TiGenix NV

(Public limited liability company under Belgian law with registered office at Romeinse straat 12 box 2, 3001 Leuven, Belgium and registered with the register of legal entities (rechtspersonenregister – RPR) (Leuven) under enterprise number 0471.340.123)

PROSPECTUS

SECURITIES TRANSACTION NOTE DATED JULY 22, 2013

This "Securities Transaction Note" has been prepared by TiGenix NV ("TiGenix" or the "Company") in relation to the admission to trading of 26,000,000 new shares on Euronext Brussels. It has been approved by the FSMA on July 22, 2013 and is to be read in conjunction with the following documents:

- the Company's Registration Document in relation to the Company's financial year ended on December 31, 2012, as approved by the FSMA on March 12, 2013 (the "**Registration Document**"); and
- the Company's Summary Note to the Prospectus in relation to the admission to trading of 26,000,000 new shares on Euronext Brussels, as approved by the FSMA on July 22, 2013 (the "**Summary Note**").

The Summary Note, together with the Company's Registration Document and this Securities Transaction Note constitute a prospectus within the meaning of Article 28, §1 of the Belgian Act of June 16, 2006 on the public offering of securities and the admission of securities to trading on a regulated market.

On the date of this Securities Transaction Note, taking into account the proceeds of the Transaction as described in section 3.2 of this Securities Transaction Note, the Company is of the opinion that it does not have sufficient working capital to meet its present requirements and cover its working capital needs for a period of at least 12 months following the date of publication of the Prospectus. In case the Company would not be able to attract any extra funds, it expects to run out of working capital at the earliest as of November 30, 2013. To cover a period of at least 12 months following the date of publication of the Prospectus, additional working capital in an amount of approximately EUR 11 million is needed, in the assumption that no additional programs to the current ones are launched. The Company intends to provide for this additional working capital by means of the actions indicated in section 2.1 of this Securities Transcation Note. Section 2.1 of this Securities Transaction Note also gives an indication of potential consequences if one or more of these actions does not or not timely materialize, or if they in aggregate do not generate sufficient additional funding.

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RISK FACTORS

Any investment in the shares of TiGenix involves substantial risks. You should carefully review and consider the following risk factors and the other information (including a number of other risk factors) contained in the Registration Document before deciding to invest in the Company.

The risks that TiGenix is currently aware of and presently consideres material are listed below and in the Registration Document. 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, in which case investors in the Company's shares could lose all or part of their investment. An investment in the shares of TiGenix is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Any investor should note that the risks discussed below and/or in the Registration Document are not the only risks to which the Company is exposed. 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. Prospective investors should carefully review this Securities Transaction Note and the entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the Company's shares in the light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Company's shares.

RISKS RELATED TO THE SHARES BEING ADMITTED TO TRADING

Sustainability of a liquid public market.

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

Dilution in case of future capital increases could adversely affect the price of the shares and could dilute the interests of existing shareholders.

The Company may decide to raise capital in the future through public or private placements, with or without preferential subscription rights, of equity or equity linked financial instruments. Furthermore, Belgian law and the Articles of Association provide for preferential subscription rights to be granted to existing shareholders unless such rights are disapplied by resolution of TiGenix' shareholders' meeting or, if so authorized by a resolution of such meeting, the Board of Directors. However, certain shareholders in jurisdictions outside of Belgium depending on the securities laws applicable in those jurisdictions may not be entitled to exercise such rights unless the rights and shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, certain holders of shares outside Belgium may not be able to exercise preferential subscription rights even if these are granted in the framework of future securities issues of the Company. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the holders of its securities. In addition, dilution for the holders of securities could be caused by the exercise of existing warrants or of warrants that would be issued in the future.

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

Sales of a substantial number of shares in the public markets, or the perception that such sales might occur, could cause the market price of the shares to decline. There is no commitment on the part of any of the existing shareholders to remain a shareholder or to retain a minimum interest in the Company.

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

The following factors, in addition to other risk factors described in this Securities Transaction Note and/or in the Registration Document, may have a significant impact on the market price and volatility of all the shares:

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

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

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

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

Significant shareholders could decide to combine their voting rights.

The Company has a number of significant shareholders. For an overview of the Company's significant shareholders, reference is made to section 9 of the Registration Document.

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

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

Public takeover bids on the Company's shares and other voting securities (such as warrants or convertible bonds, if any) are subject to the Belgian Law of April 1, 2007 (the "**Takeover Law**") and to the supervision by the FSMA. Public takeover bids must be made for all of the Company's voting securities,

as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion in voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company.

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

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

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

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

Any sale, purchase or exchange of the Company's shares may become subject to the Financial Transaction Tax.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax ("**FTT**"). According to the Draft Directive, the FTT must be implemented and enter into effect in 11 EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia, together, the "Participating Member States") on January 1, 2014.

Pursuant to the Draft Directive, the FTT will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (inter alia) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction, or acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial

transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Investors should therefore note, in particular, that any sale, purchase or exchange of the Company's shares will be subject to the FTT at a minimum rate of 0.1%. provided the abovementioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Company's shares. The subscription to new shares issued by the Company should, in principle, not be subject to the FTT.

The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the "Directive"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself.

Investors should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Company's shares.

The Company does not anticipate paying any dividends to the shareholders in the near future.

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.

RISKS RELATED TO TIGENIX' BUSINESS

For an overview of the other risks related to TiGenix and its business and other risks and uncertainties faced by the Company, reference is made to the section ″Risk Factors″ included in the Registration Document. However, these risks and uncertainties may not be the only ones faced by the Company and are not intended to be presented in any assumed order of priority.

Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.

1. GENERAL INFORMATION

1.1. INTRODUCTION

1.1.1. The Prospectus

This Securities Transaction Note is to be read together with the Company's Registration Document and the Summary Note, which, together constitute a prospectus (the "**Prospectus**") that has been prepared by the Company in accordance with Article 20 of the Belgian Act of June 16, 2006 on the public offering of securities and the admission of securities to be traded on a regulated market (*Wet op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt*) (the "**Act of June 16, 2006**").

On July 17, 2013, the Company conditionally issued new shares. 26,000,000 new shares (the "**New Shares**") were placed by the Bookrunner with institutional and professional investors, pursuant to an accelerated book building procedure, for an aggregate issue price of EUR 6,500,000, and will be subscribed to on or about July 23, 2013 in accordance with individual subscription agreements entered into between the Company and the relevant investors after completion of the accelerated book building procedure (the "**Transaction**"). The Prospectus has been prepared for the purpose of the admission to trading of the New Shares on Euronext Brussels pursuant to and in accordance with Article 20 and following of the Act of June 16, 2006.

1.1.2. Language of the Prospectus

TiGenix has prepared the Prospectus in English. TiGenix has also made a translation in Dutch of the Prospectus. Both the English version and the Dutch version of the Prospectus 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.

1.1.3. Availability of the Prospectus

The Prospectus consists of the Summary Note, this Securities Transaction Note and the Registration Document. The Summary Note and the Securities Transaction Note can only be distributed together, in combination with the Registration Document. To obtain a copy of the Prospectus in Dutch and/or in English 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 Prospectus is also available from the website of TiGenix (www.tigenix.com).

Posting the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Company's shares to any person in any jurisdiction. The electronic version may not be copied, made available or printed for distribution. The Prospectus is only valid in its original version circulated in Belgium in compliance with applicable laws. Other information on the website of the Company or any other website does not form part of the Prospectus.

1.2. PERSONS RESPONSIBLE FOR THE CONTENTS OF THE PROSPECTUS

The Company, represented by its Board of Directors, assumes responsibility for the contents of the Prospectus.

At the date of this Securities Transaction Note, the Board of Directors of TiGenix is composed of the following nine (9) members:

Name	Position
Innosté SA[1], represented by Jean Stéphenne	Chairman / Independent director
Gil Beyen BVBA[2], represented by Gil Beyen	Director (non-executive)
Eduardo Bravo Fernández de Araoz	Managing Director (executive) / CEO
Willy Duron	Independent director
Greig Biotechnology Global Consulting, Inc.[3], represented by Russell Greig	Independent director
Eduard Enrico Holdener	Independent director
Ysios Capital Partners SGECR SA[4], represented by Joël Jean-Mairet	Director (non-executive)
R&S Consulting BVBA[5], represented by Dirk Reyn	Independent director
LRM Beheer NV[6], represented by Nico Vandervelpen	Director (non-executive)

The Board of Directors declares that having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

1.3. APPROVAL OF THE PROSPECTUS

The English version of the Company's Registration Document was approved by the Belgian Financial Services and Markets Authority ("**FSMA**") on March 12, 2013 as registration document within the meaning of Article 28, §2 of the Act of June 16, 2006.

The English versions of the Summary Note and this Securities Transaction Note were approved by the FSMA on July 22, 2013 in accordance with Article 23 of the Act of June 16, 2006 for the purposes of the admission to trading of the New Shares on Euronext Brussels.

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1 Having its registered office at Avenue Alexandre 8,1330 Rixensart, Belgium.

2 Having its registered office at Boetsenberg 20,3053 Haasrode, Belgium. Gil Beyen BVBA resigned from his function as managing director and member of the executive management as of May 13, 2013, but is still a director of the Company.

3 Having its registered office at 1241 Karen Lane, Wayne, PA 19087, USA.

4 Having its registered office at Calle Baldiri Reixac 10-12, Parc Cientific de Barcelona, Barcelona, Spain.

5 Having its registered office at Populierstraat 4, 1000 Brussels, Belgium.

6 Having its registered office at Kempische Steenweg 555, 3500 Hasselt, Belgium.

The approval by the FSMA does not imply any judgment on the merits or the quality of the transactions contemplated by the Prospectus nor of the securities or the status of TiGenix.

The Prospectus has not been submitted for approval to any other supervisory body or governmental authority outside Belgium.

1.4. AVAILABLE INFORMATION

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

In accordance with Belgian law, the Company must prepare annual audited statutory and consolidated financial statements. The annual statutory and consolidated financial statements and the reports of the Board of Directors and statutory auditor relating thereto are filed with the Belgian National Bank, where they are available to the public. Furthermore, as a listed company, the Company publishes summaries of its annual and semi-annual financial statements. These summaries 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*), 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.

1.5. NOTICES TO INVESTORS

1.5.1. Decision to invest

In making an investment decision, potential investors must rely on their own examination of the Company and the terms of the admission to trading, including the risks and merits involved. Any summary or description set forth in the Prospectus of legal provisions, corporate structurings or contractual relationships is for information purposes only and should not be construed as legal or tax advice as to the interpretation or enforceability of such provisions or relationships. In general, none of the information in the Prospectus should be considered investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding investing in the Company's shares. The Company's shares have not been recommended by any federal or state securities commission or regulatory authority in Belgium or elsewhere.

No dealer, sales person or other person has been authorized to give any information or to make any representation in connection with the admission to trading of the New Shares that is not contained in the Prospectus. If anyone provides different or inconsistent information, it should not be relied upon. The information appearing in the Summary Note, Securities Transaction Note and Registration Document should be assumed to be accurate only as at the date of approval by the FSMA of the relevant document as indicated on the cover page of this Securities Transaction Note. The Company's business, financial condition, results of operations and the information set forth in the Prospectus may have changed since those dates. In accordance with Belgian law, if a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of the

Company's shares and which arises or is noted between the time when the Prospectus is approved and the start of the trading of the New Shares on the relevant market, such will be set out in a supplement to the Prospectus. Any supplement is subject to approval by the FSMA, in the same manner as the Prospectus and must be made public, in the same manner as the Prospectus.

1.5.2. Certain restrictions on the distribution of the Prospectus

The distribution of the Prospectus may be restricted by law in certain jurisdictions outside Belgium. TiGenix does not represent that the Prospectus may be lawfully distributed in jurisdictions outside Belgium. TiGenix does not assume any responsibility for such distribution. Accordingly, the Prospectus may be distributed or published in any jurisdiction outside Belgium, except in circumstances that will result in compliance with any applicable laws and regulations. The Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Company's shares. The Prospectus may not be distributed to the public in any jurisdiction outside Belgium where a registration, qualification or other requirement exists or may exist in relation to the admission to trading of shares on the regulated market of Euronext Brussels, and may in particular not be distributed to the public in the U.S., Switzerland, Canada, Australia or Japan or the United Kingdom**.**

1.5.3. Forward looking statements

The Prospectus contains forward-looking statements and estimates made by the Company with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will", "predicts", "projects" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Factors that might cause such a difference include, but are not limited to, those discussed in the sections "Risk Factors" of this Securities Transaction Note and/or the Registration Document. 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 in the Summary Note, the Securities Transaction Note or the Registration Document only speak as at the date of approval by the FSMA of the relevant document as indicated on the cover page of this Securities Transaction Note. 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.

1.5.4. Industry data, market share, ranking and other data

Certain of the information contained in the Prospectus is based on the Company's own estimates and assumptions, believed by the Company to be reasonable. Certain information, industry data, market size/share data and other data provided in the Prospectus was derived from publications by leading organisations and scientific journals. The information published by such organisations and journals has been accurately reproduced and as far as the Company is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company (with respect to information derived from publications by leading organisations) nor its advisors have independently verified any of the abovementioned information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and

uncertainties inherent in any statistical survey of market information. As a result, prospective investors should be aware that market share, ranking and other similar data in the Prospectus, and estimates and beliefs based on such data, may not be reliable.

1.5.5. Rounding of financial and statistical information

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

2. ESSENTIAL INFORMATION

2.1. WORKING CAPITAL STATEMENT

Taking into account the proceeds of the Transaction, the Company is of the opinion that it does not have sufficient working capital to meet its present requirements and cover its working capital needs for a period of at least 12 months following the date of publication of the Prospectus. In case the Company would not be able to attract any extra funds, it expects to run out of working capital at the earliest as of November 30, 2013.

To cover a period of at least 12 months following the date of publiciation of the Prospectus, additional working capital in an amount of approximately EUR 11 million is needed, in the assumption that no additional programs to the current ones are launched. The Company intends to provide for this additional working capital by means of the following actions:

- A growth of the projected ChondroCelect sales in line with the trend experienced in the first 5 months of 2013 on a like-for-like basis over the same period 2012, of which the Company is confident that this will happen;
- Partnering of Cx601 (i.e. finding a partner for the co-development and/or commercialization of Cx601 in different regions); the Company is confident that it will reach such partnering agreement prior to the end of 2013;
- 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); the Company is confident that it will be able to monetize the Dutch manufacturing facility prior to the end of 2013;
- Additional non-dilutive funding, such as grants or soft loans, which the Company is confident to receive prior to the end of 2013;
- Additional dilutive funding (i.e. capital increase), which the Company is confident to be able obtain once the partnering and monetizing actions mentioned above will have materialized.

If one or more of these actions does not or not timely materialize, or if they in aggregate do not generate sufficient additional funding, it cannot be excluded that the Company would need to substantially reduce, or temporarily put on hold, its activities until a solution would be found, or that the Company ultimately would need to file for bankruptcy.

2.2. CAPITALIZATION AND INDEBTEDNESS

The table below shows the consolidated capitalization and indebtedness as at April 30, 2013 (unaudited) and for the full previous 3 years (audited).

Thousands of Euro (€)	Four months ending April 30, 2013	Twelve months ending December 31, 2012	Twelve months ending December 31, 2011	Twelve months ending December 31, 2010
Share capital	10,030	10,030	89,093	30,423
Share premium	88,852	88,852	81,657	68,131
Shares to be issued	0	0	2,296	2,296
Retained earnings*	-55,700	-55,700	-115,759	-78,453
Other reserves*	5,386	5,386	4,731	3,830
Total Equity	**48,567**	**48,567**	**62,019**	**26,227**
Non current liabilities	**7,586**	**6,307**	**6,438**	**4,089**
Subordinated loan	0	0	0	130
Financial loan	7,559	6,184	6,298	440
Other non current liabilities	0	95	113	0
Deferred tax liabilities	27	27	27	3,519
Current liabilities	**6,503**	**9,082**	**6,706**	**4,436**
Subordinated loan	0	0	130	130
Financial loan	388	388	109	80
Other financial liabilities	779	1,527	0	12
Trade and other payables	2,306	4,014	4,196	3,312
Other current liabilities	3,030	3,154	2,271	902
Total Debt	**14,089**	**15,389**	**13,144**	**8,525**
Gearing ratio (Financial debt/Equity)	**18,35%**	**16,68%**	**10,33%**	**2,03%**
Cash & cash equivalents	**5,929**	**11,072**	**19,771**	**5,555**
Net current financial indebtedness	**4,762**	**9,157**	**19,662**	**5,463**
Non current financial indebtedness	**-7,559**	**-6,184**	**-6,298**	**-570**

* represents the situation at December 31, 2012

2.3. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

The Bookrunner has entered into a placement agreement with the Company as referred to in section 3.2. below.

Furthermore the Bookrunner (and its respective affiliates) may provide in the future various commercial services and other services to the Company.

2.4. REASON FOR THE CAPITAL INCREASE AND USE OF PROCEEDS

The purpose of the Transaction and issue of New Shares is to strengthen the cash resources and the share capital of the Company.

Previously, the Board of Directors approved an action plan with a view to generating sufficient additional cash to continue the Company's operations until the annual shareholders' meeting of 2014 and which included an increase of the projected commercial revenues of ChondroCelect, additional non-dilutive funding, the partnering of Cx601, and the monetizing of certain assets, such as the Dutch manufacturing facility.

The various actions are all in progress and the Company is in continuous discussions with various parties in respect of these actions, as disclosed to the market in the Company's May 14, 2013 press release giving an update on the Company's business activities and providing the financial highlights for the first quarter of 2013. To avoid a non-timely realization of the ongoing efforts and actions, and with a view to safeguarding the financial situation and flexibility of the Company, the Board of Directors decided to issue new shares now.

The Company intends to use the net proceeds of the Transaction for research and development, clinical trials, sales and marketing, working capital, capital expenditure, and to cover its general administrative costs.

More specifically, the Company intends to use the net proceeds of the Transaction for the following purposes (in order of priority):

1. To pursue market access and reimbursement, and to advance the commercial launch and market roll out of ChondroCelect in Europe; and
2. To advance the Company's Phase III clinical trial in complex perianal fistulas in patients with Crohn's disease (Cx601).

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

3. INFORMATION CONCERNING THE NEW SHARES TO BE ADMITTED TO TRADING

3.1. 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 share 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 amounted to EUR 7,377,178.28 (i.e. EUR 9,165,920.10 - EUR 525,803.32 - EUR 862,938.50 - EUR 400,000) immediately prior to the capital increase in the framework of the Transaction (see section 3.2 below).

3.2. THE TRANSACTION

On July 17, 2013, the Board of Directors conditionally increased the share capital of the Company in a maximum amount of EUR 7,377,178.20 (excluding issuance premium), using the authorised capital, through the conditional issuance of up to 73,771,782 new shares, subject to and to the extent of subscription of these new shares in the framework of the private placement described below.

In the framework of the private placement, the Board of Directors has cancelled the preferential subscription rights of the existing shareholders of the Company in accordance with Article 596 *juncto* 603 of the Companies Code. The preferential subscription right was cancelled with a view to offering new shares in an "accelerated book building procedure" to a broad group of unspecified domestic and foreign qualified institutional and professional investors in Belgium and elsewhere.

On the basis of an authorisation from the Board of Directors, Chardan Capital Markets, LLC (the "**Bookrunner**") approached institutional and professional investors in the framework of this accelerated book building procedure. In this respect the Company has entered into a placement agreement with the Bookrunner. The Bookrunner placed 26,000,000 New Shares with such investors.

On or about July 23, 2013 the 26,000,000 New Shares and corresponding capital increase will be subscribed to by institutional and professional investors that have entered into individual subscription agreements with the Company after completion of the accelerated book building procedure. These investors have been selected by the Bookrunner and the applicable subscription price and the number of shares allocated to them have been determined on the basis of the accelerated book building procedure. On or about July 23, 2013, the Company will directly or indirectly deliver these New Shares to the relevant selected institutional and professional investors.

3.3. ISSUE PRICE OF THE NEW SHARES

The total issue price of the New Shares (accounting par value plus issuance premium) at which the New Shares will be issued and will be subscribed to in the framework of the Transaction is EUR 0.25 per New Share to be subscribed to.

The portion of the issue price per New Share up to the accounting par value of EUR 0.10 will be recorded on the "Capital" account. The balance will be recorded on the "Issuance Premium" account, which in the same manner as the Company's share capital serves as guarantee for third parties and which, save for the possibility of conversion into capital, can only be decided on in accordance with the conditions required for an amendment of the Articles of Association.

3.4. DESCRIPTION OF THE NEW SHARES

The New Shares are being issued under Belgian law and all are dematerialized shares without nominal value, having the same rights and advantages as the existing shares, it being understood, for the avoidance of doubt, that these New Shares will participate in the results of the Company as of and for the entire financial year that started on January 1, 2013.

Where applicable, distributed dividends on the New Shares will be subject to withholding tax at the applicable legal rate (which currently amounts to 25%).

All of the Company's shares are fully paid up and freely transferable. Likewise, all of the New Shares will be fully paid up and freely transferable.

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

For a more detailed description of the rights attached to the shares of the Company, reference is made to section 3.5 below.

3.5. RIGHTS ATTACHED TO THE SHARES OF THE COMPANY

3.5.1. Dividend rights

All shares, including the New 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.

3.5.2. 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.

3.5.3. 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 (22^{nd}) 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 (15^{th}) 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 (6^{th}) 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.

3.5.4. 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 above-mentioned 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 of the Company 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.

Normally, the authorisation of the Board of Directors of the Company 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.

3.5.5. 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 the Company's shares having such rights, if any. Currently, there are no preferential rights with regard to the liquidation.

3.5.6. Redemption and sale of the Company's shares

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

shares and profit certificates present or represented. The prior approval by the shareholders is not required if the Company purchases the Company's shares to offer them to the Company's personnel.

In accordance with the Companies Code, an offer to purchase the Company's shares must be made to all shareholders under the same conditions. This does not apply to the acquisition of shares via a regulated market or the acquisition of shares that has been unanimously decided by the shareholders at a meeting where all shareholders were present or represented. The Company's shares can only be acquired with funds that would otherwise be available for distribution as a dividend to the shareholders. The total amount of the Company's shares held by the Company can at no time be more than 20% of its share capital. At the date of this Securities Transaction Note, the Board of Directors of the Company does not have any authorisation from the shareholders' meeting to redeem shares.

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

3.6.1. Public takeover bids

Public takeover bids on the Company's shares and other securities giving access to voting rights (such as warrants or convertible bonds, if any) are subject to the supervision by the FSMA. Public takeover bids must be made for all of the Company's voting securities, as well as for all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, which has been approved by the FSMA prior to publication. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company.

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

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

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

3.6.2. Squeeze-out

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

public. The consideration for the securities must be in cash and must represent the fair value as to safeguard the interests of the transferring shareholders.

3.6.3. Sell-out right

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

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

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

3.8. TAXATION IN BELGIUM

The paragraphs below present a summary of certain material Belgian income tax consequences of the ownership and disposal of shares in the Company (including the New Shares). The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this Securities Transaction Note, all of which are subject to change, including changes that could have retroactive effect. This summary does not purport to address all tax consequences of the ownership and disposal of the Company's shares, and does not take into account the specific circumstances of particular investors, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, the Company's shares as a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions.

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

Investors should consult their own advisors regarding the tax consequences of an investment in the Company's shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

3.8.1. Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Company's shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital.

Belgian withholding tax of 25% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In case of a redemption of the Company's shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Company's shares) will be treated as a dividend subject to a Belgian withholding tax of 25%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions.

In case of liquidation of the Company, any amounts distributed in excess of the fiscal capital will in principle be subject to the 10% withholding tax, subject to such relief as may be available under applicable domestic provisions. It is to be noted, however, that the Belgian government has announced in a press release dd. March 30th, 2013 that such 10% withholding tax rate would be increased to 25% as of October 1st, 2014. No draft bill is yet available in this respect.

(i) Belgian resident individuals

For Belgian resident individuals who acquire and hold the Company's shares as a private investment, the Belgian dividend withholding tax fully discharges their personal income tax liability. They may nevertheless elect to report the dividends in their personal income tax return. Where the beneficiary opts to report them, dividends will normally be taxable at the lower of the generally applicable 25% withholding tax rate on dividends or at the progressive personal income tax rates applicable to the taxpayer's overall declared income. If the beneficiary reports the dividends, the income tax due on such dividends will not be increased by local surcharges. In addition, if the dividends are reported, the dividend withholding tax levied at source may, in both cases, be credited against the personal income tax due and is reimbursable to the extent that it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of or a capital loss on the Company's shares. This condition is not applicable if the individual can demonstrate that he has held the Company's shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

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

(ii) Belgian resident companies

For Belgian resident companies, the gross dividend income (including the withholding tax) must be declared in the corporate income tax return and will be subject to a corporate income tax rate of 33.99%. In certain circumstances, reduced corporate income tax rates may apply.

Belgian resident companies can generally (although subject to certain limitations) deduct up to 95% of the gross dividend received from the taxable income ("**dividend received deduction**"), provided that at the time of a dividend payment or attribution: (i) the Belgian resident company holds the Company's shares representing at least 10% of the share capital of the Company or a participation in the Company with an acquisition value of at least EUR 2,500,000; (ii) the Company's shares have been held or will be held in full ownership for an uninterrupted period of at least one year; and (iii) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code (the "**Article 203 ITC Taxation Condition**") are met (together, the "**Conditions for the application of the dividend received deduction regime**").

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

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

Dividends distributed to a Belgian resident company will be exempt from Belgian withholding tax provided that the Belgian resident company holds, upon payment or attribution of the dividends, at least 10% of the Company's share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the two required conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to the Company's shares, the Company will levy the withholding tax but will not transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held such minimum participation, and the investor's commitment to hold the minimum participation for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

(iii) Belgian non-resident individuals and companies

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

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

Non-resident companies whose Company's shares are invested in a Belgian PE may deduct up to 95% of the gross dividends included in their taxable profits if, at the date dividends are paid or attributed, the Conditions for the application of the dividend received deduction regime are met. Application of the dividend received deduction regime depends, however, on a factual analysis to be made upon each distribution and its availability should be verified upon each distribution.

Under Belgian tax law, withholding tax is not due on dividends paid to a foreign pension fund which satisfies the following conditions,: i.e., (i) to be a legal entity with fiscal residence outside of Belgium; (ii) whose corporate purpose consists solely in managing and investing funds collected in order to pay legal or complementary pensions; (iii) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit making aim; (iv) which is exempt from income tax in its country of residence; and (v) provided that it is not contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage the Company's shares, nor obligated to pay a manufactured dividend with respect to the Company's shares under a securities borrowing transaction. The exemption will only apply if the foreign pension fund provides a certificate confirming that it is the full legal owner or usufruct holder of the Company's shares and that the above conditions are satisfied. The organization must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident companies established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty that includes a qualifying exchange of information clause and qualifying as a parent company, will be exempt from Belgian withholding tax provided that the Company's shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10% of the Company's share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company provided that (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of July 23, 1990 (90/435/EC), as amended by Directive 2003/123/EC of December 22, 2003, or, for companies established in a country with which Belgium has concluded a qualifying double tax treaty it has a legal form similar to the ones listed in such annex; (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries; and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three abovementioned conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to the Company's shares, the Company will levy the withholding tax but will not transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held such minimum participation, and the investor's commitment to hold the minimum participation for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

Belgium has concluded tax treaties with over 95 countries, reducing the dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of those countries, depending on conditions, among others, related to the size of the shareholding and certain identification formalities.

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

(iv) Organizations for financing pensions

For organizations for financing pensions ("OFPs"), i.e., Belgian pension funds incorporated under the form of an OFP (organismes de financement de pensions/organizmen voor de financiering van pensioenen) within the meaning of Article 8 of the Belgian Law of October 27, 2006, the dividend income is generally tax-exempt. Subject to certain limitations, any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due.

(v) Legal entities

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

3.8.2. Capital gains and losses on the Company's shares

(i) Belgian resident individuals

In principle, Belgian resident individuals acquiring the Company's shares as a private investment should not be subject to Belgian capital gains tax on the disposal of the Company's shares and capital losses are not tax deductible.

However, capital gains realized by a private individual are taxable at 33% (plus local surcharges) if the capital gain is deemed to be realized outside the scope of the normal management of the individual's private estate. Moreover, Capital gains realised by Belgian resident individuals on the disposal of the Company's shares for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign state (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5% (plus local surcharges) if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Company (i.e., a shareholding of more than 25% in the Company). This capital gains tax does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the European Economic Area (EEA).Capital losses on such transactions are, however, not tax deductible.

Capital gains realized by Belgian resident individuals upon the redemption of the Company's shares or upon the liquidation of the Company will generally be taxable as a dividend.

Belgian resident individuals who hold the Company's shares for professional purposes are taxable at the ordinary progressive personal income tax rates (plus local surcharges) on any capital gains realized upon the disposal of the Company's shares, except for the Company's shares held for more than five years, which are taxable at a separate rate of 16.5% (plus local surcharges). Capital losses on the Company's shares incurred by Belgian resident individuals who hold the Company's shares for professional purposes are in principle tax deductible.

(ii) Belgian resident companies

Belgian resident companies (not being Small and Medium sized Enterprises within the meaning of Article 15 of the Belgian Companies Code, hereinafter referred to as "**SMEs**") are subject to Belgian capital gains taxation at a separate rate of 0.412% on gains realized upon the disposal of the Company's shares provided that: (i) the Article 203 ITC Taxation Condition is met and (ii) the Company's shares have been held in full legal ownership for an uninterrupted period of at least one year. The 0.412% separate capital gains tax rate cannot be off-set by any tax assets (such as e.g. tax losses) and can moreover not be off-set by any tax credits.

Belgian resident companies qualifying as SMEs are normally not subject to Belgian capital gains taxation on gains realized upon the disposal of the Company's shares provided that (i) the Article 203 ITC Taxation Condition is met and (ii) the Company's shares have been held in full legal ownership for an uninterrupted period of at least one year.

If the one-year minimum holding period condition would not be met (but the Article 203 ITC Taxation Condition is met) then the capital gains realized upon the disposal of the Company's shares by Belgian resident companies (both non-SMEs and SMEs) would be taxable at a separate corporate income tax rate of 25.75%.

Capital losses on the Company's shares incurred by resident companies (both non-SMEs and SMEs) are as a general rule not tax deductible.

Company's shares held in the trading portfolios of qualifying credit institutions, investment enterprises and management companies of collective investment undertakings are subject to a different regime.

Capital gains realized by Belgian resident companies upon the redemption of the Company's shares or upon the liquidation of the Company will, in principle, be subject to the same taxation regime as dividends.

(iii) Belgian non-resident individuals and companies

Capital gains realized on the Company's shares by a non-resident individual that has not acquired the Company's shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian PE are in principle not subject to taxation, unless the gain is deemed to be realized outside the scope of the normal management of the individual's private estate and the capital gain is obtained or received in Belgium. In such case the gain is subject to a final professional withholding tax of 30.28% (to the extent articles 90,1° and 248 ITC are applicable). However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realized by residents of those countries. Capital losses are generally not tax deductible.

Capital gains realized by Belgian non-resident individuals upon the redemption of the Company's shares or upon the liquidation of the Company will generally be taxable as a dividend.

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

Capital gains realized on the Company's shares by non-resident companies or non-resident entities that have not acquired the Company's shares in connection with a business conducted in Belgium through a Belgian PE are in principle not subject to taxation and losses are not tax deductible.

Capital gains realized by non-resident companies or other non-resident entities that hold the Company's shares in connection with a business conducted in Belgium through a Belgian PE are generally subject to the same regime as Belgian resident companies.

(iv) Organizations for financing pensions

OFPs are, in principle, not subject to Belgian capital gains taxation realized upon the disposal of the Company's shares, and capital losses are not tax deductible.

(v) Legal entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of the Company's shares.

Capital gains realized by Belgian resident legal entities upon the redemption of the Company's shares or upon the liquidation of the Company will in principle be taxed as dividends.

Capital losses on the Company's shares incurred by Belgian resident legal entities are not tax deductible.

3.8.3. Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration of the Company's shares (secondary market) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions (*taks op de beursverrichtingen*) of 0.25% of the purchase price, capped at EUR 740 per transaction and per party. Under current Belgian tax law, this rate and this cap will reduce to 0.22% and EUR 650, respectively, for transactions occurring as from January 1, 2015. A separate tax is due from each party to the transaction, both collected by the professional intermediary.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2, 9° and 10° of the Belgian Law of August 2, 2002; (ii) insurance companies described in Article 2, §1 of the Belgian Law of July 9, 1975; (iii) professional retirement institutions referred to in Article 2, 1° of the Belgian Law of October 27, 2006 concerning the supervision on institutions for occupational pension; (iv) collective investment institutions; and (v) Belgian non-residents provided they deliver a certificate to its financial intermediary in Belgium confirming their non-resident status.

As stated above in the section “Risk Factors”, the EU Commission adopted on February 14, 2013 the Draft Directive on an FTT. The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

4. ADMISSION TO TRADING

The Prospectus has been prepared for the purpose of the admission to trading of the New Shares on Euronext Brussels pursuant to and in accordance with Article 20 and following of the Act of June 16, 2006.

An application has been made for the admission to trading of the New Shares on Euronext Brussels. It is expected that the admission to trading will become effective and that dealings in the New Shares on Euronext Brussels will commence on or around July 23, 2013.

The New Shares will be traded as are the existing shares of the Company under international code number ISIN BE0003864817 and symbol TIG on Euronext Brussels.

5. EXPENSES RELATED TO THE ISSUANCE OF THE NEW SHARES

The total net proceeds of the issue of the New Shares at the occasion of the Transaction amount to approximately EUR 6 million.

The costs and expenses incurred by the Company in relation to the issue and the admission to trading of the New Shares on Euronext Brussels (consisting of mainly placing and management fees, and of other fees, including legal fees) amount to 10.7% of the gross proceeds of the Transaction.

6. DILUTION

The financial consequences of the issuance of the New Shares for the existing shareholders immediately prior to such issuance are summarized below. The admission to trading of the New Shares does, as such, not cause any additional dilution nor has it any other direct financial consequences for the shareholders of the Company.

6.1. EVOLUTION OF THE SHARE CAPITAL AND THE SHARE IN THE PROFITS

6.1.1. Evolution of the share capital since December 31, 2012

The share capital of the Company as per December 31, 2012 amounted to EUR 10,028,858.60, represented by 100,288,586 shares. No capital increases or reductions have effectively taken place since December 31, 2012, except for the conditional issuance of the New Shares.

6.1.2. Financial consequences for the existing shareholders of the Transaction

Immediately prior to the Transaction the share capital of the Company amounted to EUR 10,028,858.60, represented by 100,288,586 shares, without nominal value, each representing 1/ 100,288,586th of the share capital.

Upon completion of the Transaction, the share capital of the Company will be increased by the Board of Directors, acting within the framework of the authorized capital, with EUR 2,600,000 (excluding issuance premium) through the issuance of 26,000,000 New Shares. Therefore, immediately following the completion of the Transaction, the share capital of the Company will amount to EUR 12,628,858.60, represented by 126,288,586 shares.

In addition, as per April 30, 2013 there are 5,337,283 outstanding warrants (i.e. warrants that have been granted and accepted and that have not yet become null and void for any reason as per April 30, 2013[7]) (the "**Outstanding Warrants**"). In accordance with the conditions of the warrants plans under which they were issued, upon exercise, the Outstanding Warrants entitle the warrant holders to one new share in the Company per exercised warrant, being a total of 5,337,283 new shares in the Company in case all 5,337,283 Outstanding Warrants are exercised.

Leaving the 5,337,283 Outstanding Warrants aside and only taking into account the number of shares that were outstanding immediately prior to the Transaction, the issue of 26,000,000 New Shares at the occasion of the Transaction will result in a dilution of the share of the existing shares in the Company in the profits of the Company of (rounded-off) 20.59%.

In case, in addition to the number of shares that were outstanding immediately prior to the Transaction, also the maximum number of shares that can be issued upon exercise of all Outstanding Warrants is taken into account, the issue of 26,000,000 New Shares at the occasion of the Transaction will result in a dilution of up to (rounded-off) 19.75%.

The dilution relating to the share in the Company's profits also applies, *mutatis mutandis*, to the voting and other rights attached to the shares of the Company, as well as to the share in the liquidation proceeds, if any, and the preferential subscription rights.

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7 The Extraordinary Shareholders' Meeting of March 20, 2013 (conditionally) issued 777,000 warrants, of which 54,600 warrants have been issued, granted and accepted, 218,400 warrants have been issued and granted but not yet accepted, and 504,000 warrants have been issued but not yet granted as per April 30, 2013. The 218,000 and 504,000 warrants which have not yet been granted or accepted as per April 30, 2013 are not yet included in the abovementioned number of Outstanding Warrants. The additional acceptances of warrants between April 30, 2013 and the date of this Securities Note are described in Section 7.3.6.

6.2. SIMULATION OF THE EFFECT ON THE NUMBER OF SECURITIES, THE SHARE CAPITAL AND THE NET EQUITY OF THE COMPANY

A simulation of the evolution of the number of securities with voting rights attached, the share capital and the net equity of the Company as a result of the issuance of the New Shares is set forth in the table below. In the table a distinction is made between a hypothesis where it is assumed that none of the Outstanding Warrants have been exercised, and a hypothesis where it is assumed that all Outstanding Warrants have been exercised.

The simulation has been prepared for information purposes only and provides an illustrative overview of the theoretical dilution effects of the Transaction.

		Not diluted for Outstanding Warrants [1]		Fully diluted for Outstanding Warrants [2]	
		Prior to the Transaction	Upon completion of the Transaction	Prior to the Transaction	Upon completion of the Transaction
Number of securities with voting rights attached					
A	**Existing shares prior to the Transaction**	100,288,586	100,288,586	105,625,869	105,625,869
B	**New Shares**	0	26,000,000	0	26,000,000
C	**Total (A + B)**	100,288,586	126,288,586	105,625,869	131,625,869
D	**Dilution as a result of the Transaction**		20.59%		19.75%
Share capital (statutory basis) (EUR) [3]					
E	**Share capital prior to the Transaction**	10,028,858.60	10,028,858.60	12,024,898.82	12,024,898.82
F	**Capital increase as a result of the Transaction[4]**	0	2,600,000	0	2,600,000
G	**Total (E + F)**	10,028,858.60	12,628,858.60	12,024,898.82	14,624,898.82
H	**Per share (G : C)**	0.100	0.100	0.114	0.111

		Not diluted for Outstanding Warrants [1]		Fully diluted for Outstanding Warrants [2]	
		Prior to the Transaction	Upon completion of the Transaction	Prior to the Transaction	Upon completion of the Transaction
Net equity (consolidated basis) (EUR) [5]					
I	**Net equity prior to the Transaction**	48,567,745.00	48,567,745.00	59,508,017.50	59,508,017.50
J	**Increase of net equity as a result of the Transaction**	0	6,500,000	0	6,500,000
K	**Total (I + J)**	48,567,745.00	55,067,745.00	59,508,017.50	66,008,017.50
L	**Per share (K : C)**	0.484	0.436	0.563	0.501

Remarks:

(1) Assuming that none of the 5,337,283 Outstanding Warrants are exercised.
(2) Assuming that all 5,337,283 Outstanding Warrants are exercised. For the warrants issued on May 14, 2004 and April 20, 2005, €1 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on November 3, 2005 and February 26, 2007, €0.997 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on March 20, 2008, €0.977 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on June 19, 2009 and March 12 2010, €0.978 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium. For the warrants issued on July 6, 2012 and March 20, 2013, €0.10 (par value at that time) of the exercise price per warrant shall be recorded as capital and the excess shall be recorded as issuance premium.
(3) As starting point for the calculation of the share capital (on a statutory basis), the registered capital of TiGenix NV as per December 31, 2012 was taken.
(4) Excluding issuance premium.
(5) As starting point for the calculation of the net equity (on a consolidated basis), the net equity of TiGenix NV on a consolidated basis under IFRS per December 31, 2012 was taken. The results of the TiGenix group after December 31, 2012 have not been taken into account.

The above table demonstrates that the issue of the New Shares at the occasion of the Transaction leads to a decrease of the amount represented by each share in the net equity of the Company on a consolidated basis under IFRS.

7. ADDITIONAL INFORMATION

7.1. LEGAL ADVISORS

The Company was advised by Linklaters LLP, Brederodestraat 13, 1000 Brussels, Belgium, with respect to certain specific legal matters in connection with the issuance and the admission to trading of the New Shares.

7.2. STATUTORY AUDITOR

The Company's statutory auditor is 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. The annual shareholders' meeting of April 22, 2013 reappointed 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.

In connection with the Transaction, the statutory auditor has, on July 17, 2013, issued a report pursuant to and in accordance with Articles 596 of the Companies Code. The conclusions of this report are as follows (free translation from Dutch):

"On the basis of the procedures carried out by us, we confirm that the financial and accounting data included in the special report of the Board of Directors are fair (*getrouw*) and sufficient to inform the general meeting. In addition, we confirm that the elements on the basis of which the issue price is calculated as well as the justification thereof are appropriately reflected in the special report of the Board of Directors. This report is prepared in accordance with Article 596 of the Companies Code as indicated above and may not be used for other purposes."

This report is available for inspection on the Company's website.

7.3. OVERVIEW OF PRESS RELEASES AND CERTAIN OTHER DEVELOPMENTS SINCE MARCH 12, 2013

This section contains an overview of the press releases issued by the Company since March 12, 2013, the date on which the Registration Document was approved by the FSMA. For a more detailed review of the contents of the press releases that are incorporated by reference only, reference is made to the Company's website, where these press releases are publicly available. In addition, this section contains an overview of certain other developments since March 12, 2013.

7.3.1. April 22, 2013 press release: positive Phase IIa study results in refractory rheumatoid arthritis with allogeneic stem cell product Cx611

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

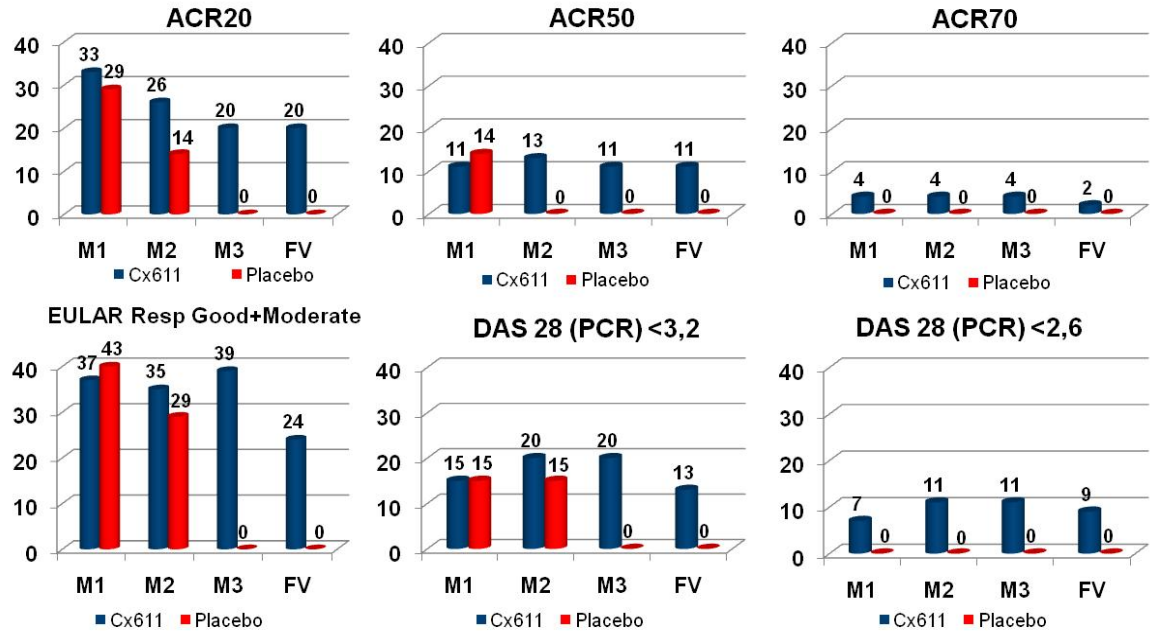
Copy of the press release:

The multicenter, randomized, double blind, placebo-controlled Phase IIa trial enrolled 53 patients with active refractory rheumatoid arthritis (mean time since diagnosis 15 years), who failed to respond to at least two biologics (mean previous treatment with 3 or more disease-modifying antirheumatic drugs and 3 or more biologics). The study design was based on a three-cohort dose-escalating protocol. For both the low and medium dose regimens 20 patients received active treatment versus 3 patients on placebo; for the high dose regimen 6 patients received active treatment versus 1 on placebo. Patients were dosed at day 1, 8, and 15 and were followed up monthly over a six-month period. Follow-up consisted of a detailed monthly workup of all patients measuring all pre-defined parameters. The aim was to evaluate the safety, tolerability and optimal dosing over the full 6 months of the trial, as well as exploring therapeutic activity.

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

Measured clinical activity scores were ACR20[(1)], ACR50[(1)], ACR70[(1)], EULAR[(2)] response rates, and the disease activity score DAS28[(3)]. To gain a first insight into the therapeutic activity, these parameters were evaluated every month for six months. The below tables reflect cumulated results in percentages of all three active treatment arms at months 1 (M1), 2 (M2), 3 (M3), and "final visit" (FV). A more detailed analysis is currently ongoing.

For all graphs, N=46 for Cx611 and N=7 for placebo.



"This Phase IIa cell therapy trial is a landmark study that gives us a first indication of the potential of cell therapy in rheumatoid arthritis. The positive safety results combined with a new mechanism of action are promising, and warrant further clinical investigation," said Dr. José María Álvaro-Gracia, MD, PhD, Head of the Biological Therapies Unit at the Hospital Universitario de La Princesa, Madrid, Spain, and Principal Investigator of the study.

"We are delighted to report the positive outcome of our Phase IIa trial with Cx611 in RA," said Eduardo Bravo, CEO of TiGenix. "These results are remarkable, as they constitute the first ever signal of clinical activity of a cell therapy in RA. Moreover, this was achieved in the probably most refractory RA patient population ever evaluated in clinical studies. At the same time the outcome of the study provides unique clinical and laboratory insights to set the stage for further exploration of our eASC platform in RA and in other autoimmune and inflammatory diseases with high unmet medical needs."

About Cx611

Cx611 is a suspension of expanded allogeneic adult stem cells derived from human adipose (fat) tissue (expanded Adipose derived Stem Cells or 'eASCs') that is delivered through intravenous injection for the treatment of rheumatoid arthritis.

About rheumatoid arthritis (RA) therapy with biologics

First-line biologics have significantly improved the therapeutic options in RA. However, in more than 50% of the diagnosed and treated RA patients, subsequent biologics are currently prescribed due to inadequate response or adverse events. Ultimately, it is estimated that up to 5-10% of RA patients at some point in time will have failed most available biologics. For the US, EU and Japan alone this concerns a patient population of 150.000-300.000 patients that is in urgent need for a safe and efficacious rescue treatment.

Table legend

(1) ACR 20 means a 20% improvement in tender or swollen joint counts as well as 20% improvement in at least three of the following five criteria: patient assessment, physician assessment, erythrocyte sedimentation rate, pain scale and functional questionnaire. The ACR50 and ACR70 categories adhere to the same criteria, but for 50% and 70% improvement, respectively.

(2) EULAR, European League Against Rheumatism

(3) DAS28, Disease Activity Score 28 joint count

7.3.2. May 14, 2013 press release: business and financial results for the first quarter 2013

On May 14, 2013, the Company gave an update of its business activities and provided the financial highlights for the first quarter ending March 31, 2013.

Copy of the press release:

Business highlights

- ChondroCelect:
    - TiGenix obtained reimbursement in Spain for ChondroCelect
    - o ChondroCelect sales benefit from continued uptake in Belgium and in the Netherlands
- Progress development pipeline
    - Positive Cx611 Phase IIa study results in refractory rheumatoid arthritis
    - Cx601 ADMIRE-CD Phase III trial enrollment on plan
- Corporate:
    - TiGenix successfully renews GMP license for stem cell manufacturing facility in Madrid
    - Partnering discussion for Cx601 on-going
    - Transfer of corporate development responsibilities to CEO complete

Financial highlights

- ChondroCelect sales for the first three months of 2013 amounted to EUR 1.04 million, up 55% compared to the same period of last year
- EUR 6.8 million cash on hand

"With the sustained ramp-up of ChondroCelect sales, driven by increased uptake and additional reimbursement approvals in new markets, we are moving in the right direction to make ChondroCelect a

cash flow positive asset in 2014," said Eduardo Bravo, CEO of TiGenix. "Sales growth is expected to increase in H2 2013 as a result of the anticipated development of the private insurance market in the UK and the launch of ChondroCelect in Spain. On the partnering front, we are still fully engaged in discussions to co-develop Cx601 with a number of parties. And after the positive results of our Phase IIa trial with Cx611 in refractory RA, we have added another high-value clinical asset to our development portfolio and to our business development efforts."

Business update

ChondroCelect sales up 55% compared with Q1 2012

ChondroCelect sales for the first quarter of 2013 amounted to EUR 1.04 million, up 55% compared with the same period last year, and 19% compared with the previous quarter, reflecting the continued uptake in Belgium and the Netherlands.

ChondroCelect obtains national reimbursement in Spain

Following a positive decision by the Spanish health authorities, ChondroCelect has gained full market access in one of the largest European pharma markets. Discussions are on track to obtain or expand reimbursement in France, Germany, and the UK.

Cx611 Phase IIa reports positive results in refractory rheumatoid arthritis

On April 22, the Company announced positive results of its 6-month Phase IIa study of Cx611 in refractory rheumatoid arthritis (RA).

The multicenter, randomized, single-blind, placebo-controlled Phase IIa trial enrolled 53 patients with active refractory rheumatoid arthritis (mean time since diagnosis 15 years), who failed to respond to at least two biologics (actual patients enrolled had a mean previous treatment with 3 or more disease-modifying antirheumatic drugs and with 3 or more biologics). The study results reaffirmed the safety profile of Cx611 in this patient population, and suggested a positive impact on outcomes in refractory RA patients, who showed a clear improvement at three months and a sustained benefit over six months. Five patients out of 46 were in remission (DAS28 CRP<2,6) after three months, which is notable in this patient population.

As a first in class product with a novel and different mechanism of action, the safety and activity of Cx611 in a patient population that has failed all available treatment options make it an attractive candidate for further development in RA.

Patient enrollment on plan in ADMIRE-CD Phase III trial (Cx601) in complex perianal fistulas

Patient enrollment in the ADMIRE-CD trial, the Company's pivotal Phase III clinical trial with Cx601, is progressing on plan. Cx601 is an adipose derived allogeneic stem cell suspension for the treatment of complex perianal fistulas in Crohn's disease patients. ADMIRE-CD is a multicenter, randomized, double-blind, placebo-controlled Phase III trial that will enroll approximately 278 patients at 55 centers across 7 European countries and Israel. Final results of the trial are expected in H2 2014, and, if positive, will allow the Company to file for marketing authorization with the European Medicines Agency.

Manufacturing authorization renewed for stem cell production facility

In January, Spanish health authorities renewed TiGenix's manufacturing authorization for stem cell products at its manufacturing facility in Madrid, Spain. At its GMP facility in Madrid, the Company manufactures high-quality, clinical grade allogeneic stem cell products to fuel its key clinical programs.

Partnering discussion for lead program Cx601 on-going and starting for Cx611

TiGenix keeps advancing its discussions with a number of parties regarding the commercial rights to Cx601 to maximize the value of its lead program. Closing of a partnering deal is expected to take place before the end of the year. After the positive results of the phase IIa study with Cx611 in RA, several pharma companies have expressed an interest to explore licensing opportunities for this compound.

Transfer of corporate development responsibilities to CEO complete

Gil Beyen, co-founder of TiGenix, has assumed the role of CEO at Erytech, Lyon, France. Over the past year Mr. Beyen has gradually transferred all of his corporate development responsibilities to Eduardo Bravo. The transition complete and effective May 13, Mr. Beyen stepped down as Managing Director and as a member of the Executive Committee, but remains as a valuable member of TiGenix's Board of Directors.

Cash position of EUR 6.8 million on March 31, 2013

On March 31, the Company had a cash position of EUR 6.8 million. Net cash used during the first three months of 2013 was EUR 1.4 million per month, in line with management's expectations. During the month of April the company received EUR 1 million, the last tranche of the Madrid Network soft loan granted to support the Cx601 Phase III trial.

Outlook next 12 months

- Reimbursement decisions in major European countries for ChondroCelect
- Finalize recruitment of Cx601 phase III trial in complex perianal fistula in Crohn's patients
- Partnering agreement for Cx601
- Start of next clinical trial with Cx611

7.3.3. June 7, 2013 press release: update on commercial prospects of ChondroCelect

On June 7, 2013, the Company provided an update on the commercial prospects of ChondroCelect, its characterized chondrocyte implantation for symptomatic cartilage lesions in the knee.

Copy of the press release:

The Company has received notice from the Haute Autorité de la Santé (HAS) in France that ChondroCelect will not be reimbursed in France. ChondroCelect is reimbursed nationally in Belgium, the Netherlands, and Spain, and through private payers in the UK.

Growth of ChondroCelect sales keeps accelerating. For the first five months of 2013, ChondroCelect sales were €1.9 million, up 59% compared with the same period last year. And this does not yet include sales from the Spanish market.

"We are disappointed by the decision of the HAS, but not completely surprised as it is consistent with their position in 2010," said Eduardo Bravo, CEO of TiGenix. "Importantly, the decision does not impact our objective to turn ChondroCelect into a cash flow positive asset in 2014. We will continue to efficiently allocate our resources to those markets where we are selling such as Belgium and the Netherlands, and build up a commercial presence in Spain and the UK. We will also continue to work on expanding the territories where ChondroCelect is available through local or regional distributors.".

7.3.4. Major shareholders

The May 17, 2013 and the May 31, 2013 press releases publishing transparency notifications, are incorporated by reference.

7.3.5. Issuance of warrants

The Extraordinary Shareholders' Meeting of March 20, 2013 (conditionally) issued 777,000 warrants, of which 54,600 warrants have been issued, granted and accepted, 218,400 warrants have been issued and granted but not yet accepted, and 504,000 warrants have been issued but not yet granted as per April 30, 2013. The 218,000 and 504,000 warrants which have not yet been granted or accepted as per April 30, 2013 are not yet included in the number of Outstanding Warrants as mentioned in section 6.1.2.

7.3.6. Changes in the number of shares and warrants held by directors

The Extraordinary Shareholders' Meeting of February 26, 2013 granted 54,600 warrants to each of the independent directors, subject to the effective issue of the warrants, which was done by the Extraordinary Shareholders' Meeting of March 20, 2013. Innosté SA (permanently represented by Jean Stéphenne), Willy Duron, R&S Consulting BVBA (permanently represented by Dirk Reyn), Greig Biotechnology Global Consulting, Inc. (permanently represented by Russell Greig) and Eduard Enrico Holdener have accepted their 54,600 warrants on April 21, 2013, May 15, 2013, June 4, 2013, June 14, 2013 and June 28, 2013, respectively.

In addition the Board of Directors granted 160,000 warrants to Gil Beyen BVBA (permanently represented by Gil Beyen) at its meeting of May 7, 2013. Gil Beyen BVBA has accepted these warrants on July 6, 2013.

7.3.7. Resignation of Gil Beyen BVBA as managing director

Gil Beyen BVBA (permanently represented by Gil Beyen) resigned from his function as managing director and member of the executive management as of May 13, 2013, but is still a (non-executive) director of the Company.

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 co-founded TiGenix in 2000, and served as its CEO until 2011. Before founding TiGenix, Mr. Beyen was at Arthur D. Little, a consultancy firm, in Brussels, where he was responsible for their healthcare and biotechnology practice. Since April 2013, Mr. Beyen is CEO of 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).

7.3.8. Decrease of participation in Arcarios

After March 12, 2013, the Company's stake in Arcarios B.V. has decreased from 14.77% to 4.25% as a result of a capital increase in Arcarios B.V. in which the Company participated for a smaller part than its pro rata share prior to the capital increase.