[5] 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; Kim S. et al. 2011; and TiGenix estimates

[6] Vanlauwe J, Saris DB, Victor J, Almqvist KF, Bellemans J, Luyten FP. Five-year outcome of characterized chondrocyte implantation versus microfracture for symptomatic cartilage defects of the knee: early treatment matters. Am J Sports Med. 2011: 39(12):2566-74

6.4.5. Commercial launch

ChondroCelect is the first cell-therapy product in Europe that is commercialized as a medicinal product, and is positioned as a first-in-class medicinal product for knee cartilage regeneration that offers a proven durable treatment effect.

Following central approval the Company pursues a staged strategy for ChondroCelect's market launch in the European Union with national and regional reimbursement agreements as the most important drivers for success.

TiGenix is focusing on selected centers and surgeons, many of which have already been trained and have had the opportunity to use ChondroCelect in the context of the clinical trials and/or compassionate use (named patient) program.

Recognizing the importance of pre-launch product and therapy awareness and the need for direct contact with the first prescribers of ChondroCelect, TiGenix has set up a high-level commercial core team. The team consists of about 10 people, covering a significant part of the market in Western Europe. TiGenix now has direct commercial presence in Belgium/the Netherlands/ Luxemburg, the United Kingdom, Germany, France and Spain. In Finland and the Middle East, the Company has distribution agreements in place with the Finnish Red Cross Blood Service (FRCBS) and Genpharm respectively. As the company expands to other markets, it will each time determine developing these markets with its own direct sales force, possibly assisted by selected local agents, or consider entering into distribution arrangements.

The direct core team is composed of a mix of professionals with different backgrounds and experience in the pharmaceutical and medical device industries reflecting the particular requirements for successfully marketing innovative medicinal cell therapy products, and covers four closely collaborating functions: therapy development and customer support, market access, pricing and reimbursement, and marketing. The commercial team is further supported by scientific and medical experts from the Clinical and Medical Affairs departments.

In 2012, ChondroCelect sales amounted to EUR 4,1 million. Belgium and the Netherlands (both under reimbursement) represented 85% of the total sales, while the United Kingdom, Germany and Spain, through a variety of pre-reimbursement mechanisms, represented 15% of the total sales, which shows that positive reimbursement decisions are an important condition for increases in sales. In case no further positive reimbursement decisions would be obtained, the Company expects only a limited increase in sales due to the fact that the countries where reimbursement is already obtained are rather small markets.

6.4.6. Market access and reimbursement

Pricing and reimbursement are not harmonized in Europe and fall within the exclusive competence of the national authorities. Reimbursement mechanisms by private and public health insurers vary from country to country, and are sometimes even regionally determined. 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 therapeutic value (efficacy, safety, effectiveness, convenience, etc.) and economic value as compared to existing alternatives, for a specific disease with a clear medical need. Reimbursement is subject to considerations of cost, use and often volume, which again vary from country to country.

Because, different from other ACI procedures, 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.

After having received Marketing Authorisation for ChondroCelect, reimbursement dossiers were submitted in Belgium, the Netherlands, Germany, Spain and France. Being the first approved cell-based medicinal product in Europe, ChondroCelect is pioneering the reimbursement track for ATMPs and timelines may vary from currently known pharmaceutical product reimbursement timelines.

In **Belgium**, TiGenix 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 specialized treatment centers. 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.

In the **Netherlands**, ChondroCelect has been evaluated within the special reimbursement procedure for innovative expensive medicines ("*Beleidsregel Dure Geneesmiddelen*"). A positive decision has been granted in June 2012, offering retrospective reimbursement back to January 2011.

In **Luxembourg**, TiGenix intends to apply for reimbursement in the course of 2013 and expects to commercially launch ChondroCelect before the end of 2013.

In the **United Kingdom**, TiGenix has achieved some early reimbursement successes. In the National Health System (NHS), two primary care trusts (PCTs) agreed to fund ChondroCelect treatment for a number of individual requests. In the private sector, two of the largest private medical insurance (PMI) providers have agreed to routinely fund appropriately indicated patients for CCI using ChondroCelect. Other PMI providers continue to fund via a single case decision methodology, and to date there has been no privately insured patient refused access to CCI. For future routine access to ChondroCelect in the NHS, NICE is currently producing a scoping document with a view to processing CCI with ChondroCelect through the Single Technology Appraisal (STA) system. A positive STA would provide a mandate for PCTs/clinical commissioning groups (CCGs) to allow NHS patients to gain access to CCI therapy using ChondroCelect.

In **Germany**, ChondroCelect obtained positive NUB status 4 ("*Neue Untersuchungs*

und Behandlungsmethode") in several hospitals. Status 4 products are eligible for reimbursement on a case-by-case basis.

In **France**, after having received an initial response from the transparency commission of the "Haute Autorité de Santé" (HAS) in 2010 that they, at that time, were not able to evaluate the therapeutic benefit of ChondroCelect and therefore could not recommend the product to be put on the list of reimbursable products, TiGenix has resubmitted its application in October 2012 based on the results and analyses of the Company's five-year follow-up of the randomized clinical trial and the compassionate use program. The commission is currently reviewing TiGenix's application and the company is expecting a final decision in the first half of 2013.

In **Spain**, TiGenix submitted the reimbursement application for ChondroCelect in November 2010. On March 11, 2013, it was informed by the Spanish Health Authority that it will obtain national reimbursement in Spain.

In **Finland**, TiGenix has a distribution agreement in place with the Finnish Red Cross Blood Service (FRCBS) to conduct and facilitate the ChondroCelect business in the Finnish territory.

In the **Middle East**, TiGenix has entered into a distribution agreement with Genpharm. In the course of 2013, Genpharm will explore reimbursement strategies in its designated region under TiGenix's supervision and support.

6.4.7. Manufacturing and logistics of ChondroCelect

TiGenix's cell culture technologies and related operations are a core competence on which the success of the Company as a leader in cell therapy is being built.

Cell-based medicinal products must be manufactured in a facility authorized by the regulatory authorities and must be carried out in compliance with current Good Manufacturing Practices ("**cGMP**").

To ensure cGMP compliant manufacturing, the Company's Quality Management system is organized according to the following components: Quality Assurance, Facility & Equipment, Materials, Production, Quality Control and Personnel. The Company's staff has been thoroughly trained and qualified to meet strict cGMP requirements; staff is also regularly retrained to maintain the highest standards of quality. Regular internal and external audits are performed to control and document cGMP compliance.

The ChondroCelect expansion process is designed to preserve the integrity and function of the cells and particularly to maintain the cells' ability to produce hyaline cartilage. This method has been developed and validated in order to limit the usually observed dedifferentiation of chondrocytes in culture. Critical parameters have therefore been included in process controls to routinely monitor and control the quality of the Medicinal product. The final product undergoes a series of compulsory quality control tests such as sterility, purity, potency, visual appearance. Only products that meet these quality control criteria are released and delivered to the hospital.

6.4.8. Competition

The market for the treatment of cartilage defects (ICRS grade III-IV) is highly fragmented. There are currently no

pharmacological products on the market to effectively treat localized cartilage defects. Current treatment options include:

- surgical treatments, such as debridement, microfracture and mosaicplasty,

- cell-based therapies, such as Autologous Chondrocyte Implantation (ACI) and Characterized Chondrocyte Implantation (CCI), and

- cell-free products, such as scaffolds and gels.

Cell-based therapies are the only treatment options that offer a repair treatment while sparing the osteochondral region, thus offering a focused and gentle approach.

In addition, in comparison to the other treatment options mentioned above, ChondroCelect is the only treatment that offers:

- proven efficacy and effectiveness through a level 1, Phase III, randomized controlled trial[7,8,9], as well as a compassionate use program[10]. Thus far, circa 850 patients have been treated with ChondroCelect;

- demonstrated long term (5 year) durability of the treatment effect (5 year follow-up RCT) for well-defined patient profiles[9];

- evidence supporting the use of ChondroCelect for large lesions[10];

- the security of central European marketing authorization (approved ATMP); and

- a dedicated, licensed cGMP cell expansion facility.

Autologous Chondrocyte Implantation (ACI) in Europe

The barriers to entry for ACI services and cell-based products to the European market have been relatively low in the past, resulting in a number of smaller companies penetrating the market. On January 1, 2013, however, ATMP regulations will start being enforced in the EU. As the only ATMP, ChondroCelect should benefit from this situation. However, Member States can grant exemptions to regulate the manufacturing and use of certain non-routine produced ATMP's outside the scope of the Medicinal Product Directive 2001/23 (Hospital Exemption) to provide patients access to custom-made, innovative individual treatment in the absence of valid therapeutic alternatives (i.e. where there is a clear unmet medical need).

Genzyme/Sanofi is currently involved in a Phase III trial for MACI, for which published results are expected in 2013. Tetec, a subsidiary of B. Braun, has recently started a Phase III clinical trial for NovoCart 3D. Completion is expected in 2019[11]. Co.don has initiated a Phase III trial for its product ChondroSphere; results are expected in 2016[12]. Other companies include Biotissue Tech (product BioSeed C), Anika

[7] Saris DB, Vanlauwe J, Victor J, et al. Characterized chondrocyte implantation results in better structural repair when treating symptomatic cartilage defects of the knee in a randomized controlled trial versus microfracture. Am J Sports Med. 2008: 36(2):235-46.

[8] Saris DB, Vanlauwe J, Victor J, et al. Treatment of symptomatic cartilage defects of the knee: characterized chondrocyte implantation results in better clinical outcome at 36 months in a randomized trial compared to microfracture. Am J Sports Med. 2009: 37 Suppl 1:10S-19S.

[9] Vanlauwe J, Saris DB, Victor J, Almqvist KF, Bellemans J, Luyten FP. Five-year outcome of characterized chondrocyte implantation versus microfracture for symptomatic cartilage defects of the knee: early treatment matters. Am J Sports Med. 2011: 39(12):2566-74.

[10] Vanlauwe J, Huylebroek J, Van Der Bauwhede J, et al. Clinical Outcomes of Characterized Chondrocyte Implantation. Cartilage. 2012: 3(2): 173-180.

Therapeutics (product Hyalograft C) and Cellmatrix in Scandinavia. Next to these companies, there are a number of hospitals that produce autologous cartilage for their own patients.

Cell-free products

Alternative competition may come from cell-free products that also target the cartilage repair market, but that will generally be brought to market through the medical device regulatory route. Several ACI companies such as BioTissue are considering abandoning the cell-based products, and are attempting to bring one-step, cell-free products to the market through the CE marking route in Europe. Examples of other competing products are AMIC (Geistlich), a collagen membrane used in combination with microfracture and BST-Cargel (Piramal) and GelrinC (Regentis) self-gelling products, also for use in combination with microfracture. Gelrin C is currently not for sale in Europe and US, but is expected to apply for CE mark in 2013 [13].

For the treatment of osteochondral defects there are several solutions in the market. Kensey Nash is currently involved in a Phase II trial for an acellular osteochondral graft. The same company also markets Osseofit, an osteochondral scaffold. Similar scaffolds are offered by Smith & Nephew (TruFit), and Fin Ceramica (MaioRegen).

6.5. PRODUCTS IN DEVELOPMENT: THE ADIPOSE DERIVED STEM CELL PLATFORM

6.5.1. Products and technology

TiGenix's strategy is to exploit the recognized mechanism of action of expanded adipose-derived stem cells ("**eASC**") in immune-mediated inflammatory processes and to develop groundbreaking allogeneic stem cell products for treating a broad range of inflammatory and autoimmune diseases. The Company's current development programs are based on a proprietary technology platform of eASCs. The rationale for choosing eASCs as a highly competitive and next generation platform for future market opportunities in inflammatory and autoimmune diseases is outlined here below.

Mechanism of action

Two main biological mechanisms underlie the efficacy of stem cells in disease treatment: their anti-inflammatory properties, and their secretion of repair and growth promoting molecules. For the treatment of inflammatory and autoimmune diseases, the former property is thought to play the most fundamental role.

Certain stem cell populations act as immunomodulatory agents by interacting with cells of the immune system. TiGenix's scientists have been able to confirm that activation of eASCs by interferon-gamma ("**IFN-γ**") [14], and the subsequent expression of tryptophan metabolizing enzyme Indoleamine 2,3 dioxygenase ("**IDO**") [15]

[11] http://clinicaltrials.gov/ct2/show/NCT01656902?term=novocart+3d&rank=1

[12] http://clinicaltrials.gov/ct2/show/NCT01222559?term=chondrosphere&rank=2

[13] http://medtechinsider.com/archives/28003

[14] Best Pract Res Clin Haematol. 2011 Mar;24(1):49-57. Epub 2011 Feb 23. "Mesenchymal stem cells and autoimmune diseases."

[15] 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.

are at the heart of the immunomodulatory properties of eASCs. 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 supports a natural healing of the inflamed tissue.

The second property of the eASC, secretion of repair and growth promoting molecules, is playing a role after the initial control of inflammation like in fistula healing.

Expanded adipose tissue as active ingredient

TiGenix has developed its platform using expanded adipose stem cells (eASC) extracted from human adipose tissue. By sourcing cells from adult adipose (fat) tissue, the company is able to capitalize on the benefits associated with this type of cells compared to other cell types (such as stem cells sourced from bone marrow). The most important advantages of this approach are: ease and amount of supply (collected through a routine liposuction); rich supply of stem cells (stem cells can represent 2% of the total cells of the Stromal Vascular Fraction ("SVF") of the fat tissue; a potential yield of 100 to 1,000 times higher than other possible sources of stem cells; robust phenotype (eASCs do not require overly elaborate growth conditions and can be grown continuously without loss of their primary characteristics); and a good safety profile.

Allogeneic approach

An allogeneic (based on donor cells) treatment has a series of advantages when compared to using autologous (based on the patient's own cells) cell products, such as:

(a) Efficient production of large lots (batches) of cells:

- Manufacturing scale-up can be applied

- Quality control tests can be applied to larger lots, reducing cost of manufacturing

- Material of high consistency (individual lots of a large batch)

(b) Cells are always available:

- Can address emergency indications

- Allows high patient throughput

- Represents a good commercial opportunity

(c) No patient biopsy/tissue procurement needed:

- Less clinical time and resources

- Avoids taking biopsies from severely ill patients

- Allow for treatment of patients who do not possess sufficient tissue or who for any other medical reason cannot undergo tissue procurement

(d) Commercial product orientated:

- Readily-available product

- Potentially higher margins thanks to optimized product cost of goods

Different routes of administration of eASCs

The choice of injecting the eASCs through different routes relies on a combination of the type of disease and targeting the immune system in the most optimal way. For local diseases or tissue damage, depositing the cells as close as possible to the affected tissue or organ is expected to optimize the effect of the cells. Indeed, locally administered cells will not be diluted, and thus achieve the highest concentration of cells at the site of action. Moreover, the cells will encounter immediately the inflamed environment leading to direct activation of the eASCs and their immunomodulatory actions. Therefore, diseases like fistulas and IBD are targeted by local administration of the cells.

For systemic diseases like rheumatoid arthritis ("RA"), where the cells need to act at several places in the body, systemic administration of the cells is the method of choice. Indeed, systemic administration, either through the blood or lymphatic circulation, will allow the cells to be distributed throughout the body to reach the affected tissues. The capacity of eASCs to sense inflammation and to migrate to the site of inflammation is expected to result in an efficient mechanism of action at the site of inflammation.

Finally, the intralymphatic route appears to be very attractive, since it is expected that the systemic effect of the cells will ultimately be executed at the secondary lymphoid organs: draining lymph nodes and spleen. Recent preclinical and clinical experience with vaccines [16] and antitumor [17] agents has demonstrated the feasibility and practical use of this administration route.

Products

6.5.1.1. Cx601

Cx601 is a suspension of allogeneic eASCs delivered locally in the fistula through intra-lesional injection. Cx601 is being developed for the treatment of perianal fistulizing Crohn's disease.

As set out in more detail in section 6.5.2.1, Crohn's disease is a chronic inflammatory disease of the intestine. It is characterized by focal or segmental transmural inflammation, which may occur in any part of the digestive tract. Crohn's patients can suffer from complex perianal fistulas for which today no efficient treatment exists.

Cx601 received Orphan Drug designation by the EMA in Q4 2009.

Clinical development

TiGenix is developing Cx601 for the treatment of complex perianal fistula in Crohn's disease patients. Cx601 utilizes expanded adult allogeneic stem cells derived from adipose tissue, which the Company understands to have anti-inflammatory properties and be an effective mechanism for the treatment of fistulas.

In a Phase II clinical trial, Cx601 showed efficacy at 24 weeks of 56% in treated fistula tracts, which is more than 2 times higher than the current standard of care (anti TNF). Efficacy was measured as the complete closure and re-epithelization of the fistula being treated with absence of drainage. Additionally, 69.2% of patients had a reduction in the number of initially draining tracts. The trial also confirmed the

[16] Curr Opin Allergy Clin Immunol. 2009 Dec;9(6):537-43. "Intralymphatic immunotherapy."Senti G, Johansen P, Kündig TM.

[17] 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.

safety of the use of allogeneic stem cells for the treatment of perianal fistula, including confirmation that no immune reactions resulted from repeated treatment with allogeneic eASCs.

Based on these results, TiGenix sought scientific advice from EMA in March 2011 on the future development path of Cx601. Having received positive scientific advice, TiGenix initiated a randomized, double-blind European Phase III trial (278 recruited patients, 8 countries, 45 centers) designed to comply with the requirements set by the EMA. This pivotal study is intended to allow for filing of Marketing Authorisation in Europe and to serve as a key supportive study in to file for approval in many other territories, including the US.

The clinical trial is a two-group study, placebo controlled trial, in which patients are randomized 1:1. Eligible patients are diagnosed of perianal Crohn´s disease with non-active luminal disease and should have failed previous treatments for the fistulas (biologics, immunosupresants and/or antibiotics). Fistulas can have up to two internal and up to three external orifices. Patients are allowed to maintain their current treatment of the luminal disease for the duration of the study as long as the dose is not modified in the course of the study. The study's primary end-point is remission of the fistulous disease, defined as 100% healing of the tracts; secondary end-points include, among others, response (50% of fistula tracts healing), time to remission, time to response, safety and tolerability data. The trial has a first complete analysis of results at 24-weeks follow-up, with the final analysis to be performed at 56-weeks post treatment. Evaluation of healing includes both clinical assessment and MRI confirmation.

The Phase III clinical trial mentioned above began its recruitment in mid 2012 and recruitment of the whole sample of patients is expected to be completed by the end of 2013. A first follow-up analysis will be done six months after treatment and a second final analysis will be done at 52 weeks after treatment. The final clinical report is expected to be available during the second half of 2014. In case of positive results, TiGenix intends to submit a request for marketing authorisation with EMA, and a decision by the European Comission could be expected in the course of 2016. In case marketing authorisation would indeed be granted in the course of 2016, the commercialization of Cx601 could be launched as of late 2016 or 2017. As part of the 2013 action plan, the Company has the intention to find a partner for the co-development and/or commercialization of Cx601 in different regions.

6.5.1.2. Cx611

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 infusion.

As set out in more detail in section 6.5.2.2 below, rheumatoid arthritis ("**RA**") 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.

Clinical development

In January 2011, TiGenix SAU obtained official approval by the Spanish Medicines Agency to start a Phase IIa clinical trial using allogeneic eASCs, for the intravenous treatment of rheumatoid arthritis.

The Phase IIa clinical trial is a 53-subject, multicenter (23 centers), placebo-controlled study in 3 cohorts with different dosing regimens, designed to assess safety, feasibility, tolerance, and optimal dosing. The study targets very severe patients, who have failed at least two biologics. The Company believes that this clinical trial can set the stage not only for the further development of Cx611 in RA, but also in a wide range of other autoimmune disorders that still represent a major clinical unmet need.

The trial's primary end-points are safety and tolerability of the three intravenous eASC administrations; the secondary end-points have been chosen to provide some trends on efficacy of the different doses tested with the aim of gathering data to be used in the further clinical development of the compound. The Company expects to report the final results of the study at the end of April 2013.

An interim analysis of the trial results was recently performed to confirm safety after 3-month follow-up, with the data still blinded. It was done for the whole sample of 53 patients after 3-month follow-up. The data collected in the interim analysis support the good safety profile of all three doses of Cx611. Only two patients (4%) have suffered serious adverse events and only in one case (2%) it led to discontinuation of the treatment. All other side effects were mild and transient.

As the data were still blinded at the time of the interim analysis, no efficacy analysis could be made at that time (as efficacy analyses are only possible after the blinding has been opened). In addition, efficacy is only a secondary end-point of the current Phase IIa trial. Therefore, final results of the current trial may only provide certain trends in efficacy. Statistics in efficacy will only become available after a further Phase IIb or Phase III trial.

Once the final results of the Phase IIa study will be known, expected at the end of April 2013, TiGenix will evaluate and decide which further clinical trials, if any, will be undertaken in the development of Cx611. This could potentially be a Phase IIb trial first, followed by Phase III trial, whether or not in collaboration with a partner.

6.5.1.3. Cx621

Cx621 is an allogeneic cellular suspension of eASCs for the treatment of potentially a variety of autoimmune diseases via intra-lymphatic administration. As set out in more detail in section 6.5.2.3 below, autoimmune diseases are a group of more than 100 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. The characteristic immediate result of an autoimmune condition is inflammation, which 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.

Clinical development

TiGenix conducted a Phase I clinical trial in Spain. 10 healthy volunteers, 5 males and 5 females, have been studied in two cohorts with two different doses. The objective of this trial was to confirm the feasibility and the tolerability of the intralymphatic injection of Cx621. The study consisted of two intralymphatic administrations one week apart of Cx621 into the two inguinal nodes, with a safety follow-up of 21 days after each administration. In each of the cohorts, two subjects received placebo (HTS) and the others Cx621.

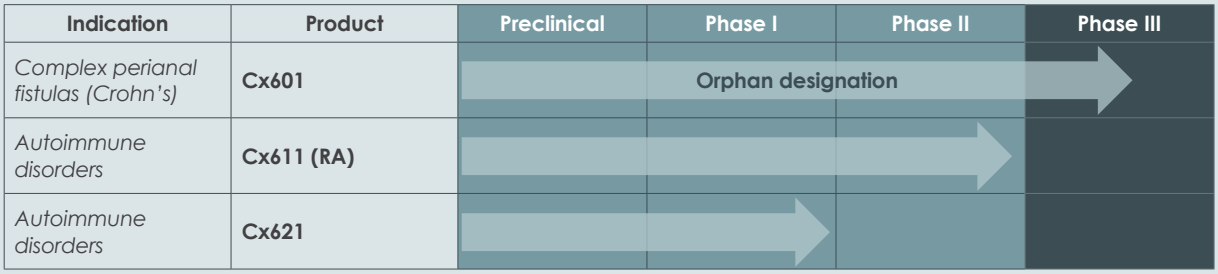
Results of this study confirmed that the intralymphatic administration was possible in every of the 10 subjects, with no incidences during or after the administrations, and with no technical difficulties. There were 13 adverse events in 7 subjects, all of them mild except one moderate, and none of them related to the study medication. All biological parameters and all exploratory tests were between normal ranges throughout the study in every case. An increase in the surface of lymph nodes was noted by ultrasound imaging of the inguinal area, more evident in the active group receiving Cx621 than in the placebo one, but with no clinical relevance. No significant changes were observed in the distribution of cell subsets in the blood of the volunteers, and no evident changes occurred in the early activation markers.

In conclusion, the feasibility of the intralymphatic administration and the tolerability were confirmed.

6.5.2. Indications and target markets

Based on the competitive advantages of the eASC anti-inflammatory mode of action and the choice for an allogeneic approach, TiGenix aims to exploit the immunomodulatory capacity of eASCs pursuing the delivery of the cells via the most appropriate route of administration according to the indication targeted. These different routes of administration rely on either systemic or local administration. TiGenix's eASC pipeline is pictured in figure 2.

Fig. 2: eASC product pipeline



With a product in the last stage of clinical development (Phase III) and two further products in Phase I and II, TiGenix's eASC pipeline constitutes to date the most advanced stem cell platform in Europe. Assuming Cx601 yields positive Phase III data and based on a standard regulatory pathway for ATMPs, TiGenix anticipates generating first

revenues from this pipeline within the next 5 years and benefiting from substantial growth as the following products advance in their development for larger indications within the autoimmune disease area.

6.5.2.1. Cx601

The product Cx601 is currently in clinical development Phase III for the treatment of perianal fistula in Crohn's disease.

Crohn's disease is a chronic inflammatory disease of the intestine. 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, favoring 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, no scheme has been universally adopted. However, the American Gastroenterology Association recommends classification according to complexity as either complex or simple:

- 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.

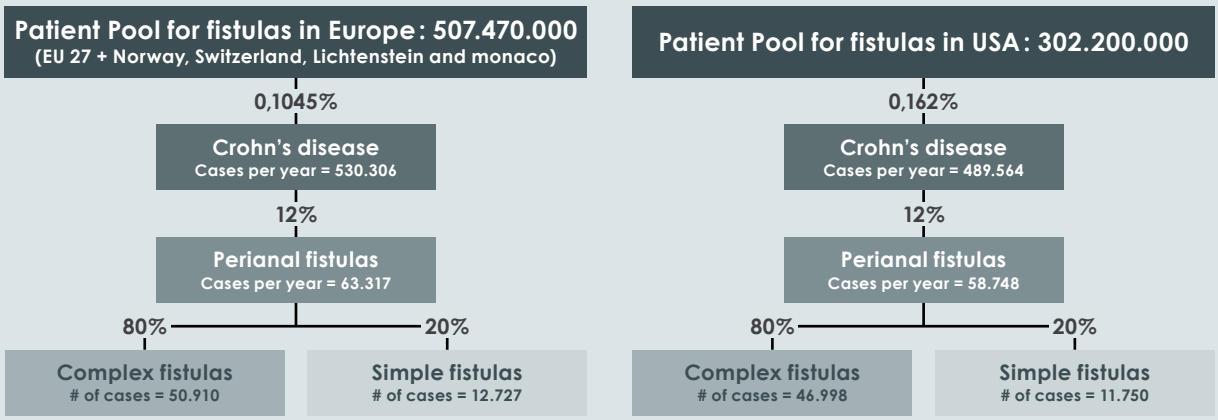
Patients with complex fistula involving large portions of the sphincter muscles are generally accepted as being at high risk of incontinence subsequent to aggressive surgical intervention and of having low healing rates.

Complex perianal fistulas in Crohn patients tend to occur in individuals between the ages of 20 and 40, though 10-15% of patients are diagnosed before adulthood[18]. 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.

Limited data is available on the epidemiology of perianal fistula in Crohn´s disease patients. TiGenix has estimated its worldwide incidence 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 in Europe and USA:

[18] 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.

Fig. 3: Overview of estimated patient population suffering from complex perianal fistula



Taking into consideration a target population as described above and an estimated sales price range of KEUR 20 - 24, Cx601's market size could be estimated to be around EUR 1 billion for Europe and North-America combined.

For Crohn´s patients with complex perianal fistulas, currently, treatments of choice are antibiotics and azathioprine or 6-mercaptopurine as first-line therapy, and the biological drug Remicade® (Infliximab). Both 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.

The table below gives an overview of the most common treatments for perianal fistulas 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.	Low efficacy and a high rate of relapse.	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. A recent study conducted by IMS (independent provider of market research) on behalf of TiGenix, concluded

that the average cost of treatment of a patient with complex perianal fistula due to Crohn's disease is KEUR 34 per patient, of which KEUR 20.1 is destined to pharmacological treatment.

6.5.2.2. Cx611

The product Cx611 is finalizing clinical development Phase IIa for the treatment of rheumatoid arthritis. It is intended for the treatment of RA and potentially other inflammatory diseases.

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 stiffness, swelling, redness, and eventually to debilitating pain. 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.

RA represents the most common inflammatory arthritis, affecting between 0.3% to 1% of the general population in industrialized countries[19].

The economic burden associated to the treatment of RA is huge for any healthcare system. For Europe alone, it has been estimated that the combined annual economic cost of this disease is as high as EUR 45.5 billion (Lundkvis et al 2008). 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[20]. 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[21], whereas in 2007 biologic therapies in the US have been reported to cost between $13,000 and $20,000 per year per patient[22].

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 optimization (i.e. in the case of the anti-TNFα Infliximab), further anti-TNFα, 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, and 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.

[19] WHO Report "The global burden of rheumatoid arthritis in the year 2000". Deborah Symmons Colin Mathers, Bruce Pfleger.

[20] Lundkvist J et al. Eur J Health Econ 8 (Suppl 2) :S49–S60.

[21] Biotech in Autoimmune/Inflammatory Disease 2006 2nd Edition Arrowhead Publishers.

[22] Datamonitor, 2009.

- It is estimated that approximately 20-40% of RA patients do not have an adequate response to treatment with anti-TNF agents.

6.5.2.3. Cx621

The product Cx621 completed a clinical development Phase I safety and feasibility study in 2012. The product is intended for the treatment of inflammatory and autoimmune diseases.

Autoimmune diseases are a group of more than 100 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.

Today, the autoimmune disease market represents a EUR 40 billion market opportunity based on sales of currently marketed products in the eight major diseases: Rheumatoid Arthritis (RA), Multiple Sclerosis (MS), Systemic Sclerosis (SS), Lupus, Psoriasis, Juvenile Idiopathic Arthritis (JIA), Ankylosing Spondilytis (AS), and Inflammatory Bowel Disease (IBD)/Crohn's Disease (CD).

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 treatments for a range of autoimmune diseases and as such command premium pricing. Nevertheless, there are also major drawbacks for this relatively new therapeutic group. First of all, a significant portion of treated patients (>20%) do not have an adequate response. Secondly, biologics have serious safety concerns regarding long term use: non tolerability, recurrent secondary infections, risk of cardiotoxicity, etc. And finally, as the efficacy is limited in time, patients will have to switch to other biologics.

Despite the wide variety of therapeutic options there is thus a very high medical need for innovative therapies that are effective and safe and have the potential to become a new treatment paradigm. Adipose derived stem cell therapy, which combines anti-inflammatory and immune modulatory mechanisms of action, represents a promising alternative therapy.

6.5.3. Manufacturing and logistics of eASC products

TiGenix's eASC development stage products are considered medicinal products (pursuant to Spanish Order SCO/3461/2003) and therefore must be manufactured in compliance with cGMP in an authorized pharmaceutical establishment. This also applies to the medicinal products manufactured for use in clinical trials.

TiGenix has obtained cGMP status for its manufacturing facility in Spain in full compliance with these increased requirements.

Cx6xx products

The Cx6xx products (Cx601, Cx611, Cx621) are allogeneic expanded adipose stem cells. The cells are originally derived from the subcutaneous fat tissue of a healthy donor. The fat biopsy tissue is first enzymatically digested and stem cells are recovered from it through a series of cell culture steps. In this first series of expansion steps, a master cell bank (MCB) is created. The quality and safety of these first large cell banks is extensively tested. Once the MCB is qualified, it can be used to sequentially generate a large number of so-called Final Drug Substances (FDS). These FDS are obtained by expanding the cells of the MCB by a new series of cell expansions in cell culture. The FDS are frozen at very low temperatures (cryopreserved) until final use. When a final product needs to be provided to the physician, the required amount of frozen cells are thawed and recovered in cell culture. These cells are then subsequently collected for final formulation in excipient medium. The amounts of cells and excipient volume depend on the particular product and their use in the clinics.

During the whole manufacturing processes, there are many 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, TiGenix conducts microbiological and environmental controls and process controls to ensure that the manufacturing conditions are compliant for the distribution of the finished product.

The characterization of eASCs has been established in terms of identity, 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.

The logistics for TiGenix's eASC-based products include the transport of the finished product in a special temperature controlled kit. The shipping process has been fully validated with specialist courier services. Based on its experience with these companies and the proximity of the manufacturing facility to the Madrid international airport of Barajas, TiGenix believes it can reliably deliver the finished product to treatment sites anywhere in Europe within 24 hours.

6.5.4. Stem cell platform competition

Biologics for treatment of Crohn's disease

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 fistulas 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 in complete 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. This is thus in large contrast with the results of TiGenix's Phase II study using Cx601, in which 56% of treated fistula tracts healed (complete closure and re-epithalization of external opening) after 24 weeks.

Other biologics 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. The EMA refused the Marketing Authorisation for Cimzia to treat active Crohn's disease. Nevertheless, Cimzia received FDA approval for treating adults with moderate to severe Crohn's disease who have not responded to conventional therapies.

- Tysabri (natalizumab) – Elan-Biogen: Approved by the FDA (not by the EMA) 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 fistulas.

- An interesting note is that not all TNF-α-neutralizing medication is effective in treatment of Crohn's disease as Enbrel (etanercept) has proven to be worse than a placebo in Crohn's disease.

Biologics for treatment of Rheumatoid Arthritis and other Autoimmune Diseases

Biologics are currently standard of care for the treatment of RA as well as various other autoimmune-mediated inflammatory diseases. The overview below lists the key biologics currently on the market to treat autoimmune diseases together with the associated revenues for 2011.

Indication incidence (per 100.000)	RA 23	MS 4-6	SS 1-2	LUP 1-10	PSO 80-240	JIA 2-20	AS 1-14	IBD/CD 900/700	2011 Revenues
Infliximab/Remicade (J&J)	✔				✔		✔	✔	$ 8.5 Bn
Humira (Abbott)	✔				✔	✔	✔	✔	$ 7.9 Bn
Enbrel (Pfizer)	✔				✔	✔	✔		$ 3.7 Bn
Betaferon (Bayer)		✔							$ 1.6 Bn
Tysabri (Biogen/Idec)		✔						✔	$ 1.5 Bn
Orencia (Bristol-Myers Squibb)	✔					✔			$ 917 Mn
Cimzia (UCB)	✔							✔	$ 423 Mn
Benlista (GSK)*				✔					$ 52 Mn

* FDA approval in March 2011; EMA approval in July 2011.
RA: Rheumatoid Arthritis; MS Multiple Sclerosis; Systemic Sclerosis; LUP: Lupus; PSO: Psoriasis; JIA: Juvenile Idiopathic Arthritis; AS: Ankylosing spondylitis; IBD: Inflammatory Bowel Disease; CD: Crohn's Disease; Source: "Research and Markets", company websites.

6.6. FACILITIES

Headquarter and other facilities in Belgium

The Company's registered and main office, based in the Romeinse straat 12, box 2, 3001 Leuven, Belgium, is currently leased pursuant to a lease agreement.

The Company's Belgian R&D facility, which used to be housed in the same building as the headquarters, has been closed and R&D activities have been centralized in the Madrid facilities, Spain.

The Company has built a new manufacturing site in Geleen, the Netherlands. As a consequence of the currently ongoing transfer of the Company's manufacturing activities to this new manufacturing site, it intends to terminate its lease for its smaller Leuven production facility around the end of April 2013.

Manufacturing facility in the Netherlands

In anticipation of the growing demand for ChondroCelect and the expansion of the product pipeline, TiGenix secured increased production capacity in Europe. On June 26, 2009, TiGenix B.V. entered into a long term lease agreement with DSM Nederland B.V. (acting through its Chemelot® division, acting on behalf of DSM Research B.V.) for a building on the Chemelot Campus in Geleen (near Maastricht), the Netherlands. This manufacturing site in Geleen ("**MSG**") is located at Urmonderbaan 20b, RD 6167 Geleen, the Netherlands.

The initial term of the lease runs until July 31, 2029, it being understood that TiGenix B.V. can terminate the agreement as of July 31, 2019 with a three year notice. After the initial term, the term can be extended with periods of five years, and both parties can terminate the lease with a two year notice. Effective

January 1, 2013, ownership of the building was transferred to "Chemelot Campus", a joint venture between the Province of Limburg, Maastricht University and DSM Nederland B.V.

MSG is centrally located in TiGenix's 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. In these premises, TiGenix has constructed and qualified clean rooms, quality control labs and support areas. In 2012 the transfer to MSG of the ChondroCelect manufacturing capabilities, while keeping all facets of the process on a par with the original and meeting all requirements of the European regulator, was accomplished. Further to the successful cGMP inspection by the Dutch authorities (IGZ) in the first half of 2012, TiGenix obtained the crucial approval from the EMA for the production of ChondroCelect for this site in the second half of 2012. MSG is unique in Europe as it is 100% geared towards the production of innovative cell therapy products, and provides the Company with crucial manufacturing capabilities to support the anticipated growth in demand for ChondroCelect for cartilage repair, with sufficient capacity for the production of other advanced stem cell therapy products. As part of the 2013 action plan, the Company may be looking to monetize (part of) the manufacturing facility.

Facilities in Spain

TiGenix facilities in Spain are located in the Parque Tecnológico de Madrid, Calle Marconi 1, Tres Cantos, 28760 Madrid, Spain. The company leases two adjacent buildings. In the first building, the administrative offices are located. The other building hosts the R&D laboratories and a cGMP facility for the manufacturing of clinical eASC products. TiGenix's cGMP facility in Madrid consists of two separate clean rooms and adjacent cGMP support rooms. They have been cGMP approved by the Spanish Medicines and Medical Devices Agency for the manufacture of cellular medicinal products for investigational use (clinical trials). TiGenix currently believes that the combined capacity of both clean rooms is sufficient to supply the necessary quality of material for its ongoing clinical trial programs. TiGenix has also obtained EMA quality scientific advice to ensure that its manufacturing process is fully aligned with EMA requirements.

6.7. INTELLECTUAL PROPERTY

The information provided in this section 6.7 is provided as of February 28, 2013. To the best of the Company's knowledge, no change occurred between such date and the date of this registration document.

Overview of Patents and Patent Applications

The protection of TiGenix's intellectual property is a strategic part of its business and TiGenix currently owns, or co-owns, 80 granted patents and 104 patent applications distributed across 20 families. In addition TiGenix currently has 52 registered trademarks and trademark applications.

Licenses

With the exception of patent applications derived from PCT publication WO/2010/092100 (which relates to the biopsy device "ChondroCelect Harvester"), TiGenix holds the exclusive rights to the patents listed below either through exclusive ownership

of the patents and patent applications or by co-ownership agreements with license provisions. Where patents are co-owned, certain types of exploitation of such patents may be subject to the co-owner's approval.

Co-ownership Agreements

A number of TiGenix´ 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 with the exception of WO/2010/092100.

The Universidad Autónoma de Madrid (UAM) and TiGenix 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), and

- "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 TiGenix.

The Consejo Superior de Investigaciones Científicas (CSIC) and TiGenix 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 TiGenix 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 TiGenix 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

TiGenix's commercial success will depend, in part, on its ability to obtain patent protection in key markets for certain aspects of its cell therapy products, processes and related technologies. TiGenix therefore seeks to obtain patent protection for these products, processes and technologies and will continue to file patent applications in respect of multiple aspects of its technologies and products.

TiGenix's current patent position is as follows:

eASC key base patents:

- "Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue" (PCT Publication WO2006037649):

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" (PCT Publication WO2006136244) : a patent family pending in CA, CN, JP, IL, US, BR, EP, KR, AU, RU & IN; granted in AU; NZ; RU; SG & MX. Protects 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 fistulas.

- "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 cell therapy applications:

- "Biomaterial for suturing." (PCT Publication number WO2006035083) : 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" (PCT Publication number WO2007065927) : a US application protecting the use of a stem cell population in the treatment of graft versus host disease.

- "Uses of mesenchymal stem cells" (PCT Publication number WO/2010/015929) : a patent family of US, EP, JP, KR, CA & AU applications protecting the use of a stem cell population in the treatment of sepsis.

- "Use of CXCL6 chemokine in the prevention or repair of cartilage defects" (PCT Publication number WO2005014026) : a patent family of granted patents in AU, JP, NZ, RU, SG, US and EP (validated in 21 countries) pending in CA, IL and NO protecting the use of CXCL6 in the repair of cartilage defects.

- "Isolation of precursor cells and their use for tissue repair" (PCT Publication number WO2008/061804) : a patent family of granted patents in the US and EP (validated in 19 countries) pending in CA and the US protecting aspects of CDMP1+ cells useful in cartilage regeneration.

Chondrocyte markers:

- "In vivo assay and molecular markers for testing the phenotypic stability of cell populations, and selecting cell populations for autologous transplantation" (PCT Publication number WO2001/24833) : a patent family of granted patents in CA, US and EP (validated in 20 countries) pending in HK, EP and the US protecting biomarkers for chondrocyte development.

- "Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production" (PCT Publication number WO2008/061804) : a patent family of pending patents in the US, EP, AU, CA, CN, HK, IN, IL, JP, NO, RU & SG; granted in NZ. This patent family protects a biomarker panel for chondrocyte development.

Cell therapy delivery patents :

- "Injection Device" (PCT Publication number WO/2009/141727) : 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." (PCT Publication number WO/2009/141727) : a patent family of BR, CA, MX, SG, US, CN, JP, IL, KR, AU, IN, NZ, RU & EP applications 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." (PCT Publication number WO/2012/095743) : a PCT application protecting novel compositions, dosage and dosage regimens for the intralymphatic administration of cellular therapies, cell composition, kits and therapeutic uses including the treatment of autoimmune and inflammatory disorders.

- "Biopsy Device" (PCT Publication number WO/2010/092100) : a patent family of AU, CA, CN, EA, IL, IN, EP, US & JP applications protecting a device suitable for taking cartilage biopsies.

eASC technology improvements :

- "Compositions comprising adipose stem cells" (PCT Publication number WO/2010/070141) : a patent family of EP, US & JP applications 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."(PCT Publication number WO/2010/052313) : a patent family of AU, CA, KR, EP, US & JP applications 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.

- "Stem cell culture media and methods." (PCT Publication number WO/2012/032112) : a PCT application that protects a culture medium and cell culture methods.

- "Cell populations having immunoregulatory activity, methods for the preparation and uses thereof." (PCT Publication number WO/2012/123401) : a PCT 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.

Cx911 (regulatory T-cell platform) :

- "Cell populations having immunoregulatory activity, methods for the preparation and uses thereof." (PCT Publication Number WO/2011/048222) : a family of pending EP; US & JP patent applications 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.

- "Cell populations having immunoregulatory activity, methods for the preparation and uses thereof." (PCT Publication Number WO/2012/156522) : 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.

An overview of TiGenix's patent portfolio is included in Section A of "Appendix 1 : Overview of Patents and Trademarks".

Trademark Portfolio

The TiGenix brand is protected by trademarks applications or registered "TiGenix" trademark in 13 European jurisdictions, Canada and the US. Additional protection is provided by the "Living Medicines" brand registered as a community trademark. The ChondroCelect brand name is protected by applications or registered trademarks in 12 European jurisdictions, Canada and the US.

Prospective product names have been registered primarily as CTM word trademarks to protect the brands MeniscoCelect, CCH, Idryon, Ontaril, Miredal, Alocellix, Adicell-X and Alofisel. Benelux trademarks are also registered for the brands CCI and Chondroboost. US trademarks are also registered or are pending registration for the brands CCI, CCH and MeniscoCelect. A Canadian trademark application is pending registration for CCH.

Trademarks have also been previously registered or are applied for to protect the Cellerix brand, and include registered CTM trademarks Cellerix (graphic), Cellerix (word), Cellerix living medicines and US trademark applications for Cellerix (graphic) and Cellerix Living Medicines (word).

An overview of TiGenix's trademark portfolio is included in Section B of "Appendix 1 : Overview of Patents and Trademarks".

Other Proprietary Rights

TiGenix 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, TiGenix 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 TiGenix are parties to employment agreements that include confidentiality agreements.

Freedom to Operate

In regard to the Cx601 and Cx611 products, freedom to operate analyses have been carried out by independent legal counsel in the US and Europe of the cell therapy product,

manufacturing process and therapeutic uses. In regard to the ChondroCelect product freedom to operate analysis has been carried out by independent legal counsel in Europe. In each case TiGenix has not identified any valid third party rights and is unaware of any third party rights that would prevent the commercialization of said products. In regard to the Cx911 platform TiGenix is unaware of any third party rights that would impede the commercialization of such products.

Legal Proceedings

We refer to section 6.9 and the risk factor "TiGenix could be prevented by third party patents to develop or exploit its products" in respect of a re-examination request filed by TiGenix SAU with the United States Patent and Trademark Office regarding US6777231, owned by the University of Pittsburgh and licensed to several parties, including Artecell.

6.8. GRANTS & SUBSIDIES TIGENIX GROUP

Since its incorporation TiGenix and related companies have been awarded with multiple research and development grants from various public bodies:

- Flemish government through the IWT: in 2000 EUR 1 million, in 2003 EUR 0.6 million, in 2008 EUR 1.8 million, and 2010 EUR 0.2 million. The Company is no longer entitled to part of these amounts (approx. EUR 0.4 million) due to the closing of the R&D activities in TiGenix NV. All other amounts were paid in the course of 2010, 2011 and 2012

- European FP7 grant in 2008 EUR 0.6 million part of which was paid in the course of 2008 and 2009

- Two grants from the UK Technology Strategy Board in 2008 for GPB 0.3 million, partially paid in the course of 2009, 2010, 2011 and 2012

- Two grants in 2009 GPB 0.1 million, fully paid in the course of 2010

- One grant from the National Institute for Health and Research: GPB 0.4 million which is expected to be paid in the course of the following years

- One grant of Provincie Limburg of EUR 0.2 million, part of which was paid in the course of 2010 and 2012 and part of which is expected to be paid in the course of the following years, and one grant of Geleen EUR 0.1 million fully paid in the course of 2010, both related to the construction of the MSG manufacturing facility.

- Several Marie Curie Actions program, European grants to promote hiring of European investigators coming from abroad. For the period 2007-2008, EUR 0.05 million were received under this program.

- Several grants 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 EUR 3.8 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.

- Several grants launched and managed by Madrid Regional Government this plan is aimed at foster the Madrid biotech sector. Since inception and until December 2010, TiGenix has been granted with a total subsidies amount of EUR 2.8 million.

- A EU 7th FP granted in 2011 EUR 2,9 million, part of which was paid in the course of 2012 and part of which will be paid in the course of the following years).

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.

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.

In addition, TiGenix SAU has benefited from "soft loans" awarded by various public and semi public entities as enumerated in the table below:

Public and Semi Public Body	Soft Loan	Year	Status	Amount (KEUR)
Spanish Ministry of Science and Education	PROFIT Loan 2005	2005	Cashed in 2005	159
Empresa Nacional de Innovación SA ("**ENISA**") (National Innovation Company)	Participative loan, first payment	2006	Repaid	450
ENISA	Participative loan, second payment	2006	Repaid	450
Spanish Ministry of Science and Education	Singular Loans	2006	Cashed in 2006	100
Spanish Ministry of Science and Innovation ("**MICINN**")	ACTEPARQ	2009	Cashed in 2009	109
MICINN	Soft loan under the "Singular" scheme	2009	Cashed in 2010	312
MICINN	Soft loan under the "Singular" scheme	2010	Cashed in 2010	888
MICINN	INNPACTO	2010	Cashed in 2011	527
MICINN	INNPACTO	2011	Cashed in 2011	659
Madrid Network	Soft loan	2011	Cashed in 2011	3,964
MICINN	INNPACTO	2012	Cashed in 2013	404
	Subtotal Cellerix soft loans			**8.022**

These "soft" loans are all awarded with a 0% or very low interest rate and a repayment period between 10 and 15 years. Additionally, there is a grace period for the payment of around 3 and 5 years from the moment the loan has been awarded.

6.9. LITIGATION

On the date of this registration document, none of the TiGenix companies, except for TiGenix SAU as set out below, is involved in any litigation or legal proceeding.

TiGenix SAU is involved in the following legal proceedings.

Invalidation of US patent US6777231

On April 1, 2011, TiGenix SAU (then still Cellerix S.A.) filed 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. TiGenix requested re-examination of all claims of this patent and asked the USPTO to consider prior art not evaluated during previous examination of the patent. TiGenix is of the opinion that this prior art is materially relevant to the patentability of the claims. The USPTO Examiner has issued a decision concluding that all claims of the patent are invalid, and subsequent to the issue of the right of appeal notice the University of Pittsburgh has appealed the Examiner's decision.

Repayment of subsidies

On January 5, 2012, TiGenix SAU lodged an ordinary appeal before the Contentious-Administrative Chamber of the National Appellate Court (Audiencia Nacional) against two decisions taken by the Director General of Technology Transfer and Business Development at the Spanish Ministry of Science and Innovation (the "Administration") on November 16, 2011, which partially revoked and claimed the repayment of two subsidies granted in 2006 and 2007, respectively (the "Contested Subsidies").

Both Contested Subsidies were granted to a consortium of beneficiaries, one of which was TiGenix SAU. TiGenix SAU also acted as representative of the beneficiaries in the consortium.

Within the contentious-administrative appeal, the Administration claims that (i) the Contested Subsidies, together with other subsidies granted to TiGenix SAU during the same time period (i.e. 2006 and 2007), exceeded the maximum limit permitted by law, requesting, therefore, the reimbursement of the excess amount granted, and that (ii) some of the expenses attributed to the project financed by the Contested Subsidies had already been financed from other subsidies.

Against these arguments maintained by the Administration, TiGenix SAU holds, among other arguments, that the Administration cannot accumulate all subsidies granted to TiGenix SAU (i.e. the Contested Subsidies and other subsidies granted) for purposes of applying the maximum legal limit applicable (i.e. in the particular case of TiGenix SAU, 60% of the eligible cost of the project) , as the various subsidies were granted for financing different projects with different purposes and scopes.

The total claim of the Administration, for the full consortium, for both Contested Subsidies, including late payment interest, amounts to EUR 896,989.83. Such amount is claimed entirely from TiGenix SAU, as the representative of the consortium. However, TiGenix's part thereof would only amount to EUR 309,353.46, with the remainder of the claim, in case the appeal does not succeed, to be repaid to TiGenix SAU by the other members of the consortium.

As an intermediary measure, TiGenix SAU obtained an injunctive decision that, until a final decision is taken in the matter, the amounts claimed by the Administration do not yet have to be repaid. Instead, TiGenix SAU granted a guarantee for the benefit of the Administration for the amount claimed.

Practically all of the procedural phases of the appeal have been completed (filing of the claim, filing of the answer by the State Attorney, evidentiary phase, and closing submissions by both parties). Since November 28, 2012, the case is waiting for the court clerk to set a date for final vote and judgment.

7. Corporate Governance

7.1. GENERAL PROVISIONS

This chapter 7 summarises the rules and principles by which the corporate governance of the Company has been organised pursuant to Belgian Company law, the Company's Articles of Association and the Company's corporate governance charter. It is based on the Articles of Association as last amended by the meeting of the Board of Directors of December 27, 2012 and on the Company's corporate governance charter as last updated as per January 15, 2013 following a decision by the Board of Directors of November 28, 2012.

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 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. In principle, they will not receive any performance related remuneration in their capacity as director. However, upon advice of the nomination and remuneration committee, the Board of Directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of performance related remuneration would be necessary to attract independent directors with the most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors. On February 26, 2013, the shareholders' meeting approved such deviation and the grant (subject to the issue by a shareholders' meeting scheduled to be held on March 20, 2013) of warrants to the independent directors.

The Board of Directors reviews 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.

7.2. BOARD OF DIRECTORS

7.2.1. 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 authorized 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.

7.2.2. 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.

7.2.3. 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 discloses in its annual report which directors it considers independent directors.

The independent directors of the Company are Innosté SA (represented by Jean Stéphenne), Willy Duron, Greig Biotechnology Global Consulting, Inc. (represented by Russell Greig), Eduard Enrico Holdener and R&S Consulting BVBA (represented by Dirk Reyn).

7.2.4. Composition of the Board of Directors

On the date of publication of this registriation document, the Board of Directors consists of the following nine (9) members.

Name	Age (as per December 31, 2012)	Position	Term [1]	Professional Address
Innosté SA, represented by Jean Stéphenne [5]	63	Chairman / Independent director	2016	Avenue Alexandre 8, 1330 Rixensart, Belgium
Gil Beyen BVBA [2], represented by Gil Beyen	51	Managing Director (executive) / CBO	2015	Boetsenberg 20, 3053 Haasrode, Belgium
Eduardo Bravo Fernández de Araoz [3]	47	Managing Director (executive) / CEO	2015	Romeinse straat 12, 3001 Leuven, Belgium
Willy Duron [4]	67	Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig [5]	60	Independent director	2016	1241 Karen Lane, Wayne, PA 19087, USA
Eduard Enrico Holdener [3]	67	Independent director	2015	Buchenrain 6, 4106 Therwil, Switzerland
Ysios Capital Partners SGECR SA [6], represented by Joël Jean-Mairet	41	Director (non-executive)	2015	Calle Baldiri Reixac 10-12, Parc Cientific de Barcelona, Barcelona, Spain
R&S Consulting BVBA [3], represented by Dirk Reyn	51	Independent director	2015	Populierstraat 4, 1000 Brussel, Belgium
LRM Beheer NV [3], represented by Nico Vandervelpen	38	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 May 3, 2011.

[3] First appointed on April 26, 2011 with effect as of May 3, 2011.

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

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

[6] On April 26, 2011 with effect as of May 3, 2011, 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 on May 4, 2011 and the board of directors decided on May 4, 2011 to appoint Ysios Capital Partners SGECR SA, represented by Mr. Jean-Mairet, as a director in order to replace Mr. Jean-Mairet until the shareholders' meeting of the Company of April 20, 2012 which confirmed its 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):

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

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

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. He founded the Company in 2000 and served as Chief Executive Officer of the Company until 2011. Before founding TiGenix, Mr. Beyen 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 assisted a broad range of companies in the biomedical and biotech industries through different stages of growth. Before commencing his MBA, he worked three years as a research engineer in environmental biotechnology. Since June 2012, Mr. Beyen is Chairman of the Supervisory Board at Erytech Pharma SA, a French biopharmaceuticals company. He also 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 20 years experience in the pharmaceutical industry. He held several senior management positions at Sanofi-Aventis, including Vice President for Latin America, a division with 2000 employees and sales of more than EUR 1 billion. At Sanofi-Aventis he also held senior positions in Marketing and Sales for Europe and he was General Manager for Belgium. Prior to his tenure at Sanofi-Aventis, Mr. Bravo spent 7 years at SmithKline Beecham in sales positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD), and is co-Chair of the Alliance of Advanced Therapies.

Willy Duron: Independent Director

Mr. Willy Duron has been an independent board member of TiGenix since February 2007. He was the Company's Chairman from September 2007 to September 2012. He started his career at ABB Verzekeringen in 1970, becoming a member of the executive committee in 1984. Mr. Duron holds a MSc degree in mathematics from the University of Gent and a MSc degree in actuarial sciences from the Katholieke Universiteit Leuven. He currently is a member of the board of directors

of Ravago NV, Vanbreda Risk & Benefits NV, Universitaire Ziekenhuizen Leuven, Universitair Centrum St Jozef Kortenberg, Agfa-Gevaert NV and Van Lanschot Bankiers NV. Previously, Mr. Duron was CEO of KBC Groep NV and KBC Bankverzekeringsholding NV, Chairman of the board of Argosz, Secura, ADD and W&K, as well as member of the board of directors of KBC Asset Management NV, Synes NV, CSOB, Warta, FBD and Amonis.

Russell Greig, permanent representative of Greig Biotechnology Global Consulting, Inc.: Independent Director

Dr. Russell Greig worked at GlaxoSmithKline for nearly three decades, most recently as President of SR One, GSK's Corporate Venture Group. Prior to joining SR One, he served as President of GSK's Pharmaceuticals International from 2003 to 2008 and also on the GSK Corporate Executive Team. Dr. Greig currently serves as Chairman of AM Pharma in the Netherlands, Isconova AB in Sweden and Syntaxin in the UK, and as board member of Ablynx in Belgium and BioAlliance Pharma in France. He is also a member of the Scottish Science Advisory Council and of the BioQuarter Board (Scotland), and is Venture Partner at Kurma BioCapital (Paris, France).

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. In that function Dr. Holdener was also part of the F.Hoffmann-La Roche AG Pharma and Corporate Executive Committee. 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 different therapeutic areas. Dr. Holdener currently acts as Chairman of NovImmune S.A, Director of Parexel International Co and HBM Healthcare Investments, non-executive Director of Syntaxin Ltd and Member of the Board of Swiss Cancer Research Foundation. Dr. Holdener has also been a board member of Cellerix since 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 (founded in 2007). On behalf of Ysios Capital Partners he was Chairman of the board of Cellerix from 2008 to 2012, as well as board observer at Boston-based Biovex Inc. (now: Amgen). He currently is Chairman of the board of Inbiomotion since 2012, as well as board member at MedLumics (Spain) and AM-Pharma (the Netherlands). 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. Dr. Joël Jean-Mairet 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 Handelshogeschool/ Northwestern University of Chicago (Kellog's). 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. Mr Dirk Reyn holds board positions in non-pharma companies Horizon Pharmaventures, R&R Promotions and BbyB Chocolates.

Nico Vandervelpen, permanent representative of LRM Beheer 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 LRM Beheer NV (previously : Immocom NV), Mr. Vandervelpen serves as chairman of the board of FFPharma and as a board member or observer on several boards of the LRM portfolio such as 3DDD Pharma, Apitope International, Complix, LSDC, SEPS, TiGenix, Vesalius Biocapital I SICAR, Vesalius Biocapital II SICAR and CommArt. As permanent representative of LRM Beheer NV, Mr. Vandervelpen previously served on the board of Amakem. Mr. Vandervelpen holds a Master degree in commercial and business engineering from Hasselt University as well as a Master in Accountancy.

Functioning in 2012

In 2012, the Board of Directors met 13 times.

Individual presence of the members of the Board of Directors in 2012

Name	Number of meetings attended
Gil Beyen BVBA, represented by Gil Beyen	10
Eduardo Bravo	11
Mounia Chaoui-Roulleau	6
Ventech S.A., represented by Mounia Chaoui-Roulleau	1
Koenraad Debackere	2
Willy Duron	11
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	2
Eduard Enrico Holdener	9
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	9
R&S Consulting BVBA, represented by Dirk Reyn	9
Innosté SA, represented by Jean Stéphenne	2
LRM Beheer, represented by Nico Vandervelpen	10

Litigation statement concerning the directors or their permanent representatives

At the date of this registration document and except as set out below, none of the directors or members of the executive management of the Company or, in case of corporate entities being director or executive manager, 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 Jean Stéphenne who was a member of the board of directors of Auguria Residential Real Estate Fund, which is currently in liquidation);

- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or,

- 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.

7.3. COMMITTEES OF THE BOARD OF DIRECTORS

7.3.1. 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.

7.3.2. 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.

7.3.3. 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:

Name	Position
Willy Duron	Chairman of the audit committee; Independent Director
Innosté SA, represented by Jean Stéphenne [1]	Member of the audit committee; Chairman of the Board of Directors; Independent Director
LRM Beheer, represented by Nico Vandervelpen	Member of the audit committee; Director (non-executive)

[1] Innosté SA, represented by Jean Stéphenne, has been a member of the audit committee since September 19, 2012, replacing Eduard Enrico Holdener.

The audit committee met twice in 2012. The CEO, Eduardo Bravo, and the CBO, Gil Beyen BVBA were invited to all meetings. The meetings were also attended by the CFO, Claudia D'Augusta. Part of the meetings was held in the presence of the external auditor, BDO Bedrijfsrevisoren.

The audit committee took note of the risks of the Company's group as presented by the CEO and of the management letter prepared by the external auditor and has reviewed the bi-annual and annual accounts over 2012.

Although the Corporate Governance Code stipulates that the Chairman of the Board of Directors should not serve as the Chairman of the audit committee, Willy Duron served as Chairman of both the Board of Directors and the audit committee until September 19, 2012 based on his extensive experience in this field.

As proof of the independence and and expertise of the audit committee in the area of audit and accountancy, and as required by Article 96, §1, 9° and Article 119, 6° of the Companies Code, we refer to the biographies of the members of the audit committee as listed in section 7.2.4.

7.3.4. 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:

Name	Position
R&S Consulting BVBA, represented by Dirk Reyn [1]	Chairman of the nomination and remuneration committee; Independent Director
Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig [2]	Member of the nomination and remuneration committee; Independent Director
Eduard Enrico Holdener [3]	Member of the nomination and remuneration committee; Independent Director

[1] R&S Consulting BVBA, represented by Dirk Reyn, was appointed Chairman of the nomination and remuneration committee as of September 19, 2012.

[2] Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig, has been a member of the nomination and remuneration committee since September 19, 2012, replacing Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet.

[3] Eduard Enrico Holdener was Chairman of the nomination and remuneration committee until September 19, 2012.

The nomination and remuneration committee met five times in 2012.

The nomination and remuneration committee made recommendations with respect to the annual remuneration of the members of executive management, the bonuses to be paid to them on the realised objectives and the number of warrants (from the July 6, 2012 warrant plan) that were granted to them.

7.3.5. Company secretary

Claudia D'Augusta has been appointed as company secretary.

7.4. EXECUTIVE MANAGEMENT

7.4.1. 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.

7.4.2. Composition of the executive management

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

Name	Position	Age (as per December 31, 2012)
Eduardo Bravo	Managing Director and Chief Executive Officer (CEO)	47
Gil Beyen BVBA, represented by Gil Beyen	Managing Director and Chief Business Officer (CBO)	51
Claudia D'Augusta	Chief Financial Officer (CFO)	43
Wilfried Dalemans	Chief Technical Officer (CTO)	55

These members of executive management were in office during the full year 2012. No changes were made to the composition of the executive management in 2012.

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

The following paragraphs contain brief biographies of each of the executive management members, or in case of legal entities being an executive management member, 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):

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

Mr. Eduardo Bravo has more than 20 years experience in the pharmaceutical industry. He held several senior management positions at Sanofi-Aventis, including Vice President for Latin America, a division with 2000 employees and sales of more than EUR 1 billion. At Sanofi-Aventis he also held senior positions in Marketing and Sales for Europe and he was General Manager for Belgium. Prior to his tenure at Sanofi-Aventis, Mr. Bravo spent 7 years at SmithKline Beecham in sales positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD), and is co-Chair of the Alliance of Advanced Therapies.

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. He founded the Company in 2000 and served as Chief Executive Officer of the Company until 2011. Before founding TiGenix, Mr. Beyen 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 assisted a broad range of companies in the biomedical and biotech industries through different stages of growth. Before commencing his MBA, he worked three years as a research engineer in environmental biotechnology. Since June 2012, Mr. Beyen is Chairman of the Supervisory Board at Erytech Pharma SA, a French biopharmaceuticals company. He also 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)

Ms. Claudia D'Augusta has more than fifteen years of experience in the field of corporate finance. After completing her degree in Economics and a Ph.D. in Business Administration at the University of Bocconi, Italy, she joined the Corporate Finance Department of Deloitte & Touche in Milan. She later joined Apax Partners in Madrid where she participated in the origination and execution of M&A transactions. She was subsequently Finance Director of Aquanima (Santander Group). Ms. D'Augusta was a member of the Board of Directors of Sensia S.L. from April 2005 until April 2008.

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. Mr. Dalemans currently serves as a supervisory director of Arcarios B.V. and a director of Arcarios NV.

7.4.3. 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.

7.4.4. 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;

- supporting role in relation to the Company's activities in investor, press and government relations.

7.4.5. 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;

• investor relations;

• grants (public financing).

The CTO has responsibility for the following areas:

• R&D;

• industrialization;

• manufacturing;

- manufacturing quality assurance and quality control;

• intellectual property.

7.5. SCIENTIFIC ADVISORY BOARD AND CLINICAL ADVISORS

TiGenix SAU has appointed and closely works with two scientific advisory boards for the clinical development of the Cx601 and Cx611 programs:

- 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).

7.6. REMUNERATION REPORT

Please refer to section 13.7.7.

7.7. SHARES AND WARRANTS HELD BY DIRECTORS AND EXECUTIVE MANAGEMENT

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

Please refer to section 13.7.7.

7.7.2. Shares and warrants held by executive management

Please refer to section 13.7.7.

7.7.3. 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 section 5.6.

7.7.4. TiGenix SAU Equity Based Incentive Plans

7.7.4.1. Summary of the Equity Based Incentive Plans

Prior to the contribution of all shares of TiGenix SAU (previously: Cellerix SA) to the Company on May 3, 2011 (the "**Contribution**"), TiGenix SAU had created two Equity Based Incentive Plans ("**EBIPs**"). The completion of the Contribution on May 3, 2011 triggered certain consequences outlined below which affect both EBIPs (section 7.7.4.2). A summary overview of some of the conditions of both EBIPs is given below. Note (24) to the consolidated financial statements, part of Section 11.5.4 contains a numerical summary of the options granted and outstanding as of December 31, 2012.

EBIP 2008

An EBIP for the directors, managers and employees of TiGenix SAU was approved at the shareholders' annual general meeting of TiGenix SAU 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 TiGenix SAU held on October 15, 2010.

Options under the EBIP 2008 were granted to employees, executives and independent members of the board of directors of TiGenix SAU 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 TiGenix SAU before the Contribution and that were not re-allocated.

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

TiGenix SAU 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 gave the beneficiaries the right to opt between:

(i) Exercising all their options at once receiving TiGenix SAU or TiGenix shares in exchange, at the relevant exercise price. This right had to be exercised within 60 days following the Contribution date. No beneficiary exercised this right.

(ii) Receiving new options over existing TiGenix shares. As the options keep the same exchange rate of the Contribution (i.e. 2.96 TiGenix NV shares per TiGenix SAU share contributed to TiGenix), each EBIP 2008 option shall give the EBIP 2008 beneficiaries the right to receive 2.96 TiGenix shares at the time of exercise. In this case, at the time of exercise of any of the new options, the corresponding TiGenix shares shall be delivered by the company CX EBIP Agreement, SLU which is currently the holder of the TiGenix 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, SLU, which in turn would be obliged, under an agreement entered into with TiGenix SAU (the "EBIP Agreement", please see below in this section 7.7.4.1), to pass on this exercise price (after deduction of the issuance price of EUR 0.013 per TiGenix SAU share paid by CX EBIP Agreement, SLU exchanged for the TiGenix shares delivered and any costs associated with the transfers) to TiGenix SAU, and CX EBIP Agreement, SLU 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 TiGenix shares would have to be issued and the impact for CX EBIP Agreement, SLU would be limited to recovering the price paid upon the subscription of the TiGenix SAU 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 TiGenix SAU the possibility to offer to the beneficiaries other exercise options. However, the board of directors of TiGenix SAU has not offered, up to date, any other exercise alternatives to the beneficiaries.

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

EBIP 2010

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

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

TiGenix SAU 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 TiGenix SAU 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 TiGenix shares per TiGenix SAU share contributed to TiGenix), each EBIP 2010 option shall give the EBIP 2010 beneficiaries the right to receive 2.96 TiGenix shares at the time of exercise.

In this case, at the time of exercise of any of the new options, the corresponding TiGenix shares shall be delivered by CX EBIP Agreement, SLU which is currently the holder of the TiGenix 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, SLU, which in turn would be obliged, under an agreement entered into with TiGenix SAU (the "EBIP Agreement", please see below in this section 7.7.4.1), to pass on this exercise price (after deduction of the issuance price of EUR 0.013 per TiGenix SAU share paid by CX EBIP Agreement, SLU exchanged for the TiGenix shares delivered and any costs associated with the transfers) to TiGenix SAU, 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 TiGenix shares would have to be issued and the impact for CS EBIP Agreement, SLU would be limited to recovering the price paid upon the subscription of the TiGenix SAU shares (which have been exchanged for TiGenix shares upon the Contribution) and any associated costs.

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

Common characteristics of both TiGenix SAU 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 TiGenix SAU requests the beneficiary to remain an employee for a certain period of time up to a year:

- Under the EBIP 2008, as no beneficiary opted to exercise all the options at once

within 60 days following the Contribution date, all beneficiaries received new options over existing TiGenix shares; the beneficiaries are only permitted to exercise the options that have vested under the regular scheme but are not permitted to exercise their options that benefited from accelerated vesting due to the Contribution.

- Under the EBIP 2010 the board of directors of TiGenix SAU has opted to exchange the existing options over TiGenix SAU shares for new options over existing TiGenix shares. and decided to request the permanence of the beneficiaries. On April 14, 2011, the board of directors of TiGenix SAU passed a resolution setting the duration of such permanence period at one year to encourage the key team to stay with TiGenix SAU after the Contribution. This term now lapsed, so the beneficiaries are permitted to exercise their options.

Under both EBIPs, the options related prior to the Contribution to existing shares in TiGenix SAU that were held by CX EBIP Agreement, SLU, a Spanish limited liability company. To this effect:

- in June 2008, TiGenix SAU issued 415,700 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;

- in September 2008, TiGenix SAU issued 37.850 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;

- in November 2009, TiGenix SAU issued 61,479 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;

- in May 2010, TiGenix SAU issued 49,446 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;

- in October 2010, TiGenix SAU issued 77,751 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share.

All such TiGenix SAU shares have been exchanged for TiGenix shares as set out in section 7.7.4.2 below.

TiGenix SAU and its shareholders entered into a management agreement with CX EBIP Agreement, SLU (the "**EBIP Agreement**") in May 2008. The EBIP Agreement was amended and restated in November 2009 and has been further amended on May 3, 2011 simultaneously with the completion of the Contribution to establish the procedure for exercise of the EBIP options as indicated above in this section 7.7.4.1.

7.7.4.2. Impact of the Contribution

In the framework of the Contribution and in accordance with the terms of the EBIP Agreement, CX EBIP Agreement, SLU contributed its 642,226 TiGenix SAU shares into TiGenix and received 1,905,144 TiGenix shares in return. Therefore, as a result of the Contribution, CX EBIP Agreement, SLU no longer holds TiGenix SAU shares, but holds 1,905,144 TiGenix shares instead. Pursuant to the agreements reached in relation to the Contribution, the underlying assets of the options are no longer the TiGenix SAU shares, but the TiGenix shares received by CX EBIP Agreement, SLU. Therefore, upon the exercise of its options under EBIP 2008 or EBIP 2010, a beneficiary will be entitled to receive a number of TiGenix shares corresponding to approximately 2.96 shares per option

(rounded down to the nearest integer) under any of the EBIPs.

7.8. PRIVATE INVESTMENT TRANSACTIONS AND TRADING IN COMPANY'S SHARES

The Board of Directors has approved a Dealing Code on private investment transactions to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information which could considerably influence the TiGenix share price.

The Dealing Code establishes rules for all employees (directors, management and other employees) and mandate contractors prohibiting dealing in the Company's shares or other financial instruments of the Company during certain periods, including a designated period preceding the announcement of its financial results (closed periods). It also establishes rules to set limitations in transactions by certain persons, including employees.

Trading in TiGenix shares by any employee for their own account needs to be approved by the Compliance Officer.

The Board of Directors has designated Claudia D´Augusta, CFO, as Compliance Officer whose duties and responsibilities are defined in the Dealing Code.

7.9. TRANSACTIONS WITH AFFILIATED COMPANIES

7.9.1. 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.

7.9.2. 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 authorized 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.

7.9.3. Related party transactions

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 7.9.2 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.

In 2012, the Company did not enter into any transaction that required the application of the procedure provided for in Article 524 of the Companies Code.

As the Company has no controlling parent company, no substantial restrictions or burdens were imposed or maintained by any such controlling parent company.

8. Employees

TiGenix relies on a team of experienced professionals in all areas required to meet its strategic objectives including research and development, medical and regulatory, manufacturing, business development, product development, infrastructure, intellectual property and finance.

On December 31, 2012, TiGenix NV had a total of 27 permanent employees and mandate contractors (Full Time Equivalents). About 35% work in research and development activities (including clinical development and manufacturing), about 29% in commercial operations, the remainder in corporate functions. Corporate functions include finance, human resources, legal, ICT, business development, investor relations, and intellectual property.

On December 31, 2012, TiGenix SAU had a total of 34 permanent employees. About 71% of these persons are engaged in research and development activities (including clinical development and manufacturing), the remainder in corporate functions.

On December 31, 2012, TiGenix BV had in total 6 permanent employees. All are working in manufacturing, which is classified in research and development activities.

9. Major Shareholders

9.1. OVERVIEW

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

Shareholder	Number of shares declared in transparency declaration	% of shares at time of transparency declaration[1]	% of shares (simulation) as per December 31, 2012[2]
Novartis Bioventures Ltd.	5,534,905	6.04%	5.52%
Roche Finanz AG	5,534,905	6.04%	5.52%
Ventech SA	5,195,199	5.67%	5.18%
Ysios Capital Partners SGECR	4,760,342	5.19%	4.75%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	4.85%	4.43%
Mijnen NV	3,000,000	3.29%	2.99%
Genetrix Life Sciences A.B.	2,581,501	2.82%	2.57%
CX EBIP Agreement, SLU[3]	1,905,144	2.08%	1.90%
LRM NV	200,000	0.22%	0.20%
Subtotal[4]	**33,157,049**		**33.06%**
Other shareholders	67,131,537		66.94%
TOTAL	**100,288,586**		**100%**

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

[2] Percentages based on number of shares at time of transparency declaration, but denominator as per December 31, 2012.

[3] RCX EBIP Agreement SLU is the holder of the TiGenix shares to be delivered to the employees of TiGenix SAU under two equity based incentive plans issued by TiGenix SAU. See also section 7.7.4.

[4] The above shareholders are acting independently, with the exception of:

(i) Genetrix Life Sciences A.B. and CX EBIP Agreement, SLU, which are affiliated companies, and

(ii) LRM NV en Mijnen NV, which are affiliated companies.

9.2. VOTING RIGHTS

As further described under section 5.5.1, each shareholder is entitled to one vote per share.

In an agreement entered into on May 3, 2011, simultaneously with the completion of the contribution of the TiGenix SAU (previously: Cellerix SA) shares to the Company, between TiGenix SAU and CX EBIP Agreement, SLU, CX EBIP Agreement, SLU has unilaterally undertaken to abstain from: (i) exercising its voting rights on any shares in the Company owned by CX EBIP Agreement, SLU and (ii) attending any shareholders' meetings of the Company until the Equity Based Incentive Plans of TiGenix SAU, described in section 7.7.4, have expired.

9.3. SHAREHOLDERS' AGREEMENTS

The Company has no knowledge of any outstanding agreements between its shareholders.

9.4. RELATIONS WITH MAJOR SHAREHOLDERS

TiGenix SAU has an agreement with CX EBIP Agreement, SLU, a wholly-owned subsidiary of Genetrix Life Sciences A.B., in relations to the EBIPs. This is set out in more detail in section 7.7.4.1 ("Summary of the Equity Based Incentive Plans").

10. Financial Statements : General

10.1. GENERAL INFORMATION

On March 11, 2013, the Board of Directors made up the consolidated financial statements and the statutory financial statements of the Company with respect to the financial year ended on December 31, 2012, as well as the annual reports on these consolidated and statutory financial statements.

The consolidated financial statements can be found in sections 11.1, 11.2, 11.3 and 11.4; an extract of the statutory financial statements can be found in sections 12.1 and 12.2.

The annual report on the consolidated financial statements and on the statutory financial statements can be found in section 13.

The consolidated financial statements of the Company with respect to the financial years ended December 31, 2010, December 31, 2011 and December 31, 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS). They have all been audited by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Gert Claes, who delivered an unqualified audit opinion with an explanatory paragraph for 2010, 2011 and 2012. These audit opinions can be found in sections 11.6, 11.7 and 11.8 respectively.

BDO Bedrijfsrevisoren – BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Gert Claes, also issued an unqualified audit opinion with an explanatory paragraph on the statutory financial statements of the Company with respect to the financial year ended December 31, 2012.

This registration document, together with the complete version of the statutory financial statements of the Company with respect to the financial year ended December 31, 2012, the annual report of the Board of Directors on the consolidated financial statements and the statutory financial statements, and the auditor's report on the statutory financial statements are made available on the website of TiGenix (www.tigenix.com) as from March 22, 2012 and can be obtained free of charge.

Certain financial information in this registration document has been subject to rounding adjustments and currency conversion adjustments. Accordingly, the sum of certain data may not be equal to the expressed total.

The Company has incorporated the 2010 consolidated financial statements by reference.

10.2. STATEMENT BY THE CEO

In accordance with Article 12 § 2 3°, a) and b) of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market, Eduardo Bravo, CEO of TiGenix NV, states on behalf of TiGenix NV that, to the best of his knowledge,

a) the annual financial statements prepared in accordance with the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of TiGenix NV and the undertakings included in the consolidation taken as a whole; and

b) the annual report of the Board of Directors provides for a true and fair overview of the development and results of the business and the position of TiGenix NV and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Leuven, March 11, 2013

Eduardo Bravo, CEO of TiGenix NV

11. Consolidated Financial Statements

11.1. CONSOLIDATED INCOME STATEMENT & STATEMENT OF COMPREHENSIVE INCOME

		Years ended December 31		
Thousands of Euro (€)	Notes	2012	2011*	2010*
CONSOLIDATED INCOME STATEMENT				
CONTINUING OPERATIONS				
Sales	1	**4,084**	**1,146**	**621**
Gross sales		*4,084*	*1,804*	*982*
Deferred sales and discounts		*0*	*-657*	*-361*
Cost of sales	2	*-905*	*-455*	*-310*
Gross profit		**3,179**	**691**	**311**
Research and development expenses	2	-13,936	-10,595	-10,189
Sales and marketing expenses	2	-2,881	-2,726	-2,707
General and administrative expenses	2	-6,026	-6,593	-5,473
Other operating expenses	2	0	-2,974	0
Total operating charges		**-23,749**	**-23,344**	**-18,679**
Other operating income	3	1,389	393	1,802
Operating Result		**-18,276**	**-21,805**	**-16,256**
Interest income	4	35	708	141
Interest expenses	4	-61	-408	-62
Foreign exchange differences	4	-142	434	500
Profit/(Loss) before taxes		**-18,443**	**-21,071**	**-15,677**
Income taxes	5	-1	0	368
Profit/(Loss) for the period from continuing operations		**-18,444**	**-21,071**	**-15,309**
DISCONTINUED OPERATIONS				
Profit/(Loss) for the period from discontinued operations	6	-1,949	-16,234	0
Profit/(Loss) for the period		**-20,393**	**-37,305**	**-15,309**
Attributable to equity holders of TiGenix NV		*-20,393*	*-37,305*	*-15,309*
Basic (diluted) loss per share (EURO)	7	**-0,22**	**-0,54**	**-0,51**
Basic (diluted) loss per share from continuing operations (EURO)		**-0,20**	**-0,30**	**0,50**

	Years ended December 31		
Thousands of Euro (€)	2012	2011*	2010*
STATEMENT OF COMPREHENSIVE INCOME			
Net Profit/(Loss)	**-20,393**	**-37,305**	**-15,309**
Currency translation differences	41	-238	-376
Other comprehensive income	**41**	**-238**	**-376**
Total comprehensive income	**-20,352**	**-37,543**	**-15,685**
Attributable to equity holders of TiGenix NV	*-20,352*	*-37,543*	*-15,685*

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

11.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Thousands of Euro (€)	Notes	Years ended December 31 2012	2011*	2010*
ASSETS				
Intangible assets	9	39,205	42,026	20,683
Property, plant and equipment	10	8,334	8,657	5,145
Available-for-sale investments	11	278	278	153
Other non current assets	12	498	485	254
Non-current assets		**48,315**	**51,446**	**26,235**
Inventories	13	105	301	244
Trade and other receivables	14	3,661	1,826	1,812
Other current financial assets	15	628	342	0
Other current assets	16	176	482	907
Cash and cash equivalents	17	11,072	19,771	5,555
Current assets		**15,642**	**22,723**	**8,518**
Non-current assets held for sale	8	**0**	**1,149**	**0**
TOTAL ASSETS		**63,956**	**75,318**	**34,753**

Thousands of Euro (€)	Notes	Years ended December 31 2012	2011*	2010*
EQUITY AND LIABILITIES				
Share capital	18	10,030	89,093	30,423
Share premium	18	88,852	81,657	68,131
Shares to be issued	18	0	2,296	2,296
Retained earnings	18	-55,700	-115,759	-78,453
Other reserves	18	5,386	4,731	3,830
Equity attributable to equity holders		**48,567**	**62,019**	**26,227**
Total equity		**48,567**	**62,019**	**26,227**
Subordinated loan	19	0	0	130
Financial loan	19	6,184	6,298	440
Deferred tax liability	20	27	27	3,519
Other non-current liabilities	21	95	113	0
Non-current liabilities		**6,307**	**6,438**	**4,089**
Current portion of subordinated loan	19	0	130	130
Current portion of financial loan	19	388	109	80
Other financial liabilities	19	1,527	0	12
Trade and other payables	22	4,014	4,196	3,312
Other current liabilities	23	3,154	2,271	902
Current liabilities		**9,082**	**6,706**	**4,436**
Liabilities related to non-current assets held for sale	8	**0**	**157**	**0**
TOTAL EQUITY AND LIABILITIES		**63,956**	**75,318**	**34,753**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

11.3. CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of Euro (€)	Notes	Years ended December 31 2012	2011*	2010*
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Result		**-18,276**	**-21,805**	**-16,256**
Adjustments for:				
Depreciation, amortisation and impairment results		3,911	2,789	2,211
Share-based compensation		612	1,138	676
Grants income		-887	0	0
Other		23	-50	105
		-14,616	**-17,927**	**-13,264**
Movements in working capital:				
(Increase)/ decrease in inventories		196	-22	-88
(Increase)/ decrease in trade and other receivables		-1,725	134	-466
(Increase)/ decrease in other financial assets		-286	-140	0
Increase/(decrease) in other current assets		349	-27	-647
Increase/(decrease) in trade and other payables		-511	384	-101
Increase/(decrease) in other current liabilities		-638	169	-300
Cash generated from operations		**-17,232**	**-17,429**	**-14,866**
Income taxes paid		0	0	0
Interest paid		-48	-382	-72
Cash flow from discontinued operations		-394	-781	0
Net cash provided by/(used in) operating activities		**-17,674**	**-18,592**	**-14,938**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		9	103	174
Acquisition of property, plant and equipment		-578	-2,932	-2,330
Acquisition of intangible assets		-267	-701	-1,653
Proceeds from disposal of property, plant and equipment		124	0	0
(Increase)/Decrease of other non-current assets		-13	344	0
Payments on other non-current assets		0	0	-123
Deferred payment for the acquisition of financial assets		0	-125	-153
Acquisition of subsidiaries, net of cash acquired	25	0	18,421	-1,081
Cash flow from discontinued operations		3	-1	0
Net cash provided by/(used in) investing activities		**-722**	**15,109**	**-5,166**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of equity instruments of the Company (net of issue costs)		6,289	14,039	1,118
Reimbursements of subordinated loan		-130	-130	-130
Proceeds from financial loans		1,527	5,150	0
Reimbursements of financial loans		-114	-1,378	-80
Proceeds from government grants		2,123	28	0
Reimbursement of lease debts		0	-12	-28
Cash flow from discontinued operations		0	0	0
Net cash provided by/(used in) financing activities		**9,695**	**17,697**	**880**
Net increase/(decrease) in cash and cash equivalents		**-8,700**	**14,214**	**-19,224**
Cash and cash equivalents at beginning of year		19,771	5,555	24,745
Effect of currency translation on cash and cash equivalents		1	2	34
Cash and cash equivalents at end of period		**11,073**	**19,771**	**5,555**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

* Capitalised development costs of KEUR -1,621 that were in 2010 included in the "Net cash provided by/(used in) operating activities" have been reclassified to "Acquisition/Capitalization of intangible assets" in the "Net cash provided by /(used in) investing activities".

11.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total Equity
	Numbers of shares	Share capital	Share premium	Shares to be issued	Retained earnings	Other reserves		
Thousands of Euro (€)						Equity-settled employee benefits reserve	Translation reserves	
Balance at Dec. 31, 2009	**30,866,168**	**30,182**	**67,254**	**3,377**	**-63,144**	**3,509**	**21**	**41,199**
Issuance of shares	254,986	241	877					1,118
Shares to be issued				-1,081				-1,081
Share-based compensation						676		676
Total comprehensive income					-15,309		-376	-15,685
Balance at Dec. 31, 2010*	**31,121,154**	**30,423**	**68,131**	**2,296**	**-78,453**	**4,185**	**-355**	**26,227**
Issuance of shares	60,001,513	58,670	14,679					73,349
Transaction costs			-1,154					-1,154
Share-based compensation						1,138		1,138
Total comprehensive income					-37,305		-238	-37,543
Balance at Dec. 31, 2011*	**91,122,667**	**89,093**	**81,656**	**2,296**	**-115,758**	**5,323**	**-593**	**62,018**
Capital decrease		-80,452			80,452			0
Issuance of shares	536,534	526	1,771	-2,296				0
Issuance of shares	8,629,385	863	5,868					6,731
Transaction costs			-442					-442
Share-based compensation						612		612
Total comprehensive income					-20,393		41	-20,352
Balance at Dec. 31, 2012	**100,288,586**	**10,030**	**88,853**	**0**	**-55,700**	**5,936**	**-551**	**48,568**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

11.5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11.5.1. General information

TiGenix and its subsidiaries (together the "Group") is a public biomedical company that focuses on 'Living Medicines'. TiGenix is located in Leuven and was founded as a spin-off of the Catholic University of Leuven and the University of Ghent. Today, TiGenix NV (Euronext Brussels: TIG) is a leading European cell therapy company with a marketed product for cartilage repair, ChondroCelect, and a strong pipeline with clinical stage allogeneic adult stem cell programs for the treatment of autoimmune and inflammatory diseases. TiGenix is based out of Leuven (Belgium) and has operations in Madrid (Spain), and Geleen (the Netherlands).

TiGenix, 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.

The consolidated financial statements were drawn up by the Board of Directors on March 11, 2013.

11.5.2. Summary of significant accounting policies

11.5.2.1. 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 thousands of Euros, unless otherwise indicated, rounded to the nearest EUR 1.000.

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. Funds raised since inception, funds obtained through the combination with TiGenix SAU (former Cellerix) and expected different sources of funds should provide the Company with sufficient cash for the foreseeable future.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union at January 1, 2012.

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 amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB effective for the accounting period commencing on January 1, 2012. The Group has not applied any new IFRS requirements that are not yet effective in 2012.

The following new standards, interpretations and amendments are effective for the current period:

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* (applicable for annual periods beginning on or after 1 July 2011)

The application of this amendment has not led to any major changes in TiGenix's 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 issued by the IASB but are not yet mandatory as per December 31, 2012:

- IFRS 9 *Financial Instruments and subsequent amendments* (normally applicable for annual periods beginning on or after 1 January 2015)

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)

- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)

- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)

- IFRS 13 *Fair Value Measurement* (applicable for annual periods beginning on or after 1 January 2013)

- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)

- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)

- Improvements to IFRS (2009-2011) (normally applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards – Government Loans* (normally applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IFRS 10, IFRS 11 and IFRS 12 *– Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (applicable for annual periods beginning on or after 1 January 2014)

- Amendments to IFRS 10, IFRS 12 and IAS 27 *– Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)

- Amendments to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (applicable for annual periods beginning on or after 1 July 2012)

- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 19 *Employee Benefits* (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (applicable for annual periods beginning on or after 1 January 2013)

The directors anticipate that the above-mentioned Standards and Interpretations will not have a significant impact on the financial statements of the Group in the period of initial application.

11.5.2.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Entities controlled by the Group have been fully consolidated. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

All significant intra-group transactions, balances, income and expenses are eliminated in consolidation.

11.5.2.3. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Euro using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (translation reserves).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

11.5.2.4. Segment information

The Group's activities are in one segment, biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. Management reviews the operating results and operating plans and make resource allocation decisions on a company-wide basis, therefore TiGenix operates as one segment.

11.5.2.5. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The

consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefits, liabilities or equity-instrument related to share-based payment arrangements and assets that are classified as held for sale.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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.

11.5.2.6. Revenue recognition

Revenue from sale 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 recognized when the Group has fulfilled all conditions and obligations. The license fee will not be recognized 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 recognized 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 recognized on a straight-line basis over the contractual performance period.

Research and development service fees are recognized 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 recognized 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.

11.5.2.7. Cost of sales

Cost of sales includes the costs directly attributable to production and the costs incurred necessarily for the products to be sold or the services to be rendered.

11.5.2.8. 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

11.5.2.9. Intangible assets

Internally-generated intangible assets – research & development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognized to the extent that all conditions for capitalisation have been satisfied as specified in IAS 38:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the various expenses needed to generate the related intangible assets. Amortization starts from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired intangible assets

In-process research & development projects acquired through business combinations are capitalized as intangible assets.

These intangible assets are amortized on a straight-line basis over their estimated useful life from the moment that they are available for use.

Patents, licenses and other intangible assets

Costs related to the register of internally-generated intangible assets (patents) are recognized as intangible assets.

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date.

Intangible assets (except for goodwill) are amortized 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 amortized on a straight-line basis over 3 years and pro rata in the year of purchase.

11.5.2.10. 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 recognized 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 allocated 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.

11.5.2.11. 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 recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized 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

11.5.2.12. 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.

11.5.2.13. Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value.

11.5.2.14. 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 other current liabilities.

11.5.2.15. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

11.5.2.16. Financial assets

Available-for-sale financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

The Company has not used any derivative financial instruments.

11.5.2.17. Income taxes

Deferred taxes are recognized using the "balance sheet liability method", for temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured based on the expected manner of realisation or settlement of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

11.5.2.18. Financial liabilities

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group's financial liabilities measured at amortized cost comprise long-term financial debt, other non-current liabilities, short-term financial debt and trade and other payables.

11.5.2.19. Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

11.5.2.20. Equity instruments

Equity instruments issued by the Company are recorded in the amount of the proceeds received, net of direct issue costs.

11.5.2.21. Employee benefits

The Group offers a pension scheme with different premiums depending on job level. The scheme is generally funded through payments to the insurance company. The major part of the pension obligations are defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions (% of annual gross salary). The group has legal obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees in service. The contributions are recognized as employee benefit expense when they are due.

11.5.2.22. Share-based compensation plans for personnel

The Company has offered equity-settled share-based payments to employees, directors and business associates. These share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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.

11.5.2.23. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to use certain critical accounting estimates, assumptions and judgment about the carrying amounts of certain assets and liabilities. The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements, are the following:

Recognition and measurement of intangible assets

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 have been capitalized as intangible assets if all conditions for capitalisation have been satisfied as specified in IAS 38.

In 2012, the directors reconsidered the recoverability of the Group's internally generated intangible assets, which are included in the consolidated statement of financial position at December 31, 2012 at KEUR 1,918 (2011 : KEUR 2,166; 2010: KEUR 2,297). The project continues to progress in a very satisfactory manner, and management has reconfirmed the directors' previous estimates of anticipated revenues from the project. A detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the internally generated intangible assets will be recovered.

Additionally, in 2012, the directors also reconsidered the recoverability of the Group´s externally acquired assets, which are included in the consolidated statement of financial position at December 31, 2012 at KEUR 37,287 (2011 : KEUR 39,861; 2010: KEUR 18,386). A detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the externally acquired assets will be recovered.

Going concern

On December 31, 2012, the Company had a cash position of EUR 11.1 million. Based on the monthly net cash burn during 2012 in operating activities (EUR 1,5 million), this cash position is not sufficient to continue the operations for the next twelve months (until the next ordinary shareholders' meeting of April 2014).

In order to generate sufficient additional cash to continue the operations for the next twelve months, the Board of Directors developed an action plan, which is reflected in the budget, based on the following key assumptions:

- An increase of the projected commercial revenues of ChondroCelect, expected to continue the same trend in units sold as in 2012, based on the expected progressing reimbursement activities in additional countries;

- Additonal non-dilutive funding, such as grants (EU 7th FP) and soft loans already granted (Innpacto, Madrid Network), and others not yet granted;

- Partnering of Cx601 (i.e. finding a partner for the co-development and/or commercialization of Cx601 in different regions); and

- Monetizing of some assets, such as the Dutch manufacturing facility (which was constructed by the Company in a building leased under a long-term lease contract running until July 2029).

According to the budget, the effective and timely realization of the above assumptions of the action plan will generate sufficient additional cash to continue the Company's operations during the next twelve months.

However, at this moment it is uncertain whether the above assumptions will be realized timely. There is a risk that the action plan will not generate sufficient additional cash, as a result of the non-realization or only partly realization of one or more assumptions. There is also a risk that, even if most of the assumptions would be realized, this realization will happen too late, so that the necessary additional cash is not generated timely to continue the Company's operations for the next twelve months.

However, if the execution of the above action plan would not or not timely generate sufficient additional cash, the Board of Directors intends to explore the option of obtaining additional dilutive funding (i.e. a capital increase) or non-dilutive funding.

Notwithstanding the described uncertainties, the Board of Directors is confident that the action plan described above, in combination with, if needed, additional dilutive funding (i.e. a capital increase), will timely generate sufficient additional cash to continue the Company's operations for the next twelve months. Accordingly, the Board of Directors decided to maintain the valuation rules in the assumption of the continuity of the Company.

11.5.3. Financial instruments and financial risk management

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- Available-for-sale financial assets

- Trade and other receivables

- Cash and cash equivalents

- Borrowings

- Trade and other payables

11.5.3.1. 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.

11.5.3.2. Categories of financial instruments

Thousands of Euro (€)	Notes	Years ended December 31 2012	2011	2010
Financial assets				
Cash and cash equivalents (including cash balances in disposal group held for sale)	8, 17	11,072	20,191	5,555
Loans and receivables		4,786	2,653	2,066
Other non-current assets	*12*	*498*	*485*	*254*
Trade and other receivables	*14*	*3,661*	*1,826*	*1,812*
Other financial assets	*15*	*628*	*342*	*0*
Available-for-sale financial assets	11	278	278	153
Financial liabilities				
Amortised cost		12,113	10,733	4,104
Borrowings	*19*	*8,099*	*6,537*	*792*
Trade and other payables	*22*	*4,014*	*4,196*	*3,312*

11.5.3.3. Financial risk management objectives

The Group co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group does not use any derivative financial instruments to hedge risk exposures

Currency risk

The Group may be subject to limited currency risk. The Company has no commercial revenues denominated in U.S. Dollars. The Group reports in Euro and has tried to match foreign currency cash inflows with foreign currency cash outflows. The Company has not engaged in hedging of the foreign currency risk via derivative instruments.

As of December 31, 2012, the Group's financial assets and financial liabilities were denominated in the following currencies:

	EUR			USD			GBP			Other			Total		
Thousands of Euro (€)	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Financial assets															
Cash and cash equivalents (including held for sale)	11,008	19,343	5,422	9	9	17	55	420	105	0	0	11	11,072	19,771	5,555
Trade and other receivables	3,325	1,826	1,296	0	0	209	336	308	307	0	0	0	3,661	2,134	1,812
Total Financial assets	**14,333**	**21,169**	**6,718**	**9**	**9**	**226**	**391**	**728**	**412**	**0**	**0**	**11**	**14,733**	**21,906**	**7,367**
Financial liabilities															
Trade and other payables	3,786	4,034	3,035	5	5	23	221	145	254	1	12	0	4,014	4,196	3,312
Borrowings	8,099	6,537	792	0	0	0	0	0	0	0	0	0	8,099	6,537	792
Total financial liabilities	**11,885**	**10,571**	**3,827**	**5**	**5**	**23**	**221**	**145**	**254**	**1**	**12**	**0**	**12,113**	**10,733**	**4,104**

The Group is mainly exposed to the GBP.

The exposure to the currency risk is limited to the net amount of:

- KUSD 51 (2011 : KUSD 713)

- KGBP 1,701 (2011 : KGBP 1,159)

If the USD/EUR exchange rate would increase (decrease) by 10%, the impact on the income statement and equity would be KEUR 4 (KEUR -4) (2011 : KEUR +46 and KEUR -56). If the GBP/EUR exchange rate would increase (decrease) by 10%, the impact on the income statement and equity would be KEUR 191 (KEUR -233) (2011 : KEUR +105 and KEUR -128). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analysis has been determined based on the exposure to interest rates for borrowings at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Company has two debts with a floating rate. It concerns two roll-over credit facilities (from 2007) for an original amount of KEUR 800 used for the acquisition of manufacturing equipment in the United States. The borrowings have a remaining maturity of 5 years and carry a floating interest rate of EURIBOR 3M + margin. The outstanding amount for these borrowings per December 31, 2012 was KEUR 360 (2011 : KEUR 440; 2010: KEUR 520) (see also note 19).

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Group's profit/(loss) for the year ended December 31, 2012 would be very limited as the total interest expense relating to these borrowings at floating rate amount to KEUR 9 (2011 : KEUR 13).

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Thousands of Euro (€)	Interest rate	Within one year	1-5 years	After 5 years	Total
December 31, 2012					
Non-interest bearing	N/A	46	1,184	1,390	2,620
Floating interest rate borrowings	Euribor 3M + margin	80	280	0	360
Fixed interest rate borrowings	1,46%	0	1,817	2,725	4,542
Other financial liabilities	N/A	1,527	0	0	1,527
Total		**1,653**	**3,280**	**4,115**	**9,049**
December 31, 2011					
Subordinated loan	N/A	169	0	0	169
Non-interest bearing	N/A	45	1,145	1,467	2,657
Floating interest rate borrowings	Euribor 3M + margin	80	360	0	440
Fixed interest rate borrowings	1,46%	0	1,363	3,179	4,542
Total		**294**	**2,867**	**4,646**	**7,808**
December 31, 2010					
Subordinated loan	N/A	130	169	0	299
Floating interest rate borrowings	Euribor 3M + margin	80	320	120	520
Finance lease liabilities	N/A	12	0	0	12
Total		**222**	**489**	**120**	**831**

The Group has no unused financing facilities per year-end. As per December 31, 2012, there was no breach of any of the covenants related to the Company´s financial liabilities.

More information is presented in note 19 of these consolidated financial statements.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Most of the counterparties of the Group are established public health care facilities which do not bear specific risks. Therefore, the company is only exposed to a limited risk of counterparty default. More information on the trade receivables can be found in note 14 to the consolidated financial statements.

11.5.4. Notes to the specific items of the consolidated financial statements

Preliminary remarks

For an explanation relating to the consolidated financial statements for the

fiscal year 2010, reference is made to the Company's 2010 Annual Report, available on the Company's website.

For purposes of comparing 2012 and 2011 figures, it should be noted that in May 2011 TiGenix and TiGenix SAU, TiGenix's wholly owned Spanish subsidiary (formerly Cellerix), joined forces through a business combination to create the European leader in cell therapy (please refer to note (25) for more details). According to IFRS 3, the results of TiGenix SAU are included in the consolidated financial statements only as from May 1, 2011, which is the date on which TiGenix obtained control over TiGenix SAU. In 2012, the TiGenix SAU results have been consolidated for the full year period.

For purposes of comparing 2012, 2011 and 2010 figures, the Company has adjusted the financial statements per December 31, 2011 and December 31, 2010 as a result of a change in accounting policy in 2012. This change in accounting policy relates to the capitalization of indirect costs (such as personnel costs, consultancy and legal fees, calibration and validation of equipment) related to the production facility in the Netherlands. Previously, only construction and equipment were taken into account in the capitalized costs of the production facility. In accordance with IAS 16.16, the Company recognizes all costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating. These adjustments amounted to a decrease of the loss for 2011 with KEUR 242 and a decrease of the loss for 2010 with KEUR 407.

(1) Sales

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Sales billed	4,084	1,804	982
Deferred sales and discounts	0	-657	-361
Total Sales	**4,084**	**1,146**	**621**

During 2012, sales in ChondroCelect increased significantly compared to 2011 due to the national retroactive reimbursement (as of January 1, 2011) of ChondroCelect in the Netherlands amounting to KEUR 657 and the ramp up in the Belgium sales. The increase in sales in 2011 compared to 2010 is due to the first full year of reimbursed sales in Belgium.

The sales discounts in 2011 and 2010 relate to the fact that only part of the ChondroCelect sales in the Netherlands could be recognized as revenue at that time. After the retroactive reimbursemen this discount has become part of the sales billed in 2012.

(2) Operating expenses

The operating expenses consist of the following elements:

Cost of sales

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Employee benefits expenses	363	206	112
Depreciations, amortisations and impairment losses	3	13	8
Other operating costs	540	237	190
Total	**905**	**455**	**310**

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

Research and development expenses

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011***	**2010***
Employee benefits expenses	3,398	3,042	3,342
Depreciations, amortisations and impairment losses	3,686	2,388	1,994
Lab fees and other operating expenses	5,866	4,289	4,430
Other expenses	987	875	423
Total	**13,936**	**10,595**	**10,189**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

The research and development expenses mainly relate to expenses of pre-clinical research, of Phase I, Phase II and Phase III clinical studies, as well as of the manufacturing facilities and related running costs. Therefore the increase in 2012 is explained by the fact that the full year expenses related to the products in development by TiGenix SAU are included as well as the full year amortization of the intellectual property acquired in the context of the business combination with TiGenix SAU (in line with IFRS 3, only the expense for the period May to December was included in 2011).

Sales and marketing expenses

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010***
Employee benefits expenses	1,230	1,445	1,328
Depreciations, amortisations and impairment losses	40	44	59
Marketing expenses	1,305	1,062	1,064
Other expenses	307	175	257
Total	**2,881**	**2,726**	**2,707**

The sales and marketing expenses are kept in line with previous years. Notwithstanding the big effort of the Company to penetrate new markets and the increase in sales, the expenses are maintained in line with the previous years, which is the result of a tight budget controlling.

Employee benefits expenses decreased compared to previous years, which follows the evolution in decrease of average FTE's over the period (although the number of FTE's at closing date 2012 increased compared to 2011 as mentioned below due to late in the year hirings).

Marketing expenses increased as a result of the operational taxes on sales in Belgium, which is linked to the sales invoiced.

General and administrative expenses

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010***
Employee benefits expenses	3,446	3,719	3,489
Depreciations, amortisations and impairment losses	262	629	172
Services and other sundry expenses	1,657	1,487	1,437
Other expenses	661	758	375
Total	**6,026**	**6,593**	**5,473**

In 2012, general and administrative figures include full year expenses for TiGenix SAU, instead of only 8 months as per 2011 (see preliminary remark). Nevertheless, the total general and administrative expenses have experienced a slight decrease in 2012 compared to 2011. The decrease in depreciation and amortization in 2012 is mainly explained due to the fact that in 2011 receivables of TiGenix Inc. were impaired while no such impairment was done in 2012.

Other operating expenses

Thousands of Euro (€)	Years ended December 31 2012	2011	2010
Transaction costs relating to business combinations	0	2,974	0
Total	**0**	**2,974**	**0**

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

Employee benefits expenses and mandate contractors

Thousands of Euro (€)	Years ended December 31 2012	2011	2010
Wages, salaries, fees and bonuses	6,795	5,850	6,681
Social security cost	1,213	1,386	1,367
Group & Hospitalisation insurance	161	263	333
Share-based compensation	612	1,138	676
Other expenses	84	466	296
Total	**8,865**	**9,103**	**9,353**

Employee benefits expenses during 2012 have been kept almost in line with those of 2011. Notwithstanding the inclusion of four additional months of TiGenix SAU, this trend has been achieved due to the reduction of FTEs, related to the synergies after the business combination with TiGenix SAU in 2011.

The Company operates a pension scheme with different premiums depending on the job level. The assets of the schemes are held separately from those of the Company in designated funds. In 2012, a total cost of KEUR 111 (2011 : KEUR 210; 2010 : KEUR 311) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans (the insurance plan guarantees an interest rate of 3.25% on the premiums and reserves until January 31, 2013 and as of February 1, 2013 there is a guaranteed interest rate of 1.75% on the 'increase' of premiums and reserves of the existing contracts and a rate of 1.75% for the new contracts as from that date).

At year-end, the number of employees (FTE = full time equivalents) was as follows :

Number of employees and mandate contractors	Years ended December 31 2012	2011	2010
R&D staff	40	41	42
Sales and marketing staff	9	6	13
General and administrative staff	19	28	19
Total	**67**	**75**	**74**

The number of employees in the R&D department remained stable when comparing 2012 vs. 2011.

Personnel in the sales and marketing department increased in line with increased sales in Belgium and the Netherlands since the reimbursement of ChondroCelect. The monetary impact of this FTE increase is, however, not significant in 2012, as most of the hirings were done during the second half of the year.

G&A personnel decreased as a result of the identified synergies after the full integration between the Company and TiGenix SAU and the outsourcing of certain functions.

For further details about the share-based compensation schemes, please refer to note 24.

(3) Other operating income

	Years ended December 31		
Thousands of Euro (€)	**1,411**	**2011**	**2010**
Grant revenues	1,227	285	1,765
Subcontracting	34	103	38
Other income	128	5	0
Total Other operating income	**1,389**	**393**	**1,803**

Other operating income increased strongly in 2012 compared to the previous year as a result of the successful effort of the Company in obtaining non dilutive funds, such as the EU 7th Framework Program grant and national and regional grants.

Other income relates to the gain on disposal of R&D equipment in TiGenix, due to the focus of all R&D activities on the development of the Company's pipeline based in TiGenix SAU.

(4) Financial result

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Interest income on bank deposits	9	12	140
Other interest income	26	696	2
Total interest income	**35**	**708**	**141**
Interest on borrowings	-14	-133	-12
Interest on subordinated loan	-24	-24	-24
Interest on obligations under finance leases	-3	-24	-25
Other finance costs	-20	-226	0
Total interest expenses	**-61**	**-408**	**-62**
Net foreign exchange differences	**-142**	**434**	**500**
Financial result	**-168**	**734**	**579**

TiGenix receives net interest on the sums it has outstanding on its bank deposits, therefore there is a decrease in interests in 2012 related to the decrease in the outstanding bank balances.

The interest on borrowings consists of the interests on the credit facilities received from ING and BNPParibas Fortis. Furthermore, the interest expenses also comprise the interest on the subordinated loan from IWT. The decrease in interest expenses relates to the reimbursement of the interest-bearing loans.

The net foreign exchange gains and losses mainly relate to transactions with TiGenix Inc. and to transactions in the United Kingdom. The decrease in foreign exchange differences in 2012 is completely related to the strength of the EUR versus the USD.

The loans are further commented in section 11.5.3.3 and in note 19 to these consolidated financial statements.

(5) Income tax expense

There is no current tax accounted for in any of the periods presented. The income tax expense consists solely of deferred tax items which compensate each other completely. The deferred taxes are further detailed in note 20.

(6) Discontinued operations

In 2011, the Group announced a plan to dispose of TiGenix Ltd, a 100% subsidiary of the Group. As a result of this decision, TiGenix Ltd was classified as a disposal group held for sale at December 31, 2011 (see note 8). This decision was made in the context of the strategy of the Company to focus its activities on cell therapy products. After this decision, the intellectual property relating to TiGenix Ltd was fully impaired, based on the expected future cash flows to be obtained from a hypothetical sale of TiGenix Ltd after the classification as held for sale. As a result of this classification, all assets and liabilities of the company were measured at the lower of carrying amount and fair value less costs to sell. Based on this exercise, impairment losses were recognized on intangible assets.

At the end of 2012, the Company announced the definitive closure of its biomaterials unit, TiGenix Ltd., to allow the Company to fully focus on further progressing in the commercial roll-out of ChondroCelect, and its cell therapy product development pipeline. As such, all operating activities were stopped by the end of 2012.

Analysis of profit/(loss) for the period from discontinued operation

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Revenue	109	107	0
Expenses	-2,058	-19,860	0
Operating expenses	*-1,683*	*-2,811*	*0*
Impairment losses	*-369*	*-17,028*	*0*
Other expenses	*-5*	*-21*	*0*
Profit/(Loss) before taxes	**-1,949**	**-19,753**	**0**
Attributable income tax expense	0	3,519	0
Total	**-1,949**	**-16,234**	**0**

In 2010, TiGenix Ltd contributed to the consolidated profit/(loss) with an amount of KEUR -1,759. In 2011, the profit/(loss) included the impairment of all TiGenix Ltd intellectual property while the profit/(loss) for the period 2012 from discontinued operations comprises expenses related to the 2012 operations, the impairment loss on the the non-current assets, the inventories of TiGenix Ltd and accrual of closing expenses.

Cash flows from discontinued operations

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Cash flows from operating activities	-394	-781	0
Cash flows from investing activities	3	-1	0
Cash flows from financing activities	0	0	0
Net cash flows from discontinued operations	**-391**	**-782**	**0**

(7) Loss per share

The calculation of the basic net loss per share is based on the loss attributable to the holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period.

The Group offers its employees share-based compensation benefits (see note 24), which may have a dilutive effect on the basic loss per share. For the purpose of calculating diluted loss per share, the number of ordinary shares shall be the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued in case of conversion into ordinary shares of all instruments that can be converted into ordinary shares.

However, due to the losses incurred by the Group, these instruments have an anti-dilutive effect on the loss per share. Instruments that can be converted into ordinary shares shall only be treated as dilutive when their conversion into ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As there was a loss in 2012, 2011 and 2010, the dilutive loss is the same as the basic loss per share.

Thousands of Euro (€)	Years ended December 31 2012	2011*	2010*
CONTINUING AND DISCONTINUED OPERATIONS			
Result for the purpose of basic earnings per share	-20,393	-37,305	-15,309
Weighted average number of shares for the purpose of basic earnings per share	91,596,484	69,696,332	30,910,332
Basic loss per share from continuing and discontinued operations (in EURO)	**-0,22**	**-0,54**	**-0,50**
CONTINUING OPERATIONS			
Result for the purpose of basic earnings per share	-18,444	-21,071	-15,309
Weighted average number of shares for the purpose of basic earnings per share	91,596,484	69,696,332	30,910,332
Basic loss per share from continuing operations (in EURO)	**-0,20**	**-0,30**	**-0,50**
DISCONTINUED OPERATIONS			
Result for the purpose of basic earnings per share	-1,949	-16,234	0
Weighted average number of shares for the purpose of basic earnings per share	91,596,484	69,696,332	30,910,332
Basic loss per share from discontinued operations (in EURO)	**-0,02**	**-0,23**	**0,00**
POTENTIAL DILUTIVE INSTRUMENTS			
Number of share-based options (out-of-the-money)	5,617,683	3,632,827	1,772,583

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

(8) Disposal group held for sale

The disposal group held for sale in 2011 relates to the classification of TiGenix Ltd, a 100% subsidiary of TiGenix, as held for sale. However, in November 2012, TiGenix decided to close TiGenix Ltd, to fully focus on the further commercial roll-out of ChondroCelect and its cell therapy product development pipeline. As a result, Tigenix Ltd has ceased all commercial activities and has given notice of the closing to third parties concerned.

As a result of the decision to close the company and stop all activities, TiGenix Ltd can no longer be classified as held for sale at closing 2012 in accordance with IFRS 5. As such, the remaining assets (KEUR 207) and liabilities (KEUR 649) of TiGenix Ltd are consolidated within the different line items of the consolidated balance sheet of TiGenix. Additionally, the losses for the period of the discontinued operations include all the expenses related to the closing of TiGenix Ltd.

Details of the figures that were presented in 2011 on the statement of financial position as disposal group held for sale are presented below:

	Years ended December 31		
Thousands of Euro (€)	2012	2011	2010
NON-CURRENT ASSETS HELD FOR SALE			
Property, plant and equipment	0	127	0
Inventories	0	406	0
Trade and other receivables	0	150	0
Other current assets	0	45	0
Cash and cash equivalents	0	420	0
Total	**0**	**1,149**	**0**
LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE			
Trade and other payables	0	-145	0
Other current liabilities	0	-12	0
Total	**0**	**-157**	**0**
Net assets of disposal group held for sale	**0**	**992**	**0**

(9) Intangible assets

Thousands of Euro (€)	Years ended December 31		
	2012	**2011**	**2010**
Cost			
Balance at January 1	45,473	23,191	21,504
Additions – separately acquired	279	0	66
Additions – internally developed	0	633	1,621
Additions through business combinations	0	41,897	0
Reclassification to/from held for sale	50	-19,784	0
Disposals	0	-465	0
Balance at December 31	**45,802**	**45,473**	**23,191**
Accumulated amortisation and impairment			
Balance at January 1	-3,447	-2,508	-942
Amortisation expense	-3,100	-3,695	-1,566
Disposals or classified as held for sale	-50	2,755	0
Impairment losses recognised	0	0	0
Reversals of impairment losses	0	0	0
Balance at December 31	**-6,597**	**-3,447**	**-2,508**
Carrying amount at December 31	**39,205**	**42,026**	**20,683**

The carrying amounts of the intangible assets of the Group are presented below:

Thousands of Euro (€)	Years ended December 31		
	2012	**2011**	**2010**
Development costs	1,918	2,166	2,297
Intellectual Property	36,549	39,290	18,278
Patents and licences	704	506	0
Software	34	65	108
Carrying amount at December 31	**39,205**	**42,026**	**20,683**

The main intangible asset relates to the intellectual property recognized upon the acquisition of TiGenix SAU in May 2011 (see note 25). This intangible asset was recognized at fair value in accordance with IFRS 3 – Business Combinations. The intellectual property is subsequently amortized over its useful life, i.e. 15 years. The carrying amount at closing 2012 is KEUR 36,549 (2011 : KEUR 39,290). The remaining useful life is 14 years at closing 2012.

Next to this important intangible asset, the Company has recognized during 2011 and 2010 development costs for ChondroCelect according to IAS 38 – *Intangible Assets*. They are amortized over their useful life (10 years). No additional development costs for the ChondroCelect were recognized during 2012. The carrying amount of these development costs amounted to KEUR 1,918 at closing 2012 (2011 : KEUR 2,166; 2010: KEUR 2,297). The remaining useful life is 8 years at closing 2012.

(10) Property, plant and equipment

Thousands of Euro (€)	IT & machinery	Furniture	Laboratory equipment	Leasehold improve-ments	Assets held under finance lease	TOTAL
COST						
Balance at January 1, 2010	1,874	285	202	2,070	83	4,514
Additions	184	17	0	3,175	0	3,376
Disposals	-245	0	0	-612	0	-858
Reclassification to/from held for sale	0	0	0	0	0	0
Effect of foreign exchange differences	53	5	0	48	0	106
Balance at December 31, 2010	**1,866**	**307**	**202**	**4,681**	**83**	**7,138**
Additions	139	31	259	2,578	0	3,006
Additions through business combinations	512	155	710	0	0	1,376
Reclassification to/from held for sale	-508	-100	0	0	0	-608
Effect of foreign exchange differences	14	3	3	0	0	19
Balance at December 31, 2011	**2,022**	**395**	**1,173**	**7,259**	**83**	**10,932**
Additions	343	0	7	261	0	611
Disposals	-605	-17	-27	0	0	-649
Reclassification to/from held for sale	508	100	0	0	0	608
Effect of foreign exchange differences	9	2	1	0	0	12
Balance at December 31, 2012	**2,277**	**481**	**1,154**	**7,520**	**83**	**11,514**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance at January 1, 2010	-989	-120	-187	-318	-43	-1,658
Reversals of impairment losses	0	0	0	0	0	0
Eliminated on reclassification as held for sale	0	0	0	0	0	0
Effect of foreign exchange differences	-23	-3	0	-10	0	-37
Balance at December 31, 2010	**-1,212**	**-187**	**-193**	**-328**	**-70**	**-1,993**
Eliminated on disposals	0	0	0	0	0	0
Eliminated on reclassification as held for sale	386	96	0	0	0	481
Effect of foreign exchange differences	-8	-2	-2	0	0	-12
Balance at December 31, 2011	**-1,243**	**-167**	**-316**	**-462**	**-83**	**-2,275**
Depreciation expense	-409	-76	-164	-296	0	-945
Reversals of impairment losses	0	0	0	0	0	-68
Eliminated on disposals	555	16	27	0	0	598
Eliminated on reclassification as held for sale	-386	-96	0	0	0	-481
Effect of foreign exchange differences	-8	-2	1	0	0	-9
Balance at December 31, 2012	**-1,557**	**-326**	**-452**	**-759**	**-83**	**-3,180**
Net value at December 31, 2010	**654**	**120**	**9**	**4,353**	**13**	**5,145**
Net value at December 31, 2011	**779**	**228**	**857**	**6,797**	**0**	**8,657**
Net value at December 31, 2011	**720**	**155**	**702**	**6,761**	**0**	**8,334**

Main investments during 2012, 2011 and 2010 are related to the leasehold improvements in the Dutch manufacturing facility. The 2012 amount of lease improvements clearly reflects the finalization of these works and the starting point of the depreciation of the facility (from August 2012 for 17 years in accordance with the lease contract).

In addition, the Company has adjusted the 2011 and 2010 carrying amounts of leasehold improvements to include costs that were not previously capitalized. In 2012, all accounting criterias to capitalize these costs were met, therefore these expenses should have been recognised as part of the leasehold improvements as they are directly attributable to the starting up of the Dutch manufacturing facility. The carrying amounts for 2011 and 2010 increased by respectively KEUR 407 and KEUR 242, which decreased the R&D expenses of these accounting periods.

Disposals in 2012 relate mainly to the sale of machinery and lab equipment, which were almost fully depreciated at the time of the sale.

In 2012, TiGenix Ltd was no longer an asset to be held for sale, therefore all related property, plants and equipment were eliminated from the classification "to be held for sale".

(11) Available-for-sale investments

The available-for-sale investments consist of the participation of TiGenix in Arcarios B.V., a spin-out established jointly with Therosteon in which the Company holds 14.77% of the shares. As such, the participation is classified as a financial asset available for sale in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement.* However, and due to the fact that Arcarios B.V. is not traded on active market and the Group is not able to measure fair value in an alternative way, the investment is carried at cost.

(12) Other non-current assets

The other non-current assets include guaranteed deposits in relation to operating lease commitments of TiGenix.

(13) Inventories

The carrying amounts of the different components of the inventory are as follows:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Raw materials and consumables	91	287	147
Finished goods and goods for resale	14	14	97
Total	**105**	**301**	**244**

The inventories are measured using the FIFO-method (first in first out) or, if lower, at the net realisable value.

There are no inventories related to final products, all inventories refer to consumables used in the production of the different products.

The decrease of stock in 2012 compared to 2011 is explained by the decrease of stock in TiGenix SAU, while in 2011 the increase compared to 2010 was due to the inclusion of stock of TiGenix SAU.

(14) Trade and other receivables

	Years ended December 31		
Thousands of Euro (€)	**1,411**	**2011**	**2010**
Trade receivables	2,477	800	765
Other receivables	1,184	1,026	1,047
Recoverable taxes	*849*	*283*	*789*
Other	*335*	*743*	*258*
Total	**3,661**	**1,826**	**1,812**

During 2012, trade receivables have increased due to the ramp up in the ChondroCelect sales and the pre-reimbursement invoices from the Netherlands related to 2011 and the first half of 2012 which were still outstanding. The other receivables mainly consist of VAT and withholding taxes.

The trade receivables can be detailed as follows:

	Years ended December 31		
Thousands of Euro (€)	**1,411**	**2011**	**2010**
Trade receivables	2,489	800	765
Allowance for doubtful debts	-12	0	0
Total	**2,477**	**800**	**765**

The aging analysis of the Group's trade receivables at year-end is as follows:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Not past due	963	428	234
Up to 3 months	831	127	453
3 to 6 months	106	48	65
6 to 12 months	560	198	0
more than 1 year	17	0	13
Total	**2,477**	**800**	**765**

Trade receivables are mostly related to the sales of ChondroCelect. The product is sold to hospitals with long payment terms. Additionally, due to the retroactive (as of January 1, 2011) reimbursement in the Netherlands granted mid 2012, all pre-reimbursement invoices were still due at the end of 2012. These invoices will be paid during the first half of 2013.

The movement in the allowance for doubtful debts is as follows:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Balance at January 1	**0**	**0**	**0**
Impairment losses recognised	12	0	0
Amounts written off during the year as uncollectible	0	0	0
Amounts recovered during the year	0	0	0
Impairment losses reversed	0	0	0
Other	0	0	0
Balance at December 31	**12**	**0**	**0**

The credit risk management is described in section 11.5.3.3 of the consolidated financial statements.

(15) Other current financial assets

The other current financial assets include bank deposits which were pledged to guarantee the potential repayment of part of certain subsidies granted to TiGenix SAU in 2006 and 2007 for a total amount of KEUR 309 (interests not included). See section 6.9.

(16) Other current assets

The other current assets include accrued income and deferred charges.

(17) Cash and cash equivalents

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Cash at bank and in hand	11,072	11,771	5,555
Short-term deposits	0	8,000	0
Total	**11,072**	**19,771**	**5,555**

Total cash and cash equivalents decreased in 2012 due to the operating activities of the Company. In 2011, cash and cash equivalents included a short-term deposit with a maturity of one week.

(18) Share capital

The share capital of TiGenix amounts to KEUR 10,030 at December 31, 2012 (2011 : KEUR 89,093; 2010: KEUR 30,423), represented by 100,288,586 shares (2011 : 91,122,667 shares; 2010: 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 to.

The Company has never declared or paid any dividends on its shares. In the future, the Company's dividend policy will be determined and may change from time to time by determination of the Company's board of directors. Any declaration of

dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the board of directors. Belgian law and the Company's articles of association do not require the Company to declare dividends. Currently, the board of directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders in the near future.

The change in the number of shares during the period is as follows:

	Years ended December 31		
Number of shares	**2012**	**2011**	**2010**
Balance at 1 January	**91,122,667**	**31,121,154**	**30,866,168**
Exercise of warrants	0	0	2,500
Capital increase - contribution in kind	536,534	44,814,402	252,486
Capital increase - contribution in cash	8,629,385	15,187,111	0
Balance at December 31	**100,288,586**	**91,122,667**	**31,121,154**

The 9,165,919 shares that were issued in 2012 were issued as follows:

- 536,534 shares were issued pursuant to a contribution in kind on April 17, 2012 (see note (28) of section 5.4.1 (Share capital and shares)), and

- 8,629,385 shares were issued pursuant to a contribution in cash on December 27, 2012. Transaction costs related to this capital increase amounted to KEUR 442.

On May 11, 2012 a capital decrease was carried out through the absorption of losses carried forward as per December 31, 2011, without cancellation of shares.

During 2011, the share capital of the Company was increased twice:

- A contribution in kind in the context of the business combination with TiGenix SAU (May 2011), and

- A contribution in cash (June 2011).

Transaction costs related to these capital increases amount to KEUR 1,053.

Transaction costs related to capital increases are presented as a deduction of the share premium.

(19) Borrowings

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Non-current			
Subordinated loan	0	0	130
Financial loans	6,184	6,298	440
Other financial liabilities	0	0	0
Non-current borrowings	**6,184**	**6,298**	**570**
Current			
Subordinated loan	0	130	130
Financial loans	388	109	80
Other financial liabilities	1,527	0	12
Current borrowings	**1,915**	**239**	**222**
Total	**8,099**	**6,537**	**792**

The Company borrowings consist of:

- A subordinated loan obtained in 2006 from the Flemish Innovation Institute IWT for an amount of KEUR 391 to support the project "Novel treatment approaches for Osteoarthritic joints: from stem cells to nutriceuticals". This loan is reimbursed in quarterly instalments, consisting of capital and interest. The last instalment of KEUR 41 was performed in October 31, 2012.

- Financial loans as follows:

  - Roll-over credit facilities (from 2007) for an original amount KEUR 800 used for the acquisition of manufacturing equipment in the United States. The borrowings have a remaining maturity of 5 years and carry a variable interest of EURIBOR 3M + margin.

  - A loan received in October 2011 from the "Madrid Network" for an original amount of KEUR 4.026 to finance the TiGenix SAU Phase III study for complex perianal fistulas in Crohn's disease patients. The loan will be reimbursed over a period of 10 years starting in 2015 with an annual fixed interest rate of 1,46%.

  - Interest-free loans maturing till 2025 received from the Spanish Government. These loans are recognized at their present value using market rates. In addition, all of them have an original amount of KEUR 2,654.

The borrowings are granted subject to the condition to maintain specific covenants. At year-end December 31, 2012, the Group was not in breach of these covenants. In addition, at the date of this annual report, the Group is not in breach of these covenants, nor is the Group close to an infringement of the covenants.

Other financial liabilities are explained by the discounting of trade receivables. As the trade receivables are not paid until their maturity, the bank reserves the right to request the Group to pay for the unsettled

balance. As a consequence, the Company recognizes the full carrying amount of the trade receivables, as well as the cash received on the transfer, as a secured borrowing due to the fact that it has not transferred the significant risks and rewards relating to these trade receivables to the bank.

At December 31, 2012, the carrying amount of the trade receivables that have been transferred but have not been derecognized amounted to KEUR 1,686 and the carrying amount of the associated liability is KEUR 1,518.

The management of the liquidity risk is described in section 11.5.3.3 of these consolidated financial statements.

(20) Deferred taxes

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Deferred tax assets	0	0	0
Deferred tax liabilities	0	0	-3,519
Total	**0**	**0**	**-3,519**

The variation in the deferred tax balances presented in the consolidated statement of financial position is as follows:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Balance at January 1, 2010	**-3,887**	**0**	**-3,887**
Recognised in income statement	368	0	368
Recognised in other comprehensive income	0	0	0
Acquisitions/disposals	0	0	0
Other	0	0	0
Balance at December 31, 2010	**-3,519**	**0**	**-3,519**
Recognised in income statement - continuing operations	0	0	0
Recognised in income statement - discontinued operations	3,519	0	3,519
Recognised in other comprehensive income	0	0	0
Business combinations	0	-27	-27
Tax losses - Deferred tax asset	*12,335*	*0*	*12,335*
Temporary differences - Deferred tax liabilities	*-12,335*	*-27*	*-12,362*
Balance at December 31, 2011	**0**	**-27**	**-27**
Recognised in income statement - continuing operations	0	0	0
Recognised in income statement - discontinued operations	0	0	0
Recognised in other comprehensive income	0	0	0
Business combinations	0	0	0
Tax losses - Deferred tax asset	*0*	*0*	*0*
Temporary differences - Deferred tax liabilities	*0*	*0*	*0*
Balance at December 31, 2012	**0**	**-27**	**-27**

In the context of the business combination with TiGenix SAU (see also note 25), the Group recognized a deferred tax liability (KEUR 12,335) relating to the recognition of the intellectual property of TiGenix SAU. At the same time, this deferred tax liability was compensated with a deferred tax asset recognized for the tax losses carried forward of TiGenix SAU.

The deferred tax liabilities decreased in 2011 as a result of the impairment of the intellectual property relating to TiGenix Ltd.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized, are attributable to the following:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Tax losses	113,281	98,363	90,992
Unused tax credits	12,062	10,793	142
Deductible temporary differences	8,302	8,235	2,633
Total	**133,644**	**117,390**	**93,767**

The tax losses attributable to TiGenix SAU (KEUR 16,486) have a maturity of 15 years. The other tax losses do not have an expiry date.

Furthermore, at December 31, 2012, TiGenix SAU's financial accounts include a potential tax deduction for overseas tax withholdings for an amount of KEUR 712 (resulting from the receipt in 2007 of a non-refundable fee, net of taxes withheld in the country of origin, Canada). This amount will only become recoverable in Spain to the extent that TiGenix SAU generates sufficient taxable income to allow it to be deducted from the gross corporate income tax payable within a maximum period of ten years (i.e. until 2017). No deferred tax asset has been accounted for this in the consolidated financial statements.

(21) Other non-current liabilities

The other non-current liabilities include the capital grants received by TiGenix SAU which are deferred.

(22) Trade and other payables

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Trade payables	2,613	2,500	2,557
Other payables	1,401	1,696	*755*
Payables relating to personnel	*1,189*	*1,222*	*755*
Other	*212*	*474*	*0*
Total	**4,014**	**4,196**	**3,312**

Trade payables refer to the operating activities while the other payables relate mainly to personnel and consist of the holiday pay and the bonus provision.

(23) Other current liabilities

The other current liabilities consist of deferred grant income, rent payments and other accruals.

(24) Share-based payments

TiGenix – Stock options

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) and July 6, 2012 (4,000,000) in the aggregate 6,835,640 warrants were issued, subject to the warrants being granted to and accepted by the beneficiaries. Of these 6,835,640 warrants, (i) 545,683 warrants expired as they have not been granted, (ii) 379,250 warrants have expired as they have not been accepted by their beneficiaries (iii) 283,734 warrants have lapsed due to their beneficiaries leaving the Company and (iv) 9,290 warrants have been exercised. As a result, as at December 31, 2012, there are 5,617,683 warrants outstanding.

The warrants are granted to employees, consultants or directors of the Company and its subsidiaries, 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, March 12, 2010 and July 6, 2012 have a term of 10 years. Upon expiration of this term, the warrants become null and void. The warrants issued on May 14, 2004, April 20, 2005, November 3, 2005, February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010 vest, in principle, 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 their 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. As to the warrants issued on July 6, 2012, in principle, (i) 1/3rd of the warrants granted will vest on the first anniversary of the granting of the warrants and (ii) 1/24th of the remaining 2/3rd of the warrants granted will vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. The warrants can only be exercised by the warrant holder if they have effectively vested.

The table below provides an overview as per December 31, 2012 of all outstanding warrant pools remaining, together with the activities under the different pools of warrants during 2012.

Number of options	Weighted average exercise price	Total	Options issued in							
Grant date			July 6, 2012	March 12, 2010	June 19, 2009	March 20, 2008	Febr. 26, 2007	Nov . 03, 2005	April 20, 2005	May 14, 2004
Number of options created			4,000,000	500,000	500,000	400,000	800,000	454,570	45,268	135,802
Weighted average exercise price (EURO)			1.00	2.74	3.98	4.10	5.49	3.50	3.18	3.10
Fair value at grant date (EURO)			0.17	2.00	3.53	2.56	2.64	1.29	1.15	1.08
Expiry date			31/05/22	30/11/19	31/05/19	30/11/17	31/03/17	31/03/14	31/03/14	31/03/14
Balance at January 1, 2010	**4,72**	**1,490,895**	**0**	**0**	**168,200**	**355,500**	**521,500**	**295,663**	**45,268**	**104,764**
Granted	2,58	372,000		372,000	0	0	0	0	0	0
Forfeited	4,31	-87,812		-7,000	-13,000	-55,125	-10,687	-2,000		
Exercised	3,45	-2,500		0	0	-2,500	0	0	0	0
Balance at December 31, 2010	**4,29**	**1,772,583**	**0**	**365,000**	**155,200**	**297,875**	**510,813**	**293,663**	**45,268**	**104,764**
Granted		0		0	0	0	0	0	0	0
Forfeited	3,34	-44,900		-22,250	-11,150	-10,500	-1,000	0	0	0
Balance at December 31, 2011	**4,31**	**1,727,683**	**0**	**342,750**	**144,050**	**287,375**	**509,813**	**293,663**	**45,268**	**104,764**
Granted	1,00	3,948,000	3,948,000	0	0	0	0	0	0	0
Forfeited	2,03	-58,000	-26,000	-30,000	-1,125	-875		0	0	0
Balance at December 31, 2012	**2,01**	**5,617,683**	**3,922,000**	**312,750**	**142,925**	**286,500**	**509,813**	**293,663**	**45,268**	**104,764**

The warrants have been accounted for in accordance with IFRS 2 – Share-based payment.

The fair value of each warrant is estimated on the date of grant using the Black Scholes model with the following assumptions:

- The historic volatility of the Company (determined at 52.8% for the 2012 warrant plan and 60% for the previous plans), which was determined based on past (3 years) volatility of the TiGenix share;
- The expected dividends are assumed to be zero in the model;
- 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%;
- Weighted average share price (determined at EUR 0.46 for the 2012 warrant plan); and
- The expected lifetime of the warrants, which on average is about 7 years for the warrants with a maximum duration of 10 years.

TiGenix SAU – Stock options

Prior to the business combination, TiGenix SAU (formerly "Cellerix") had created two Equity Based Incentive Plans ("EBIPs"). The completion of the business combination has triggered certain consequences outlined below which affect both EBIPs. A summary overview of some of the conditions of both EBIPs is given below.

Options under the EBIP 2008 were granted to employees, executives and independent members of the board of directors of TiGenix SAU prior to the business combination. Options under the EBIP 2008 were granted to each beneficiary through individual letters. As a result of the business combination, all EBIP 2008 options have vested except for 32,832 options of employees who terminated their employment with TiGenix SAU before the business combination and that were not re-allocated. The exercise prices of the EBIP 2008 are set at EUR 11, EUR 7 and EUR 5.291 depending on the date of grant and beneficiary. TiGenix SAU granted 453,550 options under the EBIP 2008 of which 420,718 are vested. As a result of the business combination, all outstanding TiGenix SAU options were exchanged into TiGenix stock options.

Options under the EBIP 2010 were only granted to senior management of TiGenix SAU. The EBIP provides that the normal exercise price of the options is set at EUR 5.291. However, as a result of the business combination the exercise price for all EBIP 2010 options has been reduced to EUR 0.013. TiGenix SAU has granted 221,508 options under the EBIP 2010. As a result of the business combination, 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 TiGenix SAU 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 TiGenix SAU 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.

As of December 31, 2012, all EBIP 2008 and EBIP 2010 options are vested.

Number of options	Total	Options issued in	Options issued in
Grant date		**2010**	**2008**
Number of options created		221,508	420,718
Weighted average exercise price (EURO)		0,01	5,29
Fair value at grant date (EURO)		2,30	6,36
Expiry date		30/09/16	30/09/16
Balance at acquisiton date	**642,226**	**221,508**	**420,718**
Granted	0	0	0
Forfeited	0	0	0
Exercised	0	0	0
Expired	0	0	0
Balance at December 31, 2011	**642,226**	**221,508**	**420,718**
Granted	0	0	0
Forfeited	0	0	0
Exercised	0	0	0
Expired	0	0	0
Balance at December 31, 2012	**642,226**	**221,508**	**420,718**

Number of options	Total	Options issued in				
Grant date		**2012**	**2011**	**2010**	**2009**	**2008**
Number of options created	642,226	0	0	221,508	0	420,718
Value of the vested options EBIP 2008	2,677,065	99,043	487,947	589,673	835,552	664,850
Value of the vested options EBIP 2010	508,482	164,786	305,984	37,712	0	0
Value of the options pending to be vested		0	0	0	0	0
Forfeited		0	0	0	0	0
Exercised		0	0	0	0	0
Expired		0	0	0	0	0
Balance at December 31, 2012	**3,185,547**	**263,829**	**793,931**	**627,385**	**835,552**	**664,850**

The fair value of each stock option is estimated on the date of grant using the Black Scholes model with the following assumptions:

- The volatility of TiGenix SAU (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%.

(25) Business combination

Description of the business combination

Effective as of May 3, 2011, the former shareholders of Cellerix SA (now TiGenix SAU) contributed all their Cellerix shares into TiGenix NV, in exchange for TiGenix NV shares. Therefore, since the contribution, TiGenix owns all the shares of Cellerix, while the former Cellerix shareholders received TiGenix shares in exchange. At the closing of the transaction, Cellerix had 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 which became shareholders of TiGenix.

TiGenix SAU is a Spanish cell therapy company that was founded in 2004. The company has a clinical stage pipeline of cell-based products for indications of inflammatory and autoimmune origin. The products are based on TiGenix SAU's proprietary fat derived adult stem cell platform and represent a new generation of off-the-shelf cell therapy medicines. TiGenix SAU's stem cell platform and manufacturing capabilities have been fully validated according to EMA requirements.

Through the acquisition of Cellerix, TiGenix has been able to further strengthen its leadership profile through the creation of the first stem cells group with a commercial offering and a strong product development pipeline.

Following the acquisition by TiGenix, Cellerix was renamed TiGenix SAU. The team and facilities have been completely integrated into the TiGenix organization.

Assets acquired and liabilities recognized at the date of acquisition

Thousands of Euro (€)	**Cellerix**
Non-current assets	
Intangible assets	41,558
Property, plant and equipment	1,376
Other non-current assets	575
Deferred tax assets	12,335
Current assets	
Inventories	35
Trade and other receivables	723
Other current assets	405
Cash and cash equivalents	18,421
Non-current liabilities	
Deferred tax liabilities	-12,335
Borrowings	-2,357
Other current liabilities	-85
Current liabilities	
Borrowings	-810
Trade and other liabilities	-1,686
Fair value of net assets acquired	**58,156**
Consideration transferred - share issue	58,156
Goodwill	**0**

Net cash outflow (inflow) on acquisition of subsidiary

Thousands of Euro (€)	**2011**
Consideration paid in cash	0
Less: cash and cash equivalent balances acquired	-18,421
Fair value of net assets acquired	**-18,421**

(26) Related party transactions

Transactions between TiGenix NV, TiGenix Inc., TiGenix BV, TiGenix Ltd and TiGenix SAU, which are related parties, have been eliminated in consolidation and are not disclosed in this note. In 2012, 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.

Compensation of key management personnel

Key management personnel are identified as being the CEO, CFO, CBO and CTO.

The combined remuneration package of key management in 2012, 2011 and 2010 amounted as follows:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Short-term benefits	1,198	1,361	851
Post-employment benefits	16	16	32
Share-based payments	318	171	224
Other employee benefits	52	65	41
Total	**1,584**	**1,613**	**1,148**

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. In 2012, an amount of KEUR 121 (2011: KEUR 74; 2010: KEUR 55) in total was paid as fees and expense reimbursement to independent members of the board of directors.

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.

(27) Segment information

The Group's activities are monitored in one segment, biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. As such, the chief operating decision maker (i.e. the CEO) reviews the operating results and operating plans and makes resource allocation decisions on a company-wide basis.

Geographical information

The Group operates currently only within the European Union. The main countries are Belgium, the Netherlands and United Kingdom.

The Group's sales from continuing operations from external customers by market location are detailed below:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Belgium	1,653	591	43
The Netherlands	1,949	86	131
United Kingdom	368	213	124
Other	115	256	322
Total	**4,084**	**1,146**	**621**

The Group's non-current assets (excluding non-current assets held for sale) by location are presented below:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Belgium	3,210	3,793	4,138
The Netherlands	6,805	6,450	3,500
United Kingdom	0	0	18,547
Spain	38,298	41,179	0
Other	2	24	50
Total	**48,315**	**51,446**	**26,235**

Major customers

Included in the sales of KEUR 4,084 (see note 1 above), there are two customers for which sales represent more than 10% of total sales. No other single customers contributed 10% or more to the Group's sales.

(28) Commitments and contingencies

Operating lease commitments

The operating leases of the Group relate to leases of buildings between 9 and 15 years and lease of cars for 4 years. The Group does not have an option to purchase the leased assets.

In 2012, the Group made operating minimum lease payments for a total amount of KEUR 1,150 (2011 : KEUR 933; 2010 : KEUR 720).

The operating lease commitments for future periods are presented in the table below :

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Within one year	1,018	748	626
In the second to fifth year	2,308	1,968	2,195
After 5 years	2,281	1,439	1,998
Total	**5,608**	**4,155**	**4,819**

Other commitments

TiGenix Inc. guarantees the operating lease payments of Cognate for the building leased in the United States (2012 : KEUR 476; 2011 : KEUR 548). Cognate was the party with whom TiGenix had a joint venture, TC CEF LLC, in the past.

Legal proceedings

TiGenix SAU is involved in the following legal proceedings.

Invalidation of US patent US6777231

On April 1, 2011, TiGenix SAU (then still Cellerix S.A.) filed 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. TiGenix requested re-examination of all claims of this patent and asked the USPTO to consider prior art not evaluated during previous examination of the patent. TiGenix is of the opinion that this prior art is materially relevant to the patentability of the claims. The USPTO Examiner has issued a decision concluding that all claims of the patent are invalid, and subsequent to the issue of the right of appeal notice the University of Pittsburgh has appealed the Examiner's decision.

Repayment of subsidies

On January 5, 2012, TiGenix SAU lodged an ordinary appeal before the Contentious-Administrative Chamber of the National Appellate Court (Audiencia Nacional) against two decisions taken by the Director General of Technology Transfer and Business Development at the Spanish Ministry of Science and Innovation (the "Administration") on November 16, 2011, which partially revoked and claimed the repayment of two subsidies granted in 2006 and 2007, respectively (the "Contested Subsidies").

Both Contested Subsidies were granted to a consortium of beneficiaries, one of which was TiGenix SAU. TiGenix SAU also acted as representative of the beneficiaries in the consortium.

Within the contentious-administrative appeal, the Administration claims that (i) the Contested Subsidies, together with other subsidies granted to TiGenix SAU during the same time period (i.e. 2006 and 2007), exceeded the maximum limit permitted by law, requesting, therefore, the reimbursement of the excess amount granted, and that (ii) some of the expenses attributed to the project financed by the Contested Subsidies had already been financed from other subsidies.

Against these arguments maintained by the Administration, TiGenix SAU holds, among other arguments, that the Administration cannot accumulate all subsidies granted to TiGenix SAU (i.e. the Contested Subsidies and other subsidies granted) for purposes of applying the maximum legal limit applicable (i.e. in the particular case of TiGenix SAU, 60% of the eligible cost of the project), as the various subsidies were granted for financing different projects with different purposes and scopes.

The total claim of the Administration, for the full consortium, for both Contested Subsidies, including late payment interest, amounts to EUR 896,989.83. Such amount is claimed entirely from TiGenix SAU, as the representative of the consortium. However, TiGenix's part thereof would only amount to EUR 309,353.46, with the remainder of the claim, in case the appeal does not succeed, to be repaid to TiGenix SAU by the other members of the consortium.

As an intermediary measure, TiGenix SAU obtained an injunctive decision that, until a final decision is taken in the matter, the amounts claimed by the Administration do not yet have to be repaid. Instead, TiGenix SAU granted a guarantee for the benefit of the Administration for the amount claimed.

Practically all of the procedural phases of the appeal have been completed (filing of the claim, filing of the answer by the State Attorney, evidentiary phase, and closing submissions by both parties). Since November 28, 2012, the case is waiting for the court clerk to set a date for final vote and judgment.

(29) Subsequent events

No material events took place, and no significant change occurred in the financial or trading position of the Group, after December 2012.

(30) Consolidation scope

Name	Principal activity	Place of incorporation	Ownership interest		
			2012	2011	2010
Subsidiaries					
"TiGenix NV Romeinse straat 12 – Box 2 3001 Haasrode"	Biomedical company	Belgium	100%	100%	100%
"TiGenix Inc 1209 Orange Street Wilmington Delaware"	Biomedical company	USA	100%	100%	100%
"TiGenix BV Urmonderbaan 22 6167 RD Geleen"	Biomedical company	Netherlands	100%	100%	100%
"TiGenix Ltd Cambridge Business Park Milton Road Cambridge CB4 0WZ"	Biomedical company	United Kingdom	100%	100%	100%
"TiGenix SAU Calle Marconi 1, Parque Tecnológico de Madrid Tres Cantos 28760 Madrid"	Biopharma-ceutical company	Spain	100%	100%	0%

11.6. AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PER DECEMBER 31, 2012

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 consolidated balance sheet as at December 31, 2012 the consolidated profit and loss statement for the year ended December 31, 2012 and the explanatory notes, as well as the required additional information.

Report on the consolidated financial statements – unqualified opinion with explanatory paragraph

We have audited the consolidated financial statements of the company TiGenix NV for the year 2012 ended December 31, 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 63.956 kEUR and a consolidated loss for the year of 20.393 kEUR.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 is sufficient and appropriate to provide a basis for the audit opinion.

Unqualified opinion with explanatory paragraph

In our opinion, the consolidated financial statements of the company TiGenix NV as of December 31, 2012 give a true and fair view of the net assets and financial position of the group as at December 31, 2012, as well as its consolidated results and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Notwithstanding the Group suffered significant losses that further affected its financial position and cash situation, the consolidated financial statements have been drawn up in the assumption of going concern. This assumption is only justified to the extent that the assumptions of the budget, as described in chapter 13.8 of the annual report of the Board of Directors, will be timely realized and will timely generate sufficient new cash. If this would not be the case, the group will need to find additional cash by means of a capital increase or alternative funding. The consolidated 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

Report on other legal and regulatory requirements

Management is responsible for the preparation and the content of the consolidated Directors' report.

As part of our engagement, it is our responsibility, for all significant aspects, to ascertain the compliance of certain legal and regulatory requirements. Based on that requirement we report the following additional statement, which does not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law, is consistent, in all material aspects, with the consolidated financial statements and does not include any obvious inconsistencies with the information that we became aware of during the performance of our engagement.

Zaventem, March 11, 2013

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Gert Claes

11.7. AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PER DECEMBER 31, 2011

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 2011, prepared in accordance with International Financial Reporting Standards as agreed by the European Union, which show a balance sheet total of 74.669 kEUR and a consolidated loss of 37.547 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 64 TiGenix I annual report 2011 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 2011 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 and its subsidiaries have suffered, the consolidated annual accounts have been drawn up in the assumption of going concern, and do therefore not include adjustments or changes to classifications, that should have been made in case of inability of the company to continue as a going concern. Without modifying our opinion as expressed above, we want to draw your attention to the consolidated Director's report, in which the Board of Directors justifies the application of the valuation rules in going concern. This assumption about going concern is only justified if the budget for the coming twelve months, as drawn up and approved by the Board of Directors, and described in the consolidated Director's report, will be realized, or if, alternatively, new financial sources can be found.

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 20, 2012

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Gert Claes

11.8. AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PER DECEMBER 31, 2010

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

12. Statutory Financial Statements 2010-2012

The statutory accounts are based upon Belgian GAAP.

An unqualified audit opinion with an explanatory paragraph in respect of the continuity of the Company has been issued by the statutory auditor on March 11, 2013.

The information included in this section is an extract from the statutory accounts that will be submitted for approval to the annual shareholders meeting of April 22, 2013 and that will be filed with the Belgian National Bank, and does not include all information as required by articles 98 and 100 of the Belgian Companies Code.

12.1. STATUTORY INCOME STATEMENT 2010-2012

		Years ended December 31		
Thousands of Euro (€)		2012	2011	2010
I.	**Operating income**	**5,168**	**4,378**	**6,362**
A.	Turnover	4,084	1,146	658
C.	Fixed assets-own construction	0	569	1,573
D.	Other operating income	1,084	2,663	4,130
II.	**Operating charges**	**-11,795**	**-20,325**	**-26,099**
A.	Raw materials, consumables, goods for resale	-619	-1,320	-1,600
B.	Services and other goods	-4,933	-6,014	-7,469
C.	Remuneration, social security contributions and pensions	-4,099	-5,395	-6,208
D.	Depreciation & amounts written off on formation expenses, intangible and tangible fixed assets	-1,537	-5,274	-8,009
G.	Other operating charges	-606	-2,322	-2,812
III.	**Operating profit/(loss)**	**-6,627**	**-15,946**	**-19,737**
IV.	**Financial income**	**344**	**1,188**	**1,109**
A.	Income from financial fixed assets	219	616	417
B.	Income from current assets	9	11	139
C.	Other financial income	116	561	553
V.	**Financial charges**	**-308**	**-488**	**-197**
A.	Debt charges	-169	-63	-72
C.	Other financial charges	-139	-425	-126
VI.	**Current profit/(loss) before taxes**	**-6,591**	**-15,246**	**-18,825**
VII.	Extraordinary income	122	0	0
VIII.	Extraordinary charges	-585	-16,318	0
IX.	**Profit/(loss) before taxes**	**-7,054**	**-31,564**	**-18,825**
X.	Income taxes	1	0	0
XI.	**Profit/(loss) for the year after taxes**	**-7,055**	**-31,564**	**-18,825**

12.2. STATUTORY BALANCE SHEET 2010-2012

Thousands of Euro (€)	Years ended December 31 2012	2011	2010
FIXED ASSETS	**70,773**	**70,470**	**27,377**
I. Formation expenses	**1,524**	**1,671**	**1,479**
II. Intangible fixed assets	**1,997**	**2,285**	**2,414**
III. Tangible fixed assets	**708**	**1,038**	**1,377**
B. Plant, machinery and equipment	72	222	380
C. Furniture and vehicles	24	68	114
D. Leasing and other similar rights	0	0	12
E. Other tangible assets	612	747	872
IV. Financial fixed assets	**66,543**	**65,477**	**22,107**
A. Affiliated enterprises	66,005	64,952	21,699
A1. Investments	59,674	59,674	16,280
A2. Amounts receivable	6,331	5,279	5,419
B. Shares in associated companies	278	278	153
B1. Investments	278	278	153
C. Other financial non-current assets	259	246	254
C2. Amounts received and cash guarantee	259	246	254
CURRENT ASSETS	**10,329**	**8,163**	**8,547**
VI. Stocks and contracts in progress	**62**	**232**	**244**
VII. Amounts receivable within one year	**3,107**	**1,076**	**1,724**
A. Trade debtors	2,838	852	1,005
B. Other amounts receivable	269	224	719
IX. Cash at bank and in hand	**7,082**	**6,380**	**5,353**
X. Deferred charges and accrued income	**79**	**476**	**1,225**
TOTAL ASSETS	**81,102**	**78,634**	**35,923**

Thousands of Euro (€)	Years ended December 31 2012	2011	2010
CAPITAL AND RESERVES	**71,511**	**69,539**	**27,760**
I. Capital	**10,029**	**89,092**	**30,428**
A. Issued capital	10,029	89,092	30,428
II. Share premium	**95,674**	**88,035**	**73,357**
V. Accumulated profit/(loss)	**-34,191**	**-107,588**	**-76,024**
AMOUNTS PAYABLE	**9,591**	**9,096**	**8,164**
VIII. Debts payable after 1 year	**3,318**	**3,281**	**2,867**
A. Financial debts	280	360	570
A1. Subordinated loans	0	0	130
A4. Credit institutions	280	360	440
F. Other debts	3,038	2,921	2,296
IX. Debts payable within 1 year	**4,800**	**3,727**	**4,583**
A. Current portion of debts after one year	80	210	222
C. Trade debts	1,117	235	3,424
C1. Suppliers	1,117	235	3,424
E. Taxes, remuneration & social security	940	986	741
E2. Remuneration & social security	940	986	741
F. Other amounts payables	2,662	2,296	195
X. Accrued charges and deferred income	**1,473**	**2,087**	**714**
TOTAL LIABILITIES	**81,102**	**78,634**	**35,923**

12.3. ACCOUNTING POLICIES (BELGIAN GAAP)

The valuation rules have been prepared in accordance with the provisions of Chapter II of the Belgian Royal Decree of January 30, 2001 relating to the implementation of the Belgian Companies Code (*Koninklijk besluit tot uitvoering van het wetboek van vennootschappen / Arrêté royal portant exécution du code des sociétés*). All amortisations and depreciations are done on a pro rata basis in the year of purchase.

12.3.1. Formation expenses and costs relating to capital increases

These expenses, included the issuance costs, are recognised as assets and are amortised by 20% annually.

12.3.2. Intangible fixed assets

Research and development costs

Research costs are expensed directly in the income statement. Development costs are recognized as intangible assets if it is probable that the asset developed will generate future economic benefits and if the development costs can be measured reliably. Development costs are depreciated on a straight-line basis over their estimated useful life from the moment that they are available for use.

Patents, licenses and similar rights

The costs relating to the request of these rights are expensed directly in the income statement. Costs relating to the maintenance of these assets are capitalised at purchase value or, if lower, at their useful value. Patents are depreciated on a straight-line basis over a period of 5 years and software rights and development costs are depreciated on a straight-line basis over a period of 3 years.

12.3.3. Tangible fixed assets relating to capital increases

These assets are capitalised and depreciated on a straight-line basis:

- IT equipment: over a period of 3 years;
- Installations and equipment: over a period of 5 years;
- Furniture: over a period of 5 years;
- Laboratory equipment: over a period of 5 year;
- Leasehold improvements: in line with the lease agreement period;
- Leasing: in line with the lease agreement period.

In the event where the accounting value exceeds the useful value (or the realised value for the assets that are no longer used), the Company should perform additional or exceptional depreciations.

12.3.4. Financial fixed assets

These assets are capitalised at purchase value excluding any miscellaneous costs.

The value of shares and participations are reduced in value in case of depreciation or constant reduction in value as a result of the situation, the profitability or the prospects of the company related to those shares or participation.

The value of receivables is reduced in value in case the payment, or part of that payment, becomes uncertain at its due date.

12.3.5. Amounts receivable (after one year – within one year)

The amounts receivable do not carry any interest and are capitalised at their nominal value.

12.3.6. Stocks and contracts in progress

Raw materials, consumables and goods purchased for resale are valued at the lower of their purchase value determined according to the FIFO-method (first in first out) or their net realisable value.

The Company does not account for work in progress and finished products, 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.

12.3.7. Treasury placements

Placements with financial institutions are valued at their purchase value. Additional costs relating to the purchase of these assets are expensed as incurred.

Reductions in value are recorded in the event where the realisation value at the date of the closing of the financial year is below the purchase value.

12.3.8. Provisions for risks and charges

At the closing of each fiscal year, the Board of Directors will examine with prudence, sincerity and in good faith the provisions that need to be established to cover the anticipated risks or losses over the previous fiscal years.

12.3.9. Debts (payable after one year - payable within one year)

All debts are capitalised at their nominal value at the date of the closing of the financial year.

The valuation rules applicable to amounts receivable are also applicable for debts, with the difference however that the implicit pro rata interests are recorded in the regularisation accounts on the assets side.

At the date of the closing of the financial year, all charges to be paid in relation to the financial year concerned and the previous financial years are taken into account.

12.3.10. Regularisation accounts

Regularisation accounts on the assets side

These accounts include :

- The *pro rata* parts of the charges incurred during the financial year or during a previous financial year but that are related to one or more subsequent financial years.

- The *pro rata* parts of the proceeds that will only be received during a subsequent financial year but that relate to a previous financial year.

Regularisation accounts on the liabilities side

These accounts include:

- The *pro rata* parts of the charges that will only be paid during a subsequent financial year but that relate to a previous financial year.

- The *pro rata* parts of the proceeds received during the financial year or a previous financial year but that relate to one or more subsequent financial years.

12.3.11. Currencies

The amounts receivable and debts in other currencies are converted at the applicable exchange rate at the date of the closing of the financial year.

Currency losses are recorded in the statement of results.

Unrealised currency gains are recorded in the statement of results as revenues.

13. Annual Report of the Board of Directors on the Consolidated Financial Statements and the Statutory Financial Statements per December 31, 2012

Dear shareholders,

We are pleased to present to you the consolidated financial statements and the statutory financial statements for the fiscal year ended December 31, 2012.

1. MAIN EVENTS IN 2012

In June 2012, TiGenix obtained national reimbursement in the Netherlands for ChondroCelect. The reimbursement was granted retroactively as per January 1, 2011. This event together with the ramp up in the Belgium sales had a huge impact in the 2012 sales (increase of 101% compared to 2011).

In July 2012, TiGenix reported positive results of the Cx621 Phase I to assess the safety of intra-lymphatic administration of its expanded adipose stem cells. Cx621 aims to capitalise on the benefits of TiGenix´s proprietary approach of intra-lymphatic administration to treat autoimmune disorders.

In August 2012, the first patient enrolled in pivotal Phase III trial with lead product Cx601 in perianal fistulas (ADMIRE-CD). The trial is a multicenter, randomized, double-blind, placebo-controlled Phase III trial of Cx601 in approximately 200 Crohn's disease patients suffering from complex perianal fistulas. The main objectives of the study are to demonstrate safety and superior efficacy over placebo in perianal fistulas in Crohn's disease patients after failure with their previous treatment, in most cases biologicals, and to confirm the strong safety and efficacy results from the Phase II trial completed in 2011. To date, the Company received approvals from Ethical Committees or Regulatory Agencies in all 8 participating countries, which should allow the Company to accelerate patient enrolment in the study.

In September 2012, the Dutch manufacturing facility obtained EMA approval for commercial production of ChondroCelect. After the successful cGMP inspection by the Dutch authorities earlier in 2012, it now obtained the crucial approval from EMA for the production of ChondroCelect, the Company's commercial cell therapy product for cartilage repair in the knee, in its new state-of-the-art manufacturing facility in Geleen (the Netherlands).

In November 2012, TiGenix signed a commercialization agreement for ChondroCelect in the Middle East with pharmaceutical marketing and distribution company Genpharm in Dubai, United Arab Emirates.

TiGenix and Genpharm have entered into an exclusive distribution agreement to facilitate the commercialization of ChondroCelect in Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Qatar, Oman, Lebanon, Jordan, Syria, Iraq, Iran and Egypt. Under the terms of the agreement, Genpharm will facilitate patients' access to ChondroCelect in the Middle East countries by obtaining the required regulatory approvals, and providing training and product support to surgeons and healthcare professionals in selected orthopedic centers. TiGenix continues to be the marketing authorisation holder and will be responsible for logistics and the manufacturing of ChondroCelect.

In November 2012, TiGenix announced the closing of its UK biomaterials subsidiary, TiGenix Ltd, to fully focus on its advanced cell therapy programs.

In December 2012, TiGenix reported positive interim safety results of the Cx611 Phase IIa rheumatoid arthritis study.

For more information on this study, please refer to "Pipeline development" below.

In December 2012, TiGenix completed a private placement raising EUR 6.7 million via an accelerated book building procedure. The private placement allowed TiGenix to place 8,629,385 new shares with a wide range of domestic and international investors at a price of EUR 0.78 per share, a 9.30% discount on the average closing price of the TiGenix share over the 30 day period preceding December 20, 2012. This represented 9.41% of the number of shares then outstanding and brought the total number of shares after the issue to 100,288,586. The new shares were admitted to listing on NYSE Euronext Brussels following their issuance, which took place on December 27, 2012.

2. DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS and have been drawn up by the Board of Directors on March 11, 2013. The financial statements will be communicated to the shareholders at the annual general shareholders' meeting on April 22, 2013.

Products & sales

ChondroCelect:

- In May 2011 and July 2012, ChondroCelect obtained national reimbursement in Belgium and the Netherlands and is today available in 40 specialized treatment centers.

- TiGenix is selling ChondroCelect in the UK, Germany, and Spain under managed access and private insurance schemes, while pursuing national reimbursement in Spain and France.

- In November 2012, TiGenix signed an agreement with Genpharm in Dubai, United Arab Emirates, for the commercialization of ChondroCelect in the Middle East region.

- During 2012, the Company's centralized European manufacturing facility in Geleen (the Netherlands) has obtained the EMA approval for commercial production of ChondroCelect. The site is operational for commercial production since January 1,

2013. The facility will provide the extra cell expansion capacity required to support the growing demand for ChondroCelect from 2013 onward, and the commercial production of TiGenix's stem cell products.

Sales:

- During 2012, TiGenix billed sales of KEUR 4,084 which represents an increase of 101% compared to the gross sales of 2011 (and which represents a total of 169 patients treated in 2012 compared to 85 patients treated in 2011).

- During 2012, sales in ChondroCelect increased significantly compared to 2011 due to the national retroactive reimbursement (as of January 1, 2011) of ChondroCelect in the Netherlands amounting to KEUR 657 and the ramp up in the Belgium sales. The increase in sales in 2011 compared to 2010 is due to the first full year of reimbursed sales in Belgium.

- The sales discounts in 2011 and 2010 relate to the fact that only part of the ChondroCelect sales in the Netherlands could be recognized as revenue at that time. After the retroactive reimbursement, this discount has become part of the sales billed in 2012.

- ChondroCelect sales are clearly a function of reimbursement. In the countries where reimbursement has been granted so far (Belgium, the Netherlands), sales have increased in line with expectations. In countries where ChondroCelect is not yet reimbursed nationally (e.g. Spain*, France), sales did not yet reach the expected volume.

Pipeline development:

- Phase III in perianal fistula (Cx601) ongoing as planned, 34 patients recruited end 2012

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

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

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

The ADMIRE-CD (Adipose Derived Mesenchymal stem cells for Induction of REmission in perianal fistulising Crohn's Disease) Phase III trial has been designed in accordance with EMA requirements. It is a randomized, double-blind, placebo controlled international trial conducted in 46 centers, across 8 countries. Approximately 200 patients are to be treated. Key inclusion criteria are up to 2 internal openings and up

* Since the date on which this annual report of the Board of Directors was approved, the Company was informed by the Spanish Health Authority that it will obtain national reimbursement in Spain.

to 3 external openings, and nonactive luminal Crohn´s disease. The objective is to demonstrate safety and efficacy, which is defined as closure and/or remission after 24 weeks. The company has received approvals from Ethical Committees/Regulatory Agencies in all 8 participating countries (Spain, Italy, Austria, Belgium, Germany, France, the Netherlands and Israel). Final results of ADMIRE-CD are expected towards the end of 2014.

A EUR 4.95 million innovation credit from the "Madrid Network" has been granted to finance this Phase III study. Two tranches of the loan, representing 80% of the total amount, have been disbursed during 2011 for a total of EUR 4 million.

- Phase IIa in rheumatoid arthritis (Cx611) positive interim safety report.

Cx611 is an intravenously injected suspension of expanded allogeneic adult stem cells derived from human adipose (fat) tissue. The Phase IIa clinical trial is a 53-subject, multicenter, placebo-controlled study in 3 cohorts with different dosing regimens, designed to assess safety, feasibility, tolerance, and optimal dosing. The study is being conducted at 23 centers. The Company believes that this clinical trial can set the stage not only for the further development of Cx611 in RA, but also in a wide range of other autoimmune disorders.

The interim results cover the first three months of the Phase IIa's six-month follow-up, and the data are still blinded. The primary endpoint of this study is safety, and the data collected so far support the good safety profile of all three doses of Cx611. Only two patients (4%) have suffered serious adverse events and only in one case (2%) it led to discontinuation of the treatment. All other side effects were mild and transient.

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

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

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

Consolidation scope

The consolidated financial statements consist of TiGenix NV, TiGenix Inc., TC CEF LLC (for 11 months), TiGenix BV and TiGenix Ltd for the financial year ended December 31, 2010, TiGenix NV, TiGenix Inc., TiGenix BV, TiGenix SAU (for 8 months) and TiGenix Ltd (the latter as discontinued operation) for the financial

year ended December 31, 2011, and TiGenix NV, TiGenix Inc., TiGenix BV, TiGenix SAU and TiGenix Ltd (the latter as discontinued operation) for the financial year ended December 31, 2012.

Sales

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011***	**2010***
Sales billed	4,084	1,804	982
Deferred sales and discounts	0	-657	-361
Total Sales	**4,084**	**1,146**	**621**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

During 2012, sales in ChondroCelect increased significantly (approx. 101%) compared to 2011 due to the national retroactive reimbursement (as of January 1, 2011) of ChondroCelect in the Netherlands amounting to KEUR 657 and the ramp up in the Belgium sales. The increase in sales in 2011 compared to 2010 is due to the first full year of reimbursed sales in Belgium.

The sales discounts in 2011 and 2010 relate to the fact that only part of the ChondroCelect sales in the Netherlands could be recognized as revenue at that time. After the retroactive reimbursement, this discount has become part of the sales billed in 2012.

Cost of sales

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Employee benefits expenses	363	206	112
Depreciations, amortisations and impairment losses	3	13	8
Other operating costs	540	237	190
Total	**905**	**455**	**310**

Cost of sales includes all costs directly attributable to the production of ChondroCelect, such as consumables, quality control tests, personnel and fix expenses. The cost of sales reflects the economic reality of the costs incurred in producing one unit of ChondroCelect. The cost of sales has increased through the years in accordance with the increase in the 2nd number of units sold.

Operating expenses

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011***	**2010***
Research and development expenses	-13,936	-10,595	-10,189
Sales and marketing expenses	-2,881	-2,726	-2,707
General and administrative expenses	-6,026	-6,593	-5,473
Other operating expenses	0	-2,974	0
Total operating expenses	**-22,844**	**-22,888**	**-18,369**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

Research and development expenses have increased mainly as a result of the inclusion of a full year of TiGenix SAU in the consolidated financial statements, while TiGenix SAU was only included as from May 2011 in the previous year and was not included (because it was not part of the Group) in 2010.

The depreciation and amortisation expenses relate mainly to the amortisation of the intellectual property recognized as a result of the acquisition of TiGenix SAU in May 2011. Furthermore, the depreciation of the manufacturing facility in the Netherlands started as from August 2012.

Research and development expenses have no significant variations between 2010 and 2011.

The sales and marketing expenses are kept in line with previous years, notwithstanding the big effort of the Company to access new markets and the increase in sales. This is the result of a tight budget controlling.

Employee benefits expenses decreased compared to previous years, which follows the evolution in decrease of average FTE's over the period (although the number of FTE's at closing date 2012 increased compared to 2011 due to late in the year hirings).

During 2012 and despite the inclusion of the full year of TiGenix SAU (2011 figures included only 8 months), the Company has been successful in reducing overall G&A expenses due to strict cost control, cash management and the identification of several synergies after the business combination with TiGenix SAU. Furthermore, depreciation and amortisation expenses have decreased as in 2011 depreciation and amortisation included the impairment of receivables within TiGenix Inc. while no such impairment was done in 2012.

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

Other operating income

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Other operating income	1,389	393	-1,802
Other operating income	1,389	393	-1,802

Other operating income increased strongly in 2012 compared to the previous year as a result of the successful effort of the Company in obtaining non dilutive funds, such as the 7th Framework Program grant and national and regional grants.

Operating result (EBIT) and net result

Thousands of Euro (€)	*Notes*	Years ended December 31 2012	2011*	2010*
CONSOLIDATED INCOME STATEMENT				
CONTINUING OPERATIONS				
Sales	1	**4,084**	**-1,146**	**621**
Cost of sales	2	-905	-455	-310
Gross profit		**3,179**	**-691**	**311**
Operating expenses		-22,844	-22,888	-18,369
Other operating income	3	1,389	393	1,802
Operating result		**-18,276**	**-21,805**	**-16,256**
Financial result		-168	734	579
Profit/(loss) before taxes		**-18,443**	**-21,071**	**-15,677**
Income taxes	5	-1	0	368
Profit/(loss) for the period from continuing operations		**-18,444**	**-21,071**	**-15,309**
DISCONTINUED OPERATIONS				
Profit/(losses) for the period from discontinued operations	6	-1,949	-16,234	0
Profit/(loss) for the period		**-20,393**	**-37,305**	**-15,309**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

The operating result (EBIT) increased to EUR -18.3 million in 2012 from EUR -21.8 million in 2011 due to the increase in sales and the increase in other operating income (mainly related to grants) while keeping other operating expenses in line with 2011.

The net loss of the continuing operations amounted to EUR -18.4 million in 2012, compared to EUR -21.1 million in 2011, which is in line with the decrease of the operating result.

The net loss for the period has decreased to EUR -20.4 million in 2012 from EUR -37.3 million in 2011. This is due to the heavy impact in 2011 of the TiGenix Ltd divestment.

Taxation

The losses of the Group in the past imply that no income taxes were payable. On December 31, 2012 the Group had under IFRS a net tax loss carried forward amounting to EUR 113.8 million, implying a potential deferred net tax asset of EUR 37.8 million. Due to the uncertainty surrounding TiGenix's ability to realise taxable profits in the near future, the Company did not recognise any deferred tax assets on its balance sheet.

Furthermore, at December 31, 2012, TiGenix SAU's financial accounts include a potential tax deduction for overseas tax withholdings for an amount of KEUR 712 (resulting from the receipt in 2007 of a non-refundable fee, net of taxes withheld in the country of origin, Canada). This amount will only become recoverable in Spain to the extent that TiGenix SAU generates sufficient taxable income to allow it to be deducted from the gross corporate income tax payable within a maximum period of ten years (i.e. until 2017). No deferred tax asset has been accounted for this in the consolidated financial statements.

Cash flow

Thousands of Euro (€)	Years ended December 31 2012	2011*	2010*
CASH FLOW FROM OPERATING ACTIVITIES			
Operating Result (EBIT)	-18,276	-21,805	-16,256
Adjustments for:			
Depreciation, amortisation and impairment results	3,911	2,789	2,211
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**-14,365**	**-19,016**	**-14,045**
Other adjustments	-3,309	424	-2,514
Net cash provided by/(used in) operating activities	**-17,674**	**-18,592**	**-16,559**
Net cash provided by/(used in) investing activities	**-722**	**15,109**	**-3,545**
Net cash provided by/(used in) financing activities	**9,695**	**17,697**	**880**
Net inbrease/(decrease) in cash and cash equivalents	**-8,700**	**14,214**	**-19,224**
Cash and cash equivalents at beginning of year	19,771	5,555	24,745
Effect of currency translation on cash and cash equivalents	1	2	34
Cash and cash equivalents at end of period	**11,072**	**19,771**	**5,555**

* The 2010 and 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations

* Capitalised development costs of KEUR -1,621 that were in 2010 included in the "Net cash provided by/(used in) operating activities" have been reclassified to "Acquisition/Capitalization of intangible assets" in the "Net cash provided by /(used in) investing activities".

The net cash used in operating activities decreased to EUR -17.7 million in 2012 from EUR -18.6 million in 2011. Main drivers of the decrease were the decrease in the operating loss, the increase in depreciation and amortization costs (mainly driven by the incorporation of a full year of TiGenix SAU, while in 2011 only 8 months were included, and the start of the depreciation of the Dutch manufacturing facility since August 2012) and the changes in working capital related mainly to the increase in sales.

The net cash used in investing activities amounted to EUR -0.7 million in 2012, compared to EUR 15.1 million in 2011. The main investments in 2012 are related to the finalization of works in the new manufacturing facility in the Netherlands and IP, while the 2011 investing activities were related to the leasehold improvements of the manufacturing facility in the Netherlands, which were highly compensated by the cash and cash equivalents acquired through the business combination with TiGenix SAU in May 2011.

The net cash provided by financing activities amounted to EUR 9.7 million, which mainly related to the private placement that took place in December, the proceeds from different grants and the proceeds from the ING factoring service, while 2011 financing activities of EUR 17.7 million were the result of the rights issue net of costs that took place after the business combination with TiGenix SAU and EUR 3.7 million resulted from the proceeds from financial loans (obtained in substitution of grants).

Statement of financial position

The balance sheet at December 31, 2012 remained solid as evidenced by the following key ratios:

	Years ended December 31		
Thousands of Euro (€)	**2012**	**2011**	**2010**
Cash and cash equivalents as a% of total assets	17%	26%	16%
Working capital as a% of total assets	11%	22%	12%
Solvency ratio (equity/total assets)	76%	82%	75%
Gearing ratio (financial debt/equity	14%	11%	2%

The major assets of the balance sheet at December 31, 2012 are:

- Cash and cash equivalents of EUR 11.1 million for about 17% of the total assets, including the cash incorporated from the private placement at the end of 2012,

- Intangible assets of EUR 39.2 million, mainly the fair value of the intangible assets out of the acquisition of TiGenix SAU, for about 61% of the total assets,

- Tangible assets of EUR 8.3 million, mainly the leasehold improvements of the manufacturing facility in the Netherlands and the incorporated assets from the acquisition of TiGenix SAU, for about 13% of the total assets,

- Available for sale investments related to the Arcarios participation representing 0.4% of the total assets,

- Other non-current assets related to the guarantees of both TiGenix NV and TiGenix SAU for rental of buildings that represent 0.8% of the total assets,

- Inventories with a slight decrease due to the reduction of the stock of TiGenix SAU for about 0.2% of the total assets,

- Receivables that have significantly increased from 2011 due to the increase in sales and the retroactive reimbursement in the Netherlands for about 5.7% of the total assets,

- Other current financial assets related to grant guarantees representing 0.9% of the total assets, and

- Other current assets related to accrued income and deferred charges for about 0.2% of the total assets.

Total equity of EUR 48.6 million accounts for 76% of the total balance sheet at December 31, 2012. The other major liabilities are:

- Non-current liabilities of EUR 6.3 million, mainly related to the financial loans incorporated trough the business combination with TiGenix SAU, for about 10% of the total balance sheet,

- Other financial liabilities of EUR 1.5 million, related to the proceeds from the ING factoring,

- Trade payables of EUR 4 million for about 6% of the total balance sheet, and

- Other current liabilities of EUR 3.2 million representing about 5% of the total balance sheet.

Off-balance sheet commitments

The Group has off-balance sheet commitments related to rent for leased facilities, vehicles and equipment. At December 31, 2012, these commitments amounted to EUR 5.6 million. There are no other off-balance sheet commitments.

Going concern

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

3. DISCUSSION AND ANALYSIS OF THE STATUTORY FINANCIAL STATEMENTS

The annual accounts cover the accounting period from January 1, 2012 to December 31, 2012.

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

Balance sheet - assets

- The cash at bank and in hand amounts to EUR 7.1 million on December 31, 2012;

- The non-current assets represent an amount of EUR 70.8 million, including EUR 66.5 million of financial assets, representing mainly the business combination with TiGenix SAU; the remainder consists of the formation expenses of EUR 1.6 million, being the costs (after depreciation) associated with the various capital increases, the tangible assets of EUR 0.7 million and the intangible assets of EUR 2.0 million;

- The current assets, excluding the cash at bank and in hand, amount to EUR 3.2 million. They mainly consist of receivables within one year and deferred charges and accrued income

Balance sheet - liabilities

- The issued capital of the Company amounts EUR 10.0 million and the share premium account increased to EUR 95.6 million;

- Accumulated losses reached EUR 34.2 million at December 31, 2012 (see section 4 of this report below);

- The amounts payable of EUR 9.6 million consist mainly of TiGenix trade payables (EUR 1.1 million); short and long term financial debt (EUR 3.4 million) most of which comes from intra-group loans; liabilities in respect of remuneration and social security obligations (EUR 0.9 million); other amounts payable (EUR 2.7 million); and accrued charges and deferred income (EUR 1.5 million).

Results of the fiscal year

The operating income amounts to EUR 5.2 million and concerns other operating income of EUR 1.1 million that is recharged to its subsidiaries and a turnover of EUR 4.1 million related to the ChondroCelect sales.

The operating charges of EUR 11.8 million consist of:

- The expenses for services and other goods for an amount of EUR 4.9 million; costs mainly connected with clinical, medical and regulatory activities, sales & marketing outsourced costs, expenses for protection of intellectual property rights and the costs of the mandate contractors;

- The total personnel costs of EUR 4.1 million; reduced in line with the reduction in the R&D activities and the synergies after the business combination with TiGenix SAU;

- Depreciation costs and amounts written off of EUR 1.5 million;

- Raw materials, consumables and goods for resale of EUR 0.6 million; and

- Other operating charges of EUR 0.6 million, mainly consisting of costs made in TiGenix NV that are recharged to its subsidiaries and can be off set against the other operating income.

The operating losses of the continuing operations in 2012 amount to EUR 6.6 million compared to EUR 15.3 million losses in 2011 and EUR 18.9 million losses in 2010.

The extraordinary charges of EUR 0.6 million are due to the write-off of the inventory and some receivables from TiGenix Ltd, in line with the EUR 16.3 million divestment in 2011 where the whole participation related to TiGenix Ltd was written-off.

The Company has closed its annual accounts with respect to the financial year 2012 with a loss of EUR 7.1 million.

Statutory and non-distributable reserves

The Company has a share capital of EUR 10.0 million. The Company has no statutory reserves. As the Company has closed its annual accounts with respect to the past financial year with a loss, the Company is not legally obliged to reserve additional amounts.

Allocation of the results

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

4. CAPITAL INCREASES, DECREASES AND ISSUANCE OF FINANCIAL INSTRUMENTS

The following capital increases and decreases occurred in 2012:

- Increase of the registered capital of the Company in the framework of the authorised capital (with cancellation of the preferential subscription right of the existing shareholders) with an amount of EUR 862,938.50 and payment of an issuance premium of EUR 5,867,981.80 through a private placement via an accelerated bookbuilding procedure that placed 8,629,385 shares, completed on December 27, 2012;

- Decrease of the registered capital of the Company with an amount of EUR 80,451,539.00 through the incorporation of losses carried forward on May 11, 2012;

- Third and final phase of the Orthomimetics acquisition: issuance of 536,534 shares at the occasion of an increase of the registered capital of the Company in the framework of the authorised capital with an amount of EUR 525,803.32 and payment of an issuance premium of EUR 1,770,561.44, through the contribution in kind of a receivable, completed on April 17, 2012.

At December 31, 2012, a total of 5,617,683 warrants were outstanding at an average weighted exercise price of EUR 2.01.

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

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

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

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

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

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

5. DISCUSSION OF THE MAIN RISKS AND UNCERTAINTIES

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

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

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

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

- TiGenix has a limited product portfolio and faces, and will continue to face, significant competition and technological change which could limit or eliminate the market opportunity for its products and future products.

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

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

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

- TiGenix's manufacturing facilities and third party manufacturers are subject to regulatory requirements, which may affect the Company's development of its product pipeline and the Company's successful commercialisation of ChondroCelect and future products.

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

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

- TiGenix relies or may rely on third parties for certain of its research, clinical trials, technology, supplies, manufacturing and sales and marketing. TiGenix's dependence on third parties may reduce its profit margins and delay or limit its ability to develop and commercialise its products on a timely and competitive basis.

- TiGenix may not be able to adequately protect its proprietary technology or enforce any rights related thereto.

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

- TiGenix's success depends on its key people and it must continue to attract and retain key employees and consultants to be in a position to continue its activities.

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

- The allocation of available resources could harm the ability to carry out the business plan.

6. USE OF FINANCIAL INSTRUMENTS

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

7. CORPORATE GOVERNANCE STATEMENT

7.1. Corporate governance code

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

7.2. Compliance with corporate governance code

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

- Provision 6.1. of the Code: as there 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. In principle, they will not receive any performance related remuneration in their capacity as director. However, upon advice of the nomination and remuneration committee, the Board of Directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of performance related remuneration would be necessary to attract independent directors with the most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors. On February 26, 2013, the shareholders' meeting approved such deviation and the grant (subject to the issue by a shareholders' meeting scheduled to be held on March 20, 2013) of warrants to the independent directors.

7.3. Internal control and risk management systems

Internal control and financial reporting

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

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

Internal control policies aim to:

- Pertaining the maintenance of records that reflect the transactions of the Company,

- Ensuring the fair recording of the dispositions and assets of the Company,

- Providing assurance that the expenditures of the Company are duly approved,

- Ensuring the segregation of powers that prevent unauthorized transactions or fraud, and

- Assessing the risk over deficiencies or material weaknesses in the procedures.

Risk analysis

Financial risk management involved primarily the following:

- Capital risk: the Company's group policy with respect to managing capital is to safeguard the Company's group ability to

continue as a going concern and to obtain over time an optimal capital structure;

- Credit risk: creditors will be mainly public medical centers supported by the National Health Insurance;

- Interest risk: the Company's group is not subject to material interest risk;

- Currency risk: the Company's group may be subject to limited currency risk. The Company's group has cash outflows in U.S. Dollars and Pound sterling for the operations of its U.S. and UK subsidiaries. The Company has no commercial revenues denominated in U.S. Dollars. The Company's group reports in Euro and has tried to match foreign currency inflows with foreign cash outflows. The Company has not engaged in hedging of the foreign currency risk via derivative instruments;

- Liquidity risk: the Company's group aims to maintain adequate reserves and continuously monitors forecast and actual cash flows. The Company has soft borrowing arrangements with long term liabilities at December 31, 2012 and has no derivative instruments.

7.4. Shareholder structure

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

Shareholder	Number of shares declared in transparency declaration	% of shares at time of transparency declaration[1]	% of shares (simulation) as per December 31, 2012[2]
Novartis Bioventures Ltd.	5,534,905	6.04%	5.52%
Roche Finanz AG	5,534,905	6.04%	5.52%
Ventech SA	5,195,199	5.67%	5.18%
Ysios Capital Partners SGECR	4,760,342	5.19%	4.75%
LSP III Omni Investment Coöperatief, U.A.	4,445,053	4.85%	4.43%
Mijnen NV	3,000,000	3.29%	2.99%
Genetrix Life Sciences A.B.	2,581,501	2.82%	2.57%
CX EBIP Agreement, SLU[3]	1,905,144	2.08%	1.90%
LRM NV	200,000	0.22%	0.20%
Subtotal[4]	**33,157,049**		**33.06%**
Other shareholders	67,131,537		66.94%
TOTAL	**100,288,586**		**100%**

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

[2] Percentages based on number of shares at time of transparency declaration, but denominator as per December 31, 2012.

[3] RCX EBIP Agreement SLU is the holder of the TiGenix shares to be delivered to the employees of TiGenix SAU under two equity based incentive plans issued by TiGenix SAU.

[4] The above shareholders are acting independently, with the exception of:
(i) Genetrix Life Sciences A.B. and CX EBIP Agreement, SLU, which are affiliated companies, and
(ii) LRM NV en Mijnen NV, which are affiliated companies.

7.5. Board of Directors and Board committees

Composition of the Board of Directors

On the date of publication of this registriation document, the Board of Directors consists of the following nine (9) members.

Name	Age (as per December 31, 2012)	Position	Term [1]	Professional Address
Innosté SA, represented by Jean Stéphenne [5]	63	Chairman / Independent director	2016	Avenue Alexandre 8, 1330 Rixensart, Belgium
Gil Beyen BVBA [2], represented by Gil Beyen	51	Managing Director (executive) / CBO	2015	Boetsenberg 20, 3053 Haasrode, Belgium
Eduardo Bravo Fernández de Araoz [3]	47	Managing Director (executive) / CEO	2015	Romeinse straat 12, 3001 Leuven, Belgium
Willy Duron [4]	67	Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig [5]	60	Independent director	2016	1241 Karen Lane, Wayne, PA 19087, USA
Eduard Enrico Holdener [3]	67	Independent director	2015	Buchenrain 6, 4106 Therwil, Switzerland
Ysios Capital Partners SGECR SA [6], represented by Joël Jean-Mairet	41	Director (non-executive)	2015	Calle Baldiri Reixac 10-12, Parc Cientific de Barcelona, Barcelona, Spain
R&S Consulting BVBA [3], represented by Dirk Reyn	51	Independent director	2015	Populierstraat 4, 1000 Brussel, Belgium
LRM Beheer NV [3], represented by Nico Vandervelpen	38	Director (non-executive)	2015	Kempische Steenweg 555, 3500 Hasselt, Belgium

[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 May 3, 2011.

[3] First appointed on April 26, 2011 with effect as of May 3, 2011.

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

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

[6] On April 26, 2011 with effect as of May 3, 2011, 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 on May 4, 2011 and the board of directors decided on May 4, 2011 to appoint Ysios Capital Partners SGECR SA, represented by Mr. Jean-Mairet, as a director in order to replace Mr. Jean-Mairet until the shareholders' meeting of the Company of April 20, 2012 which confirmed its appointment.

Functioning of the Board of Directors in 2012

In 2012, the Board of Directors met 13 times.

Individual presence of the members of the Board of Directors in 2012

Name	Number of meetings attended
Gil Beyen BVBA, represented by Gil Beyen	10
Eduardo Bravo	11
Mounia Chaoui-Roulleau	6
Ventech S.A., represented by Mounia Chaoui-Roulleau	1
Koenraad Debackere	2
Willy Duron	11
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	2
Eduard Enrico Holdener	9
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	9
R&S Consulting BVBA, represented by Dirk Reyn	9
Innosté SA, represented by Jean Stéphenne	2
LRM Beheer NV, represented by Nico Vandervelpen	10

Audit Committee

The following directors are member of the audit committee:

Name	Position
Willy Duron	Chairman of the audit committee; Independent Director
Innosté SA, represented by Jean Stéphenne [1]	Member of the audit committee; Chairman of the Board of Directors; Independent Director
LRM Beheer NV, represented by Nico Vandervelpen	Member of the audit committee; Director (non-executive)

[1] Innosté SA, represented by Jean Stéphenne, has been a member of the audit committee since September 19, 2012, replacing Eduard Enrico Holdener.

The audit committee met twice in 2012. All members of the audit committee were present at both meetings.

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

Willy Duron: Independent Director

Mr. Willy Duron has been an independent board member of TiGenix since February 2007. He was the Company's Chairman from September 2007 to September 2012. He started his career at ABB Verzekeringen in 1970, becoming a member of the executive committee in 1984. Mr. Duron holds a MSc degree in mathematics from the University of Gent and a MSc degree in actuarial sciences from the Katholieke Universiteit Leuven. He currently is a member of the board of directors of Ravago NV, Vanbreda Risk & Benefits NV, Universitaire Ziekenhuizen Leuven, Universitair Centrum St Jozef Kortenberg, Agfa-Gevaert NV and

Van Lanschot Bankiers NV. Previously, Mr. Duron was CEO of KBC Groep NV and KBC Bankverzekeringsholding NV, Chairman of the board of Argosz, Secura, ADD and W&K, as well as member of the board of directors of KBC Asset Management NV, Synes NV, CSOB, Warta, FBD and Amonis.

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

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

Nico Vandervelpen, permanent representative of LRM Beheer 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 LRM Beheer NV (previously : Immocom NV), Mr. Vandervelpen serves as chairman of the board of FFPharma and as a board member or observer on several boards of the LRM portfolio such as 3DDD Pharma, Apitope International, Complix, LSDC, SEPS, TiGenix, Vesalius Biocapital I SICAR, Vesalius Biocapital II SICAR and CommArt. As permanent representative of LRM Beheer NV, Mr. Vandervelpen previously served on the board of Amakem. Mr. Vandervelpen holds a Master degree in commercial and business engineering from Hasselt University as well as a Master in Accountancy.

Nomination and remuneration committee

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

Name	Position
R&S Consulting BVBA, represented by Dirk Reyn [1]	Chairman of the nomination and remuneration committee; Independent Director
Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig [2]	Member of the nomination and remuneration committee; Independent Director
Eduard Enrico Holdener [3]	Member of the nomination and remuneration committee; Independent Director

[1] R&S Consulting BVBA, represented by Dirk Reyn, was appointed Chairman of the nomination and remuneration committee as of September 19, 2012.

[2] Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig, has been a member of the nomination and remuneration committee since September 19, 2012, replacing Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet.

[3] Eduard Enrico Holdener was Chairman of the nomination and remuneration committee until September 19, 2012.

The nomination and remuneration committee met five times in 2012. All members of the audit committee were present at all meetings.

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

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

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

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

7.7. Remuneration report

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

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

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

7.7.2. Remuneration of Directors

Remuneration policy

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

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

most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors.

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

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

On February 26, 2013, the shareholders' meeting approved the principle that independent directors may receive performance related remuneration. In addition, the February 26, 2013 shareholders' meeting approved the granting of 54,600 warrants to each of the independent directors, subject to the issue of these warrants by a shareholders' meeting scheduled to be held on March 20, 2013.

If the warrants are indeed issued by the shareholders' meeting scheduled to be held on March 20, 2013, they will be granted to the independent directors free of charge. Each warrant shall entitle its holder to subscribe to one share in the Company at a fixed exercise price determined by the shareholders' meeting. More specifically, the exercise price of a warrant shall be equal to the higher of (i) EUR 1.00 and (ii) the average closing price of the TiGenix share on the stock exchange over the 30 day period preceding the date of issuance of the warrants. The warrants shall have a duration of five (5) years as from the date of their issuance. Unless the shareholders' meeting decides otherwise prior to or at the time of the grant of the warrants and subject to the end of the cooperation and certain situations in which warrants can become null and void, (i) 1/3rd of the warrants granted to a warrant holder will be deemed definitively vested for the latter on the first anniversary of the granting of the warrants and (ii) 1/24th of the remaining 2/3rd of the warrants granted to such warrant holder will definitively vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. The warrants can only be exercised by the warrant holder if they have definitively vested. The other terms and conditions of the warrants are described in the "Warrant Plan 2013", as attached to the special board report dated January 15, 2013 which is available on the Company's website.

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

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

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

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

Remuneration of the members of the Board of Directors in 2012

In 2012, the following amounts were accrued for fees of the independent directors as member of the Board of Directors (not as member of a Board committee) for the performance of their mandate during the financial year 2012:

Name	Fee
Gil Beyen BVBA, represented by Gil Beyen	-
Eduardo Bravo	-
Mounia Chaoui-Roulleau	-
Ventech S.A., represented by Mounia Chaoui-Roulleau	-
Koenraad Debackere	-
Willy Duron	38,750
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	8,250
Eduard Enrico Holdener	31,000
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet	-
R&S Consulting BVBA, represented by Dirk Reyn	31,000
Innosté SA, represented by Jean Stéphenne	12,000
LRM Beheer NV, represented by Nico Vandervelpen	-
TOTAL	**121,000**

Remuneration of the audit committee in 2012

In 2012, the following amounts were accrued for fees of the independent directors as member of the audit committee for the performance of their mandate during the financial year 2012:

Name	Name	Fee
Willy Duron	Chairman of the audit committee; Independent Director	7,500
Eduard Enrico Holdener [1]	Member of the audit committee; Independent Director	3,750
Innosté SA, represented by Jean Stéphenne [2]	Member of the audit committee; Chairman of the Board of Directors; Independent Director	1,250
LRM Beheer NV, represented by Nico Vandervelpen	Member of the audit committee; Director (non-executive)	-
TOTAL		**12,500**

[1] Eduardo Enrico Holdener was a member of the audit committee until September 19, 2012.

[2] Innosté SA, represented by Jean Stéphenne, has been a member of the audit committee since September 19, 2012.

Remuneration of the nomination and remuneration committee in 2012

In 2012, the following amounts were accrued for fees of the independent directors as member of the nomination and remuneration committee for the performance of their mandate during the financial year 2012:

Name	Name	Fee
R&S Consulting BVBA, represented by Dirk Reyn [1]	Chairman of the nomination and remuneration committee; Independent Director	11,625
Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig [2]	Member of the nomination and remuneration committee; Independent Director	1,250
Eduard Enrico Holdener [3]	Member of the nomination and remuneration committee; Independent Director	12,875
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet [4]	Member of the nomination and remuneration committee; Director (non-executive)	-
TOTAL		**25,750**

[1] R&S Consulting BVBA, represented by Dirk Reyn, was appointed Chairman of the nomination and remuneration committee as of September 19, 2012.

[2] Greig Biotechnology Global Consulting, Inc., represented by Russell G. Greig, has been a member of the nomination and remuneration committee since September 19, 2012.

[3] Eduard Enrico Holdener was Chairman of the nomination and remuneration committee until September 19, 2012.

[4] Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet, was a member of the nomination and remuneration committee until September 19, 2012.

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

The table below provides an overview (as at December 31, 2012) of the shares, EBIP options on shares and warrants held by the independent and other non-executive directors. This overview must be read together with the notes referred to below.

	Shares		Options on existing shares under EBIPs[4]		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	%[1]	Number	%[1]	Number	%[2]	Number	%[3]
Willy Duron	6,000	0.0060%	0	0%	0[5]	0%	6,000	0.0057%
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	0	0%	0	0%	0[5]	0%	0	0%
Eduard Enrico Holdener	0	0%	73,989	0.0738%	0[5]	0%	73,989	0.0699%
Ysios Capital Partners SGECR SA, represented by Joël Jean-Mairet[6]	0	0%	0	0%	0	0%	0	0%
R&S Consulting BVBA, represented by Dirk Reyn	4,000	0.0040%	0	0%	0[5]	0%	4,000	0.0038%
Innosté SA, represented by Jean Stéphenne	0	0%	0	0%	0[5]	0%	0	0%
LRM Beheer NV (previously named: Immocom NV), represented by Nico Vandervelpen[7]	0	0%	0	0%	0	0%	0	0%
Total	**10,000**	**0.0100%**	**73,989**	**0.0738%**	**0**	**0%**	**83,989**	**0.0793%**

[1] Calculated on the basis of the total number of issued voting financial instruments on December 31, 2012.

[2] Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2012.

[3] Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2012 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2012.

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

[5] The Board of Directors has proposed to the shareholders' meeting to grant each of the independent directors 54,600 warrants. The shareholders' meeting is expected to decide on this on March 20, 2013.

[6] Ysios Biofund I, FCR, which is a related company of Ysios Capital Partners SGECR SA, holds 4,760,342 shares (4.49% of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2012).

[7] LRM NV and Mijnen NV, which are related companies of LRM Beheer NV, hold 200,000 and 3,000,000 shares respectively (0.20% and 2,99% respectively of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2012).

7.7.3. Remuneration of executive management

Remuneration policy

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

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

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

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

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

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

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

- Long-term incentive plan: warrants may be granted to the members of the executive management, in accordance with the recommendations set by the nomination and remuneration committee, after recommendation by the CEO to such committee.

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

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

In the next two years, 2013 and 2014, the remuneration of the members of the executive management will be on the same basis as in 2012, except that the Company intends to provide appropriate pension, life and medical insurances for Eduardo Bravo and Claudia D'Augusta, who currently do not benefit from such insurances paid for by the Company.

Termination payments

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

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

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

Gil Beyen BVBA (represented by Gil Beyen) (CBO) is engaged on the basis of a service agreement with TiGenix NV, which can be terminated at any time, subject to a three month notice period. In the event the Company terminates the agreement other than for serious misconduct or serious fault, the Company must pay Gil Beyen BVBA an indemnity equal to 12 months fees, based on the average monthly fee paid during the last six months prior to termination.

Remuneration of the CEO in 2012

	2012
Fixed remuneration (gross)	322,000
Variable remuneration (short term)	116,725
Pension	0
Other benefits	16,645
TOTAL	**455,370**

In addition, in 2012, Eduardo Bravo (in his capacity as CEO) was granted and accepted 1,360,000 warrants under the July 6, 2012 warrant plan. The exercise price of the warrants is EUR 1.00. A description of the main characteristics of the July 6, 2012 warrant plan can be found in section 4 of this report above.

No other warrants, shares, options on shares or rights to acquire shares were granted to Eduardo Bravo in 2012. No warrants, options on shares or rights to acquire shares were e xercised by Eduardo Bravo in 2012 or expired in 2012.

	2012
Fixed remuneration (gross)	587,026
Variable remuneration (short term)	171,953
Pension	16,041
Other benefits	35,638
TOTAL	**810,657**

In addition, in 2012, the other members of the executive management were granted and accepted the following warrants under the July 6, 2012 warrant plan. The exercise price of the warrants is EUR 1.00. A description of the main characteristics of the July 6, 2012 warrant plan can be found in section 4 of this report above.

Remuneration of the other members of the executive management in 2012

	Number of warrants
Gil Beyen BVBA, represented by Gil Beyen	-
Claudia D'Augusta	480,000
Wilfried Dalemans	400,000

No other warrants, shares, options on shares or rights to acquire shares were granted to any of Gil Beyen BVBA, represented by Gil Beyen, Claudia D'Augusta or Wilfried Dalemans in 2012. No warrants, options on shares or rights to acquire shares were exercised by them in 2012 or expired in 2012.

Shares and warrants held by executive management

The table below provides an overview (as at December 31, 2012) of the shares, EBIP options on shares and warrants held by the executive management, including the executive directors. This overview must be read together with the notes referred to below.

	Shares		Options on existing shares under EBIPs [4]		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	% [1]	Number	% [1]	Number	% [2]	Number	% [3]
Eduardo Bravo, CEO	150,263	0.15%	782,771	0.78%	1,360,000	24.21%	2,293,034	2.17%
Gil Beyen BVBA, represented by Gil Beyen, CBO [5]	264,751	0.26%	0	0%	102,749	1.83%	367,500	0.35%
Claudia D'Augusta	127,682	0.13%	206,492	0.21%	480,000	8,54%	814,174	0.77%
Wilfried Dalemans	0	0%	0	0%	545,000	9,70%	545,000	0.51%
Total	**542,696**	**0.54%**	**989,263**	**0.99%**	**2,487,749**	**44.28%**	**4,019,708**	**3.80%**

[1] Calculated on the basis of the total number of issued voting financial instruments on December 31, 2012.

[2] Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2012.

[3] Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2012 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2012.

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

[5] 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 (0.22% of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2012). Therefore Gil Beyen controls through Gil Beyen BVBA and Axxis V&C BVBA in aggregate 488,999 shares and 102.749 warrants (0.56% of the issued and outstanding voting financial instruments, calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2012 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2012).

8. CONTINUITY OF THE COMPANY

On December 31, 2012, the Company had a cash position of EUR 11.1 million. Based on the monthly net cash burn during 2012 in operating activities (EUR 1,5 million), this cash position is not sufficient to continue the operations for the next twelve months (until the next ordinary shareholders' meeting of April 2014).

In order to generate sufficient additional cash to continue the operations for the next twelve months, the Board of Directors developed an action plan, which is reflected in the budget, based on the following key assumptions:

- An increase of the projected commercial revenues of ChondroCelect, expected to continue the same trend in units sold as in 2012, based on the expected progressing reimbursement activities in additional countries;

- Additonal non-dilutive funding, such as grants (EU 7th FP) and soft loans already granted (Innpacto, Madrid Network), and others not yet granted;

- Partnering of Cx601 (i.e. finding a partner for the co-development and/or commercialization of Cx601 in different regions); and

- Monetizing of some assets, such as the Dutch manufacturing facility (which was constructed by the Company in a building leased under a long-term lease contract running until July 2029).

According to the budget, the effective and timely realization of the above assumptions of the action plan will generate sufficient additional cash to continue the Company's operations during the next twelve months.

However, at this moment it is uncertain whether the above assumptions will be realized timely. There is a risk that the action plan will not generate sufficient additional cash, as a result of the non-realization or only partly realization of one or more assumptions. There is also a risk that, even if most of the assumptions would be realized, this realization will happen too late, so that the necessary additional cash is not generated timely to continue the Company's operations for the next twelve months.

However, if the execution of the above action plan would not or not timely generate sufficient additional cash, the Board of Directors intends to explore the option of obtaining additional dilutive funding (i.e. a capital increase) or non-dilutive funding.

Notwithstanding the described uncertainties, the Board of Directors is confident that the action plan described above, in combination with, if needed, additional dilutive funding (i.e. a capital increase), will timely generate sufficient additional cash to continue the Company's operations for the next twelve months.

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

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

9. CONFLICTS OF INTEREST

In 2012, during 3 Board meetings, decisions were taken that required the application of the conflict of interests procedure pursuant to Article 523 of the Belgian Companies Code. The relevant parts of the minutes are copied below.

Meeting of the Board of Directors of January 23, 2012

"Introduction

The chairman opened the meeting and explained that the board meeting was held at the request of Gil Beyen BVBA, represented by Gil Beyen.

The latter has proposed to scale down its role in the Company to a half-time role, thereby permitting it to take up other commitments vis-à-vis other companies as well.

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

- identifying and implementing business development and partnering opportunities;

- supporting the Company's activities in investor, press and government relations; and

- supporting the post-merger transition and integration.

Preliminary statement

Prior to discussing the sole item on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Gil Beyen BVBA, represented by Gil Beyen, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the management and termination fees payable to Gil Beyen BVBA, represented by Gil Beyen, pursuant to an amended consultancy agreement between the Company and Gil Beyen BVBA, represented by Gil Beyen.

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

Furthermore, the minutes of the resolutions regarding the amended consultancy agreement between the Company and Gil Beyen BVBA, represented by Gil Beyen, will be entirely included in the annual report of the board of directors in relation to the financial year ending 31 December 2012.

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

Deliberation

The board discussed the proposal set out above. It was found that a scaling-down of the role of Gil Beyen BVBA, represented by Gil Beyen, to a half-time role, would not be detrimental to the Company because the Company can continue to rely on its services in the fields listed above. Since Gil Beyen BVBA's daily fixed fee will remain unchanged, the proposed scaling-down of the role of Gil Beyen BVBA will not have any patrimonial consequences for the Company other than the fact that the number of days of service to be provided by Gil Beyen BVBA (and thus also the total fee) will be reduced.

Resolutions

The board of directors RESOLVED to:

- approve the scaling-down of the commitments of Gil Beyen BVBA, represented by Gil Beyen, vis-à-vis the Company by half the number of days, and to change the consultancy agreement with Gil Beyen BVBA accordingly;

- maintain Gil Beyen BVBA's daily fixed fee as currently applicable;

- maintain the termination clause as provided in the current consultancy agreement between the Company and Gil Beyen BVBA (it being understood that the basis for calculating any termination fees will reduce in the same proportion as the number of days per year that Gil Beyen BVBA will deliver services to the Company);

- approve that Gil Beyen BVBA, represented by Gil Beyen, may render (consulting) services to other companies as long as such other companies do not directly compete with the regenerative medicine activities of the Company;

- delegate to Eduardo Bravo the power to draw up and sign on behalf of the Company an amended consultancy agreement with Gil Beyen BVBA, represented by Gil Beyen, for the performance of services as Managing Director and CBO, in line with the resolutions listed above;

- instruct Eduardo Bravo to check with Legal and IR the need to draw up and issue a press release and to determine the content and the timing of release of such press release.

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

Meeting of the Board of Directors of March 8, 2012

"Preliminary statement

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to their evaluation and bonus relating to 2011 and their management remuneration for 2012.

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

Furthermore, the minutes of the resolutions regarding the evaluation and bonus of Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, relating to 2011 and their management remuneration for 2012, will be entirely included in the annual report of the board of directors in relation to the financial year ending 31 December 2012.

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

Deliberation

Eduard Enrico Holdener, chairman of the nomination and remuneration committee, presented to the board of directors the proposal of the nomination and remuneration committee on (i) the evaluation of the 2011 Company objectives and (ii) the evaluation of the members of the executive management and their bonuses for 2011.

In particular, it is proposed that the evaluation of the 2011 company objectives is set at 55%.

It is further proposed that the members of executive management will each receive a bonus as follows: (i) CEO: actual bonus equal to 55% of his potential maximum bonus, (ii) CBO: actual bonus equal to 45% of its potential maximum bonus, (iii) CFO:

actual bonus equal to 78% of her potential maximum bonus, and (iv) CTO : actual bonus equal to 75% of his potential maximum bonus.

With regard to the remuneration of the members of the executive management for 2012, Eduard Enrico Holdener, chairman of the nomination and remuneration committee, reported that until now the nomination and remuneration committee had mainly been working on the 2012 warrants plan, and that it will prepare and present a proposal on the remuneration packages for the members of executive management at the May board meeting.

Resolutions

The board of directors RESOLVED to approve (i) the evaluation of the Company objectives, as well as (ii) the evaluation of and the bonuses granted to the members of executive management as proposed by the nomination and remuneration committee.

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

Meeting of the Board of Directors of July 6, 2012

"Preliminary statement

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, declared, prior to the meeting of the board of directors, to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the decisions to be taken regarding the (potential) grant to them of warrants under the 2012 warrant plan and their remuneration for 2012.

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

Furthermore, the minutes of the resolutions regarding the (potential) grant of warrants to Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, and their remuneration for 2012 will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2012.

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

Deliberations and resolutions

Grant of warrants under the 2012 warrants plan

The chairman explained that (i) on 4 July 2012, the board of directors approved a warrant plan regarding the issue of maximum 4,000,000 warrants (the "2012 warrants plan") and that (ii) on 6 July 2012, immediately prior to the current meeting of the board of directors, the board of directors issued 4,000,000 warrants in the framework of the authorized capital.

Willy Duron presented to the board of directors the proposal of the nomination and remuneration committee with respect to

the grant of warrants from the 2012 warrants plan to the members of the executive management:

- **Eduardo Bravo, CEO**: 1,360,000 warrants,

- **Claudia D'Augusta, CFO**: 480,000 warrants, and

- **Wilfried Dalemans, CTO**: 400,000 warrants.

The remainder of the warrants issued pursuant to the 2012 warrants plan would be offered to the other employees of the Company and its subsidiaries, as set out in the attached overview.

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

As regards the grant of 1,360,000 warrants to Eduardo Bravo at an exercise price of EUR 1.00 per warrant, the board of directors is of the opinion that this is justified by the fact that this constitutes a strong motivation for Eduardo Bravo to maximise his efforts for (the results of) the Company and to commit for a longer term to the Company. In addition, this grant of warrants does not have negative patrimonial consequences for the Company itself. On the contrary, the net assets of the Company shall be reinforced when the warrants will be effectively exercised.

The board of directors DECIDED unanimously to grant 2,240,000 warrants, issued in accordance with the 2012 warrants plan, to the members of the executive management and to grant the remainder of the warrants to the other employees of the Company and its subsidiaries as set out above.

The board of directors DECIDED unanimously to determine the exercise price of the warrants at EUR 1.00 per warrant.

Finally, as regards the beneficiaries of the 2012 warrants plan who are subject to taxation in Belgium and who wish to opt for a taxation upon the grant of the warrants, the board of directors DECIDED unanimously that that is only possible by means of using response form "B" (attached), including the commitments set out therein in respect of non-transferability and non-exercisability of the warrants before 1 January 2016.

Remuneration of the members of the executive management for 2012

Willy Duron presented to the board of directors the proposal of the nomination and remuneration committee regarding the remuneration of the members of the executive management for 2012:

Eduardo Bravo, CEO:

- Fixed remuneration for 2012: equal to the fixed remuneration for 2011;

- Variable remuneration: a potential bonus of maximum 50% of the fixed remuneration;

- Company car: for a value equal to the company car granted in 2011;

- Grant of warrants: in accordance with the previous resolution.

Gil Beyen BVB, represented by Gil Beyen, CBO:

- Fixed remuneration for 2012: equal to (pro rata) the fixed remuneration for 2011 (pro rata because in 2012 the role of the CBO

was reduced to a half-time role compared to 2011);

- Variable remuneration: a potential bonus of maximum 50% of the fixed remuneration; the board of directors requested the nomination and remuneration committee to work out an additional bonus for Gil Beyen BVBA (represented by Gil Beyen).

Claudia D'Augusta, CFO:

- Fixed remuneration for 2012: equal to the fixed remuneration for 2011, indexed for 2012 in accordance with applicable provisions;

- Variable remuneration: a potential bonus of maximum 30% of the fixed remuneration;

- Company car: for a value equal to the company car granted in 2011;

- Meal vouchers: in accordance with applicable Company policy;

- Grant of warrants: in accordance with the previous resolution.

Wilfried Dalemans, CTO:

- Fixed remuneration for 2012: equal to the fixed remuneration for 2011, indexed for 2012 in accordance with applicable provisions;

- Variable remuneration: a potential bonus of maximum 30% of the fixed remuneration;

- Company car: for a value equal to the company car granted in 2011;

- Meal vouchers, expense reimbursement, group insurance and hospitalization insurance: in accordance with applicable Company policy;

- Grant of warrants: in accordance with the previous resolution.

As regards the proposed remunerations for Eduardo Bravo and Gil Beyen BVBA, represented by Gil Beyen, the board of directors is of the opinion that these remunerations are justified in view of their role and the efforts that are requested from them. The patrimonial consequences for the Company in respect of these remunerations do not change vis-à-vis 2011 given that the remunerations (except for the warrants for Eduardo Bravo) are equal to the remunerations for 2011.

After discussion of the remuneration packages of the CEO, CBO, CFO and CTO as proposed by the nomination and remuneration committee for 2012, the board of directors DECIDED unanimously to approve these remuneration packages, as set out above.

Finally, the board of directors acknowledged that the remuneration of both Eduardo Bravo and Claudia D'Augusta is partly born by the Company (and taxable in Belgium) and partly born by TiGenix SA (and taxable in Spain).

In accordance with the applicable Spanish tax regime, however, TiGenix SA must withhold salary taxes on the full remuneration of Eduardo Bravo, including on the Belgian part of his remuneration. As a result thereof, Eduardo Bravo must in principle bear a double withholding on the Belgian part of his remuneration. To avoid that Eduardo Bravo had to bear such double withholding on the Belgian part of his remuneration for 2011, the Company has pre-financed the salary taxes on the Belgian part of his remuneration, subject to the condition that Eduardo Bravo fully repays the prepaid amounts to

the Company as soon as he receives the corresponding reimbursement of the Spanish tax authorities. The Company now wishes to formalize the agreement. The pre-financing issue will normally occur each year as regards Eduardo Bravo.

A similar issue of pre-financing occurred with respect to the Belgian salary taxes that had to be withheld on the 2011 remuneration of Claudia D'Augusta. The Company pre-financed these salary taxes subject to the condition that Claudia D'Augusta fully repays the prepaid amounts to the Company as soon as she receives the corresponding reimbursement of the Spanish tax authorities. The Company also wishes to formalise this agreement. Given that, in Spain, Claudia D'Augusta is subject to a different tax regime than the regime applicable to Eduardo Bravo, it is possible, although it cannot be excluded, that the pre-financing issue will not occur anymore for Claudia D'Augusta.

Consequently, the board of directors DECIDED to approve the entering into of one or more agreements between the Company and Eduardo Bravo on the one hand (for 2011, 2012 and the future, to the extent applicable) and between the Company and Claudia D'Augusta on the other hand (for 2011 and the future, to the extent applicable) in respect of the reimbursement of the pre-paid Belgian salary taxes, and DECIDED to grant a power of attorney to two directors acing jointly to sign these agreements on behalf of the board."

10. BRANCHES

The Company does not have any branches

11. SUBSEQUENT EVENTS

No material events took place, and no significant change occurred in the financial or trading position of the Group, after December 2012.

The shareholders' meeting shall be requested to approve the statutory financial statements as submitted and to release the directors and auditor from liability for the performance of their duties in the course of the financial year ended December 31, 2012.

Done on March 11, 2013

On behalf of the Board of Directors

14. Business and Financial Update and Outlook for the next 12 Months

Extract from the March 12, 2013 press release
The remainder of the press release is incorporated by reference.

Business Update

ChondroCelect® sales up substantially

ChondroCelect gross sales for 2012 amounted to EUR 4.1 million, comprising of EUR 3.4 million in 2012 sales and EUR 0.7 million from deferred sales in 2011. Adjusting for these deferred sales, 2012 numbers represent a 101% growth over 2011 on a like-for-like basis.

This excellent result in the commercial roll out of ChondroCelect reflects the continued sales growth in Belgium and in the Netherlands after the reimbursement obtained in both countries respectively in May 2011 and in June 2012.

In addition, in 2012 TiGenix has put in place a broad market access strategy to further grow sales. Aside from Belgium and the Netherlands, ChondroCelect is reimbursed on a case-by-case basis in Germany (NUB4 status), and by selected primary care trusts in the UK. Additionally, two leading private insurance companies in the UK have started to reimburse ChondroCelect on a routine basis. Private insurance groups in Spain have reimbursed a limited number of patients. TiGenix is pursuing national reimbursement in Spain[10] and France and expanded reimbursement in Germany and the UK.

Outside TiGenix's core commercial countries, the Company closed a distribution agreement for the Middle-East, with Genpharm. An agreement with the Finnish Red Cross Blood Service for Finland has been in place since the end of 2011.

Cx601: ADMIRE-CD Phase III trial in complex perianal fistula in Crohn´s disease patients on track & partnering discussions on-going

Cx601 is TiGenix's most advanced clinical stage product and has completed a Phase II study, published in October 2012 in the International Journal of Colorectal Disease. Cx601 is an adipose derived allogeneic stem cell suspension (eASC) for the treatment of complex perianal fistulas in Crohn's disease patients. Cx601 has been granted orphan designation by the EMA. Ethics committees and regulatory agencies in all of the eight participating countries have approved the protocol of the phase III study, and patient recruitment is progressing on plan. The main objectives of the study are to demonstrate safety and superior efficacy over placebo in perianal fistulas in Crohn's disease patients who failed to respond to previous treatment(s), in most cases biologicals, and to confirm the strong safety and efficacy results of the Phase II trial. Final results of the trial are expected in 2H 2014, and, if positive, should allow the Company to file for marketing authorisation with the EMA in the first half of 2015.

Partnership discussions are ongoing for co-development and commercialization of Cx601 in different regions.

[10] Since the date on which the annual report of the Board of Directors was approved, the Company was informed by the Spanish Health Authority that it will obtain national reimbursement in Spain.

Cx611 Phase IIa in rheumatoid arthritis (RA) reported positive interim safety results

Cx611 is an allogeneic eASC product candidate for the treatment of RA. This is the most advanced trial in the world with stem cells in RA and the Company expects to report final results in April 2013. Positive interim safety results were reported in December 2012. This multicenter (20 centers), placebo-controlled study enrolled 53 patients, divided in 3 cohorts with different dosing regimens. The objective of the trial is to determine safety, feasibility, tolerance, and optimal dosing, and obtain a first indication of efficacy in this very difficult to treat patient population that has previously failed to respond to at least two biologicals. TiGenix expects that the phase IIa results will set the stage for the further development of Cx611 in RA, and potentially in a wide range of other autoimmune disorders.

Phase I successfully concluded for Cx621 to assess intra-lymphatic administration of eASCs

Cx621 is an allogeneic eASC product candidate for the treatment of autoimmune diseases via a proprietary technique of intra-lymphatic administration. In July 2012, TiGenix successfully concluded a phase I study to assess safety, tolerability and pharmacodynamics of intra-lymphatic administration of Cx621 in healthy volunteers. The Company filed a patent for this novel route of administration and is currently evaluating in which autoimmune indication eventually move the product forward into the next clinical stage of development.

Appointments of Jean Stéphenne as chairman & Russell Greig as member of Board of Directors

On September 19, TiGenix appointed Jean Stéphenne chairman and Russell Greig member of the Board of Directors. Both are former members of the Corporate Executive Team of GlaxoSmithKline, and have a sterling track record that will be of immense value as TiGenix enters into a pivotal phase of its growth with the commercial roll-out of ChondroCelect and the advanced clinical development of its cell therapy programs.

Key approvals for manufacturing facilities in the Netherlands and Spain

In September 2012, TiGenix obtained the approval from the EMA for the production of ChondroCelect in its new state-of-the-art manufacturing facility in Sittard-Geleen, the Netherlands. The new site is unique in Europe as it is 100% geared towards the production of innovative cell therapy products. It provides crucial manufacturing capabilities to support the expected growth in demand for ChondroCelect for cartilage repair, and has sufficient capacity for the production of other advanced stem cell therapy products.

In addition, in January 2013, TiGenix successfully renewed its manufacturing authorization for stem cell products at its manufacturing facility in Madrid, Spain. The GMP facility in Madrid performs a vital function by manufacturing high-quality, clinical grade allogeneic stem cell products to fuel TiGenix's key clinical programs.

Financial results for the full year 2012

Key figures (Thousands of Euro, except number of employees)

	Years ended December 31	
Thousands of Euro (€)	**2012**	**2011***
CONSOLIDATED INCOME STATEMENT		
CONTINUING OPERATIONS		
Sales	**4,084**	**1,146**
Gross sales	*4,084*	*1,804***
Deferred sales and discounts	*0*	*-657*
Cost of sales	-905	-455
Gross profit	**3,179**	**691**
Research and development expenses	-13,936	-10,595
Sales and marketing expenses	-2,881	-2,726
General and administrative expenses	-6,026	-6,593
Other operating expenses	0	-2,974
Total operating charges	**-23,749**	**-23,344**
Other operating income	1,389	393
Operating Result	**-18,276**	**-21,805**
Interest income	35	708
Interest expenses	-61	-408
Foreign exchange differences	-142	434
Profit/(Loss) before taxes	**-18,443**	**-21,071**
Income taxes	-1	0
Profit/(Loss) for the period from continuing operations	**-18,444**	**-21,071**
DISCONTINUED OPERATIONS		
Profit/(Loss) for the period from discontinued operations	-1,949	-16,234
Profit/(Loss) for the period	**-20,393**	**-37,305**
Cash and cash equivalents	11,072	19,771
Number of employees and mandate contractors	67	75

* The 2011 consolidated financial statements have been adjusted to reflect the capitalization of the expenses incurred that were essential to bring the Dutch manufacturing facility into operations.

** 2011 gross sales include EUR 0.1 million in ChondroMimetic sales.

Gross sales of EUR 4.1 million

Gross sales in 2012 amounted to EUR 4.1 million, comprising of EUR 3.4 million of sales from 2012 and EUR 0.7 million of deferred sales from 2011, an increase of 101% over last year on a like-for-like basis.

Operational expenses firmly under control

In 2012, the Company's cost basis has been kept at the same level as in 2011. At the end of 2012, total staff and mandate contractors of the group numbered 67 employees, compared to 75 employees at the end of 2011.

Operating loss for the period amounted to EUR 18.3 million compared to EUR 21.8 million in 2011, or a 16% decrease, as a result of the increase in sales and an important increase in "other operating income" related to grants.

Net loss significantly reduced

The net loss for 2012 amounted to EUR 20.4 million compared to EUR 37.3 million in 2011. Net loss in 2011 was significantly impacted by an extraordinary non-cash charge for EUR 16.2 million for impairments related to discontinued operations (TiGenix Ltd).

EUR 6.7 million secured in private placement

TiGenix raised EUR 6.7 million in financing activities through a private placement from domestic and international specialized investors. The placement was priced at a 9% discount on the average closing price of the previous 30 days, and the offering was twice oversubscribed, demonstrating a clear interest of healthcare investors in the Company.

EUR 11.1 million cash & cash equivalents at year-end

At December 31, 2012, the Company had EUR 11.1 million cash at hand. The net cash used in operating activities during the period amounted to EUR 17.7 million, slightly below the operating cash burn in 2011, and in line with the Company's effort to increase efficiency and to carefully manage its operational cash flow.

In addition to its ability to attract dilutive funding, TiGenix has successfully secured EUR 2.1 million in 2012 in non-dilutive funding from grants and soft loans.

Outlook for the next 12 months

- Phase IIa study results for Cx611 in RA
- ChondroCelect continued uptake & reimbursement in additional countries
- Cx601: partnering & finalize recruitment of phase III
- Additional non-dilutive funding, such as grants and soft loans

15. Available Documents

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 are generally made publicly available in the financial press in Belgium in the form of a press release. Copies thereof are also 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.

Appendix 1 : Overview of Patents and Trademarks

A. TiGenix Patent Portfolio

The table below provides an overview of TiGenix's granted patents and pending patent applications. Granted patents are highlighted in white.

Title	Country	Application number
Biomaterial for suturing (PCT Publication WO2006035083)	Spain	P200402083
	US	US 11/056.241
	Europe	EP05790746,1
Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue (PCT Publication WO2006037649)	Spain	P200402355
	Canada	CA20052583151
	China	200580039099.5
	Japan	2012-185671
	Singapore	201000029-7
	Israel	182441
	US	11/576,573
	Europe	EP10183073.5
	South Korea	10-2007-7010158
	Australia	AU2011253985
	India	113/KOLNP/2012
Use of adipose tissue-derived stromal stem cells in treating fistula (PCT Publication WO2006136244)	Brazil	PI 0613811-0
	Canada	2613457
	Mexico	Mx/a/2008/000001
	Singapore	201007005
	USA	US11/993,859
	China	201210400991.3
	Japan	2008-517346
	Israel	188378
	South Korea	10/2008-7001873
	Australia	AU200661383
	India	184/KOLNO/2008
	New Zealand	NZ565246
	New Zealand	NZ594848
	Russian Fed	2011135234
	Russian Fed	2008102643
	Europe	EP10179212.5

Title	Country	Application number
Cell populations having immunoregulatory activity, method for isolation and uses. (PCT Publication WO2007039150)	Canada	2623353
	Mexico	MX/a/2008/003881
	Singapore	200802305-3
	USA	12/067,708
	China	20068004325
	Japan	2008-531620
	Israel	190363
	South Korea	10/2008-7009641
	Australia	2012268272
	India	1410/KOLNP/2008
	HK	11113735.0
	EP (Div)	EP10195268.7
	EP	EP06777197,2
Use of adipose tissue derived mesenchymal stem cells for the treatment of graft versus host disease. (PCT Publication WO2007065927)	US	US12/096456
Injection Device (PCT Publication WO/2009/141727)	EP	EP09750184
	JP	2011-510065
	US	12/993817
Uses of mesenchymal stem cells (PCT Publication WO/2010/015929)	AU	2009278853
	CA	2,732,908
	EP	EP09786159
	JP	2011-521655
	KR	10-2011-7005274
	US	13/057467
Cell populations having imunoregulatory activity, methods for the preparation and uses thereof. (PCT Publication WO/2011/048222)	EP	EP10768496
	JP	2012-534715
	US	13/503,542
Compositions comprising adipose derived stem cells. (PCT Publication WO/2010/070141)	EP	EP09796382.1
	US	13/140,320
	JP	2011-541500
Cells, nucleic acid constructs, cells comprising said constructs and methods utilizing said cells in the treatment of diseases. (PCT Publication WO/2010/052313)	AU	2009312700
	CA	2,742,698
	EP	EP09748336.6
	JP	2011-535119
	KR	10-2011-7012368
	US	13/128,145

Title	Country	Application number
Methods and compositions for use in cellular therapies. (PCT Publication WO 2011/004264)	Brazil	BR112012000534
	Canada	2,767,300
	Mexico	MX/a/2012/000396
	Singapore	201200157-4
	USA	13/382,426
	China	201080030890
	Japan	Pending
	Israel	25/02/2495
	South Korea	2012-7003364
	Australia	2010269962
	India	241/KOLNP/2012
	New Zealand	13/03/3537
	Russian Fed	2012104529
	Europe	10752171.8
Stem cell culture media and methods (PCT Publication WO/2012/032112)	WO	PCT/EP2011/065540
Methods and compositions for use in cellular therapies. (PCT Publication WO/2012/095743)	WO	PCT/IB2012/000097
Cell populations having imunoregulatory activity, methods for the preparation and uses thereof. (PCT Publication WO/2012/123401)	WO	PCT/EP2012/054251
Cell populations having imunoregulatory activity, methods for the preparation and uses thereof. (PCT Publication WO/2012/123401)	WO	PCT/EP2012/059313
In vivo assay and molecular markers for testing the phenotypic stability of cell populations, and selecting cell populations for autologous transplantation (PCT Publication WO01/24833)	CA	CA2397610
	EP.DIV	EP04077642.9
	AT	AT 285797
	BE	EP1218037
	CH	EP1218037
	CY	EP1218037
	DE	DE60017159
	DK	DK1218037
	ES	ES2234673
	FI	EP1218037
	FR	EP1218037
	GB	EP1218037
	GR	EP1218037
	IE	EP1218037
	IT	EP1218037
	LI	EP1218037
	LU	EP1218037
	MC	EP1218037
	NL	EP1218037
	PT	PT1218037
	SE	EP00967443
	HK	HK 05106052.7
	US	US10/089932
	US-CIP1	US12/323185
	US-CIP2	10/422,475

Title	Country	Application number
Isolation of precursor cells and their use for tissue repair (PCT Publication WO/2001/025402)	CA	CA2386506
	AT	AT283349T
	BE	EP1288690
	CH	EP1288690
	CY	EP1288690
	DE	DE20023640U/ DE60016288
	DK	DK1288690
	ES	ES2230157T
	FI	EP1288690
	FR	EP1288690
	GB	EP1288690
	GR	EP1288690
	IE	EP1288690
	IT	EP1288690
	LI	EP1288690
	LU	EP1288690
	MC	EP1288690
	NL	EP1288690
	PT	PT1288690
	SE	EP1288690
	US	US10/422,475
	US	US12/176256
	US-CIP1	US12/983,658
Use of CXCL6 chemokine in the prevention or repair of cartilage defects (PCT Publication WO2005/014026)	AU	AU2004262451
	CA	CA2,533,124
	AT	AT449608T
	BE	EP1653994
	CH	EP1653994
	DE	DE602004024312D
	DK	DK1653994
	ES	ES2337469T
	FI	EP1653994
	FR	EP1653994
	GB	EP1653994
	GR	EP1653994
	HU	EP1653994
	IE	EP1653994
	IT	EP1653994
	LI	EP1653994
	LU	EP1653994
	MC	EP1653994
	NL	EP1653994
	PL	EP1288690
	SE	EP1288690
	TR	EP1288690
	HK	HK06105628.3
	IL	IL173,544

Title	Country	Application number
Use of CXCL6 chemokine in the prevention or repair of cartilage defects (PCT Publication WO2005/014026) (Continued)	JP	JP522,851/2006
	NO	NO20060464
	NZ	NZ545,702
	RU	RU2006107536
	SG	SG18893
	US	US 10/595,072
	US-CIP1	US12/345,369
Marker genes for use in the identification of chondrocyte phenotypic stability and in the screening of factors influencing cartilage production. (PCT Publication WO2008/061804)	US	US12/515488
	EP	EP07846847
	AU	AU2007324705
	CA	CA2670419
	CN	CN200780043440
	HK	HK1136964
	IN	2830/DELNP/2009
	IL	IL198794
	JP	JP2009-537561
	NZ	NZ576330
	NO	NO20091571
	RU	RU2009123960
	SG	SG200903163
Biopsy Device (PCT Publication WO/2010/092100)	AU	2010212842
	CA	CA2752797
	CN	CN201080012848.6
	EA	201101177
	EP	10707483.3
	IL	214630
	IN	IN6375/DELNP/2011
	JP	JP549550/11
	US	13/201686

B. TiGenix Trademark Portfolio

The table below provides an overview of TiGenix's registered trademark and registration pending trademark applications. Registered trademarks are highlighted in white.

Country	Trademark	Classes
Europe (CTM)	CELLERIX	5, 10 & 42
Spain	RETROFECT	35
Europe (CTM)	IDRYON	10
Europe (CTM)	ONTARIL	5
Europe (CTM)	MIREDAL	5
Europe (CTM)	LIVING MEDICINES	16 & 35
Europe (CTM)	CELLERIX LIVING MEDICINES	5, 10 & 42
Europe (CTM)	ALOCELLIX	3 & 5
Europe (CTM)	ADICELL-X	3 & 5
Europe (CTM)	CELLERIX (Graphic)	5, 10 & 42
Europe (CTM)	ALOFISEL	3 & 5

Country	Trademark	Classes
USA	CELLERIX (Graphic)	5 & 42
USA	ONTARIL	5
USA	CELLERIX LIVING MEDICINES	5 & 42
ChondroCelect	Austria	5, 10 & 42
	Benelux	5, 10 & 42
	Canada	5, 10 & 42
	Denmark	5, 10 & 42
	Finland	5, 10 & 42
	France	5, 10 & 42
	Germany	5, 10 & 42
	Italy	5, 10 & 42
	Norway	5, 10 & 42
	Spain	5, 10 & 42
	Sweden	5, 10 & 42
	Switzerland	5, 10 & 42
	United Kingdom	5, 10 & 42
	United States	5, 10 & 42
TiGenix	Austria	5 & 42
	Benelux	5, 10, 41 & 42
	Canada	5 & 42
	Croatia	5 & 42
	Denmark	5 & 42
	Finland	5 & 42
	France	5 & 42
	Germany	5 & 42
	Italy	5 & 42
	Norway	5 & 42
	Spain	5 & 42
	Sweden	5 & 42
	Switzerland	5 & 42
	United Kingdom	5 & 42
	United States	1 & 5
ChondroBoost	Benelux	5, 10 & 42
CCI	Benelux	5, 10 & 42
	US	1, 5, 10, 42 & 45
MeniscoCelect	Europe (CTM)	5, 10 & 42
	US	1, 5, 10, 42 & 45
CCH	Benelux	5, 10 & 44
	US	10, 44 & 42
	Canada	5, 10 & 42
	Europe (CTM)	5, 10 & 42

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