TiGenix

Living Medicines

ANNUAL REPORT

2014

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RISK FACTORS

The risks that TiGenix believes to be material are described below. The occurrence of one or more of these risks may have a material adverse effect on the Company's cash flows, results of operations, financial condition and/or prospects and may even endanger the Company's ability to continue as a going concern. Moreover, the Company's share price could fall significantly if any of these risks were to materialise. However, these risks and uncertainties may not be the only ones faced by TiGenix. Additional risks, including those currently unknown or deemed immaterial, may also impair the Company's business operations. The risks listed below are not intended to be presented in any assumed order of priority.

The "Risk Factors" as included in this registration document have been substantially modified compared to the "Risk Factors" included in last year's registration document.

Risks Related to the Clinical Development and Regulatory Approval of the Company's Product Candidates

The Company may experience delays or failure in the preclinical and clinical development of its product candidates.

As part of the regulatory approval process, the Company conducts preclinical studies and clinical trials for each of its unapproved product candidates to demonstrate safety and efficacy. The number of required preclinical studies and clinical trials varies depending on the product, the indication being evaluated, the trial results and the applicable regulations. Clinical testing is expensive and can take many years to be completed, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and initial clinical trials do not necessarily predict the results of later stage clinical trials, and products may fail to show the desired safety, efficacy and quality despite having progressed through initial clinical trials. The data collected from preclinical studies and clinical trials may not be sufficient to support the European Medicines Agency ("EMA"), the U.S. Food and Drug Administration ("FDA") or other regulatory approval or approval by ethics committees in various jurisdictions. In addition, the review of a study by an independent data safety monitoring board or review body does not necessarily indicate that the clinical trial will ultimately be successfully completed.

The Company cannot accurately predict when its current preclinical studies and clinical trials or future clinical trials will be completed, if at all, nor when planned preclinical studies and clinical trials will begin or be completed. Successful and timely completion of clinical trials will require the Company to recruit a sufficient number of patient candidates, locate or develop manufacturing facilities with regulatory approval sufficient for production of the product to be tested and enter into agreements with third party contract research organizations to conduct the trials. The Company may need to engage or further engage in preclinical studies and clinical trials with partners, which may reduce any future revenues from any future products.

The Company's products may cause unexpected side effects or serious adverse events that could interrupt, delay or halt the clinical trials and could result in the EMA, the FDA or other regulatory authorities denying approval of its products for any or all targeted indications. An independent data safety monitoring board, an institutional review board or ethics board, the EMA, the FDA, any other regulatory authorities or the Company itself may suspend or terminate clinical trials at any time, and none of its product candidates may ultimately prove to be safe and effective for human use.

Regulatory approval of the Company's product candidates may be delayed, not obtained or not maintained.

In Europe, all of the Company's product candidates require regulatory approval through the centralized marketing authorization procedure coordinated by the EMA for advanced therapy medicinal products. In the United States, all of the Company's product candidates are subject to a biologics license application ("BLA") issued by the FDA.

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

Regulatory approval may be delayed, limited or denied for a number of reasons, most of which are beyond the control of the Company, including the following:

- The requirement to perform additional clinical trials.
- The failure of the product to meet the safety or efficacy requirements.
- The failure of the relevant manufacturing processes or facilities to meet the applicable requirements.

Any delay or denial of regulatory approval of the Company's product candidates or any failure to comply with post approval regulatory policies is likely to have a significant impact on its operations and prospects, in particular on its expected revenues.

Regulatory authorities, including the EMA and the FDA, may disagree with the Company's interpretations of data from preclinical studies and clinical trials, its interpretation of applicable regulations including, without limitations, regulations relating to patent term extensions or restorations. They may also approve a product for narrower spectrum of indications than requested or may grant approval subject to the performance of post marketing studies for a product. Such post approval studies, if required, may not corroborate the results of earlier trials. Furthermore, the general use of such products may result in either or both of the safety and efficacy profiles differing from those demonstrated in the trials on which marketing approval was based, which could lead to the withdrawal or suspension of marketing approval for the product. In addition, regulatory authorities may not approve the labelling claims that are necessary or desirable for the successful commercialization of its products.

In addition, a marketed product continues to be subject to strict regulation after approval. Changes in applicable legislation or regulatory policies or discovery of problems with the product, production process, site or manufacturer may result in delays in bringing products to the market, the imposition of restrictions on the product's sale or manufacture, including the possible withdrawal of the product from the market, or may otherwise have an adverse effect on the Company's business.

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

The Company may not receive regulatory clearance for trials at each stage and approval for its products and product candidates still in development without delay or at all. If the Company fails to obtain or maintain regulatory approval for its products, it will be unable to market and sell such products, and such failure or any delay could prevent the Company from ever generating meaningful revenues or achieving profitability.

The Company works in a strict regulatory environment, and future changes in any pharmaceutical legislation or guidelines, or unexpected events or new scientific insights occurring within the field of cell therapy, could affect its business.

Regulatory guidelines may change during the course of a product development and approval process, making the chosen development strategy suboptimal. This may delay development, necessitate additional clinical trials or result in failure of a future product to obtain marketing authorization or the targeted price levels and could ultimately adversely impact commercialization of the authorized product. Market conditions may change, resulting in the emergence of new competitors or new treatment guidelines, which may require alterations in the Company's development strategy. This may result in significant delays, increased trial costs, significant changes in commercial assumptions or the failure of future product candidates to obtain marketing authorization.

In the past, the regulatory environment in Europe and certain of the EU Member States has negatively affected the ChondroCelect business of the Company. In accordance with applicable ATMP regulations, as from 1 January 2013, all ATMPs in principle required central marketing authorization from EMA. This should have been beneficial for ChondroCelect as it was the first ATMP to have obtained such central marketing authorisation. However, the ATMP regulation provided for a hospital exemption which gave EU Member States the possibility to allow non-routine produced ATMPs in their markets without central marketing authorization from EMA. The implemention of this exemption by certain EU Member States, notably Spain and Germany, which had the most developed markets for autologous chondrocyte implantation (ACI) procedures, has allowed such countries to keep local products in the market without central marketing authorization from EMA, also after 1 January 2013, thereby significantly reducing the market potential for ChondroCelect, as indeed, time and costs required to obtain central marketing authorisation from EMA are significantly higher than the time and costs required to obtain local approval.

Although the basic regulatory frameworks appear to be in place in Europe and in the United States for cell based products, at present regulators have limited experience with such products and the interpretation of these frameworks is sometimes difficult to predict. Moreover, the regulatory frameworks themselves will continue to evolve as the EMA and the FDA issue new guidelines. The interpretation of existing rules or the issuance of new regulations may impose additional constraints on the research, development, regulatory approval, manufacturing or distribution processes of future product candidates.

Unexpected events may occur in the cell therapy field, in particular unforeseen safety issues in ongoing clinical trials of any cell therapy product. Moreover, scientific progress might yield new insights on the biology of stem cells which might in turn impact the requirements of safety and efficacy demonstration for stem cell or other cell therapies. Such events or new insights might change the regulatory requirements and framework, in particular strengthening the required clinical research package and increasing the amount of data required to be provided. This could result in additional constraints on the Company's product development process and lead to significant delays, which could prevent it from ever generating meaningful revenues or achieving profitability.

Risks Related to the Company's Financial Condition and Capital Requirements

If TiGenix fails to obtain additional financing, it may be unable to complete the development and commercialization of its product candidates.

The Company's operations have consumed substantial amounts of cash since inception. The Company expects to continue to spend substantial amounts to continue the clinical development of its product candidates. If its product candidates are approved, the Company will require significant additional funds in order to launch and commercialize such product candidates. The Company may also need to spend substantial amounts to expand its manufacturing infrastructure.

As of December 31, 2014, the Company had cash and cash equivalents of 13.5 million euros. This amount, together with the net proceeds from the issue by the Company of a 25 million euros convertible bond loan on March 6, 2015, will be sufficient to fund the Company's operations through at least mid second quarter 2016. However, changing circumstances may cause the Company to consume capital significantly faster than it currently anticipates, and the Company may need to spend more money than currently expected because of circumstances beyond its control. As a result, the Company may require additional capital for the further development and commercialization of its product candidates.

The Company's future funding requirements, both near and long term, will depend on many factors, including, but not limited to, the following:

- The initiation, progress, timing, costs and results of clinical trials for its product candidates.
- The clinical development plans the Company establishes for these product candidates.
- The number and characteristics of the product candidates that the Company develops and for which it seeks regulatory approval.
- The outcome, timing and cost of regulatory approvals by the EMA, the FDA and any other comparable foreign regulatory authorities, including the potential for the EMA, the FDA or any other comparable foreign regulatory authorities to require that the Company performs more studies than those that it currently expects.
- The cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.
- The effects of competing technological and market developments.
- The cost and timing of completion of commercial scale manufacturing activities.
- The cost of establishing sales, marketing and distribution capabilities for any product candidates for which the Company may receive regulatory approval in regions where it chooses to commercialize its products on its own.

Additional funding may not be available on a timely basis, on favorable terms, or at all, and such funds, if raised, may not be sufficient to enable the Company to continue to implement its business strategy. If the Company is unable to raise additional funds through equity or debt financing, it may need to delay, scale back or eliminate expenditures for some of its research, development and commercialization plans, or grant rights to develop and market products that it would otherwise prefer to develop and market itself, thereby reducing their ultimate value to the Company.

Finally, the Company may be required to repay part of subsidies that were previously granted to it. The Company's subsidiary is involved in a proceeding regarding the potential repayment of two subsidies granted to it in 2006 and 2007. Please refer to section 6.11.2 for more information.

The Company has a history of operating losses and an accumulated deficit and may never become profitable.

The Company has experienced operating losses since its founding in February 2000. The Company experienced net losses of 20.4 million euros for the year ended December 31, 2012, 18.4 million euros for the year ended December 31, 2013 and 13.0 million euros for the year ended December 31, 2014. As of December 31, 2014, the Company had an accumulated deficit of 87.0 million euros. These losses resulted mainly from the preclinical, clinical, manufacturing and regulatory efforts it undertook to advance the product candidates in its pipeline and to obtain marketing authorization from the EMA with respect to ChondroCelect, from its commercial efforts in launching ChondroCelect and from general and administrative costs associated with its operations. The Company's costs have always exceeded its revenues, which have been historically generated mainly through grants and income from the sale of ChondroCelect.

The Company's ability to become profitable depends on its ability to develop and commercialize its product candidates, and the Company does not know when, or if, it will generate significant revenues from their sales in the future. The Company's revenues to date from sales of ChondroCelect, its approved and commercialized product, have been limited.

Even if the Company does generate sales from its product candidates in the future, it may never achieve or sustain profitability. The Company anticipates that its operating losses will substantially increase over the next several years as it executes its plan to expand its research, development and commercialization activities, including the clinical development and planned commercialization of its product candidates. In addition, if the Company obtains regulatory approval of its product candidates, it may incur significant sales and marketing expenses. Because of the numerous risks and uncertainties associated with developing pharmaceutical products, the Company is unable to predict the extent of any future losses or when it will become profitable, if ever.

The Company's net losses and significant cash used in operating activities have raised substantial doubt regarding its ability to continue as a going concern.

The Company has a limited operating history and has experienced net losses and significant cash used in operating activities in each period since inception. The Company expects to continue to incur net losses and have significant cash outflows for at least the next year and has an accumulated deficit of 87.0 million euros as of December 31, 2014. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. As a result, the Company's statutory auditor included an explanatory paragraph in its report on the Company's financial statements as of and for the year ended December 31, 2013 with respect to this uncertainty. The Company's ability to continue as a going concern could materially limit its ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Future reports on the Company's financial statements may include an explanatory paragraph with respect to its ability to continue as a going concern. The Company has not been profitable since inception, and it is possible it will never achieve profitability. None of its product candidates can be marketed until governmental approvals have been obtained. Accordingly, there is no substantial source of revenues, much less profits, to sustain the Company's present activities, and no substantial revenues will likely be available until, and unless, its product candidates are approved by the EMA, FDA or comparable regulatory agencies in other countries and successfully marketed, either by the Company or a partner, an outcome which may not occur. Based upon the Company's currently expected level of operating expenditures, it expects to be able to fund its operations through mid second quarter 2016. This period could be shortened if there are any significant increases in planned spending on development programs or more rapid progress of development programs than anticipated. Other financing may not be available when needed to allow the Company to continue as a going concern. The perception that it may not be able to continue as a going concern may cause others to choose not to deal with the Company due to concerns about its ability to meet its contractual obligations.

The Company's revenues and operating results may fluctuate and may not be sufficient to cover its fixed costs.

The Company's revenues and operating results have fluctuated in the past and are likely to do so in the future due to a number of factors, many of which are not under its control. Some of the factors that could cause the Company's operating results to fluctuate include, but are not limited to, those listed below and identified throughout this registration document:

- The (positive or negative) success rate of the Company's development efforts.
- The Company's ability to manage future clinical trials, given the regulatory environment.
- The timing of approval, if any, of the Company's products by the appropriate regulatory bodies.
- The Company's ability to commercialize its products (including its ability to obtain reimbursement from public and private insurers for its products).

There is no direct link between the level of the Company's expenses in connection with developing its pipeline of expanded adipose derived stem cell ("eASC") based, product candidates and its revenues, which will primarily consist of royalties from sales of ChondroCelect under the Company's distribution agreement with Sobi until it is able to bring another product to market. Accordingly, if revenues decline or do not grow as the Company expects, it may not be able to reduce its operating expenses correspondingly and may suffer losses accordingly.

The allocation of available resources could affect the Company's ability to carry out its business plan.

The Company has significant flexibility and broad discretion to allocate and use its available resources. If such resources are not wisely allocated, the Company's ability to carry out its business plan could be threatened. The Board of Directors and management of the Company will determine, in their sole discretion and without the need for approval from the shareholders, the amounts and timing of the Company's actual expenditures, which will depend upon numerous factors, including the status of its product development and

commercialization efforts, if any, and the amount of cash received resulting from partnerships and out-licensing activities. For example, in the past, the Company did not have sufficient resources to both pursue the clinical development of the products coming from the allogeneic adipose derived stem cell platform and at the same time aggressively commercialize ChondroCelect. As a result, the Board decided to license out ChondroCelect to be able to concentrate the existing resources of the Group (human and capital) on the clinical development of the platform, because that was perceived as more valuable.

More generally, before the launch of ChondroCelect, the Company was expecting the product to be approved in Europe and the US. The FDA requirement to perform a second phase III trial in the US made it impossible (due to the cost associated with such trial) for the Company to pursue that market, the most important one in the world. In Europe, the Company had expected a quicker reimbursement in Spain and in the UK, an unrestricted reimbursement in Germany, a positive reimbursement in France (see also risk factor "*There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused, which could affect the Company's ability to commercialize its product candidates*" below) and a strict implementation of the ATMP regulation (see risk factor "*The Company works in a strict regulatory environment, and future changes in any pharmaceutical legislation or guidelines, or unexpected events or new scientific insights occurring within the field of cell therapy, could affect its business*" above), which should have forced all existing autologous chondrocyte implantation (ACI) products to exit the market. Therefore, the expectations in respect of the potential market and the uptake of the product were higher than the results that were effectively obtained. ChondroCelect is growing steadily but the level of resources needed to make ChondroCelect grow, compared to the potential return for the Company if these resources are deployed in the eASCs platform, made the Company decide to license out ChondroCelect to a third party.

Finally, the Company constantly evaluates opportunities to acquire businesses and technologies that it believes are complementary to its business activities.

The Company's international operations pose currency risks, which may adversely affect its operating results and net income.

The Company's operating results may be affected by volatility in currency exchange rates and its ability to manage effectively its currency transaction risks. The Company uses the euro as its currency for financial reporting purposes. In the future, a significant portion of its operating costs may be in U.S. dollars, because the Company may be entering into research and development collaborations, trial collaborations, and professional services contracts in the United States. The Company also expects a share of its future revenues to be in U.S. dollars. The Company's exposure to currency risks could increase over time. The Company does not manage its foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates. For example, the Company has not engaged in any active hedging techniques, and it has not employed any derivative instruments to date. Therefore, unfavorable fluctuations in the exchange rate between the euro and U.S. dollars could have a negative impact on its financial results.

Risks Related to the Company's Business

The manufacturing facilities where the Company's product candidates are made are subject to regulatory requirements that may affect the development of its product candidates and the successful commercialization of its product candidates.

The Company's product candidates must be manufactured to high standards in compliance with regulatory requirements. The manufacture of such product candidates is subject to regulatory authorization and to current good manufacturing practice ("cGMP") requirements, prescribed in the relevant country or territory of manufacture or supply.

The cGMP requirements govern quality control of the manufacturing process and require written documentation of policies and procedures. Compliance with such procedures requires record keeping and quality control to ensure that the product meets applicable specifications and other requirements including audits of vendors, contract laboratories and suppliers. Manufacturing facilities are subject to inspection by regulatory authorities at any time. If an inspection by a regulatory authority indicates that there are deficiencies, the Company could be required to take remedial actions, stop production or close the relevant facility. If the Company fails to comply with these requirements, it also may be required to curtail the relevant clinical trials, might not be permitted to sell its product candidates or may be limited as to the countries or territories in which it is permitted to sell them.

The Company's eASC based development and clinical stage product candidates are manufactured in its facilities in Madrid, Spain, which have been certified by the Spanish Medicines and Medical Devices Agency under cGMP requirements. However, the certification may be interrupted, suspended or discontinued because of a failure to maintain compliance or for any other reason. In addition, the regulations or policies applied by the relevant authorities may change, and any such change would require the Company to undertake additional

work, which may not be sufficient for it to comply with the revised standards.

Any failure to comply with applicable cGMP requirements and other regulations may result in fines and civil penalties, suspension of production, product seizure or recall, import ban or detention, imposition of a consent decree, or withdrawal of product approval, and may limit the availability of the Company's product candidates. Any manufacturing defect or error discovered after products have been produced and distributed also could result in significant consequences, including adverse health consequences, injury or death to patients, costly recall procedures, damage to the Company's reputation and potential for product liability claims. An inability to continue manufacturing adequate supplies of the Company's product candidates at its facilities in Madrid, Spain, could result in a disruption in the supply of its product candidates.

There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused, which could affect the Company's ability to commercialize its product candidates.

The Company's ability to commercialize future product candidates will depend, in part, on the availability of reimbursement from government and health administration authorities, private health insurers, managed care programs and other third party payers. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. In many countries, medicinal products are subject to a regime of reimbursement by government health authorities, private health insurers or other organizations. Such organizations are under significant pressure to limit healthcare costs by restricting the availability and level of reimbursement. For example, in respect of ChrondroCelect the Company obtained only limited reimbursement in Germany, experienced delays in the reimbursement in Spain and in the UK, and was not successful in obtaining reimbursement in France, which had a significant impact on the uptake of the product and on the need for continuous investment despite limited sales. Negative decisions by certain authorities or third party payers may have an unfavorable spillover effect on pending or future reimbursement applications.

The Company may not be able to obtain or maintain prices for products sufficient to realize an appropriate return on investment if adequate public health service or health insurance coverage is not available. In addition, rules and regulations regarding reimbursement may change, in some cases at short notice, especially in light of the global cost pressures on healthcare and pharmaceutical markets. Such changes could affect whether reimbursement is available at adequate levels or at all.

The Company's cell therapy product candidates may not be accepted by patients or medical practitioners.

The Company's ability to commercialize future product candidates and the ability of its distributors to further commercialize ChondroCelect will depend, in part, on market acceptance, including the willingness of medical practitioners to invest in training programs to use the products. Cell therapy products are a novel treatment, and such products may not be immediately accepted as complementary or alternative treatments to the current standards of care. The Company may not be able to obtain or maintain recommendations and endorsements from influential physicians, which are an essential factor for market acceptance of its product candidates, or its product candidates may not gain sufficient market recognition in spite of favorable opinions from key leaders.

The public perception of ethical and social issues surrounding the use of tissue engineered products or stem cells may limit or discourage the use of the Company's product candidates. The use of human cells, such as differentiated cartilage cells, eASCs and other adult stem cells, as starting material for the development of the Company's product candidates could generate negative public perceptions of its product candidates and public expressions of concern could result in stricter governmental regulation, which may, in turn, increase the cost of manufacturing and marketing its product or impede market acceptance of its product candidates.

The Company faces competition and technological change, which could limit or eliminate the market opportunity for its product candidates.

The pharmaceutical and biotechnology industry is characterized by intense competition and rapid innovation. The Company's product candidates will compete against a variety of therapies in development for inflammatory and autoimmune diseases that use therapeutic modalities such as biologics and cell therapy, including products under development by Anterogen, Delenex, Therapeutics, Novartis, Celgene, Bristol Myers Squibb, Sanofi/Regeneron, Johnson & Johnson, GlaxoSmithKline and others, including various hospitals and research centers. Likewise, with respect to the Company's licensed product, ChondroCelect, the market for the treatment of cartilage defects is highly fragmented and includes surgical treatments, other cell-based therapies for autologous chondrocyte implantation such as MACI, cell-free products such as scaffolds, and cells.

The Company's competitors may be able to develop other products that are able to achieve similar or better results than its product candidates. The Company's potential competitors include established and emerg-

ing pharmaceutical and biotechnology companies and universities and other research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations and well established sales forces. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated in the Company's competitors. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. The Company's competitors may succeed in developing, acquiring or licensing on an exclusive basis products that are more effective or less costly than its product candidates. The Company believes the key competitive factors that will affect the development and commercial success of its product candidates are efficacy, safety and tolerability profile, reliability, price and reimbursement.

The Company's employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

The Company is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with EMA or FDA regulations, to provide accurate information to the EMA or the FDA, to comply with manufacturing standards the Company has established, to comply with healthcare fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to the Company. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent off label promotion, fraud, kickbacks, self dealing and other abusive practices in jurisdictions where the Company conducts business. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. If governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of significant fines or other sanctions, up to and including criminal prosecution, fines and imprisonment.

The Company could face product liability claims, resulting in damages against which it is uninsured or underinsured.

The Company's business exposes it to potential product liability and professional indemnity risks, which are inherent in the research, development, manufacturing, marketing and use of medical treatments. It is impossible to predict the potential adverse effects that the Company's product candidates may have on humans. The use of its product candidates in human clinical trials may result in adverse effects, and long term adverse effects may only be identified following clinical trials and approval for commercial sale. In addition, physicians and patients may not comply with any warnings that identify the known potential adverse effects and the types of patients who should not receive the Company's product candidates. The Company may not be able to obtain necessary insurance at an acceptable cost or at all. The Company currently carries 10 million euros of liability insurance. In the event of any claim, the level of insurance the Company carries now or in the future may not be adequate, and a product liability or other claim may materially and adversely affect its business. If the Company cannot adequately protect itself against potential liability claims, it may find it difficult or impossible to commercialize its product candidates. Moreover, such claims may require significant financial and managerial resources, may harm the Company's reputation if the market perceives its drugs or drug candidates to be unsafe or ineffective due to unforeseen side effects, and may limit or prevent the further development or commercialization of its product candidates and future product candidates.

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

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

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

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

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

Risks Related to the Company's Intellectual Property

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

The Company's ability to compete effectively with other companies depends, among other things, on the exploitation of its technology. In addition, filing, prosecuting and defending patents on all of its product candidates throughout the world would be prohibitively expensive. The Company's competitors may, therefore, develop equivalent technologies or otherwise gain access to its technology, particularly in jurisdictions in which the Company has not obtained patent protection or in which enforcement of such protection is not as strong as it is in Europe and in the United States.

Patents might not be issued with respect to the Company's pending or future applications. The lack of any such patents may have a material adverse effect on its ability to develop and market its proposed product candidates. The Company may not be able to develop product candidates that are patentable, or its current or future patents may not be sufficiently broad in their scope to provide commercially meaningful protection against competition from third parties. The validity or scope of any of its patents may be insufficient, claims relating to its patents may be asserted by other parties and, if challenged, its patents may be revoked. Even if competitors do not successfully challenge the Company's patents, they might be able to design around such patents or develop unique technologies or products providing effects similar to its product candidates.

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

Third party claims of intellectual property infringement may prevent or delay the Company's product discovery and development efforts.

The Company's commercial success depends in part on avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries, as well as administrative proceedings for challenging patents, including oppositions before the European Patent Office, interference and reexamination proceedings before the U.S. Patent and Trademark Office and other comparable proceedings in foreign jurisdictions. Numerous patents and patent applications, which are owned by third parties, exist in the fields in which the Company is developing its product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that the Company's product candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that the Company is employing their proprietary technology without authorization. There may be third party patents of which the Company is currently unaware with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of its product candidates. Because patent applications can take many years, there may be currently pending patent applications that may later result in issued patents that the

Company's product candidates may infringe. In addition, third parties may obtain patents in the future and claim that the use of the Company's technologies infringes upon these patents. If any third party patents were held by a court of competent jurisdiction to cover the manufacturing process of the Company's product candidates, any molecules formed during the manufacturing process or any final product itself, the holders of any such patents might be able to block its ability to commercialize the product candidate, unless the Company were to obtain a license under the applicable patents, or until such patents expired or they were finally determined to be invalid or unenforceable. Similarly, if any third party patent were held by a court of competent jurisdiction to cover aspects of the Company's formulations, processes for manufacture or methods of use, the holders of any such patent might be able to block the Company's ability to develop and commercialize its product candidate unless the Company were to obtain a license or until such patent expired or was finally determined to be invalid or unenforceable. In either case, such a license might not be available on commercially reasonable terms or at all. If the Company is unable to obtain a necessary license to a third party patent on commercially reasonable terms, or at all, its ability to commercialize its product candidates might be impaired or delayed, which could in turn significantly harm its business.

Parties making claims against the Company may seek and obtain injunctive or other equitable relief, which could effectively block the Company's ability to develop further and commercialize its product candidates. Defence of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from the Company's business. In the event of a successful claim of infringement against the Company, it might have to pay substantial damages, including treble damages and attorneys' fees for wilful infringement, obtain one or more licenses from third parties, pay royalties or redesign its infringing products, which might be impossible or require substantial time and monetary expenditure. The Company cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, the Company might need to obtain licenses from third parties to advance its research or allow commercialization of its product candidates. The Company may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all.

The Company's future development may depend on its ability to obtain and maintain licenses to certain technologies.

The Company might further expand its activities in the future by in licensing certain technologies. Collaboration and integration may have an important impact on the success of its expansion strategy. In such a case, the Company might not own the patents or supplementary protection certificates on the basis of which these licenses may be granted. These licenses may generally be terminated by the licensor if the Company breaches certain of its obligations under the license and in other specified circumstances. If any of its license agreements were to be terminated, the further development and commercialization of some of its product candidates could be prevented or delayed, reducing their potential revenues. The scope of the Company's rights under such licenses may be subject to dispute by licensors or third parties. The Company might not control the filing or the prosecution of all the patents to which it holds licenses and may need to rely upon its licensors to enforce the patents and to prevent or to challenge possible infringement by third parties. The Company might not be able to obtain licenses for the technologies that it requires in the future.

The Company may be involved in lawsuits to protect or enforce its patents, which could be expensive, time consuming and unsuccessful.

Competitors may infringe the Company's patents. To counter infringement or unauthorized use, the Company may be required to file infringement claims, which can be expensive and time consuming. In addition, in an infringement proceeding, a court may decide that one or more of the Company's patents is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that the Company's patents do not cover the technology in question. An adverse result in any litigation or defence proceedings could expose one or more of the Company's patents to the risk of being invalidated, held unenforceable, or interpreted narrowly and could put its patent applications at risk of not issuing. Defence of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from the Company's business. In the event of a successful claim of infringement against the Company, it may have to pay substantial damages, including treble damages and attorneys' fees for willul infringement, obtain one or more licenses from third parties, pay royalties or redesign its infringing products, which may be impossible or require substantial time and monetary expenditure.

Interference proceedings provoked by third parties or brought by the U.S. Patent and Trademark Office may be necessary to determine the priority of inventions with respect to the Company's patents or patent applications. An unfavorable outcome could require the Company to cease using the related technology or to attempt to license rights to it from the prevailing party. The Company's business could be harmed if the prevailing party does not offer it a license on commercially reasonable terms. Litigation or interference proceed-

ings may fail and, even if successful, may result in substantial costs and distract the Company's management and other employees. The Company may not be able to prevent misappropriation of its confidential information, particularly in countries where the laws may not protect those rights as fully as in the United States and in Europe.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of the Company's shares.

The Company is currently engaged in proceedings challenging a patent owned by the University of Pittsburgh, and may choose to delay the launch of its eASC-based products in the United States until the expiration of the patent on March 10, 2020 due to the risk of patent infringement or further litigation.

On April 1, 2011, Cellerix (the predecessor entity of the Company's subsidiary TiGenix SAU) filed an inter partes re examination request with the U.S. Patent and Trademark Office regarding the patent US6777231, owned by the University of Pittsburgh. The U.S. Patent and Trademark Office examiner issued a decision concluding that all ten originally issued and all eighteen newly submitted claims of the patent granted to the University of Pittsburgh were invalid. The University of Pittsburgh then appealed the examiner's decision, but only with respect to two of the newly submitted claims. The Company cross appealed the examiner's refusal to reject those two newly submitted claims as anticipated by the prior art. The Patent Trial and Appeal Board issued a decision simultaneously granting both appeals, thus confirming that all claims of the patent were invalid, but with respect to the newly submitted claims, on different grounds than those cited in the decision by the initial examiner. On this basis, the University of Pittsburgh filed a request to reopen prosecution and submitted claim amendments to those newly submitted claims to the U.S. Patent and Trademark Office for further consideration in an attempt to overcome the Patent Trial and Appeal Board's institution of a new ground for rejection as anticipated by the prior art. The request to reopen prosecution on the basis of the amended claim has been accepted by the Patent and Trademark Office. The Company submitted comments to the U.S. Patent and Trademark Office arguing that these claim amendments did not overcome the anticipated rejection and as of December 31, 2014, the Company has not received any decision from the U.S. Patent and Trademark Office regarding the amended claims. The Company does not know when a final decision can be expected, and at this stage, it is not in a position to assess the probable outcome of these proceedings.

This proceeding may take longer than expected and may not ultimately succeed, which may result in unexpected additional costs and may have a material adverse effect on the Company's future business, financial condition, operating results and cash flow. If the re examination is not successful, the Company may be required to obtain a license on unfavorable terms, or may not be able to obtain a license at all in order to commercialize its adipose derived stem cell products in the United States. The Company would potentially be susceptible to patent infringement or litigation regarding patent infringement while commercializing its eASC products in the United States. The Company may, therefore, choose to delay the launch of its adipose derived stem cell products in the U.S. market until the expiration of the patent US6777231 on March 10, 2020. To avoid infringing granted patents equivalent to US6777231 in other countries, the Company may at any given point in time be forced to develop and utilize alternative technology, to exploit its current technology and products under a royalty bearing license with respect to the intellectual property rights of other parties or to delay the launch of its adipose derived stem cell products in the relevant market until patent expiration.

Risks Related to the Company's Dependence on Third Parties

The Company relies on third parties to manufacture its product ChondroCelect, and, in the future, it may rely on third parties to manufacture its product candidates; a failure of service by such parties could adversely affect its business and reputation.

PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, has purchased the Company's former Dutch subsidiary holding its manufacturing facility. The Company's former subsidiary will continue to manufacture ChondroCelect in that facility under a long term manufacturing agreement. The Company also entered into an agreement with Lonza, a U.S. based contract manufacturing organization, and will start the process for technology transfer in connection with a proposed Phase III study with respect to Cx601 in the United States. The Company is, therefore, exposed to risks relating to the conduct of business of such parties, including the following:

- Their ability to employ and retain suitably qualified staff and maintain good labor relations with their workforce.
- Their ability to meet the required legal, regulato-

ry or quality control standards, including the cGMP requirements prescribed in the relevant country or territory of manufacture or supply.
- Their level of investment in their facilities and equipment and their ability to consistently manufacture the Company's product candidates to the required standard.

In addition, the Company may face challenges in communicating with such third parties, which could potentially lead to mistakes and difficulties in coordinating activities. The Company could also face unexpected cost increases that are beyond its control.

Any failure by such parties to meet the required standards could have a materially adverse effect on the Company's reputation or expose it to legal liability, with respect to which it may have limited recourse to the defaulting party. If such a party were to breach its contractual commitments to the Company, its only option might be to seek a legal remedy, which could be costly or time consuming and, even if successful, may not fully compensate the Company for its damages. If the Company has to terminate its relationship with such a party due to problems with the timeliness or quality of their work, it may not be able to replace them on commercially acceptable terms, or at all, which could delay or threaten its ability to generate meaningful revenue from product sales as a result of which the Company may have insufficient capital resources to support its operations.

The Company may need to rely on distributors and other third parties to commercialize its product candidates, and such distributors may not succeed in commercializing its product candidates effectively or at all.

For some market opportunities, the Company may need to enter into co development, co promotion or other licensing arrangements with larger pharmaceutical firms to increase the chances of commercial success of its product candidates. For example, with respect to ChondroCelect the Company has entered into an exclusive distribution agreement with Sobi for the European Union (excluding Finland) as well as several other countries. In the future, the Company may enter into additional distribution agreements in other territories in respect of its product candidates. It may not be able to establish sales, marketing and distribution capabilities of its own or to enter into arrangements with contract sales organizations or larger pharmaceutical firms in a timely manner or on acceptable terms. Additionally, building marketing and distribution capabilities may be more expensive than the Company anticipates and may require it to divert funds from other intended purposes or prevent it from building its own marketing and distribution capabilities to desired levels.

Therefore, the performance of the Company's product candidates will depend in part on its ability to attract and retain suitable partners that will be able to market and support its products effectively. The Company may lose one or more of its distributors or might not be able to recruit additional or replacement distributors.

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

The Company's distributors may be faced with hurdles in reimbursement, market acceptance, distribution and competition that delay or even prevent the commercialization of its product candidates. The ability of its distributors to commercialize its product candidates also depends, in part, on the extent to which the Company's competition will react.

The Company relies on third parties to conduct its clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Company may not be able to obtain regulatory approval for, or commercialize, its product candidates.

The Company relies on third party contract research organizations to conduct clinical trials for its product candidates, and it controls only certain aspects of their activities. Nevertheless, the Company is responsible for ensuring that each of its studies is conducted in accordance with applicable protocol, legal, regulatory and scientific standards, and its reliance on its contract research organizations does not relieve it of its regulatory responsibilities. The Company and its contract research organizations will be required to comply with current good clinical practices ("cGCP") requirements, which are a collection of regulations enforced by the EMA, the FDA and comparable foreign regulatory authorities for product candidates in clinical development. These cGCP requirements are intended to protect the health, safety and welfare of study subjects through requirements such as informed consent. Regulatory authorities enforce these cGCP requirements through periodic inspections of trial sponsors, principal investigators and study sites. If the Company or any of these contract research organizations fail to comply with applicable cGCP regulations, the clinical data generated in the Company's clinical trials may be deemed unreliable and the EMA, the FDA or a comparable foreign regulatory authority may require it to perform additional clinical trials before approving its marketing applications. Upon inspection, such regulatory authorities might determine that any of its clinical trials do not comply with cGCP regulations. In addition, for biological products, its clinical trials must be conducted with products made under cGMP regulations and will require a large

number of test subjects. The Company's failure or any failure by its contract research organizations to comply with these regulations or to recruit a sufficient number of patients may require it to repeat clinical trials, which would delay the regulatory approval process. Moreover, the Company may be implicated or subject to civil or criminal liability if any of its contract research organizations violates fraud and abuse or false claims laws and regulations or healthcare privacy and security laws in any jurisdiction in which it conducts its trials.

The contract research organizations will not be employed directly by the Company and, except for remedies available to it under its agreements with such contract research organizations, the Company cannot control whether they devote sufficient time and resources to its ongoing preclinical and clinical programs. These contract research organizations may also have relationships with other commercial entities, including competitors of the Company, for whom they may also be conducting clinical studies or other product development activities, which could affect their performance on the Company's behalf. If these contract research organizations do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to the Company's clinical protocols or regulatory requirements or for other reasons, its clinical trials may be extended, delayed or terminated, and the Company may not be able to complete development of, obtain regulatory approval for, or commercialize its product candidates.

Switching or adding contract research organizations involves substantial cost and requires extensive management time and focus. In addition, there is a natural transition period when a new contract research organization commences work. As a result, delays may occur, which could materially affect the Company's ability to meet its desired clinical development timelines. The Company may encounter challenges in its relationships with its contract research organizations or delays in the future.

The Company may form or seek strategic alliances in the future, and it might not realize the benefits of such alliances.

The Company may form or seek strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that it believes will complement or augment its development and commercialization efforts with respect to its product candidates and any future products that it may develop. Any of these relationships may require the Company to incur non recurring and other charges, increase its near and long term expenditures, issue securities that dilute its existing shareholders or disrupt its management and business. In addition, the Company faces significant competition in seeking appropriate strategic partners, and the negotiation process is time consuming and complex. Moreover, the Company may not be successful in its efforts to establish a strategic partnership or other alternative arrangements for its product candidates, because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view its product candidates as having the requisite potential to demonstrate safety and efficacy. If the Company licenses products or businesses, it may not be able to realize the benefit of such transactions if it is unable to integrate them with its existing operations and company culture. Following a strategic transaction or license, the Company might not be able to achieve the revenues or specific net income that justifies such transaction. Any delays in entering into new strategic partnership agreements related to the Company's product candidates could delay the development and commercialization of its product candidates in certain geographies for certain indications.

1. INTRODUCTION

Annual report 2014

This annual report of TiGenix (also referred to herein as the "Company") is a registration document in accordance with article 28 of the Belgian Act of June 16, 2006 relating to public offerings of securities and the admission for trading on a regulated market. The English version of this annual report has been approved by the Financial Services and Markets Authority on March 17, 2015, according to article 23 of the aforementioned Act.

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

Language of this annual report

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

Availability of the annual report

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

TiGenix NV
Attn. Richard Simpson
Romeinse straat 12, box 2
3001 Leuven
Belgium
Phone: +32 16 39 60 60
Fax: +32 16 39 79 70
E-mail: investor@tigenix.com

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

Forward looking statements

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

All statements are made and all information is provided as of December 31, 2014, except when explicitly mentioned otherwise.

2. PERSONS RESPONSIBLE FOR THE CONTENT OF THIS REGISTRATION DOCUMENT

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

3. STATUTORY AUDITOR

BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, a civil company, having the form of a co-operative company with limited liability (*coöperatieve vennootschap met beperkte aansprakelijkheid / société coopérative à responsabilité limitée*) organised and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9 – Box E.6, Elsinore Building, 1935 Zaventem, Belgium (registered with the Institute of Statutory Auditors (*Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises*) under number B00023), represented by Gert Claes, has been re-appointed statutory auditor of the Company on April 22, 2013 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.

The total remuneration of the statutory auditor (and related firms) in 2014 amounted to EUR 96,707.00 (excluding VAT) (audit fees related to TiGenix NV and TiGenix SAU, as well as fees related to assignments entrusted to the statutory auditor by law) and EUR 766,460.55 (excluding VAT) (fees for other services, related to the TiGenix group).

4. SELECTED FINANCIAL INFORMATION

Thousands of euros	Years ended December 31		
CONSOLIDATED INCOME STATEMENTS	**2014**	**2013**	**2012**
Royalties	338	—	—
Grants and other operating income	5,948	883	1,389
Total revenues	**6,286**	**883**	**1,389**
Research and development expenses	-11,443	-9,843	-12,140
General and administrative expenses	-7,406	-5,829	-6,237
Operating Loss	**-12,563**	**-14,789**	**-16,989**
Financial income	115	7	35
Financial expenses	-966	-45	-58
Foreign exchange differences	1,101	-352	-142
Income taxes	927	59	-1
Loss for the period from continuing operations	**-11,386**	**-15,120**	**-17,154**
Loss for the period from discontinued operations	-1,605	-3,270	-3,239
Loss for the period	**-12,990**	**-18,390**	**-20,393**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	**2014**	**2013**	**2012**
Non-current assets	36,808	38,863	48,315
Current assets	17,113	18,045	15,642
Of which cash and cash equivalents	13,471	15,565	11,072
Assets held for sale	—	6,135	—
TOTAL ASSETS	**53,921**	**63,043**	**63,957**
Total equity	34,757	48,222	48,568
Non-current liabilities	10,681	8,378	6,306
Current liabilities	8,483	5,878	9,083
Liabilities related to non-current assets held for sale	—	566	—
TOTAL EQUITY AND LIABILITIES	**53,921**	**63,043**	**63,957**

CONSOLIDATED STATEMENTS OF CASH FLOWS	**2014**	**2013**	**2012**
Operating cash flows	-13,367	-14,425	-17,627
Investing cash flows	3,307	-1,320	-721
Financing cash flows	7,969	20,237	9,647
Net change in cash and cash equivalents	-2,091	4,490	-8,701
Cash and cash equivalents at end of period	13,471	15,565	11,072

5. INFORMATION ABOUT THE COMPANY AND THE GROUP

5.1. General

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

This chapter summarises the corporate purpose, share capital and corporate structure of the Company and is partially based on the Company's Articles of Association that have last been amended by shareholders' meeting of September 8, 2014.

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

5.2 Corporate purpose

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

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

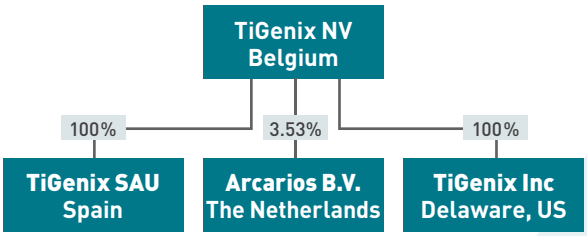
It may engage in all possible commercial, industrial, financial, movable and immovable, transactions, which are, directly or indirectly related to its corporate purpose or which are likely to enhance it. It may, amongst others, cooperate with, participate in, in any way whatsoever, directly or indirectly,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

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

5.3. Organisational structure

The Company was founded on February 21, 2000, initially to capitalize on technology developed at the universities of Leuven and Ghent for the regeneration of cartilage, bone and other musculoskeletal tissues.

The following chart illustrates the Company's corporate structure as of the date of this registration document:



TiGenix SAU. On May 3, 2011, the Company acquired Cellerix, a cell therapy company based in Madrid, Spain. Cellerix, which was later renamed TiGenix SAU, had an eASC based technology platform for indications of inflammatory and autoimmune origin that are the basis of our pipeline. The Cellerix team and facilities have been completely integrated into our organization.

Arcarios B.V. On July 8, 2010, the Company spun off certain drug discovery assets to the Dutch company Arcarios B.V. (formerly named Therosteon B.V.) in which we hold a 3.53% equity stake as of September 30, 2014.

TiGenix Inc. On February 7, 2006, the Company incorporated TiGenix Inc., a wholly owned U.S. subsidiary. On May 8, 2007, TiGenix Inc. and Cognate BioServices, Inc. created a 50/50 joint venture asset management company, TC CEF LLC. TC CEF LLC subsequently acquired the assets of a fully equipped cell expansion facility from Cell Genesys, Inc., with a view to manufacturing ChondroCelect in the context of clinical trials required by the FDA and to be able to service the US market after obtaining marketing approval of ChondroCelect in the U.S. However, in view of the time and costs related to obtaining such marketing approval in the U.S., the Company abandoned its plans to enter the US market independently as a result of which, with effect as of November 23, 2010, TiGenix Inc. has withdrawn itself from TC CEF LLC and has terminated its membership

interests in TC CEF LLC. Currently, TiGenix Inc. is not active.

Former Subsidiaries. On September 24, 2009, the Company set-up a wholly-owned Dutch subsidiary, TiGenix B.V. TiGenix B.V. constructed a new European human cell expansion facility in Geleen to increase the manufacturing capacity of ChondroCelect in Europe. Effective May 31, 2014, the Company sold all shares of TiGenix B.V. to PharmaCell B.V.

On November 30, 2009, the Company acquired Orthomimetics Limited, a biomaterials company which was later renamed to TiGenix Ltd. TiGenix Ltd designed, developed and manufactured novel, bioresorbable implants for the regenerative repair of articular joint damage resulting from sports injuries and other trauma. However, in view of TiGenix's new strategic direction and exclusive focus on cell therapy since 2011 and to allow the Company to fully focus on the further commercial roll-out of ChondroCelect and its cell therapy product development pipeline, the Company decided to cease the activities of TiGenix Ltd and close-down TiGenix Ltd. Therefore, the IP of TiGenix Ltd., recognized in the Group's intangible assets, was fully impaired in the 2011 financial accounts. TiGenix Ltd was dissolved in May 2014.

5.4. Important events in the development of the Company's business

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

Year	Key operational milestones and achievements
2000	Incorporation of TiGenix NV
2001	TiGenix's cell expansion facility in Leuven (Belgium) operational
2002	Start of Phase III clinical trial for ChondroCelect
2007	IPO – Listing on NYSE Euronext
2009	ChondroCelect is granted European Marketing Authorisation Acquisition of Orthomimetics Limited (renamed: TiGenix Ltd)
2010	Commercial launch of ChondroCelect
2011	National reimbursement for ChondroCelect in Belgium Business combination with Cellerix SA (renamed: TiGenix SAU) Commercialization agreement for ChondroCelect in Finland Cx611 Phase IIa initiated Cx621 Phase I initiated
2012	Decision to close TiGenix Ltd (Orthomimetics Limited) TiGenix's manufacturing facility in Geleen (the Netherlands) operational National reimbursement for ChondroCelect in the Netherlands (retroactive to January 2011) Cx621 Phase I successful conclusion Cx601 European Phase III initiated Commercialization agreement for ChondroCelect in the Middle East
2013	National reimbursement for ChondroCelect in Spain Cx611 positive Phase IIa results Grifols (Gri-Cel) acquires 21% of TiGenix's capital
2014	Sale of Dutch subsidiary and manufacturing facility TiGenix B.V. to PharmaCell Exclusive license of marketing and distribution rights for ChondroCelect to Sobi Cx601 European Phase III completion of patient recruitment Cx611 Phase I trial in severe sepsis initiated Submission of US trial design for Cx601 to the FDA for Special Protocol Assessment

5.5. Share capital and shares

5.5.1. Share capital and shares

As per December 31, 2014, the Company's registered capital amounted to EUR 16,047,662.00, represented by 160,476,620 common shares without nominal value. The capital is fully paid up. The amount of the registered capital and the number of shares have remained unchanged since December 31, 2014.

As per January 1, 2014, the Company's registered capital was represented by 160,476,620 shares.

No shares were issued in 2014.

The table below provides an overview of the history of the Company's share capital for the financial years 2012, 2013 and 2014. The overview should be read together with the notes set out below the table.

Date	Transaction	Number and class of shares issued	Issuance price per share (EUR) (incl. issuance premium)	Capital increase (EUR)	Share capital after transaction	Aggregate number of shares after capital increase
Situation as per December 31, 2011	NA	NA	NA	NA	89,091,655.28	91,122,667
April 17, 2012	Capital increase in kind[1]	536,534	4.28	525,803.32	89,617,458.60	91,659,201
May 11, 2012	Capital decrease[2]	NA	NA	Decrease of EUR 80,451,538.50	9,165,920.10	91,659,201
December 27, 2012	Capital increase in cash[3]	8,629,385	0.78	862,938.50	10,028,858.60	100,288,586
July 24, 2013	Capital increase in cash[4]	21,259,092	0.25	2,125,909.20	12,154,767.80	121,547,678
July 26, 2013	Capital increase in cash[4]	4,740,908	0.25	474,090.80	12,628,858.60	126,288,586
November 22, 2013	Capital increase in cash[5]	34,188,034	0.351	3,418,803.40	16,047,662.00	160,476,620

Notes

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

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

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

4 *The 26,000,000 (i.e. 21,259,092 + 4,740,908) shares were subscribed to at the occasion of the private placement that was carried out in July 2013.*

5 *The 34,188,034 shares were subscribed to at the occasion of the private placement that was carried out in November 2013.*

5.5.2 Authorized capital

On September 8, 2014, the shareholders' meeting 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 of EUR 16,047,662.00.

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' authorization 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 October 8, 2019.

Taking into account that since the renewal of the authorization in respect of the authorised capital on September 8, 2014, no capital increases have taken place within the framework of the authorized capital, the authorized capital amounts to EUR 16,047,662 as per December 31, 2014.

5.6. Description of Rights and benefits attached to shares

5.6.1. Voting rights

Each shareholder is entitled to one vote per share.

Voting rights can be suspended in relation to shares:

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

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

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

5.6.2. Right to attend and vote at shareholders' meetings

Annual shareholders' meeting

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

Special and extraordinary shareholders' meetings

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

Notices convening the shareholders' meeting

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

The notice must be published in the Belgian Official Gazette (*Belgisch Staatsblad / Moniteur belge*) at least 30 days prior to the shareholders' meeting. In the event a second convening notice is necessary and the date of the second meeting is mentioned in the first convening notice, that period is 17 days prior to the shareholders' meeting. The notice must also be published in a national newspaper 30 days prior to the date of the shareholders' meeting, except if the meeting concerned is an annual shareholders' meeting held at the municipality, place, day and hour mentioned in the Articles of Association and whose agenda is limited to the examination of the annual accounts, the annual report of the Board of Directors, the annual report of the statutory auditor, the vote on the discharge of the directors and the statutory auditor, and the vote on the items referred to in Article 554, par. 3 and 4 of the Companies Code (*i.e.* in relation to a remuneration report or a severance pay). Finally, the notice must also be published in media expected to have a wide diffusion. The annual accounts, the annual report of the Board of Directors and the annual report of the statutory auditor must be made available to the public as from the date on which the convening notice for the annual shareholders' meeting is published.

Convening notices must be sent 30 days prior to the shareholders' meeting to the holders of registered shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the cooperation of the Company and to the directors and statutory auditor of the Company. This communication is made by ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfilment of such formality.

Formalities to attend the shareholders' meeting

The formalities to attend the shareholders' meeting are the following:

- A shareholder is only entitled to participate in and vote at the shareholders' meeting, irrespective of the number of shares he owns on the date of the shareholders' meeting, provided that his shares are recorded in his name at midnight (12pm CET) of the fourteenth (14th) day preceding the date of the shareholders' meeting (the "**record date**"):
  - in case of registered shares, in the register of registered shares of the Company; or
  - in case of dematerialised shares, through book-entry in the accounts of an authorized account holder or clearing organisation.
- In addition, the Company (or the person designated by the Company) must, at the latest on the sixth (6th) day preceding the day of the shareholders' meeting, be notified as follows of the intention of the shareholder to participate in the shareholders' meeting:
  - in case of registered shares, the shareholder must, at the latest on the above-mentioned date, notify the Company (or the person designated by the Company) in writing of his intention to participate in the shareholders' meeting and of the number of shares he intends to participate in the shareholders' meeting with by returning a signed paper form, or, if permitted by the convening notice, by sending an electronic form (signed by means of an electronic signature in accordance with the applicable Belgian law) electronically, to the Company on the address indicated in the convening notice; or
  - in case of dematerialised shares, the shareholder must, at the latest on the above-mentioned date, provide the Company (or the person designated by the Company), or arrange for the Company (or the person designated by the Company) to be provided with, a certificate issued by the authorized account holder or clearing organisation certifying the number of dematerialised shares recorded in the shareholder's accounts on the record date in respect of which the shareholder has indicated his intention to participate in the shareholders' meeting.

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

Proxy

Each shareholder has the right to attend a shareholders' meeting and to vote at the shareholders' meeting in person or through a proxy holder. The proxy holder does not need to be a shareholder.

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

The Board of Directors may determine the form of the proxies. The appointment of a proxy holder must in any event take place in paper form or electronically, the proxy must be signed by the shareholder (as the case may be, by means of an electronic signature in accordance with the applicable Belgian law) and the Company must receive the proxy at the latest on the sixth (6th) day preceding the day on which the shareholders' meeting is held.

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

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

One or more shareholders holding at least 3% of the capital of the Company may request for items to be added to the agenda of any convened meeting and submit proposed resolutions in relation to existing agenda items or new items to be added to the agenda, provided that (i) they prove ownership of such shareholding as at the date of their request and record their shares representing such shareholding on the record date and (ii) the additional items on the agenda and/or proposed resolutions have been submitted in writing by these shareholders to the Board of Directors at the latest on the twenty second (22nd) day preceding the day on which the relevant shareholders' meeting is held. The shareholding must be proven by a certificate evidencing the registration of the relevant shares in the share register of the Company or by a certificate issued by the authorized account holder or the clearing organ-

isation certifying the book-entry of the relevant number of dematerialised shares in the name of the relevant shareholder(s). As the case may be, the Company shall publish the modified agenda of the shareholders' meeting, at the latest on the fifteenth (15th) day preceding the day on which the shareholders' meeting is held. The right to request that items be added to the agenda or that proposed resolutions in relation to existing agenda items be submitted does not apply in case of a second extraordinary shareholders' meeting that must be convened because the quorum was not obtained during the first extraordinary shareholders' meeting.

Within the limits of Article 540 of the Companies Code, the directors and auditors answer, during the shareholders' meeting, the questions raised by shareholders. Shareholders can ask questions either during the meeting or in writing provided that the Company receives the written question at the latest on the sixth (6th) day preceding the day on which the shareholders' meeting is held.

Quorum and majorities

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

5.6.3. Dividends

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

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

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

5.6.4. Rights regarding dissolution and liquidation

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

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

of losses incurred the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that the dissolution only requires the approval of shareholders representing 25% of the votes cast at the meeting. If the amount of the Company's net assets has dropped below EUR 61,500 (the minimum amount of share capital of a public limited liability company), each interested party is entitled to request the competent court to dissolve the Company. The court can order the dissolution of the Company or grant a grace period within which the Company is to remedy the situation.

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

5.6.5. Modifications of share capital

Changes to the share capital decided by the shareholders

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

Capital increases by the Board of Directors

Subject to the same quorum and majority requirements, the shareholders' meeting can authorise the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the shareholders (the "authorized capital"). This authorization needs to be limited in time (*i.e.*, it can only be granted for a renewable period of maximum five years), and in scope (*i.e.*, the authorized capital may not exceed the amount of the registered capital at the time of the authorization). Please refer to section 5.5.2 for more information on the current status of the authorized capital.

5.6.6. Preferential subscription right

In the event of a capital increase in cash with issuance of new shares, or in the event of an issuance of convertible bonds or warrants, the existing shareholders have a preferential right to subscribe to the new shares, convertible bonds or warrants, pro rata of the part of the share capital represented by the shares that they already have. The shareholders' meeting can decide to limit or cancel this preferential subscription right, subject to special reporting requirements. Such decision needs to satisfy the same quorum and majority requirements as the decision to increase the Company's share capital. The 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 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 September 8, 2014 granted this authorization to the Board of Directors. See also under section 5.5.2.

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

5.7. Warrants

The Company has created a number of warrants. This section provides an overview of the outstanding warrants as at December 31, 2014.

On February 26, 2007 (800,000), March 20, 2008 (400,000), June 19, 2009 (500,000), March 12, 2010 (500,000) July 6, 2012 (4,000,000), March 20, 2013 (777,000), December 16, 2013 (1,806,000) and April 22, 2014 (1,994,302) in the aggregate 10,777,302 warrants were issued, subject to the warrants being granted to and accepted by the beneficiaries. Of these 10,777,302 warrants, (i) 734,800 warrants expired as they have not been granted, (ii) 379,250 warrants have expired as they have not been accepted by their beneficiaries, (iii) 1,071,774 warrants have lapsed due to their beneficiaries leaving the Company, and (iv) 2,500 warrants have been exercised,. As a result, as at December 31, 2014, there are 8,588,978 warrants outstanding.

The warrants are granted to employees, consultants or directors of the Company and its subsidiaries, as well as to other persons who in the scope of their professional activity have made themselves useful to the Company, including but not limited to the members of the scientific advisory board and the clinical advisors. The warrants have been granted free of charge. Each warrant en-

titles its holder to subscribe to one common share of the Company at a subscription price determined by the Board of Directors, within the limits decided upon at the occasion of their issuance.

The warrants issued on February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010, July 6, 2012 and December 16, 2013 have a term of 10 years. The warrants issued on March 20, 2013 and April 22, 2014 have a term of 5 years. Upon expiration of the 10 or 5 year term, the warrants become null and void.

The warrants issued on February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010 vest, in principle, in cumulative tranches of 25% per year, *i.e.*, 25% as of the first anniversary date of their granting, 50% as of the second anniversary date of their granting, 75% as of the third anniversary date of their granting, 100% as of the fourth anniversary date of their granting provided that the cooperation between the Company and the warrant holder has not yet ended, unless the Board of Directors approved a deviation from this vesting scheme. As to the warrants issued on July 6, 2012 and March 20, 2013, in principle, (i) 1/3rd of the warrants granted will vest on the first anniversary of the granting of the warrants and (ii) 1/24th of the remaining 2/3rd of the warrants granted will vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants[1]. As to the warrants issued on December 16, 2013, in principle, (i) 10% of the warrants granted will vest on the date of acceptance of the warrants, (ii) 25% of the warrants granted will vest on the first anniversary of the granting of the warrants and (iii) 65% of the warrants granted will only vest (1/24th on the last day of each of the months included in the period January 2015 to December 2016) if the Company effectively enters into certain business transactions. The warrants issued on April 22, 2014 have all vested upon acceptance of the warrants. The warrants can only be exercised by the warrant holder if they have effectively vested.

1 *However, the 160,000 warrants granted to Gil Beyen BVBA, represented by Gil Beyen, under the March 20, 2013 warrant plan, vest as follows: (i) 80,000 warrants vested upon the acceptance of the warrants on July 6, 2013, and (ii) 80,000 warrants vested on 1 June 2014.*

The table below gives an overview (as at December 31, 2014) of the 8,588,978 outstanding warrants described above. The table should be read together with the notes referred to below.

Issue date	Term	Number of warrants issued	Number of warrants granted	Exercise price (EUR)	Number of warrants no longer exercisable	Number of warrants outstanding	Exercise periods vested warrants
February 26, 2007	From February 26, 2007 to February 25, 2017	800,000	681,500	6.75 (March 24, 2007 grant) 5.23 (September 17, 2007 grant)	290,187[1]	509,813	From May 1 to 31, and from November 1 to 30
March 20, 2008	From March 20, 2008 to March 19, 2018	400,000	400,000	4.05 for employees and 4.41 for other individuals (March 20, 2008 grant) 4.84 (June 27, 2008 grant) 3.48 (September 15, 2008 grant)	113,500[2]	286,500	From May 1 to 31, and from November 1 to 30
June 19, 2009	From June 19, 2009 to June 18, 2019	500,000	232,200	3.95 (June 26, 2009 grant)	360,200[3]	139,800	From May 1 to 31, and from November 1 to 30
March 12, 2010	From March 12, 2010 to March 11, 2020	500,000	495,500	3.62 (March 12, 2010 grant) 1.65 for employees and 1.83 for other individuals (July 7, 2010 grant) 1.93 (August 24, 2010 grant)	342,000[4]	158,000	From May 1 to 31, and from November 1 to 30
July 6, 2012	From July 6, 2012 to July 5, 2022	4,000,000	4,000,000	1.00	657,167[5]	3,342,833	From May 1 to 31, and from November 1 to 30

Issue date	Term	Number of warrants issued	Number of warrants granted	Exercise price (EUR)	Number of warrants no longer exercisable	Number of warrants outstanding	Exercise periods vested warrants
March 20, 2013	From March 20, 2013 to March 19, 2018	777,000	433,000	1.00	344,000[6]	433,000	From May 1 to 31, and from November 1 to 30
December 16, 2013	From December 16, 2013 to December 15, 2023	1,806,000	1,806,000	0.46 for employees and 0.50 for other individuals (December 16, 2013 grant)	81,270[7]	1,724,730	From May 1 to 31, and from November 1 to 30
April 22, 2014	From April 22, 2014 to April 21, 2019	1,994,302	1,994,302	0.75	0	1,994,302	At any time
TOTAL		**10,777,302**				**8,588,978**	

Notes
1 *118,500 warrants have expired as they have not been granted; 103,750 warrants have expired as they have not been accepted by their beneficiary and 67,937 warrants have lapsed due to their beneficiary leaving the Company.*
2 *38,000 warrants have expired as they have not been accepted by their beneficiary and 73,000 warrants have lapsed due to their beneficiary leaving the Company. 2,500 warrants have been exercised and are therefore no longer outstanding.*
3 *267,800 warrants have expired as they have not been granted; 62,000 warrants have expired as they have not been accepted by their beneficiary and 30,400 warrants have lapsed due to their beneficiaries leaving the Company.*
4 *4,500 warrants have expired as they have not been granted; 123,500 warrants have expired as they have not been accepted by their beneficiary and 214,000 warrants have lapsed due to their beneficiary leaving the Company.*
5 *52,000 warrants have expired as they have not been accepted by their beneficiary and 605,167 warrants have lapsed due to their beneficiary leaving the Company.*
6 *344,000 warrants have expired as they have not been granted.*
7 *81,270 warrants have lapsed due to their beneficiary leaving the Company.*

On December 31, 2014, the total number of all outstanding warrants that have already been granted, is 8,588,978, which represents approximately 5.08% of the total number of all issued and outstanding voting financial instruments, as shown in section 5.8.

For completeness, reference is made to section 7.6.4 in respect of two Equity Based Incentive Plans ("**EBIPs**") created by the Company's subsidiary, TiGenix SAU, prior to the contribution of all shares of TiGenix SAU to the Company in May 2011 (the "**Contribution**"). Under the EBIPs, options were granted to employees, executives and independent members of the board of directors of TiGenix SAU prior to the Contribution. Following the Contribution, when the EBIP options are exercised, a beneficiary will be entitled to receive a number of TiGenix NV shares corresponding to approximately 2.96 shares per option under any of the EBIPs.

For more information, please refer to the various subsections of section 7.6.4.

5.8. Outstanding financial instruments

The table below provides an overview of the issued and outstanding voting financial instruments, whether or not representing the Company's share capital on December 31, 2014.

		Number	%
A	Issued shares	160,476,620	94.92%
B	Shares to be issued upon the exercise of all outstanding warrants	8,588,978	5.08%
C	**Total (A)+(B)**	**169,065,598**	**100.00%**

6. BUSINESS OVERVIEW

Most of the information contained in this chapter is based on the Company's own estimates, believed by the Company to be reasonable. Certain market size data and certain other information contained in this chapter are based on publications by leading organizations and scientific journals. The information published by such organizations and journals has been accurately reproduced and as far as the Company is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has not independently verified this information. Furthermore, market information is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market information. As a result, data relating to market share, ranking and other similar data in this registration document, and estimates and beliefs based on such data, may not be reliable.

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

The "Business overview" as contained in this chapter has been substantially modified compared to the "Business overview" included in last year's registration document.

We refer to the glossary in Annex 1 for a definition of certain terms used in this chapter.

6.1. Our Company

We are an advanced biopharmaceutical company focused on developing and commercializing novel therapeutics from our proprietary technology platform of allogeneic, or donor-derived, expanded adipose, or fat tissue, derived stem cells, known as eASCs, in inflammatory and autoimmune diseases. Based on our platform, we have developed a pipeline of product candidates with our most advanced being Cx601, which we consider to be a first-in-class injectable allogeneic stem cell therapy that has been granted orphan designation by the European Medicines Agency, or EMA, in recognition of its potential application for the treatment of anal fistulas, a painful and chronically debilitating condition affecting approximately 100,000 patients in the United States and Europe for which existing treatment options are inadequate. We are conducting a single pivotal Phase III trial for Cx601 for the treatment of complex perianal fistulas in patients suffering from Crohn's disease. A complex perianal fistula consists of abnormal tracts between the rectum and the exterior surroundings of the anus, and is commonly associated with Crohn's disease. It is a serious clinical condition affecting the anal sphincter and is potentially associated with a perianal abscess. Data from the single pivotal trial should be available in the third quarter of 2015, based on which we plan to submit a marketing authorization application to the EMA in the first half of 2016. We also intend to initiate a Phase III trial for Cx601 for the treatment of complex perianal fistulas in the United States by the second half of 2016. Based on discussions with the U.S. Food and Drug Administration, or FDA, we believe that the U.S. Phase III trial, if successful, could, together with the European Phase III data, serve as supportive evidence for filing a biologics license application, or BLA, for regulatory approval with the FDA. Our platform has generated other product candidates, including Cx611, for which we have completed a Phase I/IIa trial in refractory rheumatoid arthritis. We are currently developing Cx611 in two indications: we have already completed recruiting healthy volunteers for a Phase Ib trial in severe sepsis and expect to initiate a Phase IIb trial in early rheumatoid arthritis in the fourth quarter of 2015. Our eASC-based product candidates are manufactured at our facility in Madrid, Spain, which has been approved by the Spanish Medicines and Medical Devices Agency as being compliant with current Good Manufacturing Practices, or cGMP, requirements, which are the standards prescribed by regulatory agencies that control and license the manufacture and supply of pharmaceutical products, such as eASCs. Through our expansion process, we can generate up to 2,400 doses of Cx601 from cells extracted from a single healthy donor. We have retained the worldwide rights for all of our product candidates.

Our approach to cell therapy is to focus on the use of living cells, rather than conventional drugs, for the treatment of inflammatory and autoimmune diseases. Cells target a different pathway than conventional drugs and may be effective in patients who fail to respond to such drugs, including the biologics currently used to treat autoimmune conditions. Our pipeline is based on a validated platform of allogeneic eASCs extracted from human adipose, or fat, tissue from healthy adult volunteers. This approach leverages the broad immunomodulatory properties of eASCs. We have conducted a full spectrum of studies analyzing various routes of administration and indications to further the preclinical and clinical development of our platform. We have also had extensive discussions with the EMA regarding our eASC platform through their established procedures for scientific advice regarding chemistry, manufacturing and control packages and preclinical packages as well as a scientific advice meeting with respect to Cx601

that has allowed us to pursue an expedited route to clinical development. In addition, we have had a meeting with the Center for Biologics Evaluation and Research within the FDA on the clinical development of Cx601 in the United States. We already have the capacity to scale up the production of our eASC-based products on a late-stage clinical as well as commercial scale.

As of the date of this registration document and to the best of our knowledge, our eASC pipeline portfolio was the most advanced cell therapy platform in Europe, with a product candidate poised to receive pivotal Phase III data in the third quarter of 2015 and two further product candidates in Phases II and I.

- **Cx601.** Cx601, our lead product candidate, is an injectable allogeneic stem cell therapy that we consider to be first-in-class and that is currently in a pivotal Phase III trial for the treatment of complex perianal fistulas in patients suffering from Crohn's disease. We have observed compelling clinical results that suggest that Cx601 may have clinical utility in treating perianal fistulas in one injectable dose with a more favorable adverse events profile than currently available therapies.

  Moreover, Cx601 enjoys significant benefits due to its designation as an orphan drug by the EMA, including the following: (i) research grants and subsidies; (ii) assistance from the EMA in developing our clinical trials, including detailed feedback on proposed study designs; (iii) a streamlined process for obtaining the relevant regulatory approvals in Europe; and (iv) up to ten years of exclusivity in the European market from the date of the product's launch. We have also had a meeting with the FDA to discuss the adequacy of our clinical and non-clinical data to support an investigational new drug, or IND, application for a U.S.-based Phase III trial. We received positive feedback regarding our current pivotal European Phase III trial design for supporting a BLA. Current therapies have limited efficacy, and to the best of our knowledge there is currently no commercially available cell-based therapy for this indication. We believe Cx601, if approved, would fulfill a significant unmet need in the market. If our pivotal Phase III trial is successful, we expect to file for marketing authorization in Europe by the first half of 2016 and initiate a Phase III trial in the United States by the second half of 2016.

- **Cx611.** Cx611, our second product candidate, is an injectable allogeneic stem cell therapy intended for the treatment of early rheumatoid arthritis and severe sepsis that we consider to be first-in-class. We believe that Cx611, if approved for early rheumatoid arthritis, would have advantages over current treatments such as biologics due to its safety profile and higher induction of remission. We have completed a successful Phase I/IIa trial of Cx611 in refractory rheumatoid arthritis patients that illustrated the safety of the therapy and provided indications of therapeutic activity. If it is approved for severe sepsis, we believe that Cx611 would be an add-on therapy that has the potential to reduce mortality. We are planning to advance Cx611 in severe sepsis in a Phase Ib trial that is currently ongoing and in early rheumatoid arthritis in a Phase IIb trial in the fourth quarter of 2015.

- **Cx621.** Cx621, our third product candidate, has completed a Phase I trial that generated safety and feasibility information on intra-lymphatic administration of allogeneic eASCs. This different route of administration has the potential to enable applications in other autoimmune diseases.

ChondroCelect, our commercial product, was the first cell-based product to receive centralized marketing authorization from the EMA in October 2009 as an advanced therapy medicinal product, a new medical product category regulated by the EMA that includes products based on gene therapy, cell therapy or tissue engineering. ChondroCelect, which is indicated for cartilage repair in the knee, is also the first advanced therapy medicinal product to have been approved for reimbursement in Belgium, the Netherlands and Spain. During the first six months of 2014, we discontinued our operations in connection with ChondroCelect, through the combination of (i) the sale of TiGenix B.V., our Dutch subsidiary that held our production facility for ChondroCelect, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of 4.3 million euros and (ii) the entry into an agreement with Swedish Orphan Biovitrium, or Sobi, for the exclusive marketing and distribution rights with respect to ChondroCelect within the European Union (except for Finland), as well as several other countries, including the Middle East and North Africa. We will continue to generate revenues from the sale of ChondroCelect in the form of royalty payments from Sobi.

As of January 31, 2015, we owned or co-owned over twenty patent families and had over ninety granted patents in over twenty jurisdictions, with expiration dates from 2020 onwards.

6.2. Our Strategy

Following the discontinuation of our ChondroCelect operations in 2014, we have shifted the focus of our strategy to the development of our proprietary eASC platform.

Our objective is to provide innovative and safe treatment options for a broad range of inflammatory and autoimmune diseases. Key elements of our strategy for achieving this objective are as follows:

- **Successfully advance the clinical development of Cx601 and secure regulatory approval in Europe**

and the United States. Leveraging our experience with ChondroCelect, the first cell-based product to be granted centralized marketing authorization in Europe as an advanced therapy medicinal product, we intend to secure regulatory approval for our eASC-based product candidates, starting with Cx601.

- **Europe.** Based on our discussions with the EMA, we are pursuing a single pivotal Phase III trial for Cx601 with results expected by the third quarter of 2015. If the trial is successful, we expect to file for marketing authorization in Europe by the first half of 2016.

- **United States.** We received positive feedback in our meeting with the Center for Biologics Evaluation and Research within the FDA, which has agreed to review the results of the European Phase III trial, if successful, as supportive evidence for filing for regulatory approval in the United States. At the end of 2014, we filed a special protocol assessment, or SPA, in preparation for an IND application for a Phase III trial in the United States, which, if successful and together with positive Phase III data from the European trial, would enable us to file a BLA with the FDA. We plan to start the process for a technology transfer to a U.S.-based contract manufacturing organization within the next few months.

- **Achieve global commercialization of Cx601.** We intend to commercialize Cx601 independently in certain European markets, where we will leverage our experience in bringing ChondroCelect to market and successfully obtaining national and regional reimbursement in several European countries. Complex perianal fistula in patients with Crohn's disease, for which Cx601 is being developed, is a debilitating condition with a well-defined patient population managed by a limited number of medical specialists, which we believe will allow us to rely on a relatively small and effective commercialization structure to manage the relevant reference centers. We will consider partnerships in the United States, other European markets and elsewhere and will follow a commercial strategy to increase the probability of Cx601's ultimate success. Assuming Cx601 yields positive Phase III data and based on a standard regulatory pathway for advanced therapy medicinal products, we anticipate generating our first revenues from Cx601 within the next three to four years.

- **Advance our product candidates, Cx611 and Cx621.** As with Cx601, we are focusing on well-defined patient populations with respect to Cx611 and have selected subgroups of patients suffering from early rheumatoid arthritis and severe sepsis within otherwise relatively large indications in the autoimmune and inflammatory disease areas. Based on our successful Phase I/IIa trial in refractory rheumatoid arthritis, we are advancing Cx611 in these two indications with a Phase Ib trial in severe sepsis that is currently ongoing and a Phase IIb trial in early rheumatoid arthritis in the fourth quarter of 2015. We believe that if Cx611 were approved for these indications, it would supplement existing therapies and would have the potential to reduce mortality in patients with severe sepsis and arrest disease progression in early rheumatoid arthritis patients. With Cx621, our third product candidate, we have established the safety and feasibility of intra-lymphatic administration of eASCs, and may evaluate a potential path forward.

- **Discover, develop and commercialize first-in-class novel therapeutics for areas of high unmet medical need by leveraging our proprietary technology platform of eASCs.** We intend to advance our position through the continuing discovery and development of new product candidates for multiple indications. We believe that our technology platform as well as our in-house expertise allow us to achieve candidate selection and proof-of-concept in an efficient manner. Our eASC-based product candidates use a novel mechanism of action offering benefits that are expected to be superior to existing treatment options in terms of efficacy and safety in the selected indications, and we believe that they have the potential to be effective in a broad range of indications in autoimmune and inflammatory diseases. We will continue to invest in our technology platform and identify, develop and manufacture additional product candidates. As our subsequent product candidates advance in their development for more prevalent indications, we aim to achieve substantial growth.

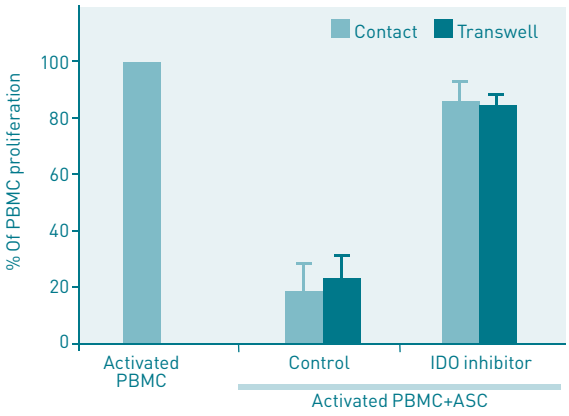
- **Strengthen our competitive position by leveraging our experienced management team and reinforcing key opinion leader support.** Our management team is comprised of highly experienced professionals with track records in the biomedical and pharmaceutical fields. The team has demonstrated its ability to create value by bringing the first cell therapy-based medicinal product in Europe to market and achieving key value enhancing milestones in all other areas of pharmaceutical development, including clinical development, regulatory, manufacturing and commercialization. In doing so, our team has acquired a unique expertise in the field of cell therapy. As a cell therapy pioneer, we have developed and will continue to capitalize on our strong relationships with key opinion leaders who have collaborated and consulted with us in developing our product candidates. As a result, we have established strong scientific advisory boards that share our belief in the therapeutic potential of cell therapies. With respect to Cx601, we have an advisory board in Europe and an advisory board in the United States. For Cx611, we have an advisory board for rheumatoid arthritis and an advisory board for severe sepsis.

6.3. Technology Platform

Our product candidates are based on a proprietary technology platform of eASCs, exploiting their recognized mechanism of action in immune-mediated inflammatory processes. Our basic preclinical package for eASCs is based on a full spectrum of studies focusing on three indications—rheumatoid arthritis, inflammatory bowel disease and sepsis—and five possible routes of administration—local (perianal), rectovaginal, intraperitoneal, intravenous and intralymphatic. In these studies, we have found no indications of toxicity; tumorigenicity, which is the potential of the cells to cause tumors, or ectopic tissue growth, which is the growth of new tissue at a site within the body where such tissue would not occur naturally. We have extensively characterized our eASC platform to establish the potency, identity and purity of our eASC-based product candidates and had discussions with the EMA via their established procedures for scientific advice regarding our chemistry, manufacturing and control package. Based on these discussions, we have validated our manufacturing process and our platform-associated analytical procedures as per the EMA's guidelines, including the quality guidelines of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use. We believe our technology platform offers significant market opportunities in inflammatory and autoimmune diseases based on the following distinguishing factors:

- **Our mechanism of action.** There are two main biological pathways that underlie the efficacy of stem cells in disease treatment: their anti-inflammatory properties and their secretion of repair and growth promoting molecules. The immunomodulatory properties of these cells offer potential novel treatments for autoimmune and inflammatory diseases, as evidenced by promising preclinical and clinical results. The eASCs exhibit broad immunomodulatory properties, including the regulation of immune cells such as B lymphocytes, T lymphocytes, natural killer cells, monocytes or macrophages and neutrophils. These modulatory effects rely on a direct interaction between eASCs and immune cells as well as the effect of substances secreted by the eASCs on tissues and cells through a broad panel of soluble factors, among which the degradation of the amino acid tryptophan caused by the enzyme indoleamine 2,3 dioxygenase, or IDO enzyme, which in turn halts the growth of T cells, and the enhanced activity of suppressor cells, such as regulatory T cells and anti-inflammatory macrophages, are particularly significant. The following charts demonstrate the mechanisms of action through which eASCs regulate inflammation:

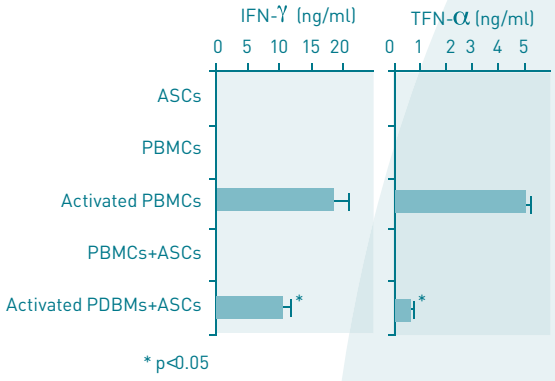
INHIBITION OF T CELL PROLIFERATION



Source: De la Rosa et al. Tissue Engineering 2009

Activation of peripheral blood mononuclear cells, or PBMCs, leads to the proliferation of T cells, as shown in the left bar of the chart above. When adipose-derived stem cells, or ASCs, are added or co-cultured with the PBMCs, the T cells are largely inhibited, as indicated in the middle bars. This effect is due to the ASCs' expression of the IDO enzyme, a tryptophan degrading enzyme. The addition of an IDO-inhibitor largely reverses the inhibitory effect, as shown in the right bars. This inhibitory effect is mediated through the medium as demonstrated by the fact that separating the two cell types with a transwell, or semi-permeable membrane, as indicated by the black bars, results in comparable inhibition as when the cells are in contact with each other, as indicated by the white bars.

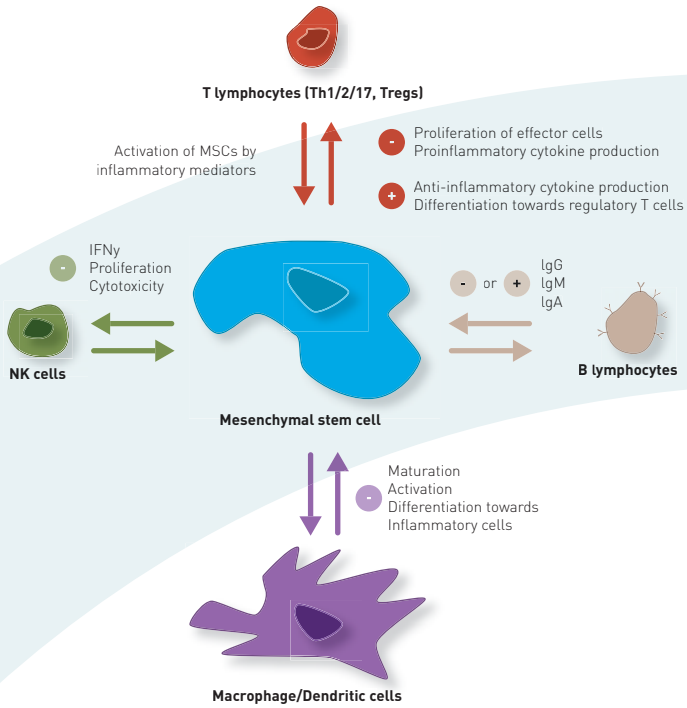
REDUCTION OF PRO-INFLAMMATORY CYTOKINES



Source: De la Rosa et al. Tissue Engineering 2009

In non-stimulated conditions, as indicated by the above bars titled "PBMC," "ASC" and "PBMC+ASC," there is no secretion of the pro-inflammatory cytokines, interferon-γ (IFN-γ) or Tumor Necrosis Factor-α (TNF-α). Upon stimulation, PBMCs secrete these cytokines, as indicated by the bar "Activated PBMC." In the presence of ASCs, as indicated by the bar "Activated PBMC + ASC," this secretion is strongly reduced. The p-value, a commonly used statistical parameter indicating the strength of an observation, is below 0.05 for this effect, indicating that it is statistically significant and unlikely to occur by chance.

The following image depicts the mechanism of action of mesenchymal stem cells, or MSCs, a category that includes eASCs:



MSCs can interact with the different cells of the immune system, including T cells; B cells, which secrete the immunoglobulins IgG, IgM and IgA; NK cells and macrophages and dendritic cells. The effects of the MSCs on such cells can be decreasing, or inhibitory (-), or increasing, or stimulatory (+). The overall effect of these interactions aims at dampening the inflammatory intensity of the immune reaction.

Our product candidates leverage this recognized mechanism of action of MSCs in immune-mediated and inflammatory processes, which should enable us to develop rapidly and bring to market what we believe will be groundbreaking products that have the potential to treat safely a broad range of inflammatory and autoimmune diseases. We have had extensive discussions with the EMA regarding chemistry, manufacturing and control packages and preclinical packages in connection with our eASCs platform, which have allowed us to advance rapidly our clinical development with respect to our pipeline candidates.

- **Our experience in enabling multiple routes of administration:** Depending on the type of disease and the best means of targeting the immune system, eASCs can be injected into the patients in various ways to optimize the impact on the patient.

  - **Local administration.** For local diseases or tissue damage, we believe that depositing the cells as close as possible to the affected tissue or organ optimizes the effect of the cells, which are not diluted and thus achieve the highest concentration at the site of action. The cells immediately encounter the inflamed environment leading to direct activation of the eASCs and their immunomodulatory actions. Therefore, for a disease like fistulas, we locally administer the cells.

  - **Systemic administration.** For systemic diseases like rheumatoid arthritis, where the cells need to act at several places in the body, we believe that systemic administration of the cells, through either the blood or the lymphatic system, is the method of choice. Using this method of administration, the cells are distributed across the body and are able to reach the affected tissues. We believe that the capacity of eASCs to detect inflammation and to accumulate at the site of inflammation will result in an efficient mechanism of action.

- **Our use of human-derived adipose tissue.** We use eASCs extracted from the human adipose tissue of healthy volunteers. We believe that this type of cell offers significant advantages over other cell types, such as stem cells sourced from bone marrow. The key advantages of this approach are the following:

  - **Ease and amount of supply.** The cells can be collected through standard liposuction.

  - **Rich supply of stem cells.** Stem cells can represent up to 2% of the total cells of the stromal vascular fraction of the fat tissue, a potential yield of 100 to 1,000 times higher than other possible sources of stem cells.

- **Robust phenotype.** The eASCs do not require overly elaborate growth conditions and can be grown continuously without loss of their primary characteristics. They have also been shown to maintain cell stability during expansion.

- **Pharmacological profile.** The eASCs have low immunogenicity as defined by the low presence or absence of human leukocyte antigens, co-stimulatory molecules and ligands for neurokinin receptors and are therefore considered to be safe for allogeneic treatment.

- **Our use of allogeneic adult stem cells.** We have developed our platform using allogeneic stem cells because this approach offers clear advantages over autologous cells, *i.e.*, cells extracted from each individual patient and subsequently processed, which are summarized below:

  - **Efficient production of large batches of cells.** Economies of scale can be applied with respect to manufacturing and quality control tests, reducing the cost of manufacturing and leading to a more consistent end product, *i.e.*, individual lots of a large batch. Up to 360 billion cells can be obtained upon expansion of cells extracted from a single donor. At current scale, this could be used to generate up to 2,400 doses of Cx601.

  - **No patient biopsy/tissue procurement needed.** The use of allogeneic cells also benefits physicians and patients, because the treatment can be administered readily in a single procedure, taking less clinical time and resources. The process avoids taking biopsies from patients and allows for the treatment of patients who do not possess sufficient healthy tissue or who for any other medical reason cannot undergo tissue procurement.

  - **Immediate and consistent availability of cells.** The use of allogeneic cells, which are extracted from healthy volunteers and processed in large batches and are therefore available to physicians whenever required, enables the use of eASCs for the immediate treatment of acute conditions, because the additional step of procuring and processing autologous cells, which need to be extracted from each individual patient, is eliminated. This could potentially increase patient throughput significantly, creating a more attractive commercial opportunity than would be possible using autologous cells.

6.4. Product and Product Candidates

We have an advanced clinical stage pipeline derived from our validated platform of eASCs. Our eASCs are extracted and cultured from tissue sourced from healthy consenting adult donors and can then be administered in patients for the treatment of autoimmune and inflammatory diseases.

Cx601, our lead product candidate, is indicated for the treatment of perianal fistulas in Crohn's Disease patients and has been granted orphan drug designation by the EMA in 2009. Recruitment for our single pivotal European Phase III clinical trial has been completed, and the primary end-point results are expected to be available in the third quarter of 2015 which would allow filing for marketing authorization by the first half of 2016. The FDA has agreed to review the results of this pivotal Phase III trial, if successful, as supportive evidence for filing for future regulatory approval in the United States.

Cx611, our next most advanced clinical stage product candidate based on our technology platform, has completed a successful Phase I/IIa trial for the treatment of refractory rheumatoid arthritis. We are planning to advance the clinical development of this product candidate in both severe sepsis, where we have already completed recruiting healthy volunteers for a Phase Ib trial, and early rheumatoid arthritis, where we expect to initiate a Phase IIb trial in the fourth quarter of 2015. Cx621, our third clinical stage product candidate, is a suspension of allogeneic eASCs designed to be administered intra-lymphatically.

We also have one commercial product, ChondroCelect, that is indicated for cartilage repair in the knee and was the first cell-based medicinal product to receive centralized marketing authorization from the EMA.

The following chart summarizes our product candidates and our marketed product:

Product	Cell Type	Indication	Preclinical	Phase I	Phase II	Phase III	MARKET
Cx601 (local)	allogeneic adipose-derived stem cells	complex perianal fistulas in Crohn's disease		ORPHAN DRUG (EU)			
Cx611 (intravenous)	allogeneic adipose-derived stem cells	rheumatoid arthritis severe sepsis					
Cx (intralymphatic)	allogeneic adipose-derived stem cells	autoimmune disorders					
ChondroCelect	characterised autologous chondrocytes	knee cartilage lesions			PARTNERED		

6.4.1 Cx601

Cx601, our lead product candidate, is a suspension of allogeneic eASCs administered locally in the perianal fistula through a single intra-lesional injection. Cx601 is currently in a Phase III trial in Europe, and we are planning to initiate a Phase III trial in the United States for the treatment of complex perianal fistulas in patients suffering from Crohn's disease.

In 2009, the EMA granted Cx601 orphan designation for the treatment of anal fistulas, recognizing the debilitating nature of the disease and the lack of treatment options for this indication that affects no more than five out of 10,000 people in the European Union. We filed for orphan designation for the treatment of anal fistulas in the United States in 2012. In January 2014, we received feedback from the FDA indicating that it believes fistulizing Crohn's disease to be a chronic disease with a potential patient population in excess of the threshold for orphan designation, which is 200,000 patients in the United States. We have not had further discussions with the FDA on this matter. Therefore, we cannot assure that we will be able to obtain orphan drug designation in the United States for this indication.

Complex Perianal Fistulas in Crohn's Disease Patients

Crohn's disease is a chronic inflammatory disease of the intestine. It is characterized by focal or segmental transmural inflammation, or inflammation of the intestinal wall, which may occur in any part of the digestive tract with occasional granuloma formation. The transmural inflammation disrupts intestinal mucosal integrity, which frequently leads to the development of abscesses and fistulas. A fistula is an abnormal tract connecting two surfaces; a perianal fistula is defined as a tract between the perianal space and the epithelial surface proximal to the anus.

Although multiple schemes of fistula classification have been proposed, no scheme has been universally adopted. The American Gastroenterology Association recommends classification according to complexity as either simple or complex:

- A simple perianal fistula is a superficial fistula having only a single external opening, without pain or fluctulence to suggest an abscess.
- A complex perianal fistula is a serious condition that typically involves more of the anal sphincters, can have multiple tracts, is associated with a perianal abscess and may be recurrent. Patients with complex fistulas are at an increased risk for incontinence following aggressive surgical intervention and have a smaller chance of healing.

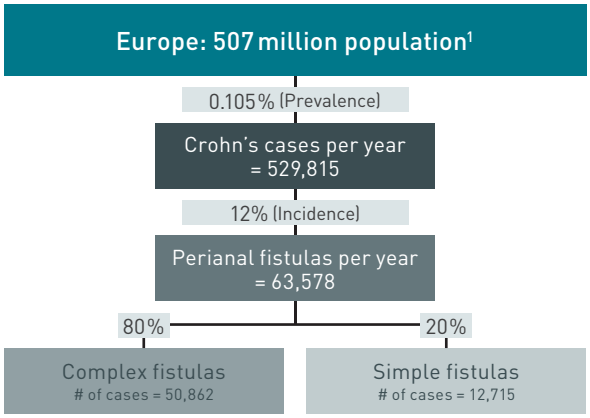
Individuals who suffer from the condition are often unable to carry out ordinary daily activities and have significant decrease in their quality of life due to the recurring nature of the condition. They generally experience severe discomfort, pain and embarrassment and, in many cases, have significant psychological problems, requiring additional treatment and often causing substantial burdens for the health care systems that cover the associated treatment costs. Current treatment options, which include antibiotics, immunosuppressants, biologics and surgical treatment, do not offer a long-term solution and the risk of recurrence is high.

Market Opportunity

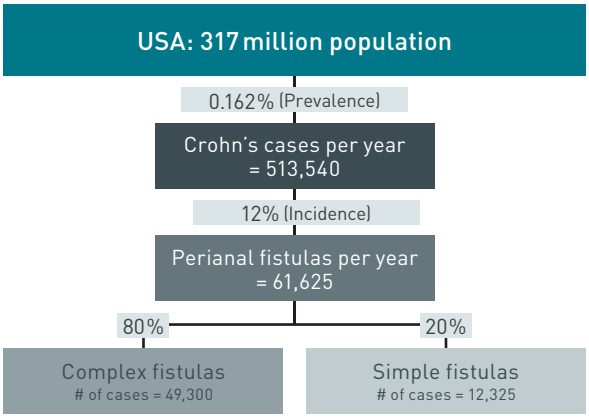
Complex perianal fistulas in patients suffering from Crohn's disease tend to occur in individuals between the ages of twenty and forty, though 10-15% of patients are diagnosed before adulthood. We have estimated the worldwide incidence in Europe and the United States on the basis of collated scientific publications on the following basis:

- Known Crohn's disease epidemiology.
- Approximately 12% of patients suffering from Crohn's disease will develop a perianal fistula.
- Of these fistulas, 80% will be classified as complex.

The following graphs provide an overview of the estimated population of Crohn's disease patients suffering from complex perianal fistulas in Europe and the United States based on the assumptions stated above:



1 *Population of European Union; Source: Eurostat news*



Source: U.S. news

The burden of perianal fistulas in Crohn's disease is high, both to the individual patient and to the health care provider. In financial terms, the most significant portion of the cost burden of diagnosis and treatment can be attributed to the pharmaceutical treatment. In 2010, we commissioned a study by IMS, an independent provider of market research, that concluded that the total median cost of treatment of a patient with complex perianal fistula due to Crohn's disease was approximately €34,000 per patient, of which approximately €20,000 was spent on pharmaceutical treatment alone.

Taking into consideration a target population as described above (approximately 50,000 patients in Europe and approximately 50,000 patients in the United States) and assuming a sales price roughly equivalent to the median cost of pharmaceutical treatment used to treat fistulizing Crohn's disease, we estimate Cx601's target market to be approximately €2 billion for Europe and the United States combined.

Current Treatment Options

For Crohn's patients with complex perianal fistulas, treatments of choice are antibiotics and azathioprine or 6-mercaptopurine, as first-line therapy, and the biologic Remicade® (Infliximab), as second-line therapy. Both offer limited long-term efficacy and in many instances have notable side effects, such as the reactivation of tuberculosis and increased risk of bacterial infection with Aspergillus, Listeria and Cryptococcus.

The table below gives an overview of the most common drug treatments for perianal fistulas in patients suffering from Crohn's disease:

	Antibiotics	Immunosuppressants	Antibiotics + immunosuppressants	Biologics
Use	First-line or adjuvant therapy to treat infections and abscesses from fistulas.	Azathioprine and 6-mercaptopurine used as first-line after antibiotics therapy.	Antibiotics and immunosuppressants often used in combination as first-line therapy.	Remicade® (Infliximab) is the only approved biologic drug for fistulizing Crohn's disease.
				Used as a second-line therapy.

The standard second-line treatment of complex perianal fistula in patients suffering from Crohn's disease involves the prescription of anti-tumor necrosis factors, or anti-TNFs. As of June 30, 2014, Remicade® (Infliximab), a chimeric monoclonal antibody, is the only biologic approved for the treatment of fistulizing Crohn's by the EMA and the FDA. In a pivotal fifty-four week trial, 306 patients with Crohn's disease with some sort of disease-related fistulas were administered Infliximab at induction at weeks zero, two and six. Patients who had ongoing fistula response to the drug at week fourteen were re-randomized and placed on a maintenance regimen administered every eight weeks thereafter. By the end of the trial, 36% of the patients who went on to receive a maintenance therapy continued to be in complete remission; remission is defined here as complete healing of the fistula. If remission after initial induction is taken into account, efficacy of Infliximab at one year is limited to 23%.

Other biologics used in the treatment of luminal Crohn's but not specifically approved for the treatment of fistulizing Crohn's are the following:

- **Humira (adalimumab)—Abbott.** Second generation anti-TNF approved for the treatment of Crohn's disease (but not fistulizing Crohn's). Humira has the advantages of requiring only subcutaneous dosing (instead of intravenous infusion) and being a fully human antibody. Fistula healing was studied as a secondary endpoint in the Humira maintenance trial. Efficacy results were a 33% rate of complete closure at fifty-six weeks.

- **Cimzia (certolizumab)—UCB.** Although not developed for the treatment of fistulizing Crohn's directly, fistula healing was a secondary endpoint in one of Cimzia's maintenance trials and a small number of patients in a second trial also had fistula as a baseline. In none of the two trials did Cimzia outperform the efficacy of the placebo. The EMA refused the marketing authorization for Cimzia to treat active Crohn's disease. Nevertheless, Cimzia received FDA approval for treating adults with moderate to severe Crohn's disease who have not responded to conventional therapies.

The results of these other biologics that have been evaluated for the treatment of perianal fistula in patients suffering from Crohn's disease confirm the limited efficacy of the existing approaches.

The following chart summarizes the current treatment algorithm for complex perianal fistulas in patients suffering from Crohn's disease:

Treatment options	Efficacy	Safety
Antibiotics	- High rate of relapse on drug cessation: 72%[1]	Safety concerns with prolonged use
Immunosuppressants	- Low remission rate: 33% after 6 months of treatment2 - High rate of relapse: 66%[2]	High risk of infectious complications
Infliximab	- Low remission rate: 23% after 54 weeks of treatment[3] - High rate of relapse: 54% after 54 weeks of treatment[3], and 67% one year after drug cessation[4]	Safety remains a concern with long term use of biologics
Humira	- Low remission rate: 33% after 56 weeks of treatment[5]	Safety remains a concern with long term use of biologics
Surgery	- High rate of relapse: 50%[6]	High risk of anal incontinence: 9%[7]

(1) L.J. Brandt et al. Metronidazole Therapy for Perineal Crohn's Disease: a Follow-Up Study, 83 GASTROENTEROLOGY 383-7 (1982)
(2) E.S. Goldstein et al., 6 - Mercaptopurine Is Effective in Crohn's Disease Without Concomitant Steroids, 10 INFLAMM BOWEL DIS 79-84 (2004)
(3) B.E. Sands et al., Infliximab Maintenance Therapy for Fistulizing Crohn's Disease, 350 N ENGL J MED 876-85 (2004)
(4) E. Domenech et al., Clinical Evolution of Luminal and Perianal Crohn's Disease after Inducing Remission with Infliximab: How Long Should Patients be Treated?, 22 ALIMENT PHARMACOL THER 1107-13 (2005)
(5) J.F. Colombel et al., Adalimumab for Maintenance of Clinical Response and Remission in Patients with Crohn's Disease: The CHARM Trial, 132 GASTROENTEROLOGY 52-65 (2007)
(6) T. Sonoda et al., Outcomes of Primary Repair of Anorectal and Rectovaginal Fistulas Using the Endorectal Advancement Flap, 45 DIS COLON RECTUM 1622-28 (2002)
(7) A. Soltani and A. Kaiser, Endorectal Advancement Flap for Crypto Glandular or Crohn's Fistula-in-Ano, 53 DIS COLON RECTUM 486-495 (2010)

Clinical Development

We believe that Cx601 can be used to treat complex perianal fistulas in patients suffering from Crohn's disease. Like all the products in our pipeline, Cx601 utilizes eASCs derived from adipose tissue, which we believe have anti-inflammatory and repair and growth-promoting properties and are an effective treatment for fistulas.

Having received positive scientific advice from the Committee for Medicinal Products for Human Use of the EMA, we have initiated a randomized, double-blind, placebo-controlled European Phase III trial with 289 recruited patients in fifty-two centers in eight countries, which is designed to comply with the requirements set by the EMA.

Recruitment for the trial began in mid-2012 and was completed in November 2014, after initial delays due to a change in the third party contract research organization in charge of conducting the trial. The clinical data and the final clinical report are expected to be available by the third quarter of 2015.

The clinical trial is designed as a two-group, double-blind placebo controlled trial, in which patients are randomly assigned to either a placebo control group or an active treatment group in a 1:1 ratio. The active treatment group received one dose of 120 million eASCs. The study's end-points are as follows:

- Primary end-point:
  - Remission of the fistulous disease, defined as 100% healing of the tracts. Evaluation of healing will include both blinded clinical assessment and MRI confirmation of the lack of abscesses larger than two square centimeters.
- Secondary end-points (among others):
  - Response (50% of fistula tracts healing).
  - Time to remission.
  - Time to response.
  - Safety data.
  - Tolerability data.

The study includes males and females who will be allowed to maintain their current treatment of their underlying Crohn's disease as long as the dose is not modified during the course of the study and who meet the following criteria:

- Older than eighteen years.
- Have been diagnosed with perianal Crohn's disease with non-active or mildly active luminal disease and have failed previous treatments for the fistulas (antibiotics, immunosuppressants or biologics). Patients

refractory to antibiotics will be restricted to less than 25% of patients included in the study.
- Have fistulas with up to two internal orifices and up to three external orifices.
- Were diagnosed with Crohn's disease more than six months prior to their inclusion in the trial.
- Have their fistulas draining less than six weeks prior to their inclusion in the trial.

The trial will have a first complete analysis of data from at a follow-up visit twenty-four weeks post-treatment, with a second follow-up analysis to be performed at fifty-two weeks post-treatment.

The protocol of this Phase III program has been approved by the ethics committees and regulatory agencies in all eight participating countries: Spain, Italy, Austria, Belgium, Germany, France, the Netherlands and Israel. The Committee for Medicinal Products for Human Use of the EMA has indicated that the proposed single pivotal Phase III study, if successful, could suffice to demonstrate the efficacy required to support the marketing authorization application to the EMA. If the results of the study are positive, we intend to submit such a marketing authorization application, and a decision by the EMA could be expected by early 2017. If marketing authorization were to be granted by early 2017, we could start to commercialize Cx601 in Europe in mid-2017.

In addition to allowing us to file for marketing authorization in Europe, this pivotal study, if successful, will serve as a key supportive study in filing for approval in many other jurisdictions, including the United States. We had a Type B meeting with the Center for Biologics Evaluation and Research within the FDA in December 2013, at which we discussed the following issues:

- The adequacy of the existing non-clinical data available from previous trials to support an IND for a pivotal U.S.-based Phase III study.
- Guidance on the design of such pivotal U.S.-based Phase III study.
- Confirmation of the acceptability of using the data from the ongoing European Phase III study to support a BLA filing in the United States.

A Type B meeting is a category of meetings that includes each of the following:
- Pre-IND application meetings.
- Certain end-of-Phase I meetings.
- End-of-Phase II and pre-Phase III meetings.
- Pre-new drug application or BLA meetings.

Based on the positive feedback from the FDA, which has agreed to review the results of the European Phase III trial discussed above as supportive evidence for filing for regulatory approval in the United States, we are considering partnerships in the U.S. market, while preparing in parallel an independent approach. Therefore, at the end of 2014 we filed an SPA in preparation for an IND application for a pivotal Phase III study in the United States and we plan to start the process for a technology transfer to a U.S.-based contract manufacturing organization within the next few months. In addition to U.S.-based companies, we are starting to contact companies that may be interested in partnering with us to market Cx601 in other regions, most notably Asia (in particular, China and Japan).

Clinical Results

Our Phase II clinical trial for Cx601 was a single arm non-controlled study in which twenty-four patients of both genders suffering from refractory complex perianal fistulas and meeting all of the following criteria were treated:

- They had associated fecal incontinence or risk factors of anal incontinence.
- They had received at least one prior treatment for a fistulous disorder.
- They suffered from Crohn's disease.

Only one fistula tract in each patient was treated, and patients received a maximum of two doses of Cx601.

Subjects were followed until twenty-four weeks after the initial administration of the cells. The primary objective was to assess the safety, *i.e.*, the incidence of drug related adverse-events. Secondary endpoints were as follows:
- To assess the efficacy of Cx601 for the closure of complex perianal fistulas in perianal Crohn's disease patients after twelve and twenty-four weeks.
- To evaluate the changes over time in the Perianal Disease Activity Index, or PDAI, and in the Crohn`s Disease Activity Index, or CDAI.
- To evaluate the changes over the time in the MRI Score of Severity, or MSS.
- To assess the reduction in the number of draining fistulas at twelve and twenty-four weeks.
- To track the percentage of subjects with MRIs indicating fistula healing at twelve and twenty-four weeks, *i.e.*, the absence of collections greater than two square centimeters.

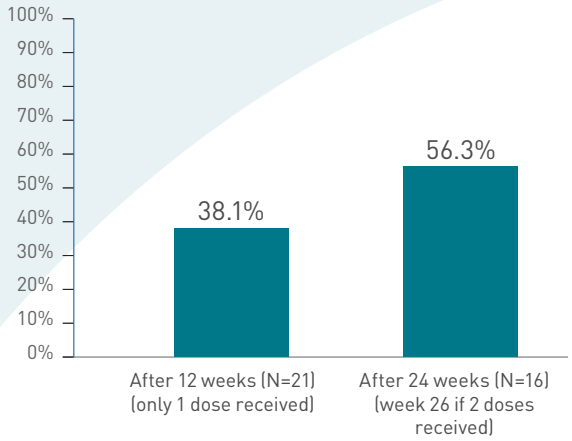
The results of the Phase II clinical trial were as follows:
- Efficacy in treating fistula tracts, defined as the complete closure and re-epithelization of the fistula being treated with absence of drainage, at twenty-four weeks was 56.3%, which is more than twice as high as the anti-TNF, the prevalent standard of care for fistulizing Crohn's disease.
- 69.2% of patients experienced a reduction in the number of initially draining tracts.
- Safety of the use of allogeneic stem cells for the treatment of perianal fistula was demonstrated.

Out of the twenty-four patients who started the trial, we

have evaluable results with respect to sixteen patients, who remained at the time of the twenty four-week follow-up. Of the remainder, five patients dropped out due to the exacerbation of their underlying Crohn's disease, for which they needed to resume treatment. This was due to the specific design of the trial, in which patients were required to stop their existing treatment in order to isolate the effect of the therapy. Two patients developed anal abscesses and had to be excluded from the study while one patient had to be excluded because of significant deviations from the study protocol.

The following chart summarizes some of the results of the trial:

Closure of external openings of treated perianal fistula tracts



N= Patients with available information.

Missing data not included in percentage calculations

An overview of the adverse event from the trial was as follows (n=24):

Patients with at least one treatment emergent adverse event during the study:	13 (54.2%)
Patients with at least one treatment emergent adverse event possibly related to eASCs during the study:	5 (20.8%)
Serious adverse events reported leading to withdrawal (Events considered to be possibly related to the study treatment; no clinically relevant abnormalities found during physical examination or in vital signs):	2 (8.3%) (the two adverse events were a local abscess and fever, respectively)

Prior to developing Cx601 as an allogeneic product, we also conducted a Phase II trial with respect to Cx401, an autologous predecessor product candidate, *i.e.*, the cells were extracted from each individual patient and then expanded.

The Cx401 Phase II trial was a randomized controlled study with fifty patients suffering from refractory complex perianal fistula including both Crohn's and non-Crohn's patients. Patients were divided into two groups: one that was treated with fibrin glue, as placebo, and the other that was treated with Cx401 and fibrin glue.

The results of the trial were as follows:

- After eight weeks, the efficacy of Cx401 and fibrin glue in treating complex fistulas was 70.8%, more than four times as high as the efficacy of fibrin glue alone (16.0%).
- The safety of the product was demonstrated.
- Patients who were treated with Cx401 and fibrin glue experienced improvement in physical and emotional functions.
- After one year, the recurrence rate in the patients treated with Cx401 and fibrin glue was 17.6%, and no patient experienced recurrence until at least seven months after the treatment.

After this trial, we conducted a Phase III study with Cx401 in perianal fistulas in non-Crohn's patients. The trial demonstrated the efficacy of Cx401; however, the efficacy of placebo, fibrin glue, was much higher than expected and the trial did not produce statistically significant results. We concluded from this study that while eASCs are a safe and efficacious method of treating complex perianal fistulas, the presence of significant inflammation in the patient is required to activate the eASCs and trigger efficacy, and accordingly, are pursuing the development of Cx601 for complex perianal fistulas in patients suffering from Crohn's disease, who generally display more refractory symptoms, including higher levels of inflammation.

6.4.2. Cx611

Cx611 is an allogeneic cellular suspension of eASCs and injected intravenously. We have completed a Phase I/IIa trial for Cx611 for the treatment of refractory rheumatoid arthritis. We intend to develop Cx611 for patients suffering from early rheumatoid arthritis and from severe sepsis.

Rheumatoid Arthritis

Rheumatoid arthritis is one of the most common autoimmune diseases. It is a chronic systemic disorder characterized by inflammation of the joint tissues, primarily the synovium, the thin layer of tissue that lines the joints and tendon sheaths. The resultant inflammation and build-up of fluid in the joint leads to stiffness, swelling, redness and eventually to debilitating pain. Inflammation of the synovium may progress to degeneration of the joint bone and cartilage as a result of enzymatic actions of the cells involved in the inflammatory process and the resultant joint damage can lead to joint deformity. Rheumatoid arthritis can also affect the lungs, heart, kidneys, eyes, skin, blood cells and peripheral nerves, and can lead to substantial loss of function and mobility if not treated adequately. Within the first three months of presentation of the disease, 25% of patients will have bone erosion. Within three years of diagnosis, bone erosion will be up to 70% or more for most patients.

On a cellular level, rheumatoid arthritis is a multi-pathway disease, in which dendritic cells, T cells, B cells and macrophages and effector cells including neutrophils, mast cells, endothelial cells and synovial fibroblasts are all activated, and there is dysregulated expression of cytokines.

Market Opportunity

Rheumatoid arthritis represents the most common form of inflammatory arthritis, and according to a report by Global Data, in 2011, approximately 4 million people in the United States, France, Germany, Italy, Spain, the United Kingdom and Japan had been diagnosed with rheumatoid arthritis. It is three times more common in women than men, and approximately 20 million additional patients had been diagnosed in Australia, India and China. In 2011, the prevalence of rheumatoid arthritis in the adult population in the United States was estimated to be 0.6%.

The economic burden associated with the treatment of rheumatoid arthritis is huge for any healthcare system. In the United States, sales of drugs to treat rheumatoid arthritis were estimated to be approximately $9.5 billion in 2011. The costs associated with rheumatoid arthritis, such as informal care, non-medical costs and loss of productivity, are considerable and increase with disease progression. The estimated direct and indirect cost of rheumatoid arthritis therapy in the United States in 2011 was approximately $19 billion, which equates to about $14,900 per patient.

Current Treatment Options

The treatment of rheumatoid arthritis comprises three general classes of drugs: non-steroidal anti-inflammatory agents, or NSAIDs, corticosteroids and synthetic disease modifying anti-rheumatic drugs, or DMARDs. NSAIDs and corticosteroids have a short onset of action, while DMARDs can take several weeks or months to demonstrate a clinical effect. NSAIDs control acute inflammation, thereby decreasing pain and improving function and are also mild to moderate analgesics, but they are not disease modifiers and do not prevent joint destruction. Corticosteroids have both anti-inflammatory and immunoregulatory effects and are useful in early disease as temporary adjunctive therapy. Only DMARDs have been shown to alter the course of the disease and improve radiographic outcomes, and accordingly, the prevalent pharmacological management of rheumatoid arthritis involves early intervention with DMARDs, either alone or in combination. If inflammation cannot be adequately suppressed by these means, biologic DMARDs targeting the pro-inflammatory cytokine TNF are employed. If the response is inadequate, dose optimization, additional anti-TNFs, or alternatively, biologics using a different mechanism of action can be used. Despite all these treatments, rheumatoid arthritis remains an insufficiently unmet clinical need, and long-term treatments based on biologics have certain shortcomings, as follows:

- Lack of efficacy of biologic treatments in some patients, and non-tolerability or recurrent secondary infections have been identified as factors contributing to the need to develop new therapies.
- Biologic treatments may cause potentially serious adverse effects, especially with long-term use.
- Approximately 20-40% of rheumatoid arthritis patients have been estimated to have an inadequate response to treatment with anti-TNF agents.
- Efficacy declines over time and patients are usually required to switch periodically to another biologic.

Clinical Results

In January 2012, we completed a Phase I/IIa clinical trial using allogeneic eASCs for the intravenous treatment of refractory rheumatoid arthritis.

The Phase I/IIa clinical trial was a twenty-four week, single blind dose-escalating study. Fifty-three patients with moderate to high disease activity (disease activity score in twenty-eight joints, or DAS 28, greater than 3.2), who all were under treatment with one synthetic DMARD participated in the study. Forty-six participants received eASCs, and seven received placebo. All patients received three intravenous infusions on days one, eight and fifteen of the trial. Patients in different cohorts received placebo, low (1 million eASCs per kg), medium (2 million eASCs per kg) and high (4 million eASCs per kg) doses of Cx611.

As follow-up, we conducted a detailed monthly workup of each patient measuring all the pre-defined parameters. We aimed to evaluate the safety, tolerability and optimal dosing over the full six months of the trial, as well as to explore therapeutic activity.

The endpoints of the study were as follows:

- Primary end-points (safety):
  - Tolerability.
  - Treatment-emergent adverse events, including the following:
    - Dose limiting toxicities.
    - Serious adverse events.
    - Non-serious adverse events.
- Secondary end-points (therapeutic activity):
  - American College of Rheumatology scores (known as ACR20/50/70, which measures the percentage of patients who experience 20%, 50% and 70% improvement, respectively, in tender or swollen joint counts as well as three out of five additional parameters identified by the American College of Rheumatology).
  - The European League against Rheumatism, or EULAR, criteria, which are based on the improvement in the DAS 28.
  - A short-form health survey measuring patients' quality of life.

The study was open to rheumatoid arthritis patients under treatment with at least one non-biologic DMARD who had previously failed treatment with at least two biologics (median time since diagnosis ranged from nine to 18.8 years; mean previous treatment with three or more disease-modifying anti-rheumatic drugs and three or more biologics) and was conducted in twenty-three centers.

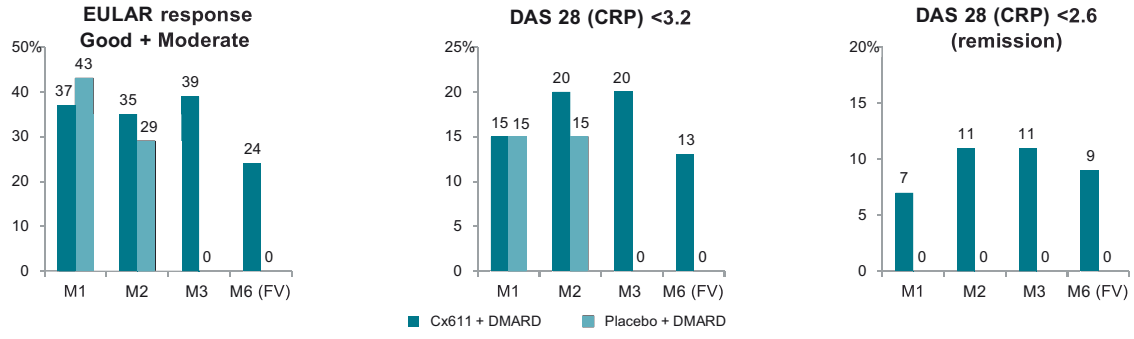
We reported the final results of the Phase I/IIa study in April 2013, which included positive safety data as well as a first indication of therapeutic activity on standard outcome measures and biologic markers of inflammation, the results of which were as follows:

- Patient and disease characteristics were comparable for all three dose groups.
- There were no major safety signals from the repeated intravenous infusion of eASCs and the dose-limiting safety signal was not identified.
- Three serious adverse events were reported (lacunar infarction, peroneal palsy and fever of unknown origin) of which lacunar infarction was thought to be possibly related to the treatment and led to the discontinuation of the treatment. The patient subsequently recovered. A lacunar infarction is a small deep infarction in the subcortical regions of the brain. Peroneal palsy is a lower limb neuropathy consisting of the loss of motor function and/or sensation in the foot and leg due to the compression of the peroneal nerve in its course around the head of the fibula, the calf bone.
- The most frequent non-serious adverse effects, occurring in more than 10% of patients treated with eASCs, included the following:
  - Fever (19%)
  - Headache (13%)
  - Urinary tract infection (13%)
  - Upper respiratory tract infection (11%)
  - Nausea (11%)

With respect to the secondary end-points, our findings were as follows:

- A clear dose-response effect was not observed.
- With respect to the American College of Rheumatology scores:
  - After three months, 25% of patients achieved a 20% improvement versus no patients in the placebo group; 15% of patients achieved 50% improvement versus no patients in the placebo group and 5% of patients achieved 70% improvement versus no patients in the placebo group.
- With respect to the EULAR criteria based on the improvement in the DAS 28:
  - Three months after the treatment, 39% of patients had a good to moderate response compared to no patients in the placebo group.
- With respect to the disease activity score in twenty-eight joints as modified to measure the C-reactive protein value, or DAS 28 (CRP):
  - 11% of patients compared to no patients in the placebo group achieved remission through the end of the trial.

The following charts summarize the results of the Phase IIa clinical trial as per the EULAR criteria:



Results shown are response rates in percentage
M1, M2, M3 and M6 (FV) refers to month 1, 2, 3 and 6 (Final Visit) respectively;
For all graphs: N=46 for Cx611+DMARD cohort and N=7 for placebo + DMARD cohort

These early clinical results are the first to suggest that intravenous infusion of eASCs is well tolerated along twenty-four weeks and could be associated with clinical benefits in the treatment of refractory rheumatoid arthritis.

These data were submitted to the American College of Rheumatology meeting in San Diego and were among the select few abstracts out of over 3,500 presented at the congress as a whole that were presented at a plenary session on October 29, 2013.

Based on the results of this study, on June 30, 2014, we announced our development plan for Cx611 in early rheumatoid arthritis. As early intervention in the disease process is considered key to avoid progression to advanced rheumatoid arthritis, therapeutic approaches that target the early disease process are today a preferred investigational route for treatment. Through their broad immune-regulatory properties, eASCs are expected to positively interfere with the early disease process, i.e., temper the inflammatory rheumatoid arthritis process and could thereby prevent further progression of the disease. This novel therapeutic concept was supported by a steering committee consisting of Professor Mark Genovese, Professor Paul Emery and Professor José María Alvaro-Gracia, who was the principal investigator in our Phase I/IIa study. We are working with a group of leading clinical experts to complete the protocol for a randomized, double-blind comparative Phase IIb study to test the efficacy of Cx611 in rheumatoid arthritis patients who have been diagnosed within the prior year who have failed conventional treatment, but who have not yet been treated with a biologic.

We believe that our Phase I/IIa clinical trial set the stage not only for the further development of Cx611 in rheumatoid arthritis, but also in a wide range of other autoimmune disorders that still represent major clinical unmet needs, including severe sepsis, the second indication we are pursuing with respect to Cx611.

Severe Sepsis

Sepsis is a potentially life-threatening complication of infection that occurs when inflammatory molecules released into the bloodstream to fight the infection trigger systemic inflammation. This inflammation can lead to a cascade of detrimental changes that damage multiple organ systems, causing them to fail. Sepsis simultaneously produces a pro-inflammatory and an anti-inflammatory response. The pro-inflammatory responses lead to organ failure and coagulation leads to tissue hypo-perfusion and tissue injury; the anti-inflammatory responses produce a susceptibility to infection. When sepsis is complicated by organ failure, which may include respiratory compromise, cardiovascular compromise, central nervous system dysfunction or acute kidney injury, it is considered severe. Patients with severe sepsis require close monitoring and treatment in a hospital intensive care unit. If sepsis progresses to septic shock, the patient's blood pressure drops dramatically, potentially leading to death. Mortality increases as the condition progresses, with estimates ranging from 10-20% in sepsis to 20-50% in severe sepsis to 40-80% in patients who progress to septic shock.

Drug therapy is likely to include broad-spectrum antibiotics, corticosteroids, vasopressor drugs to increase blood pressure, plus oxygen and large amounts of intravenous fluids. Supportive therapy may be needed to stabilize breathing and heart function and to replace kidney function.

Current Treatment Options

Severe sepsis represents a high unmet medical need. Current treatments are insufficient and mainly symptomatic, and aim at controlling the infection with antibiotics, improving some of the symptoms, as with vasopressor treatment, or providing supportive treatment such as haemodialysis or mechanical ventilation. Biologics are also used but generally have limited effect. There is a clear need for a product that could impact both the pro-inflammatory and the anti-inflammatory pathways.

Clinical Development

In December 2014, we started the recruitment of a randomized placebo-controlled Phase Ib trial to test the mechanism of action of Cx611 in healthy volunteers challenged with a low dose of bacterial endotoxin (lipopolysaccharide), a potent pro-inflammatory constituent of the outer membrane of gram-negative bacteria, which elicits a strong inflammatory response inducing sepsis-like symptoms. In March 2015, we completed the recruitment of thirty-two volunteers for the study, who were divided into four groups of eight patients each. Patients in the first three groups received Cx611 in different doses and patients in the final group received placebo.

The end-points of the study will include the following:

- Blood pressure
- Temperature
- Heart rate
- Symptom score
- Pro and anti-inflammatory cytokines
- Recruitment and activation of neutrophils
- Macrophages
- T-cells, B-cells and endothelial cells
- C-reactive protein
- (Anti-)coagulation activation and fibrinolysis
- Microarrays

The study design for this trial was approved by the Centrale Commissie Mensgebonden Onderzoek, the Dutch regulatory authority, and the ethics committee of

the Academic Medical Centre in Amsterdam. We expect to receive the results of the study by the second quarter of 2015. We expect that further clinical trials in severe sepsis will focus on a strictly defined and homogenous target population of patients to demonstrate appropriately the efficacy of the treatment.

6.4.3. Cx621

Cx621 is an allogeneic cellular suspension of eASCs for the potential treatment of a variety of autoimmune diseases via a proprietary technique of intra- lymphatic administration, or the injection of eASCs into the lymphatic system rather than the blood stream or the affected tissue. Autoimmune diseases are a group of more than one hundred conditions caused by disruptions to immune homeostasis. The characteristic immediate result of an autoimmune condition is inflammation, which is the result of the aggregation of cells and molecules associated with the immune pathways in a tissue. While inflammation is a critical component of healing processes, uncontrolled and abnormal inflammatory processes can lead to serious complications such as tissue degeneration. As such autoimmune diseases are often chronic and debilitating conditions that place a huge burden on not only individuals but also their health care providers.

Clinical Development

Based on positive preclinical data on toxicology, biodistribution and efficacy, we conducted a Phase I protocol to assess safety, tolerability and pharmacodynamics of intranodal injected allogeneic eASCs in healthy volunteers. We started the recruitment for this study in the fourth quarter of 2011 and the final results were communicated in 2012.

We conducted a randomized, controlled, single-blind Phase I trial to assess the intra-lymphatic administration of two fixed doses (2.5 and 5 million) of eASCs in two different cohorts. Each dose was administered twice with an interval of seven days and was injected into two inguinal lymph nodes. Two volunteers per cohort received treatment with HypoThermosol™ as a control group. The primary objective was to determine the safety, feasibility and tolerability of intra-lymphatic eASCs administration. The safety assessment was performed over twenty-one days after the second administration. It included signs and symptoms, laboratory tests, chest x-ray and appearance of the injected lymph nodes by ultrasound. Pharmacodynamic parameters were included as an exploratory measure.

Ten healthy volunteers of both genders were included, five in each of the treatment cohorts. All volunteers presented lymph nodes with sufficient size to perform the procedure. No serious or severe adverse events occurred. The volunteers reported local pain using a visual analogue scale after the administration of either eASCs or the placebo without statistically significant differences between them. This inguinal pain was transient, mostly mild and of moderate intensity in two patients. In the highest dose cohort inguinal ultrasound established varying degrees of inflammation of the treated lymph node. No clinically relevant changes were observed in the laboratory tests, vital signs and electrocardiogram. A minor transient, but statistically significant, increase in C-reactive protein was observed in the eASC group, which remained within the normal range. The status of the circulating blood cell subsets in the eASCs' cohort before and after the treatment was comparable to that found in the control cohort.

The confirmation of the safety of intra-lymphatic administration of our eASCs could have significant clinical and commercial implications. This use of a different route of administration has the potential to enable applications in other autoimmune diseases.

6.4.4. ChondroCelect

We have one commercial product: ChondroCelect, a cell-based medicinal product for cartilage repair in the knee. ChondroCelect uses autologous cells, and the treatment involves a two-step surgical procedure in which cells are taken from the patient's own knee, multiplied to reach a sufficient quantity and re-implanted at the site of the defect. It was the first approved cell-based product in Europe that successfully completed the entire development track from research through clinical development to European approval. ChondroCelect received marketing authorization in October 2009 as an advanced therapy medicinal product, a new medical product category regulated by the EMA that includes products based on gene therapy, cell therapy or tissue engineering.

Our marketing authorization from the EMA allowed us to market and sell ChondroCelect across the European Economic Area for an initial period of five years, and we have received renewed authorization for an additional five year period ending in October 2019 based on a review of primarily safety-related data. In parallel to our commercialization efforts, we are conducting an open-label, multicenter, non-interventional study in patients whose symptoms appeared less than three years previously who have been treated with ChondroCelect for single symptomatic cartilage lesions of the knee of between one to five square centimeters. The results from an interim analysis of 153 patients in this study indicate statistically and clinically significant improvement in all knee injury and osteoarthritis outcome subscale scores versus the baseline. These data from treatment in daily clinical practice confirm the positive results from our previous randomized clinical trial. ChondroCelect has also been approved for reimbursement in Belgium in February 2011, in the Netherlands in June 2012 (retroactively applicable through to January 2011) and in Spain in March 2013, and in addition ChondroCelect is available to patients in the U.K. and Finland.

During the first six months of 2014, we discontinued our operations in connection with ChondroCelect, through the combination of (i) the sale of TiGenix B.V., our Dutch subsidiary that held our production facility for ChondroCelect, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of 4.3 million euros and (ii) the entry into an agreement with Swedish Orphan Biovitrum, or Sobi, for the exclusive marketing and distribution rights with respect to ChondroCelect within the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. The distribution agreement with Sobi has a term of ten years during which we will receive royalties of 22% on the net sales of ChondroCelect during the first year of the agreement and 20% on an ongoing basis.

Cartilage Repair in the Knee

Various surgical procedures are used for the local treatment of cartilage defects in the knee, including debridement and lavage, microfracture and osteochondral grafting, also called mosaicoplasty.

While microfracture appears to be the accepted standard of care for small-sized cartilage defects, it often leads to scar-like repair tissue, and unlike stable hyaline-like cartilage, which is the most common form of cartilage, as regenerated by ChondroCelect, is not associated with long-term durable outcomes. Various investigators have found that the clinical benefit associated with microfracture reduces after two to three years.

An alternative to such surgical procedures is autologous chondrocyte implantation, a technique to repair articular cartilage by implanting the patient's own expanded cartilage cells, which was developed in order to address the limitations of the surgical procedures which constitute the accepted standard of care.

Product and Technology

ChondroCelect is a cell-based medicinal product indicated for the repair of single symptomatic cartilage defects of the femoral condyle, or the projections of the femur, at the knee in adults. Our cell culture methods have been specifically developed to maintain the phenotypical stability of the cells to promote the formation of stable hyaline-like articular cartilage. Cells are taken from the patient's own knee, multiplied to reach a sufficient quantity, and then finally re-implanted at the site of the defect, a procedure that is known as autologous chondrocyte implantation.

Market Opportunity

The target population with the highest expected benefit consists of adults between eighteen and fifty years with an early onset of symptoms (less than three years) with International Cartilage Repair Society grade III and IV lesions between one to five square centimeters that are located on the femoral condyle. This target population is estimated to be between 17,000 and 28,000 patients per year in Europe, where we are focusing our commercial efforts through our distribution agreement with Sobi. Through our distribution agreement, we will also be able to address other markets, such as the Middle East, North Africa, Russia and Turkey.

6.5. Competition

6.5.1. Product Candidates

The biopharmaceutical industry is characterized by intense and dynamic competition to develop new technologies and proprietary therapies. Any product candidates that we successfully develop and commercialize will have to compete with existing therapies and new therapies that may become available in the future. While we believe that our eASC platform and scientific expertise in the field of cell therapy provide us with competitive advantages, we face potential competition from various sources, including larger and better-funded pharmaceutical, specialty pharmaceutical and biotechnology companies, as well as from academic institutions, hospitals, governmental agencies and public and private research institutions.

Cx601 will compete against a variety of therapies in development for perianal fistulas in patients suffering from Crohn's disease, using therapeutic modalities such as biologics and cell therapy, including products under development by Anterogen, Delenex Therapeutics, Novartis and Celgene as well as various hospitals and research centers. In addition, there are products in development for the treatment of Crohn's disease that do not focus on the treatment of fistulas.

Likewise, with respect to Cx611, there are a number of competing products under development for the treatment of rheumatoid arthritis, primarily consisting of biologic therapies, which are being developed by Bristol Myers Squibb, Sanofi/Regeneron, Novartis, Johnson & Johnson, GlaxoSmithKline, MorphoSys, Novo Nordisk and Neovacs.

Many of our competitors, either alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of product candidates, obtaining EMA, FDA and other regulatory approvals of treatments and commercializing those treatments.

Accordingly, our competitors may be more successful in obtaining approval for treatments and achieving widespread market acceptance. Our competitors' treat-

ments may be more effective, or more effectively marketed and sold, than any treatment we may commercialize and may render our treatments obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our treatments.

Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of our competitors. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical study sites and in recruiting patients for clinical studies. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. We expect any treatments that we develop and commercialize to compete on the basis of, among other things, efficacy, safety, convenience of administration and delivery, price, the level of competition and the availability of reimbursement from government and other third-party payers.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Although we believe that our cell therapy pipeline is the most advanced in Europe as of the date of this registration document, our competitors also may obtain EMA, FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

6.5.2. ChondroCelect

The market for the treatment of cartilage defects is highly fragmented. Treatment options include surgical treatments, cell-based therapies and cell-free products such as scaffolds and gels. The advantage of cell- based therapies is that they offer the possibility of a repair treatment while sparing the osteochondral region.

To date, aside from ChondroCelect, only one autologous chondrocyte implantation product has received approval from the EMA: MACI, which obtained advanced therapy medicinal product status in 2013. Following the acquisition of MACI by Aastrom Biosciences through its acquisition of Sanofi's cell therapy and regenerative medicine business, on June 16, 2014, Aastrom Biosciences announced the immediate discontinuation of European manufacturing and a temporary hiatus in sales of MACI in Europe.

Other companies pursuing an advanced therapy medicinal product approval for autologous chondrocyte implantation products include Tetec, a subsidiary of B. Braun, Co.don and Cellmatrix. In addition to these companies, there are a number of hospitals that produce autologous cartilage for their own patients.

Alternative competition may come from cell-free products that also target the cartilage repair market that would generally be brought to market through the medical device regulatory route.

6.6. Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection in key markets for certain aspects of our cell therapy products, processes and related technologies to operate without infringing on the proprietary rights of others and to prevent others from infringing our proprietary or intellectual property rights. Our policy is to seek to protect our proprietary and intellectual property position by, among other methods, filing European, U.S., and other international patent applications related to multiple aspects of our proprietary products, processes and technologies.

As of January 31, 2015, we owned or co-owned more than twenty patent families and had more than ninety granted patents in over twenty jurisdictions, including key markets such as Europe and the United States, with expiration dates from 2020 onwards. Of these patents, over ten related to our eASC-based technology platform, with expiration dates from 2024 onwards. Some of our pending patent applications are filed under the Patent Cooperation Treaty, or PCT, an international patent law treaty that provides a unified procedure for filing a single initial patent application to seek patent protection for an invention simultaneously in each of the 148 member states, followed by the process of entering into national phases in each of the member states, which requires a separate application in each of the member states when continued protection is sought.

A number of our patent families are the result of collaborations with academic parties, and are jointly owned. Co-ownership agreements are in place with respect to all but one of such patent families, and certain types of exploitation of such patents may be subject to the co-owner's approval. We exclusively own the patents and patent applications that form the remainder of our patent portfolio.

Our patent portfolio includes the following:

- Certain key patents and patent applications related to our eASC platform.
- Patents and patent applications for other cell therapy applications.
- Patents and patent applications with respect to chondrocyte markers.

- Patents and patent applications for cell therapy delivery mechanisms.
- Patent applications for technology improvements with respect to our eASC platform.

The following patent families are materially relevant to our eASC pipeline and to ChondroCelect:

- "*Identification and isolation of multipotent cells from non-osteochondral mesenchymal tissue.*" (PCT Publication WO2006037649; TiGenix Reference PCX006): a patent family claiming a non-osteochondral derived multipotent adult stem cell population characterized by a set of biological markers. Additionally the patent claims methods for identifying and isolating such cells, as well as pharmaceutical compositions and therapeutic uses in healing and tissue regeneration. This patent family is of relevance to our eASC platform. The patent family is comprised of granted patents in Europe, Australia and Spain, as well as pending patent applications in Canada, China, Japan, Singapore, Israel, the United States, Europe (the European Patent Office, or EPO) and India derived from the PCT or its priority documents. The anticipated expiration date of the granted Spanish patent ES2313805 is October 4, 2024. The anticipated expiration date of all other pending patent applications and granted patents is October 4, 2025. We jointly own this patent family with the Universidad Autónoma de Madrid, with which we have a co-ownership agreement that provides us with an exclusive license.
- "*Use of adipose tissue-derived stromal stem cells in treating fistula.*" (PCT Publication WO2006136244; TiGenix Reference PCX007): a patent family claiming an adipose derived stem cell composition characterized by a panel of cell surface markers, methods of preparation of such a composition and adipose tissue-derived stromal stem cells in treating fistula and wounds. This patent family is relevant to Cx601. The patent family is comprised of granted patents in Australia, Israel, Mexico, New Zealand, Russia and Singapore and pending patent applications in Canada, China, Japan, the United States, Brazil, Europe (the EPO), South Korea, Russia, Hong Kong and India, derived from the PCT application. The anticipated expiration date of these patents and patent applications is May 16, 2026 for patents filed by means of the PCT, and February 14, 2025 for U.S. patents derived from US 11/167,061 without the benefit of the PCT filing. We jointly own this patent family with the Universidad Autónoma de Madrid, and it is subject to the co-ownership agreement mentioned above with respect to PCX006, which provides us with an exclusive license.
- "*Cell populations having immunoregulatory activity, method for isolation and uses.*" (PCT Publication number WO2007039150; TiGenix Reference PCX008): a patent family claiming a stem cell population, methods for the isolation of such stem cells, their use in the preparation of regulatory T cells and cell therapy of immune and inflammatory diseases. This patent family is relevant to Cx611. The patent family is comprised of pending patent applications in Canada, Japan, China, Singapore, Hong Kong, Israel, the United States, Mexico, Europe (the EPO), South Korea and India derived from the PCT. The anticipated expiration date of all these patent applications is September 22, 2026. We jointly own this patent family with the Consejo Superior de Investigaciones Cientificas, the Spanish National Research Council, with which we have a co-ownership agreement providing us with an exclusive license.
- "*Uses of mesenchymal stem cells.*" (PCT Publication number WO/2010/015929; TiGenix Reference PCX011): a patent family claiming the use of mesenchymal stem cells in the treatment of systemic inflammatory response syndrome. This patent family is relevant to the use of Cx611 for the treatment of sepsis. The patent family is comprised of pending patent applications in Canada, Japan, the United States, Europe (the EPO), South Korea and Australia derived from the PCT. The anticipated expiration date of all these patent applications is August 3, 2029. We jointly own this patent family with the Consejo Superior de Investigaciones Cientificas, the Spanish National Research Council, and the University of Seville, with whom we have a co-ownership agreement providing us with an exclusive license.
- "*Methods and compositions for use in cellular therapies.*" (PCT Publication number WO 2011/004264; TiGenix Ref. PCX019): a patent family claiming therapeutic uses of cells by administration to lymphatic organs. This patent family is relevant to Cx621. The patent family is comprised of granted patents in the United States and New Zealand and pending patent applications in Brazil, Canada, Mexico, Singapore, China, Japan, Israel, South Korea, Australia, India, Russia and Europe (the EPO) derived from the PCT. The anticipated expiration date of these patents and patent applications is July 9, 2030. We are the sole owners of this patent family.
- "*Adipose-derived mesenchymal stem cells for intralymphatic administration in autoimmune and inflammatory diseases.*" (PCT Publication number WO/2012/095743; TiGenix Ref. PCX022): a patent family claiming therapeutic uses of cells by administration to lymphatic organs. This patent family is relevant to Cx621. The patent family is comprised of pending patent applications in the United States, Japan, South Korea and Europe (the EPO) derived from the PCT. The anticipated expiration date of these patent applications is January 12, 2032. We are the sole owners of this patent family.
- "*In-vivo assay for testing the phenotypic stability.*" (PCT Publication number WO/2001/024833; TiGenix Reference PTX001): a patent family claiming assays for use in determining cell stability, as well as methods for cell sorting, antibodies, therapeutic compositions, diagnostic means and cell cultures. This patent family is relevant to ChondroCelect. The patent family is comprised of pending patent appli-

cations in Europe (the EPO) and the United States as well as granted patents in Canada, Austria, Belgium, Switzerland, Cyprus, Germany, Denmark, Spain, Finland, France, the United Kingdom, Greece, Ireland, Italy, Luxemburg, Monaco, Netherlands, Portugal, Sweden, Hong Kong and the United States derived from the PCT. The anticipated expiration date of these patents is October 6, 2020; however, supplementary protection certificates extending patent term by five years have been granted in Austria, Cyprus, Spain, France, Greece, Italy, Luxemburg, Netherlands, Portugal and Sweden. Furthermore this patent family includes two granted U.S. patents (US7479367 & US7482114) anticipated to expire on June 11, 2022. We are the sole owners of this patent family.

- *"Biopsy Device."* (EPO Publication number EP2395923; TiGenix Reference PTX006): a European (EPO) patent application claiming an injection device. This patent is relevant to a device that may be used to take a biopsy of healthy cartilage cells from the patient's knee that are then cultured and reimplanted as part of the ChondroCelect process. The anticipated expiration date of this patent application is February 11, 2030. We jointly own this patent family with Doktor Yves Fortems BVBA; currently, we do not have a co- ownership agreement.

In addition, we have over fifty registered trademarks and trademark applications.

Finally, several elements of our cell therapy program involve unpatented proprietary technology, processes, know-how or data, including cell isolation, production and release processes, which we consider to be part of our intellectual property. With respect to proprietary technology, know-how and data that are not patentable or potentially patentable, or processes other than production processes for which patents are difficult to enforce, we have chosen to protect our interests by relying on trade secret protection and confidentiality agreements with our employees, consultants and certain contractors and collaborators. All our employees are parties to employment agreements that include such confidentiality provisions.

6.7. Partnerships, Licensing and Collaboration

We have entered into partnerships and collaborations in the past and will consider such opportunities in the future.

During the first six months of 2014, we completed the discontinuation of our operations in connection with ChondroCelect, our commercialized product, through the combination of (i) the sale of TiGenix B.V., our Dutch subsidiary, that held our production facility for ChondroCelect, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of 4.3 million euros and (ii) the entry into an agreement with Sobi for the exclusive marketing and distribution rights for ChondroCelect. Under the terms of the share purchase agreement with PharmaCell, we received an upfront payment of 3.5 million euros when the sale became effective on May 30, 2014 and will receive a final payment of 0.8 million euros on May 30, 2017.

In connection with this sale, we have also entered into a long-term manufacturing agreement with our former Dutch subsidiary, which we sold to PharmaCell, to continue to manufacture ChondroCelect in its facility. Under the agreement, our former subsidiary will continue to manufacture ChondroCelect at the facility, which we will purchase, with the price being determined based on the volume of ChondroCelect purchased. We will also receive cost relief in the form of aggregate pricing discounts of up to 1.5 million euros on our future purchases of ChondroCelect over a three-year period. Our former subsidiary will be responsible for ensuring that the facility and their services comply with cGMP requirements. Under the agreement, our former subsidiary will be our exclusive supplier of ChondroCelect within the European Union, and may also be a supplier for any sales in certain additional territories in the Middle East and North Africa; however, we retain the right to appoint additional suppliers within those territories. The agreement also includes standard provisions regarding the protection of each party's intellectual property and confidential information. The agreement has an initial term of ten years, after which it shall be automatically renewed for consecutive one-year terms, unless either party gives written notice of termination at least three years prior to the expiration of the initial term or any renewal period. Either party may terminate the agreement with immediate effect in the event of a material breach that is not remedied within thirty calendar days by the other party or the insolvency of the other party. We also have the right to terminate the agreement in the case of a change of control of our former subsidiary, if it is acquired by one of our direct competitors or if there is any condition that makes it reasonably likely that our former subsidiary or its successor entity will fail to meet its obligations under the agreement. In addition, we have the right to terminate the agreement with twelve months' notice if we decide to terminate the ChondroCelect business, either due to a change in European regulatory conditions or a decision by the EMA that renders ChondroCelect commercially unviable and, after the second anniversary of the agreement, we also have the right to terminate the agreement if we determine that the ChondroCelect business is not commercially viable.

Effective June 1, 2014, we have entered into a distribution agreement with Sobi for the exclusive marketing and distribution rights with respect to ChondroCelect. Sobi will continue to market and distribute the product within the European Union (excluding Finland), Switzerland, Norway, Russia, Turkey and the Middle

East and North Africa region. The agreement is for an initial ten-year term, after which it will be automatically renewed for successive terms of two years unless either party gives a notice of non-renewal. Under the agreement, we will receive royalties of 22% on the net sales during the first year of the agreement and 20% on the net sales of ChondroCelect on an ongoing basis. Sobi will reimburse nearly all of our costs in connection with the product. We will pass on the cost relief of 1.5 million euros received from our former subsidiary under the terms of the long-term manufacturing agreement on a like-for-like basis to Sobi, which will purchase ChondroCelect from us at cost. Under the distribution agreement with Sobi, we will continue to hold the marketing authorization for ChondroCelect in the European Union, but after two years Sobi has the option to take over the marketing authorization from us.. Sobi will assume responsibility for other regulatory procedures and will enter into contracts with hospitals to distribute ChondroCelect, assuming responsibility for managing orders and invoicing, training hospital staff in the use of ChondroCelect (after we provide initial training to certain key personnel at Sobi) and providing customer support to such hospitals, with the exception of hospitals in Belgium and the Netherlands, where we will continue to provide local customer support on behalf of Sobi, but with Sobi fully reimbursing us for providing this service.

The agreement with Sobi includes commitments for minimum quantities of ChondroCelect that Sobi is required to purchase from us. If Sobi's actual purchases were to be lower than the required minimum, we would nevertheless be entitled to receive payment from Sobi up to a maximum amount of 5.7 million euros, which we would be required to pass on to PharmaCell under the long- term manufacturing agreement with our former subsidiary. If Sobi's purchases are lower than the required minimum amount for two consecutive years, we would be entitled to terminate unilaterally the agreement or render it non-exclusive towards Sobi, which would permit us to enter into additional distribution agreements for the territories covered under the agreement.

After the initial ten-year term of the distribution agreement, the distribution agreement with Sobi will be automatically renewed for successive two-year terms. Either party has the right to request a renegotiation of terms in connection with a renewal of the agreement, and if we fail to reach an agreement on terms, the agreement would be terminated. Either party also has the right to terminate the agreement immediately under certain limited circumstances including the insolvency of the other party or a material breach of the provisions of the agreement, and in addition, after the fifth year of the agreement, either party has the right to terminate the agreement with six months' notice if the agreement becomes commercially non-viable, meaning that one party, despite its best efforts has made or can demonstrate that it will make a loss over a consecutive two-year period, and the situation is not just temporary.

In addition to the Sobi agreement, in Finland, we have a distribution agreement in place with Finnish Red Cross Blood Service to conduct and facilitate the ChondroCelect business in the Finnish territory. This agreement is not material for us.

We are also in the process of entering into an agreement with a U.S.-based contract manufacturing organization and expect to start the process for technology transfer in connection with a proposed Phase III study with respect to Cx601 in the United States within the next few months. We also rely on third party contract research organizations to conduct our clinical trials.

In addition, a number of our patent families are the result of collaborations with academic parties, including with Universidad Autónoma de Madrid and Consejo Superior de Investigaciones Científicas, and are jointly owned. Co-ownership agreements are in place with respect to all but one of such patent families, and certain types of exploitation of such patents may be subject to the co-owner's approval.

The patent families referred to as PCX006 and PCX007 are the subject of a co-ownership agreement dated November 3, 2004, between our subsidiary TiGenix SAU (formerly Cellerix), and the Universidad Autónoma de Madrid. Under the terms of this agreement, the Universidad Autónoma de Madrid assigned all exploitation rights to TiGenix SAU, including the right to license or sub-license to third parties. We are obligated to provide fifteen days' notice to the Universidad Autónoma de Madrid prior to the execution of any such license or sub-license. The agreement will remain in force throughout the legal life of the patents covered by this agreement, unless it is terminated by mutual agreement. Under the terms of an amendment dated April 24, 2008, we are obliged to make the following royalty payments to the Universidad Autónoma de Madrid as consideration for the exclusive assignment:

- 1.0% on net sales less than 50 million euros.
- 1.5% on net sales between 50 million euros and 100 million euros.
- 2.0% on net sales over 100 million euros.

The annual royalty rights we owe with respect to net sales generated in any country where a patent has not been granted will be halved until a patent is granted in such country.

The anticipated expiration date of the patents and patent applications of the patent family referred to as PCX006 is of October 4, 2024 for the granted Spanish patent ES2313805 and of October 4, 2025 for the patent applications.

The anticipated expiration date of patents and patent applications of the patent family referred to as PCX007 is

May 16, 2026, with the exception of U.S. patents derived from US 11/167,061 without the benefit of the PCT filing, for which the anticipated expiration date is February 14, 2025.

The patent family referred to as PCX008 is the subject of a co-ownership agreement dated June 1, 2009 between TiGenix SAU (formerly Cellerix) and the Consejo Superior de Investigaciones Científicas, under which ownership interests were allocated between TiGenix SAU and the Consejo Superior de Investigaciones Científicas in a ratio of two-thirds to one-third. We have an exclusive worldwide licence, with the right to sub-license all the exploitation rights. The agreement will remain in force until the end of the life of the patent, unless it is terminated by mutual consent. If we wish to assign our interest in the patent family to a third-party the Consejo Superior de Investigaciones Científicas shall have a first right of refusal. Our payment obligations under the agreement are as follows:

- An initial payment of 30 thousand euros on signing the agreement.
- A payment of 120 thousand euros on the date on which any product that incorporates any of the patent's claims is brought onto the market.
- Royalty payments to be determined on the following basis:
  - 0.1% of net sales equal to or less than 50 million euros.
  - 0.2% of net sales between 50 million euros and 100 million euros.
  - 0.3% of net sales greater than 100 million euros

If we sub-license the rights to exploit the patent in Europe, the Consejo Superior de Investigaciones Científicas must receive consideration not less than it would receive if we exploited the patent rights ourselves. If we sub-license the rights to exploit the patent outside Europe, the Consejo Superior de Investigaciones Científicas must receive consideration equal to 1.5% of the amount of the royalties based on net sales. If we enter into a cross-licence agreement with a third party whereby we authorize the third party to exploit the patent in exchange for the right to exploit any rights of that third party, net sales shall be deemed to be our sales from the exploitation of the rights acquired under the cross-licence agreement, after first deducting any amount we may owe under the cross-licence agreement. In addition, we will pay the Consejo Superior de Investigaciones Científicas 1.5% of any of the non-percentage-based fixed amounts, whether payable once or at regular intervals, that we may receive from sub-licensees for the sub-licensing of the rights to exploit the patent, on the same terms as agreed by us with such sub-licensee. Consequently, if our payment for the sub-license is wholly or partly conditional on market introduction, the Consejo Superior de Investigaciones Científicas will also be paid all or a pro rata amount of such percentage after the conditions are met.

The anticipated expiration date of all patent applications of the patent family referred to as PCX008 is September 22, 2026.

PCX011 is subject to a co-ownership agreement dated January 17, 2011, between TiGenix SAU (formerly Cellerix), the Consejo Superior de Investigaciones Científicas and the University of Seville determining ownership of the patent family, with 50% belonging to TiGenix SAU, 45% to the Consejo Superior de Investigaciones Científicas and 5% to the University of Seville. Under this agreement, we have an exclusive worldwide licence to the rights, without the right to sub-license. The agreement shall remain in force until the end of the life of the patent, unless it is terminated by mutual consent. Our payment obligations under the agreement are as follows:

- An initial payment of 5 thousand euros on signing the agreement.
- A payment of 35 thousand euros on the first visit by the first patient in a clinical trial for a product we promote that incorporates the patent rights.
- A payment of 35 thousand euros on the first visit by the first patient in a pivotal Phase III clinical trial of a product we promote that incorporates the patent rights.
- A payment of 35 thousand euros upon submission of a marketing authorization request dossier to a regulatory authority for a product that incorporates the patent rights.
- A payment of 100 thousand euros upon approval of the product by the first regulatory agency.
- A royalty to be determined on the following basis on worldwide sales:
  - 0.2% of net sales equal to or less than 50 million euros.
  - 0.3% of net sales between 50 million euros and 100 million euros.
  - 0.4% of net sales more than 100 million euros.

All payments shall be distributed between the Consejo Superior de Investigaciones Científicas, which will receive 90% and the University of Seville, which will receive 10%. If we sub-license exploitation rights to the patent rights to which we provide added value, our counter parties will receive 15% of the total consideration. If such rights are sub-licensed to a third party outside Europe, our counterparties will receive 10% of the total consideration. In the event that we sublicense exploitation rights to the patent rights to which we have not provided any added value our counterparties will receive consideration no less than what they would have received had we directly exploited the patent. All parties have the right to terminate the agreement in case of a breach. We are permitted to terminate the agreement with ninety days' notice if we terminate development or commercialization of a product falling under the scope of the agreement.

The anticipated expiration date of all patent applications of the patent family referred to as PCX011 is August 3, 2029.

We will consider partnerships in the United States and other markets to rapidly bring Cx601, Cx611 or any of our other future products to market and maximize our value.

6.8. Manufacturing and Logistics

6.8.1. Our Product Candidates

Our eASC-based products candidates are considered medicinal products pursuant to the European regulation governing advanced therapy medicinal products and Spanish Order SCO/3461/2003 and therefore must be manufactured in compliance with cGMP requirements in an authorized pharmaceutical establishment. This also applies to the medicinal products manufactured for use in clinical trials.

Our product candidates are allogeneic eASCs that are originally derived from the subcutaneous fat tissue of a healthy donor. The fat biopsy tissue is first enzymatically digested and stem cells are recovered from it through a series of cell culture steps. In this first series of expansion steps, we create a master cell bank and extensively test the quality and safety of these first large cell banks. Once the master cell bank is qualified, it can be used to generate sequentially a large number of so-called final drug substances cell banks. These final drug substances are obtained by expanding the cells of the master cell bank with a new series of cell expansions in cell culture. The final drug substances are then cryopreserved, or frozen at very low temperatures, until final use. When a final product needs to be provided to the physician, the required amount of frozen cells are thawed and recovered in cell culture. These cells are then subsequently collected for final formulation in excipient, or inert, medium. The amounts of cells and excipient volume depend on the particular product and their use in the clinics.

During the entire manufacturing process, there are specific quality controls to guarantee that the product complies with the adequate specifications for use. The controls applied during the process on raw materials and on the finished product before and after it is packaged are particularly important. We also conduct microbiological and environmental controls and process controls to ensure that the manufacturing conditions are compliant for the manufacturing and distribution of the finished product as required by cGMP requirements.

The EMA has established the characterization of eASCs in terms of identity, purity, potency, morphology, viability and cell growth kinetic according to the *Guideline on Cell-Based Medicinal Products* (EMA/CHMP/410869/2006) and the *Reflection Paper on Stem Cells* (EMA/CAT/571134/2009, adopted on January 14, 2011) in order to set the routine controls that will be applied at final product release as well as those to be performed at different stages of the manufacturing process to guarantee the batch consistency. We obtained scientific advice from the EMA to ensure that our manufacturing process is aligned with their requirements.

Our facilities for the manufacture of eASCs are located in Madrid, Spain, and consist of two separate clean rooms and adjacent support rooms. The facilities have been approved by the Spanish Medicines and Medical Devices Agency as being compliant with cGMP requirements for the manufacture of cellular medicinal products for investigational use (*i.e.*, clinical trials). We believe that the combined capacity of both clean rooms is sufficient to supply the necessary quantity of material for our ongoing clinical trial programs.

The logistics for our eASC-based products include the transport of the finished product in a special temperature controlled shipping container. The shipping process has been validated with specialist courier services. Based on our experience with these companies and the proximity of our manufacturing facility to the Madrid international airport of Barajas, we have demonstrated that we can reliably deliver the finished product to treatment sites anywhere in Europe and Israel within twenty-four hours.

6.8.2. ChondroCelect

Cell-based manufacturing products such as ChondroCelect must be manufactured in a facility authorized by the regulatory authorities in compliance with cGMP requirements.

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

On May 30, 2014, we completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility, to PharmaCell, a leading European contract manufacturing organization active in the areas of cell therapy. ChondroCelect will continue to be manufactured in that facility under a long-term manufacturing agreement with our former subsidiary.

In 2012, the site passed an inspection by the Dutch authorities certifying that it was compliant with cGMP re-

quirements, and obtained approval from the EMA for the production of ChondroCelect. To ensure that the manufacturing facility is compliant with cGMP requirements, a stringent quality management system is in place.

6.9. Facilities

Our registered office is in Leuven, Belgium. We have facilities in Madrid, Spain, where we lease two adjacent buildings. The first building houses our administrative offices, while the other building hosts our research and development laboratories and a facility compliant with cGMP requirements for the manufacturing of clinical eASC products. The facility contains two separate clean rooms and adjacent support rooms. They have been approved by the Spanish Medicines and Medical Devices Agency as being compliant with cGMP requirements for the manufacture of cellular medicinal products for investigational use, *i.e.*, clinical trials.

In the first half of 2014, we sold TiGenix B.V., our Dutch subsidiary that held our manufacturing facility for ChondroCelect, to PharmaCell, a leading European contract manufacturing organization active in the areas of cell therapy.

6.10. Environmental Matters

We use various chemical and biological products to conduct our research and to manufacture our products and are subject to specific environmental and occupational health and safety laws and regulations in the jurisdictions in which we operate. These laws and regulations govern, among other things the generation, storage, handling, use, transportation and disposal of hazardous materials and wastes and the health and safety of our employees. If we violate or fail to comply with these laws and regulations, we could be subject to third-party or administrative claims or fines or other sanctions by regulators. We could also be held responsible for costs and damages arising from any contamination at our past or present facilities or at third party waste disposal sites.

We have established procedures to ensure our compliance with environmental laws and regulations, and such compliance has not had a material impact on our capital expenditures, earnings or competitive position.

6.11. Litigation

From time to time, we may be party to litigation that arises in the ordinary course of our business. As of the date of this registration document, we and our subsidiaries are not involved in any material litigation or legal proceedings, except as disclosed below:

6.11.1. Invalidation of U.S. patent US6777231

On April 1, 2011, Cellerix (the predecessor entity of our subsidiary TiGenix SAU) filed an *inter partes* re-examination request with the Patent and Trademark Office regarding the patent US6777231, owned by the University of Pittsburgh. The Patent and Trademark Office examiner issued a decision concluding that all ten originally issued and all eighteen newly submitted claims of the patent granted to the University of Pittsburgh were invalid. The University of Pittsburgh then appealed the examiner's decision, but only with respect to two of the newly submitted claims. We cross-appealed the examiner's refusal to reject those two newly submitted claims as anticipated by the prior art. The Patent Trial and Appeal Board issued a decision simultaneously granting both appeals, thus confirming that all claims of the patent were invalid, but with respect to the newly submitted claims, on different grounds than those cited in the decision by the initial examiner. On this basis, the University of Pittsburgh filed a request to reopen prosecution and submitted claim amendments to those newly submitted claims to the Patent and Trademark Office for further consideration in an attempt to overcome the Patent Trial and Appeal Board's institution of a new ground for rejection as anticipated by the prior art. The request to reopen prosecution on the basis of the amended claim has been accepted by the Patent and Trademark Office. We submitted comments to the Patent and Trademark Office arguing that these claim amendments did not overcome the anticipated rejection and as of December 31, 2014, we have not received any decision from the Patent and Trademark Office regarding the amended claims. We do not know when a final decision can be expected, and at this stage, we are not in a position to assess the probable outcome of these proceedings.

6.11.2. Repayment of subsidies

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

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

The Administration claims that (i) the contested subsidies, together with other subsidies granted to TiGenix SAU during the same time period *(i.e.*, 2006 and 2007), exceeded the maximum permitted by law, and has, therefore, requested the reimbursement of the excess amount granted, and that (ii) some of the expenses attributed to the project financed by the contested subsidies had already been financed by other subsidies.

TiGenix SAU contends, among other arguments, that the Administration is not entitled to aggregate all of the subsidies granted to TiGenix SAU (*i.e.*, the contested subsidies and other subsidies granted) for purposes of applying the maximum (*i.e.*, in the particular case of TiGenix SAU, 60% of the eligible cost of the project), because the various subsidies were granted for financing different projects with different purposes and scopes.

The total claim of the Administration, with respect to the full consortium and both contested subsidies, including late payment interest, amounts to 0.9 million euros, and the Administration has claimed the full amount from TiGenix SAU, as the representative of the consortium. However, the claim against TiGenix SAU amounts to 0.3 million euros, and in case the appeal does not succeed, TiGenix SAU would be able to claim the remaining amount from the other members of the consortium.

As an intermediate measure, TiGenix SAU obtained an injunctive decision that the amounts claimed by the Administration do not have to be repaid until a final judgment is received. Instead, TiGenix SAU requested two financial institutions to issue separate guarantees in favor of the Administration guaranteeing the full amount claimed.

On May 20, 2014, TiGenix SAU received the judgment of the Chamber for Contentious Administrative Proceedings of the National High Court of April, 30, 2014. In this judgment, the court partially upheld the claims made by TiGenix SAU throughout the administrative appeal, and declared null the two resolutions on the partial repayment of the two subsidies that were granted in 2006 and 2007, respectively. However, the court also found that there were grounds for a partial repayment of the contested subsidies but ordered the Administration to recalculate the amount of such repayment. It concluded that some of the items included in the Administration's calculations are either wrong or duplicative. Because the court did not calculate the amount to be repaid, the Administration must submit revised calculations of the amounts to be repaid under the contested subsidies. Even though in principle this should have been done within a period of two months, the Administration has not yet submitted such revised calculations as of December 31, 2014. We have no recourse to any further appeals against the judgment of the court.

6.12. Insurance

We maintain business liability insurance of 10 million euros. In addition, we have obtained liability insurance with respect to our directors and officers, which covers expenses, capped at a certain amount, that our board members and our senior management may incur in connection with their conduct as members of our board of directors or senior management. We also maintain insurance policies with respect to our manufacturing facilities, insurance policies with respect to the clinical trials we conduct as sponsor, group insurance policies for our employees in connection with occupational accidents and a legal expenses insurance policy. We consider our insurance coverage to be adequate in light of the risks we face.

7. CORPORATE GOVERNANCE

7.1. General provisions

This chapter 7 summarises the rules and principles by which the corporate governance of the Company has been organised pursuant to Belgian Company law, the Company's Articles of Association and the Company's corporate governance charter. It is based on the Articles of Association as last amended by the shareholders' meeting ofSeptember 8, 2014 and on the Company's corporate governance charter as last updated by the Board of Directors on December 3, 2014.

The Company's corporate governance charter has been adopted in accordance with the recommendations set out in the Belgian Code on Corporate Governance (the "Code") that has been issued on March 12, 2009 by the Belgian Corporate Governance Committee. Corporate governance has been defined in the Code as a set of rules and behaviours according to which companies are managed and controlled. The Code is based on a "comply or explain" system: Belgian listed companies should follow the Code, but can deviate from its provisions and guidelines (though not the principles) provided they disclose the justifications for such deviation.

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

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

The Board of Directors reviews its corporate governance charter from time to time and makes such changes as it deems necessary and appropriate. The charter has been made available on the Company's website (www.tigenix.com; under Investors → Corporate Governance) and can be obtained free of charge at the registered office of the Company.

7.2. Board of directors

7.2.1. General provisions

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

Pursuant to the Articles of Association, the Board of Directors is to be composed of at least three (3) directors and a maximum of thirteen (13) members, whereby (i) any shareholder owning 20% or more of the shares of the Company shall be entitled to propose candidates for the appointment of two (2) directors and (ii) any shareholder owning at least 10% but less than 20% of the shares of the company shall be entitled to propose candidates for the appointment of one (1) director. Pursuant to the Company's corporate governance charter, at least half of the directors must be non-executive directors and at least three (3) of them must be independent.

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

A meeting of the Board of Directors is validly constituted if there is a quorum, consisting of at least half of the members present in person or represented at the meeting. If this quorum is not present, a new board meeting may be convened to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not present. In any event, the Board

of Directors may only validly proceed if at least two directors are present. Meetings of the Board of Directors are convened by the chairman of the board or by at least two directors whenever the interests of the Company so require. In principle, the board will meet at least six (6) times per year.

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

7.2.2. Chairman

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

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

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

7.2.3. Independent directors

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

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

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

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

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

e. (i) Not holding any shareholder rights representing one tenth or more of the Company's capital, the Company's social funds or of a class of shares of the Company;
(ii) If the independent director holds shareholder rights representing less than one tenth:
- not holding shareholder rights representing, together with the shareholder rights owned in the same company by companies controlled by the independent director, one tenth or more of the Company's capital, the Company's social funds or of a class of shares of the Company; or
- the disposal of those shares or the exercise of the related rights not being subject to contractual stipulations or unilateral undertakings given by the independent director.
(iii) Not representing, in any circumstances, a shareholder fulfilling the conditions covered under this point (e).

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

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

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

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

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

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

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

7.2.4. Composition of the Board of Directors

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

Name	Age (as per December 31, 2014)	Position	Term[1]	Professional Address
Innosté SA, represented by Jean Stéphenne[2]	65	Chairman / Independent director	2016	Avenue Alexandre 8, 1330 Rixensart, Belgium
Eduardo Bravo Fernández de Araoz[3]	49	Managing Director (executive) / CEO	2015	Romeinse straat 12, 3001 Leuven, Belgium
Dirk Büscher[4]	50	Director (non-executive)	2017	Calle Pujolar 44 08198 Sant Cugat del Vallés La Floresta, Spain
Willy Duron[5]	69	Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig[2]	62	Independent director	2016	1241 Karen Lane, Wayne, PA 19087, USA
Eduard Enrico Holdener[3]	69	Independent director	2015	Buchenrain 6, 4106 Therwil, Switzerland
R&S Consulting BVBA[3], represented by Dirk Reyn	53	Independent director	2015	Populierstraat 4, 1000 Brussels, Belgium
José Terencio[4]	47	Director (non-executive)	2017	Pasea Bonanova 92, 6-2 08017 Barcelona Spain

Notes

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

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

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

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

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

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

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

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

Eduardo Bravo: CEO and Managing Director (executive)

Mr. Eduardo Bravo has more than twenty-five years experience in the biopharmaceutical industry. He has been CEO of TiGenix since May 2011. Prior to joining TiGenix in 2005, he held several senior management positions at Sanofi-Aventis, including Vice President for

Latin America, a division with 2000 employees and sales of more than EUR 1 billion. At Sanofi-Aventis he also held senior positions in marketing and sales for Europe and he was general manager for Belgium. Prior to his tenure at Sanofi-Aventis, Mr. Bravo spent seven years at SmithKline Beecham in commercial positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD). He is Vice-President of EBE (European Biopharmaceutical Enterprises) and member of the Executive Committee of ARM (Alliance for Regenerative Medicine).

Dirk Büscher: Director (non-executive)

Dr. Dirk Büscher, PhD, is CEO of Gri-Cel SA, which invests in advanced therapies and innovative therapeutics. Previously he served as Vice President R&D of Cellerix. Dr. Büscher obtained his PhD in biology and immunology from the University of Hannover, Germany, and conducted post doctoral studies in molecular developmental biology and stem cell research at the Salk Institute in La Jolla, California. He also holds an executive MBA from Instituto de Empresa Business School. Dr. Büscher has served as industry expert on mesenchymal stem cells at the European Medicines Agency. He is a member of the board of directors of VCN Biosciences and Araclon Biotech.

Willy Duron: Independent Director

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

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

Dr. Russell Greig worked at GlaxoSmithKline for three decades, most recently as President of SR One, GSK's Corporate Venture Group. Prior to joining SR One, he served as President of GSK's Pharmaceuticals International from 2003 to 2008 as well as on the GSK Corporate Executive Team. Dr. Greig currently serves as Chairman of AM Pharma and Mint Solutions in the Netherlands, and as a board member of Ablynx in Belgium, Onxeo Pharma (previously BioAlliance Pharma) in France, and Oryzon in Spain. He also serves as a venture partner at Kurma Life Sciences (Paris, France). Dr. Russell Greig used to be Chairman of Isconova AB in Sweden (acquired by Novavax, USA), Novagali in France (acquired by Santen, Japan), and Syntaxin in the UK (acquired by Ipsen, France).

Eduard Enrico Holdener: Independent Director

Dr. Eduard Enrico Holdener earned his medical degree from the University of Zurich and held the post of Chief Medical Officer & Global Development Head in the Pharma Division of F. Hoffmann-La Roche Pharmaceutical Ltd until February 2008. In that function Dr. Holdener was also part of the F.Hoffmann-La Roche AG Pharma and Corporate Executive Committee. He began his career in pharmaceuticals in 1986 after fourteen years of working at various hospitals and academic institutions in Switzerland and the United States. During his tenure at Roche, he was credited with winning approval for an important number of new medicines in different therapeutic areas. Dr. Holdener currently serves as Executive Chairman of Novimmune S.A, director of Parexel International Co and HBM Healthcare Investments and member of the board of Swiss Cancer Research Foundation. Previously, Dr. Holdener was a board member of Syntaxin Ltd. and Cellerix.

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

Mr. Dirk Reyn obtained his pharmacist degree at the University of Antwerp, and holds an MBA degree from the Handelshogeschool/Northwestern University of Chicago. He founded Movetis NV in 2006 where he served as Chief Executive Officer and Executive Director until the company was acquired by Shire in 2010. He remained with Shire until May 2013. He is currently CEO of Progress Pharma, an asset development company, where he leads three projects. Mr. Reyn served as the Head of the GI Strategic Marketing group for many years and then Vice President New Business Development for Janssen-Cilag in Europe. He has more than twenty-five years of experience, having first joined Johnson & Johnson in 1992, and became the driving force behind the global marketing and commercial strategy for such products as PREPULSID and PARIET and other compounds from the Johnson & Johnson GI portfolio. Prior to joining Johnson & Johnson, he served in a number of national and international commercial positions at Eli Lilly. Mr Dirk Reyn holds board positions in Flanders Bio, the local industry association, in non-pharma companies Horizon Pharmaventures, R&R Promotions and BbyB Chocolates, and in different charity organizations.

José Terencio: Director (non-executive)

Dr. José Terencio, PhD, is COO of Gri-Cel SA. Previously he was Director R&D of Laboratorios Grifols. Before that he was at the R&D center of Grupo Ferrer. With more than twenty years of experience in the pharmaceutical indus-

try, Dr. Terencio has particular expertise in drug discovery and the development of small molecule therapeutics. Dr. Terencio obtained his PhD in CNS Pharmacology from the University of Barcelona and also holds a PDD from IESE Business School and a Master in Financial and Accounting Management from Universidad Pompeu Fabra. He is a member of the board of directors of VCN Biosciences.

Functioning in 2014

In 2014, the Board of Directors met 12 times.

INDIVIDUAL PRESENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS IN 2014

Name	Number of meetings attended
Gil Beyen BVBA, represented by Gil Beyen	1
Eduardo Bravo	12
Dirk Büscher	12
Willy Duron	11
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	12
Eduard Enrico Holdener	8
R&S Consulting BVBA, represented by Dirk Reyn	10
Innosté SA, represented by Jean Stéphenne	11
José Terencio	12

Litigation statement concerning the directors or their permanent representatives

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

- any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation (except for Jean Stéphenne who was a member of the board of directors of Auguria Residential Real Estate Fund, which is currently in liquidation);
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or,
- ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

7.3. Committees of the board of directors

7.3.1. General

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

7.3.2. Executive committee

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

7.3.3. Audit committee

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

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

The audit review and the reporting on that review should cover the Company and its subsidiaries as a whole.

The committee has specific tasks, which include the Company's financial reporting, internal controls and risk management, and the internal and external audit process. These are further described in the terms of reference of the audit committee, as set out in the Company's corporate governance charter and in Article 526bis of the Companies Code. In principle, the committee will meet at least four (4) times per year.

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

The Company Secretary is also the Secretary of the Audit Committee. The Secretary of the Audit Committee prepares a report on the findings and recommendations of the meetings of the Audit Committee. The Secretary sends the report to all the members of the Board of Directors as soon as possible after a meeting.

The following directors are member of the audit committee:

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

The audit committee met twice in 2014. The CEO, Eduardo Bravo, was invited to all meetings. The meetings were also attended by the CFO, Claudia D'Augusta. Part of the meetings was held in the presence of the external auditor, BDO Bedrijfsrevisoren.

The audit committee took note of the risks of the Company's group as presented by the CEO and of the management letter prepared by the external auditor and has reviewed the bi-annual and annual accounts over 2014.

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

7.3.4. Nomination and remuneration committee

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

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

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

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

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

The nomination and remuneration committee met seven times in 2014.

The nomination and remuneration committee made recommendations with respect to the annual remuneration of the members of executive management for 2014 and the bonuses to be paid to them in respect of the realised objectives for 2013.

7.3.5. Company secretary

An Moonen has been appointed as company secretary.

7.4. Executive management

7.4.1. General provisions

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

7.4.2. Composition of the executive management

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

Name	Position	Age (as per December 31, 2014)
Eduardo Bravo	Managing Director and Chief Executive Officer (CEO)	49
Claudia D'Augusta	Chief Financial Officer (CFO)	45
Wilfried Dalemans	Chief Technical Officer (CTO)	57
Marie Paule Richard	Chief Medical Officer (CMO)	60

Except for Marie Paule Richard, who joined the Company as Chief Medical Officer as from September 1, 2014, the members of executive management were in office during the full year 2014. No other changes were made to the composition of the executive management in 2014.

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

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

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

Mr. Eduardo Bravo has more than twenty-five years experience in the biopharmaceutical industry. He has been CEO of TiGenix since May 2011. Prior to joining TiGenix in 2005, he held several senior management positions at Sanofi-Aventis, including Vice President for Latin America, a division with 2000 employees and sales of more than EUR 1 billion. At Sanofi-Aventis he also held senior positions in marketing and sales for Europe and he was general manager for Belgium. Prior to his tenure at Sanofi-Aventis, Mr. Bravo spent seven years at SmithKline Beecham in commercial positions both nationally and internationally. Mr. Bravo holds a degree in Business Administration and an MBA (INSEAD). He is Vice-President of EBE (European Biopharmaceutical Enterprises) and member of the Executive Committee of ARM (Alliance for Regenerative Medicine)

Claudia D'Augusta: Chief Financial Officer (CFO)

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

Wilfried Dalemans: Chief Technical Officer (CTO)

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

Marie Paule Richard: Chief Medical Officer (CMO)

Dr. Marie Paule Richard has spent more than twenty five years in senior executive positions in pharmaceutical and biotechnology companies. She has held international management positions at Bristol Myers Squibb, Sanofi, GlaxoSmithKline, Sanofi Pasteur and Crucell. Prior to joining TiGenix, Dr. Richard was Chief Medical Officer at AiCuris GmbH, Germany. She has gained global and extensive experience of clinical development strategy and

operations across all phases of development, regulatory affairs and pharmacovigilance, involving numerous anti infective and immunomodulatory drugs and biologicals, as well as the life cycle management of marketed products. She has obtained several drug approvals and international license renewals in both Europe and the United States. Dr. Richard holds a medical degree from the University of Nancy, France, and, among other qualifications, a certification in Clinical Immunology.

7.4.3. Chief executive officer

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

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

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

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

7.4.4. Other members of the executive management

The other members of the executive management are the CFO, the CTO and the CMO.

The Company did not previously have a CMO. Instead, the Company used to have a "Vice President Global Medical Affairs and Clinical Operations". However, when such person was made redundant, the Company decided to search for a more senior profile and recruited a very experienced manager for the CMO position, as is standard in the industry.

Each of the CFO, the CTO and the CMO are appointed and removed by the Board of Directors or by the CEO in close consultation with the Board of Directors. They report to the CEO.

The CFO has responsibility for the following areas:
- finance;
- legal;
- ICT;
- investor relations.

The CTO has responsibility for the following areas:
- R&D;
- industrialization;
- manufacturing;
- intellectual property;
- competitive projects.

The CMO has responsibility for the following areas:
- medical affairs;
- pharmacovigilance;
- clinical development.

7.5. Remuneration and benefits

Please refer to section 13.8.

7.6. Shares and warrants held by directors and executive management

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

Please refer to section 13.8.

7.6.2. Shares and warrants held by executive management

Please refer to section 13.8.

7.6.3. TiGenix Stock option plan

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

For a description of the different stock option plans of TiGenix, see section 5.7.

7.6.4. TiGenix SAU Equity Based Incentive Plans

7.6.4.1. Summary of the Equity Based Incentive Plans

Prior to the contribution of all shares of TiGenix SAU (previously: Cellerix SA) to the Company on May 3, 2011 (the "**Contribution**"), TiGenix SAU had created two Equity Based Incentive Plans ("**EBIPs**"). The completion of the Contribution on May 3, 2011 triggered certain consequences outlined below which affect both EBIPs (section 7.6.4.2). A summary overview of some of the conditions of both EBIPs is given below. Note (24) to the consolidated financial statements, part of Section 11.6, contains a numerical summary of the options granted and outstanding as of December 31, 2014.

EBIP 2008

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

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

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

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

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

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

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

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

In this case, at the time of exercise of any of the new options, the corresponding TiGenix shares shall be delivered by the company CX EBIP Agreement, SLU which is currently the holder of the TiGenix shares to be delivered under both EBIP plans. In the case that any of the EBIP 2008 options is exercised, the beneficiary would have to pay the applicable exercise price (referred to above) to CX EBIP Agreement, SLU, which in turn would be obliged, under an agreement entered into with TiGenix SAU (the "*EBIP Agreement*", please see below in this section 7.6.4.1), to pass on this exercise price (after deduction of the issuance price of EUR 0.013 per TiGenix SAU share paid by CX EBIP Agreement, SLU exchanged for the TiGenix shares delivered and any costs associated with the transfers) to TiGenix SAU, and CX EBIP Agreement, SLU would have to transfer the corresponding number of TiGenix shares to the beneficiary. Therefore, upon the exercise of an option in this alternative no new TiGenix shares would have to be issued and the impact for CX EBIP Agreement, SLU would be limited to recovering the price paid upon the subscription of the TiGenix SAU shares (which have been exchanged for TiGenix shares upon the Contribution) and any associated costs.

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

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

EBIP 2010

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

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

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

Beneficiaries must exercise their options before September 30, 2016. Pursuant to the terms of the EBIP

2010 the board of directors of TiGenix SAU has opted to exchange all existing options for new options over existing TiGenix shares. As the options keep the same exchange rate of the Contribution (i.e. 2.96 TiGenix shares per TiGenix SAU share contributed to TiGenix), each EBIP 2010 option shall give the EBIP 2010 beneficiaries the right to receive 2.96 TiGenix shares at the time of exercise.

In this case, at the time of exercise of any of the new options, the corresponding TiGenix shares shall be delivered by CX EBIP Agreement, SLU which is currently the holder of the TiGenix shares to be delivered under both EBIP plans. In the case that any of the EBIP 2010 options is exercised, the beneficiary would have to pay the applicable exercise price (referred to above) to CX EBIP Agreement, SLU, which in turn would be obliged, under an agreement entered into with TiGenix SAU (the "*EBIP Agreement*", please see below in this section 7.6.4.1), to pass on this exercise price (after deduction of the issuance price of EUR 0.013 per TiGenix SAU share paid by CX EBIP Agreement, SLU exchanged for the TiGenix shares delivered and any costs associated with the transfers) to TiGenix SAU, and CX EBIP Agreement, S.L. would have to transfer the corresponding number of TiGenix shares to the beneficiary. Therefore, upon the exercise of an option in this alternative, no new TiGenix shares would have to be issued and the impact for CX EBIP Agreement, SLU would be limited to recovering the price paid upon the subscription of the TiGenix SAU shares (which have been exchanged for TiGenix shares upon the Contribution) and any associated costs.

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

Common characteristics of both TiGenix SAU EBIPs

All options have been granted free of charge.

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

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

- Under the EBIP 2008, as no beneficiary opted to exercise all the options at once within 60 days following the Contribution date, all beneficiaries received new options over existing TiGenix shares; the beneficiaries are only permitted to exercise the options that have vested under the regular scheme but are not permitted to exercise their options that benefited from accelerated vesting due to the Contribution.
- Under the EBIP 2010 the board of directors of TiGenix SAU has opted to exchange the existing options over TiGenix SAU shares for new options over existing TiGenix shares and decided to request the permanence of the beneficiaries. On April 14, 2011, the board of directors of TiGenix SAU passed a resolution setting the duration of such permanence period at one year to encourage the key team to stay with TiGenix SAU after the Contribution. This term now lapsed, so the beneficiaries are permitted to exercise their options.

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

- in June 2008, TiGenix SAU issued 415,700 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;
- in September 2008, TiGenix SAU issued 37.850 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;
- in November 2009, TiGenix SAU issued 61,479 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;
- in May 2010, TiGenix SAU issued 49,446 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share;
- in October 2010, TiGenix SAU issued 77,751 new shares to CX EBIP Agreement, SLU at an issuance price of EUR 0.013 per TiGenix SAU share.

All such TiGenix SAU shares have been exchanged for TiGenix shares as set out in section 7.6.4.2 below.

TiGenix SAU and its shareholders entered into a management agreement with CX EBIP Agreement, SLU (the "**EBIP Agreement**") in May 2008. The EBIP Agreement was amended and restated in November 2009 and has been further amended on May 3, 2011 simultaneously with the completion of the Contribution to establish the procedure for exercise of the EBIP options as indicated above in this section 7.6.4.1.

7.6.4.2. Impact of the Contribution

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

7.6.4.3. EBIP options outstanding as per December 31, 2014

In 2013, a total of 31,011 EBIP 2010 options was exercised, as a result of which CX EBIP Agreement SLU transferred 91,992 TiGenix shares to the exercising beneficiaries.

As per December 31, 2014, a total of 611,215 EBIP options (i.e. 420,718 EBIP 2008 options and 190,497 EBIP 2010 options), corresponding to 1,813,152 TiGenix shares, was outstanding.

7.7. Private investment transactions and trading in company's shares

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

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

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

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

7.8. Transactions with affiliated companies

7.8.1. General

Each director and executive manager is encouraged to arrange his personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company. The Company's corporate governance charter contains specific procedures to deal with potential conflicts.

7.8.2. Conflicts of interest of directors

Article 523 of the Companies Code provides for a special procedure within the Board of Directors in the event of a possible conflict of interest of one or more directors with one or more decisions or transactions by the Board of Directors.

In the event of a conflict of interest, the director concerned has to inform his fellow directors of his conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director cannot participate in the deliberation and voting by the board on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements by the conflicted director, and a description by the board of the conflicting interests and the nature of the decision or transaction concerned.

The minutes must also contain a justification by the board for the decision or transaction, and a description of the financial consequences thereof for the Company. The relevant minutes must be included in the (statutory) annual report of the Board of Directors. The conflicted director must also notify the statutory auditor of the conflict. The statutory auditor must describe in his annual (statutory) audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

In case of non-compliance with the foregoing, the Company may request the annulment of the decision or the transactions which have taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions. It also does not apply to transactions or decisions between companies of which one holds (directly or indirectly) at least 95% of the voting financial instruments of the other, and transactions or decisions between companies whereby at least 95% of the voting financial instruments of both companies are (directly or indirectly) held by another company.

Article 524ter of the Companies Code provides for a similar procedure in the event of conflicts of interest of executive committee members. In the event of such conflict, only the Board of Directors will be authorized to take the decision that has led to the conflict of interest. The Company's executive management team does not qualify as an executive committee in the sense of Article 524bis of the Companies Code.

Currently, the directors do not have a conflict of interest within the meaning of Article 523 of the Companies Code that has not been disclosed to the Board of Directors.

7.8.3. Related party transactions

Article 524 of the Companies Code provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of

the Company. It also applies to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company. Prior to any such decision or transaction, the Board of Directors must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Company. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Company that is manifestly illegitimate in view of the Company's policy. If the committee determines that the decision or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Company, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set out in the committee's advice. The Board of Directors must then take a decision, taking into account the opinion of the committee.

Any deviation from the committee's advice must be motivated. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote (as set out in section 7.8.2 above). The committee's advice and the decision of the Board of Directors must be notified to the Company's statutory auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the statutory auditor must be included in the (statutory) annual report of the Board of Directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value of less than 1% of the consolidated net assets of the Company.

In 2014, the Company did not enter into any transaction that required the application of the procedure provided for in Article 524 of the Companies Code.

8. EMPLOYEES

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

On December 31, 2014, the TiGenix group had a total of 49 permanent employees (full-time equivalents). About 63% work in research and development activities (including clinical development and manufacturing), the remainder in corporate functions. Corporate functions include finance, human resources, legal, ICT, business development, investor relations, and intellectual property.

9. MAJOR SHAREHOLDERS

9.1. Overview

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

Shareholder	Number of shares declared in transparency declaration	% of shares at time of transparency declaration[1]	% of shares (simulation) as per December 31, 2014[2]
Gri-Cel SA[3]	34,188,034	21.30%	21.30%
Novartis Bioventures Ltd. [4]	5,534,905	4.55%	3.45%
Subtotal[5]	**39,722,939**		**24.75%**
Other shareholders	120,753,681		75.25%
TOTAL	**160,476,620**		**100.00%**

1 Percentages based on number of shares and denominator at time of transparency declaration.
2 Percentages based on number of shares at time of transparency declaration, but denominator as per December 31, 2014.
3 Gri-Cel SA is controlled by Instituto Grifols, S.A., which is controlled by Grifols, S.A.
4 Novartis Bioventures Ltd is controlled by Novartis AG.
5 The above shareholders are acting independently.

9.2. Voting rights

As further described under section 5.6.1, each shareholder is entitled to one vote per share.

In an agreement entered into on May 3, 2011, simultaneously with the completion of the contribution of the TiGenix SAU (previously: Cellerix SA) shares to the Company, between TiGenix SAU and CX EBIP Agreement, SLU, CX EBIP Agreement, SLU has unilaterally undertaken to abstain from: (i) exercising its voting rights on any shares in the Company owned by CX EBIP Agreement, SLU and (ii) attending any shareholders' meetings of the Company until the Equity Based Incentive Plans of TiGenix SAU, described in section 7.6.4, have expired.

9.3. Shareholders' agreements

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

9.4. Relations with major shareholders

9.4.1. CX EBIP Agreement, SLU

TiGenix SAU has an agreement with CX EBIP Agreement, SLU, a wholly-owned subsidiary of Genetrix Life Sciences A.B., in relations to the EBIPs. This is set out in more detail in section 7.6.4.1. ("Summary of the Equity Based Incentive Plans").

9.4.2. Gri-Cel SA

On November 19, 2013, simultaneously with the entering into of the subscription agreement pursuant to which Gri-Cel SA subscribed to 34,188,034 new TiGenix shares for a total amount of EUR 12 million (including issuance premium), TiGenix entered into an agreement with Gri-Cel SA pursuant to which it will in the future offer to Gri-Cel SA the possibility to evaluate and negotiate potential partnering opportunities in relation to the development and the commercialization of TiGenix products other than ChondroCelect.

Following the closing of the transaction and as agreed in the subscription agreement, on December 4, 2013, the Board of Directors appointed Dirk Büscher and José Terencio, two directors proposed by Gri-Cel SA, on a provisional basis to the board (in replacement of two directors who resigned). The shareholders' meeting of April 2, 2014 confirmed the appointments.

Pursuant to the subscription agreement, the Company proposed to the shareholders' meeting to amend the Articles of Association in relation to the composition of the Board of Directors. Following the September 8, 2014 extraordinary shareholders' meeting, the Articles of Association provide that the Board of Directors shall be composed of at least three (3) directors and a maximum of thirteen (13) members, whereby (i) any shareholder owning 20% or more of the shares of the Company shall be entitled to propose candidates for the appointment of two (2) directors and (ii) any shareholder owning at least 10% but less than 20% of the shares of the company shall be entitled to propose candidates for the appointment of one (1) director.

Based on the transparency declaration received by the Company, Gri-Cel S.A. owns 34,188,034 shares representing 21.30% of the Company's shares as per December 31, 2014.

10. FINANCIAL STATEMENTS: GENERAL

10.1. General information

On March 16, 2015, the Board of Directors made up the consolidated financial statements and the statutory financial statements of the Company with respect to the financial year ended on December 31, 2014, as well as the annual report on these consolidated and statutory financial statements.

The consolidated financial statements can be found in sections 11.1, 11.2, 11.3, 11.4 and 11.5; an extract of the statutory financial statements can be found in sections 12.1 and 12.2.

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

The consolidated financial statements of the Company with respect to the financial years ended December 31, 2012, December 31, 2013 and December 31, 2014 were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ("**IFRS**"). They have all been audited by BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Gert Claes, who delivered an unqualified audit opinion with an explanatory paragraph for 2012, 2013 and 2014. These audit opinions can be found in sections 11.7, 11.8, and 11.9 respectively.

BDO Bedrijfsrevisoren – BDO Réviseurs d'Entreprises CVBA/SCRL, represented by Gert Claes, also issued unqualified audit opinions with an explanatory paragraph on the statutory financial statements of the Company with respect to the financial years ended December 31, 2014, 2013 and 2012.

This registration document, together with the complete version of the statutory financial statements of the Company with respect to the financial year ended December 31, 2014, the annual report of the Board of Directors on the consolidated financial statements and the statutory financial statements, and the auditor's report on the statutory financial statements are made available on the website of TiGenix (www.tigenix.com) as from March 20, 2015 and can be obtained free of charge.

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

The Company has incorporated the 2012 consolidated financial statements by reference.

10.2. Statement by the CEO

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

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

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

Leuven, March 16, 2015

Eduardo Bravo, CEO of TiGenix NV

11. CONSOLIDATED FINANCIAL STATEMENTS

11.1. Consolidated income statements

Thousands of euros except per share data	Notes	Years ended December 31, 2014	2013[1]	2012[1]
CONTINUING OPERATIONS				
Revenues				
Royalties		338	—	—
Grants and other operating income	5	5,948	883	1,389
Total revenues		**6,286**	**883**	**1,389**
Research and development expenses	6	(11,443)	(9,843)	(12,140)
General and administrative expenses	6	(7,406)	(5,829)	(6,237)
Total operating charges		**(18,849)**	**(15,672)**	**(18,377)**
Operating Loss		**(12,563)**	**(14,789)**	**(16,989)**
Financial income	7	115	7	35
Financial expenses	7	(966)	(45)	(58)
Foreign exchange differences	7	1,101	(352)	(142)
Loss before taxes		**(12,313)**	**(15,179)**	**(17,153)**
Income taxes	8	927	59	(1)
Loss for the period from continuing operations		**(11,386)**	**(15,120)**	**(17,154)**
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	9	(1,605)	(3,270)	(3,239)
Loss for the period		**(12,990)**	**(18,390)**	**(20,393)**
Attributable to equity holders of TiGenix		*(12,990)*	*(18,390)*	*(20,393)*
Basic and diluted loss per share (euro)	10	**(0.08)**	**(0.16)**	**(0.22)**
Basic and diluted loss per share from continuing operations (euro)	10	**(0.07)**	**(0.13)**	**(0.19)**
Basic and diluted loss per share from discontinued operations (euro)	10	**(0.01)**	**(0.03)**	**(0.03)**

The accompanying notes form an integral part of these consolidated financial statements.

1 *The consolidated income statements for the years ended December 31, 2013 and 2012 have been restated to present the ChondroCelect operations as discontinued operations in accordance with IFRS 5* – Non-current Assets Held for Sale and Discontinued Operations *(see also note 9).*

11.2. Consolidated statements of comprehensive income

Thousands of euros	Years ended December 31, 2014	2013	2012
Loss for the period	**(12,990)**	**(18,390)**	**(20,393)**
Items of other comprehensive income that may be reclassified subsequently to the income statement			
Currency translation differences	(925)	366	41
Other comprehensive income	**(925)**	**366**	**41**
Total comprehensive income	**(13,915)**	**(18,024)**	**(20,352)**
Attributable to equity holders of TiGenix	*(13,915)*	*(18,024)*	*(20,352)*

The accompanying notes form an integral part of these consolidated financial statements.

11.3. Consolidated statements of financial position

Thousands of euros	Notes	As at December 31, 2014	2013	2012
ASSETS				
Intangible assets	12	34,172	36,407	39,205
Property, plant and equipment	13	601	879	8,334
Available-for-sale investments	14	161	161	278
Other non-current assets	15	1,874	1,415	498
Non-current assets		**36,808**	**38,863**	**48,315**
Inventories	16	102	77	105
Trade and other receivables	17	1,734	1,583	3,661
Current tax assets	8	927	—	—
Other current financial assets	18	878	820	804
Cash and cash equivalents		13,471	15,565	11,072
Current assets		**17,113**	**18,045**	**15,642**
Assets held for sale	11	**—**	**6,135**	**—**
TOTAL ASSETS		**53,921**	**63,043**	**63,957**
EQUITY AND LIABILITIES				
Share capital		16,048	16,048	10,030
Share premium		100,118	100,125	88,852
Accumulated deficit		(87,041)	(74,049)	(55,700)
Other reserves		5,632	6,098	5,386
Equity attributable to equity holders		**34,757**	**48,222**	**48,568**
Total equity	19	**34,757**	**48,222**	**48,568**
Financial loans and other payables	20	10,652	8,263	6,184
Deferred tax liability	21	29	29	27
Other non-current liabilities	22	—	86	95
Non-current liabilities		**10,681**	**8,378**	**6,306**
Current portion of financial loans	20	2,256	343	388
Other financial liabilities	20	671	874	1,527
Trade and other payables	23	2,352	3,007	4,014
Other current liabilities	24	3,204	1,653	3,154
Current liabilities		**8,483**	**5,877**	**9,083**
Liabilities related to non-current assets held for sale	11	**—**	**566**	**—**
TOTAL EQUITY AND LIABILITIES		**53,921**	**63,043**	**63,957**

The accompanying notes form an integral part of these consolidated financial statements.

11.4. Consolidated statements of cash flows

Thousands of euros	Notes	Years ended December 31, 2014	2013[1]	2012[1]
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss		**(12,563)**	**(14,789)**	**(16,989)**
Adjustments for:				
Depreciation and amortisation expense		3,113	3,258	3,687
Share-based compensation		459	348	612
Grants income	5	(5,522)	(774)	(887)
Other		(923)	110	23
		(15,436)	(11,707)	(13,553)
Movements in working capital:				
(Increase)/ decrease in inventories		(25)	(6)	230
(Increase) in trade and other receivables		(1,092)	(52)	(157)
(Increase) in other financial assets		(58)	(16)	(286)
Decrease in other current assets		—	19	352
Increase/(decrease) in trade and other payables		96	(975)	(722)
Increase/(decrease) in other current liabilities		3,301	(1,744)	(709)
Cash used in operations		*(13,214)*	*(14,481)*	*(14,845)*
Income taxes received		—	20	—
Cash flow from discontinued operations	9	(153)	176	(2,782)
Net cash used in operating activities		**(13,367)**	**(14,425)**	**(17,627)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interests received		57	4	9
Acquisition of property, plant and equipment	13	(40)	(35)	(24)
Acquisition of intangible assets	12	(315)	(323)	(267)
Proceeds from disposal of property, plant and equipment		4	12	124
Increase of other non-current assets		112	(917)	(13)
Cash flow from discontinued operations	9	3,490	(61)	(550)
Net cash used in investing activities		**3,307**	**(1,320)**	**(721)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issue of equity instruments of the Company		(415)	17,694	6,289
Reimbursements of subordinated loan		—	—	(130)
Net proceeds from financial loans		9,583	2,380	1,527
Reimbursements of financial loans		(246)	(114)	(114)
Reimbursements of other financial liabilities		(874)	—	—
Proceeds from government grants		880	324	2,123
Interests paid		(960)	(47)	(48)
Net cash provided by financing activities		**7,969**	**20,237**	**9,647**
Net increase/(decrease) in cash and cash equivalents		**(2,091)**	**4,490**	**(8,701)**
Cash and cash equivalents at beginning of the period		15,565	11,072	19,771
Effect of currency translation on cash and cash equivalents		(3)	3	2
Cash and cash equivalents at end of period		**13,471**	**15,565**	**11,072**

1 The consolidated statements of cash flows for the years ended December 31, 2013 and 2012 have been restated to present the ChondroCelect operations as discontinued operations in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

11.5. Consolidated statements of changes in equity

Thousands of euros except share data	Attributable to equity holders of the Company							
						Other reserves		
	Numbers of shares	Share capital	Share premium	Shares to be issued	Accumulated deficits	Equity-settled employee benefits reserve	Translation reserves	Total Equity
At January 1, 2012	**91,122,667**	**89,093**	**81,656**	**2,296**	**(115,759)**	**5,326**	**(593)**	**62,019**
Loss for the period		—	—	—	(20,393)	—	—	(20,393)
Other comprehensive income		—	—	—	—	—	41	41
Total comprehensive income		—	—	—	(20,393)	—	41	(20,352)
Capital decrease	—	(80,452)	—	—	80,452	—	—	—
Issuance of shares (contribution in kind)	536,534	526	1,770	(2,296)	—	—	—	—
Issuance of shares (contribution in cash)	8,629,385	863	5,868	—	—	—	—	6,731
Transaction costs	—	—	(442)	—	—	—	—	(442)
Share-based compensation	—	—	—	—	—	612	—	612
At December 31, 2012	**100,288,586**	**10,030**	**88,852**	**—**	**(55,700)**	**5,938**	**(552)**	**48,568**
Loss for the period	—	—	—	—	(18,390)	—	—	(18,390)
Other comprehensive income	—	—	—	—	—	—	366	366
Total comprehensive income		—	—	—	(18,390)	—	366	(18,024)
Issuance of shares	60,188,034	6,018	12,481	—	—	—	—	18,499
Transaction costs	—	—	(1,208)	—	—	—	—	(1,208)
Share-based compensation	—	—	—	—	41	346	—	387
At December 31, 2013	**160,476,620**	**16,048**	**100,125**	**—**	**(74,049)**	**6,284**	**(186)**	**48,222**
Loss for the period	—	—	—	—	(12,990)	—	—	(12,990)
Other comprehensive income	—	—	—	—	—	—	(925)	(925)
Total comprehensive income	—	—	—	—	(12,990)	—	(925)	(13,915)
Transaction costs	—	—	(19)	—	—	—	—	(19)
Share-based compensation	—	—	—	—	—	459	—	459
Other	—	—	11	—	—	—	—	11
At December 31, 2014	**160,476,620**	**16,048**	**100,118**	**—**	**(87,041)**	**6,744**	**(1,110)**	**34,757**

The accompanying notes form an integral part of these consolidated financial statements.

11.6. Notes to the consolidated financial statements

1. General information

TiGenix (the "Company", and together with its subsidiaries, the "Group", "we" or "us") is an advanced biopharmaceutical company focused on developing and commercializing novel therapeutics from our proprietary platform of allogeneic, or donor-derived, expanded adipose-derived stem cells, known as eASCs, in inflammatory and autoimmune diseases. Based on our proprietary technology platform, we have developed a pipeline of product candidates, including Cx601, which is in Phase III for the treatment of perianal fistulas in Crohn's disease patients, Cx611, for early rheumatoid arthritis in Phase II and for severe sepsis Phase I, and Cx621, which completed a Phase I clinical trial for the intra-lymphatic administration of allogeneic eASCs. We also developed and commercialized ChondroCelect, the first cell-based medicinal product to receive marketing authorization from the EMA, which is indicated for cartilage repair in the knee.

TiGenix is a limited liability company incorporated and domiciled in Belgium. The registered office is located at Romeinse straat 12, bus 2, 3001 Leuven, Belgium.

2. Summary of significant accounting policies

2.1. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or IFRS, as endorsed by the European Union ('IFRS').

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

During the first half of 2014, the discontinuation of the ChondroCelect operations was successfully completed through the combination of the sale of the Dutch manufacturing facility and a licensing agreement for the marketing and sales of ChondroCelect. As a result, the focus of the Group has changed in 2014 whereby the Group currently focusses on the development of its platform and pipeline of allogeneic treatments, using expanded adipose-derived stem cells (eASCs) for the benefit of patients suffering from a range of inflammatory and immunological conditions.

On May 30, 2014, the Group completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of 4.3 million euros. Under the terms of the share purchase agreement with PharmaCell, we received an upfront payment of 3.5 million euros when the sale became effective on May 30, 2014 and will receive a final payment of 0.8 million euros (recognized at its present value of 0.6 million euros) on May 30, 2017. In addition, the sale includes a cost relief of 1.5 million euros under the terms of a long-term manufacturing agreement with our former subsidiary, which is now owned by PharmaCell, to continue manufacturing ChondroCelect at the facility. The 1.5 million euros (total net present value of 1.2 million euros) cost relief has not been included as part of the selling price, because it has been passed on to Sobi. Sobi will purchase all of the ChondroCelect produced by our former subsidiary at cost under the terms of a distribution agreement, as described below. Therefore, the total loss from the TiGenix B.V. disposal recognized as of June 30, 2014 amounts to 1.1 million euros (additional to the impairment of 0.7 million euros recognized at December 31, 2013) included as discontinued operations.

On June 1, 2014, we completed the licensing of the marketing and distribution rights of ChondroCelect to Swedish Orphan Biovitrum, or Sobi, the international specialty healthcare company dedicated to rare diseases. Sobi will continue to market and distribute the product within the European Union (excluding Finland where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. We will receive royalties on the net sales of ChondroCelect, and Sobi will reimburse nearly all of our costs associated with the product. The costs that will not be reimbursed by Sobi are the yearly fee relating to the marketing authorization and the expenses relating to the IP.

As a consequence, the ChondroCelect operations, which are deemed as a separate component, have been classified as a discontinued operation. Our financial statements for prior periods have been re-classified in accordance with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. See Note 9.

All amounts are presented in thousands of euros, unless otherwise indicated, rounded to the nearest 1,000 euro.

The financial statements have been prepared on the basis of the historical cost method. Any exceptions to the historical cost method are disclosed in the valuation rules described hereafter.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

Liquidity

The Group has experienced net losses and significant cash outflows from cash used in operating activities since inception, and as at December 31, 2014 had an accumulated deficit of 87.0 million euros, a net loss of 13.0 million euros and net cash used in operating activities of 13.4 million euros.

The Group is subject to a number of risks similar to those of other pre-commercial stage companies, including uncertainty of product development and generation of revenues, dependence on outside sources of capital, risks associated with research, development, testing, and obtaining related regulatory approvals of its pipeline products, dependence on third party manufacturers, suppliers and collaborators, successful protection of intellectual property, competition with larger, better-capitalized companies, successful completion of the Group's development programs. Ultimately, the attainment of profitable operations is dependent on future events, including obtaining adequate financing to fulfill its development activities and generating a level of revenues adequate to support the Group's cost structure.

The Group has sufficient funds to continue operating until at least mid second quarter of 2016, but will require significant additional cash resources to initiate new clinical trials related to its pipeline, to continue seeking regulatory approval of its pipeline and to repay its debt obligations. These conditions, among others, raise substantial doubt about the Group's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. This basis of accounting contemplates the recovery of the Group's assets and the satisfaction of liabilities in the normal course of business. A successful transition to attaining profitable operations is dependent upon achieving a level of positive cash flows adequate to support the Group's cost structure.

To support the Group's financial performance, management has undertaken several initiatives.

Under the loan facility agreement dated December 20, 2013 with Kreos Capital IV (UK) ("Kreos"), we borrowed an amount of 10.0 million euros, all of which was completely drawn as at September 30, 2014 as disclosed in Note 20.

On May 30, 2014, we completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility, to PharmaCell, a leading European contract manufacturing organization, for a total consideration of 4.3 million euros. Under the terms of the share purchase agreement, we received an upfront payment of 3.5 million euros when the sale became effective on May 30, 2014 and will receive a final payment of 0.8 million euros on May 30, 2017. ChondroCelect will continue to be manufactured at the facility under a contract manufacturing agreement with our former subsidiary.

On June 1, 2014, we entered into an agreement with Sobi for the marketing and distribution rights with respect to ChondroCelect. Sobi will continue to market and distribute the product within the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. We will receive royalties on the net sales of ChondroCelect, and Sobi will reimburse nearly all of our costs in connection with the product. Under the agreement, Sobi will purchase ChondroCelect from us at the price at which we purchase it from our former subsidiary, and the agreements with Sobi and our former subsidiary both include corresponding commitments for minimum binding quantities of ChondroCelect that are required to be purchased by us and from us. The agreement with Sobi will result in significant cost savings for us on an ongoing basis, because we have eliminated all expenses in connection with the marketing of ChondroCelect, including all of our marketing personnel, and has allowed us to devote our resources and the attention of our management exclusively to the development of our pipeline of eASC-based product candidates.

The Group will continue to consider additional business opportunities to allow us to develop our pipeline and generate additional revenues, including by accessing the capital markets within the next twelve months. We expect to use any capital obtained from such fund raisings or other arrangements to further develop our eASC-based product candidates.

As at December 31, 2014, the Group had a liquidity position of 13.5 million euros, consisting of cash and cash equivalents. The board of directors of the Company is of the opinion that this liquidity position, together with the net proceeds from the issue by the Company of a 25 million euros convertible bond loan on March 6, 2015, will enable it to fund its operating expenses and capital expenditure requirements at least until mid second quarter of 2016.

The future viability of the Group is dependent on its ability to generate cash from operating activities, to raise additional capital to finance its operations or to successfully obtain regulatory approval to allow marketing of the Group's products. The Group's failure to raise capital as and when needed could have a negative impact on its financial condition and ability to pursue its business strategies.

The consolidated financial statements do not include any adjustments due to this uncertainty relating to the recoverability and classification of recorded asset amounts and classification of liabilities.

a) New and amended standards adopted by the Group

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) January 1, 2014, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the Group is detailed below. Not all new standards and interpretations effective for the first time for periods beginning on (or after) January 1, 2014 affect the Group's annual consolidated financial statements.

– IFRS 10 *Consolidated Financial Statements (and related amendments)*

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation—Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.

Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The related amendments concern the amendments on the transitional guidance (issued in June 2012) and investment entities (issued in October 2012).

The adoption of IFRS 10 has not changed the consolidation scope of the Group.

– IFRS 12 *Disclosures of Interests in Other Entities (and related amendments)*

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

The related amendments concern the amendments on the transitional guidance (issued in June 2012) and investment entities (issued in October 2012).

– Amendments to IAS 36 *Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Asset*

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. Additional information about the fair value measurement of impaired assets must be disclosed when the recoverable amount is based on fair value less costs of disposal. In addition, information must be disclosed about the discount rates used when the recoverable amount is based on fair value less costs of disposal using a present value technique.

As the amendments affect only disclosure, there is no effect on the Group's financial position or performance. The amendments have a limited impact on the level of disclosure provided in its financial statements, and have been applied on a retrospective basis.

As the new standard affects only disclosure, there is no effect on the Group's financial position or performance.

The following standards, interpretations and amendments issued by the IASB and effective for annual periods beginning on January 1, 2014 have had no impact on the consolidated financial statements:

- IFRS 11 *Joint Arrangements*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset*
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting*

b) Standards and interpretations issued but not yet effective

The Group elected not to adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB but are not yet mandatory:

– IFRS 9 *Financial Instruments* and subsequent amendments

This standard addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010, and replaces parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 requires the classification of financial assets into two categories: measured at fair value and measured at amortized cost. The classification is determined at the time of initial recognition. The basis for classification depends on the business model of the entity and the contractual characteristics of the cash flow from the financial instruments. With regard to financial liabilities, the standard maintains the majority of the requirements established by IAS 39. The main change is that in cases

where the fair value option is adopted for financial liabilities, the part of the change in the fair value due to the credit risk of the entity is registered in other comprehensive income and not in the income statement, except when it results in an accounting mismatch.

The standard is expected to become applicable as of January 1, 2018. The Group has not yet evaluated the impact of the adoption of this new standard.

– IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 specifies how and when a company will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 was issued in May 2014 and replaces IAS 11—*Construction Contracts*, IAS 18—*Revenue*, IFRIC 13—*Customer Loyalty Programmes*, IFRIC 15—*Agreements for the Construction of Real Estate*, IFRIC 18—*Transfers of Assets from Customers* and SIC 31—*Revenue—Barter Transactions involving Advertising Services*. The Standard applies to an annual reporting period beginning on or after January 1, 2017. Earlier adoption is permitted. The Group has not yet evaluated the impact of the adoption of this new standard.

The other standards, interpretations and amendments issued by the IASB, but not yet effective are not expected to have a material impact on the Group's future consolidated financial statements.

2.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3. Foreign currency translation

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the

dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

2.4. Segment information

The Group's activities are in one segment: biopharmaceuticals. The Group is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate line of business or separate business entity has been identified with respect to any of the product candidates or geographical markets.

Geographical information is further disclosed in Note 27.

2.5. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred, except for costs to issue debt or equity securities, which are recognized in accordance with IAS 32 and IAS 39.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred tax assets and liabilities arising from the assets acquired and liabilities assumed (which are recognized and measured in accordance with IAS 12), assets and liabilities relating to employee benefit arrangements (which are recognized and measured in accordance with IAS 19), liabilities or equity-instruments related to the replacement of the acquiree's share-based payment arrangements (which are recognized and measured in accordance with IFRS 2) and assets that are classified as held for sale (which are recognized and measured in accordance with IFRS 5).

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

2.6. Revenue and other income recognition

Revenue from sale of products is recognized when:

- the ownership of the products is transferred to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for the sale of the ChondroCelect product is recognized when implantation has occurred. For all periods presented, revenues from the sales of ChondroCelect products are included in discontinued operations (see Note 9).

Revenue for the royalties related to the sale of the ChondroCelect is recognized when implantation has occurred. Provisions for rebates, product returns and discounts to customers are provided for as reductions to revenue in the same period as the related royalties are recorded.

Government grants and government loans

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

- Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss (under "other operating income") on a systematic and rational basis over the useful lives of the related assets.
- Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss (under "grants and other operating income") in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, (measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates). Only when there is sufficient assurance that the Group will comply with the conditions attached to it, the grants will be recognized in profit or loss (under "other operating income"). Determination of the appropriate amount of grant income to recognize involves judgments and estimates that the Company believes are reasonable, but it is possible that actual results may differ from the Company's estimates. When the Company receives the final written reports, identifying satisfaction of the requirements of the grantor, to the extent not received within a reasonable time frame following the end of the period, the Company records any differences between estimated grant income and actual grant income in the next reporting period once the Company determines the final amounts. During the period that these benefits cannot be considered as grants due to the insufficient assurance that all the conditions have been meet, these grants will be included in the liabilities as financial loans and other payables.

2.7. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Repair and maintenance costs are charged to the income statement as incurred. Gains and losses on the disposal of property, plant and equipment are included in other income or expense. Depreciation is charged so as to write off the cost or valuation of assets over their useful lives, using the straight-line method pro rata in the year of purchase, on the following basis:

- (laboratory) equipment: five years
- IT hardware: three years
- furniture: five years
- leasehold improvements: lower of lease term and useful life
- leases: lower of lease term and useful life.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, capitalized borrowing costs. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2.8. Intangible assets

Internally-generated intangible assets—research & development expenditure

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the various expenses needed to generate the related intangible assets. Amortization starts from the date when the intangible asset first meets the recognition criteria listed above. These intangible assets are amortized on a straight-line basis over their estimated useful life (ten years). Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

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

Intangible assets acquired through a business combination

Intangible assets, including in-process research & development projects, acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date

(which is regarded as their cost).

Subsequent to initial recognition, intangible assets (except for in-process research & development projects) acquired in a business combination are reported at cost less accumulated amortization and impairment losses. Such intangible assets are amortized over their useful economic lives, which will depend on their related patent life (up to fifteen years). Goodwill arising from business combinations is not amortized but reviewed annually for impairment. The Company considers that the goodwill arising from past business combinations is not material.

Subsequent to initial recognition, in-process research & development projects acquired in a business combination are reported at cost and are subject to annual impairment tests until the date the projects are available for use, at this moment the in-process research & development projects will be amortized over their remaining useful economic lives, which will depend on their related patent life (generally up to fifteen years).

Patents, licenses and other similar intangible assets acquired separately

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

These patents and licenses are amortized over their useful lives on a straight-line basis as from the moment they are available for use. Estimated useful life is based on the lower of the contract life or the economic useful life (five years).

Computer software

Software licenses and software development costs are measured internally at purchase cost and are amortized on a straight-line basis over the economic useful life (three years).

2.9. Leases

Leases are considered finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized at the start of the lease term as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The financial costs need to be allocated to each term of the lease period so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also charged to income on a straight-line basis over the lease term.

2.10. Impairment of tangible and intangible assets (other than goodwill)

At each balance sheet date and at each interim reporting date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually, and whenever there is an indication that the asset might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash generating unit is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized as income.

2.11. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company currently has loans, receivables and AFS financial assets.

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, receivables from reverse repurchase agreements, bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand and deposits held on call with banks. In the balance sheet, bank overdrafts, if any, are included in other current financial liabilities.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.12. Inventories

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

The costs of finished goods comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

2.13. Non-current assets (disposal groups) held for sale and discontinued operations

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

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

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

The results of operations disposed during the period are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognized on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

2.14. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable result differs from "profit/(loss) before tax" as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

2.15. Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives with a negative fair value (see "Financial assets" for derivatives with a positive fair value) and financial liabilities designated at fair value through profit or loss.

They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated income statements. The Group does not hold or issue derivative instruments for speculative purposes.

Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss. The Group currently has no non-derivative financial liabilities that are accounted for at fair value through profit or loss.

The Group has issued warrants related to one of the Group loans which meet the definition of a derivative financial liability. These warrants were issued in 2014 in connection with the loan facility agreement with Kreos Capital IV (UK), and contain an option for the holders to put the warrants back to the Company for cash. The warrants are options over the shares of the Company, but are derivatives that must be measured at fair value through profit or loss, and not own equity instruments of the Company, because of the cash settlement alternative. The Group has determined the initial fair value of the warrants using a Black-Scholes valuation model. A

portion of the issue amount of the loan corresponding to this initial fair value of the warrants was allocated to the warrants and the remaining balance of the proceeds received were allocated to the loan, which is then measured at amortized cost. The effective interest rate method was applied to determine the effective interest rate on the loan on the basis of the initial carrying amount and the contractual cash flows of the loan (interest payments and repayment of principal). This effective interest rate is 20% compared to the contractual interest rate of 12.5%. The effective interest rate is used to accrue interest in the loan, and to amortize the difference between the initial carrying amounts of the loan to its repayment amount.

Other financial liabilities

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

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

The Group's financial liabilities measured at amortized cost comprise financial loans, other current financial liabilities and trade payables.

2.16. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.17. Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are presented in equity as a deduction, net of tax, from the proceeds.

2.18. Employee benefits

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

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans. The IASB recognised that the accounting for such so-called "contribution-based plans" in accordance with the currently applicable defined benefit methodology is problematic. Considering as well the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, the Company adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on the deficit measured at intrinsic value, if any).

2.19. Share-based payments

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

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

The estimate of the number of compensation plans which will be vested is revised at each reporting date. The change in estimates will be recorded as expense with a corresponding correction in equity. At the moment of

exercise of the compensation plans no adjustments will be made into the share-based compensation reserve.

If a modification of a share-based payment transaction occurs and this modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the incremental fair value granted shall be included in the measurement of the amount recognized for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

If the terms or conditions of the equity instruments granted are modified in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the services received shall continue to be accounted for as consideration for the equity instruments granted as if that modification had not occurred.

3. Critical accounting judgments and key sources of estimation uncertainty

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

Going concern

The Group has experienced net losses and significant cash used in operating activities since our inception in 2000, and as of December 31, 2014, had an accumulated deficit of 87.0 million euros, a net loss of 13.0 million euros and net cash used in operating activities of 13.4 million euros and as of December 31, 2013 had an accumulated deficit of 74.0 million euros, a net loss of 18.4 million euros and net cash used in operating activities of 14.4 million euros. Management expects the Group to continue to incur net losses and have significant cash outflows for at least the next twelve months. These conditions, among others, raise substantial doubt about our ability to continue as a going concern. These consolidated financial statements have been prepared assuming that the Group will continue as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business. A successful transition to attaining profitable operations is dependent upon achieving a level of positive cash flows adequate to support our cost structure.

As at December 31, 2014, the Group had a liquidity position of 13.5 million euros consisting of cash and cash equivalents. Taking into account this liquidity position as well as the net proceeds from the issue by the Company of a 25 million euros convertible bond loan on March 6, 2015, our board of directors is of the opinion that our liquidity position is sufficient to continue our current operations at least until mid of the second quarter of 2016.

For more information related to the expected cash flows see Section 2.1. Liquidity.

Business combinations and goodwill

The Group accounts for business combinations using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the fair value of consideration given over the fair values of the identifiable assets and liabilities acquired is recorded as goodwill. The determination of estimated fair values of acquired intangible assets, as well as the useful economic life ascribed to finite lived intangible assets, requires the use of significant judgment. The use of different estimates and assumptions to those used by the Group could result in a materially different valuation of acquired intangible assets, which could have a material effect on the Group's results of operations.

Several methods may be used to determine the estimated fair value of intangible assets acquired in a business combination, all of which require multiple assumptions. The Group used the relief from royalty method, which is a variant of the income valuation approach. It is based on the principle that ownership of the intangible asset relieves the owner of the need to pay a royalty to another party in exchange for rights to use the asset.

The value of the intangible asset is equal to the present value of the cost savings realized by the owner of the intangible asset as a result of not having to make royalty payments and milestone payments to another party. These cost savings are calculated based on the hypothetical royalty payments and milestone payments that a licensee would be required to pay in exchange for use of the asset, reduced by the tax savings realized by the licensee on the royalty payments.

Goodwill is capitalized. Any impairment in carrying amount is charged to the consolidated income statement. Where the fair value of identifiable assets and liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated income statement on acquisition date. Goodwill identified on acquisitions to date has been deemed immaterial.

Acquisition costs incurred are expensed and included in general and administrative expenses.

Recognition of government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, (measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates). Only when there is sufficient assurance that the Group will comply with the conditions attached to it, the grants will be recognized in profit or loss (under "other operating income"). Determination of the appropriate amount of grant income to recognize involves judgments and estimates that the Company believes are reasonable, but it is possible that actual results may differ from the Company's estimates. When the Company receives the final written reports, identifying satisfaction of the requirements of the grantor, to the extent not received within a reasonable time frame following the end of the period, the Company records any differences between estimated grant income and actual grant income in the next reporting period once the Company determines the final amounts. During the period that these benefits cannot be considered as grants due to the insufficient assurance that all the conditions have been meet, these grants will be included in the liabilities as financial loans and other payables.

Discontinued operations

The results of operations disposed during the year are included in our consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of our business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in our consolidated statement of comprehensive income as a single line item that is comprised of the post tax profit or loss of the discontinued operation along with the post tax gain or loss recognized on the re measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

At the end of 2013, the board of directors of the Company decided to withdraw from the ChondroCelect business and to focus on the development of its platform and pipeline of allogeneic treatments, using expanded adipose-derived stem cells (eASC´s) for the benefit of patients suffering from a range of inflammatory and immunological conditions.

Consequently, TiGenix developed a single, co-ordinated plan under which discussions were entered into with one potential purchaser for the manufacturing facility and with another for the sales and marketing activities. Both of these transactions were being discussed in parallel with Pharmacell (for the manufacturing facility) and Sobi (for the sales and marketing activities). The arrangement with Pharmacell initially progressed faster, but ultimately both transactions completed at almost the same time (30 May and 1 June 2014).

The transaction with Pharmacell included a supply contract for TiGenix to purchase the ChondroCelect product; a mirror image sales contract was entered into with Sobi. The purchase agreement with Pharmacell included a discounted price for the first three years of supply, and exactly the same prices, were included in the sales contract with Sobi.

The agreement with Sobi for the sales and marketing activities has a term of ten years and includes the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. The agreement includes the transfer of staff previously employed by TiGenix to carry out those activities to Sobi, involves the payment of a licence fee by Sobi which is calculated as a percentage of the net sales generated by Sobi of the ChondroCelect product. At the end of the agreement with Sobi, no remaining development costs of ChondroCelect will be pending to amortize.

Consequently, during 2014, all activities relating to the manufacture, marketing and sale of ChondroCelect were transferred to Pharmacell and Sobi through contractual arrangements which were entered into at almost the same time and were made in contemplation of each other. The effect of the arrangements is that TiGenix will receive a licence fee from Sobi but, other than acting as a 'pass through' intermediary for the ChondroCelect product (which is purchased from Pharmacell and sold to Sobi through back to back, identical contractual arrangements), TiGenix has no involvement in activities relating to that product.

The Company has accounted the ChondroCelect activities as discontinued operations in accordance with IFRS 5.

Non-current assets (disposal groups) held for sale

Assets held for sale are comprised of non-current assets or disposal groups (together with any liabilities), the carrying amounts of which will be realized principally through a sale transaction expected to conclude within the next twelve months, rather than through continued use.

At December 31, 2013 the Group presented 5.6 million euros (2012: nil) of net assets as assets held for sale in the consolidated statement of financial position, all assets and liabilities within this disposal group relate to the disposal of the Dutch manufacturing facility as described in Note 11, which occurred during the first half of 2014.

At the time of their classification as "held for sale" in December 2013, such assets were collectively measured at the lower of their carrying amount and fair value less costs to sell, and depreciation or amortization ceases. An impairment charge of 0.7 million euros was recorded reflecting the adjustment of the disposal group's carrying amount to its fair value less cost to sell.

Significant judgment is employed by the Company in assessing at which point all of the "held for sale" presentation conditions are met for the disposal group and estimating both the fair value of the disposal group and the incremental costs to transact a sale of the disposal group. If actual events differ from management's estimates, or to the extent that estimates of selling price or costs to sell are adjusted in the future, the Group's financial condition and results of operations could be affected in the period of any such change of estimate.

Impairment of assets

We review the carrying value of intangible assets with indefinitive lives for potential impairment on a periodic basis and also whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We review the carrying value of tangible assets and intangible assets with definitive lives for potential impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We determine impairment by comparing the recoverable amount to its carrying value. If impairment is identified, a loss is recorded equal to the excess of the asset's carrying amount over its recoverable amount.

For impaired assets, we recognize a loss equal to the difference between the carrying value of the asset and its recoverable amount. The recoverable amount is based on discounted future cash flows of the asset using a discounted rate commensurate with the risk. Estimates of future cost savings, based on what we believe to be reasonable and supportable assumptions and projections, require management's judgment. Actual results could vary from these estimates. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Based on the analysis performed, there was no impairment through December 31, 2014.

Recognition and measurement of internally-generated intangible assets

An internally-generated intangible asset is recognized if sufficient certainty can be documented that the future benefits from the development project will exceed the aggregate cost of production, development and the sale and administration of the product. A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and the effect on human beings prior to obtaining the necessary final approval of the product from the appropriate authorities. The future economic benefits associated with the individual development projects are dependent on obtaining such approval. Considering the significant risk and duration of the development period related to the development of such products, management has concluded that the future economic benefits associated with a particular project cannot be estimated with sufficient certainty until the project has been finalized and the necessary regulatory final approval of the product has been obtained.

Accordingly, the Group has capitalized such intangible assets for the development costs related to ChondroCelect with a useful life of ten years. The carrying amount of these assets amounted to 1.4 million euros as at December 31, 2014 (December 31, 2013: 1.7 million euros, 2012: 1.9 million euros).

Research and Development Costs

Research and development costs are charged to expense as incurred and are typically made up of salaries and benefits, clinical and preclinical activities, drug development and manufacturing costs, and third-party service fees, including for clinical research organizations and investigative sites. Costs for certain development activities, such as clinical trials, are periodically recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, or information provided by vendors on their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the financial statements as prepaid or accrued expenses.

Deferred taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit

will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

At December 31, 2014, the Group had 163.6 million euros (2013: 147.1 million euros; 2012: 133.6 million euros) of tax losses carry forward and other tax credits such as investment tax credits.

These losses relate to the parent and subsidiaries that have a history of losses and do not expire, except for other tax credits of 20.2 million euros related to TiGenix SAU and TiGenix NV. These tax losses may not be used to offset taxable income elsewhere in the Group.

With respect to the net operating losses of the Group, no deferred tax assets have been recognized, given that there is uncertainty as to the extent to which these tax losses will be used in future years.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Pursuant to the terms and conditions of the loan facility agreement that we entered into with Kreos, on April 22, 2014, an extraordinary meeting of our shareholders issued and granted 1,994,302 new cash settled warrants, including a put option to Kreos Capital IV (Export Fund). These warrants have been designated at fair value through profit or loss. The Company recognizes the warrants, including the put option, as one instrument, because the Company believes that the put option is unconditionally linked to the warrant. Because the issued warrants can be settled in cash, the instrument is considered as a financial derivative liability measured at fair value with changes in fair value recognized immediately in profit or loss.

The measurement of the warrant (and the put option) at fair value is based on the Black-Scholes option pricing model taking into account the following variables:

- The share price.
- The strike price.
- The volatility of the share has been determined based on historical stock prices of our shares.
- The dividend yield, which has been estimated as zero, as we have never paid a dividend due to the past experience of losses.
- The duration, which has been estimated as the difference between the valuation date of the warrant plans and final exercise date.
- The risk free interest rate, which has been calculated based on the discount curve composed based on liquid euro deposit rates (for periods shorter than one year), futures (typically for maturities between one and six years) and interbank euro swap rates (for periods longer than six years).

We will continue to use judgment in evaluating the risk-free interest rate, dividend yield, duration and volatility related to our cash-settled warrant plan on a prospective basis and incorporating these factors into the Black-Scholes option pricing model. If in the future we determine that other methods are more reasonable and provide better results, or other methods for calculating these assumptions are prescribed by authoritative guidance, we may change or refine our approach, and our share-based payment expense in future periods could change significantly.

Share-based payment arrangements

The Group used the Black-Scholes model to estimate the fair value of the share-based payment transactions. Using this model requires management to make assumptions with regard to volatility and expected life of the equity instruments. The assumptions used for estimating fair value for share-based payment transactions are further disclosed in Note 25 and are estimated as follows:

- Volatility is estimated based on the average annualized volatility of the TiGenix share price;
- Estimated life of the warrant is estimated to be until the first exercise period;
- The dividend return is estimated by reference to the historical dividend payment of the Group. Currently, this is estimated to be zero, because no dividend has been paid since inception.

Post-employment plans

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans which would require that the "projected unit credit" ("PUC") method is applied in measuring the liabilities. The IASB recognised that the accounting for such so-called "contribution-based plans" in accordance with the currently applicable defined benefit methodology is problematic (cf. September 2014 IFRS Staff Paper regarding "Research project: Post-employment benefits"). Considering as well the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, the Company adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed re-

serves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on the deficit measured at intrinsic value, if any). The main difference between this retrospective approach and the prospective PUC method, is that benefit obligations would be calculated as the discounted value of the projected benefits, assuming the currently applicable minimum guaranteed rates of return continue to apply, unchanged.

4. Financial instruments and financial risk management

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

- Available-for-sale financial assets
- Other non-current assets
- Trade receivables
- Other current financial assets
- Derivative financial instruments
- Cash and cash equivalents
- Borrowings and other payables (including financial loans and other financial liabilities)
- Trade payables

4.1. Capital risk management

The Group policy with respect to managing capital is to safeguard the Group's ability to continue as a going concern and to obtain an optimal capital structure over time.

4.2. Categories of financial instruments

		As at December 31,		
Thousands of euros	Notes	2014	2013	2012
Financial assets				
Loans and receivables		16,726	19,006	14,675
Cash and cash equivalents (including cash balances in disposal group held for sale)		*13,471*	*15,900*	*11,072*
Other non-current assets	15	*1,874*	*1,415*	*498*
Trade receivables		*627*	*1,032*	*2,477*
Other current financial assets		*754*	*659*	*628*
Available-for-sale financial assets	14	161	161	278
Financial liabilities				
Amortised cost		13,496	5,642	5,596
Financial loans	20	*12,308*	*3,467*	*2,983*
Trade payables		*1,188*	*2,175*	*2,613*
Fair value through profit or loss		671	—	—
Other financial liabilities		*671*	—	—

4.3. Fair value of financial instruments

		As at December 31, 2014		
Thousands of euros	Notes	Carrying amount	Fair value	Fair value hierarchy
Financial assets				
Loans and receivables		1,874	1,874	
Other non-current assets		*1,874*	*1,874*	Level 2
Available-for-sale financial assets		161	161	Level 2
Financial liabilities				
Amortised cost		12,308	11,856	
Financial loans		*12,308*	*11,856*	Level 2
Fair value through profit or loss		671	671	
Other financial liabilities		*671*	*671*	Level 2

Thousands of euros	As at December 31, 2013 Carrying amount	Fair value	Fair value hierarchy
Financial assets			
Loans and receivables	1,415	1,415	
Other non-current assets	*1,415*	*1,415*	Level 2
Available-for-sale financial assets	162	162	Level 2
Financial liabilities			
Amortised cost	3,467	3,467	
Financial loans	*3,467*	*3,467*	Level 2

Thousands of euros	As at December 31, 2012 Carrying amount	Fair value	Fair value hierarchy
Financial assets			
Loans and receivables	498	498	
Other non-current assets	*498*	*498*	Level 2
Available-for-sale financial assets	278	278	Level 2
Financial liabilities			
Amortised cost	2,983	2,983	
Financial loans	*2,983*	*2,983*	Level 2

The fair values of the financial assets and financial liabilities measured at amortized cost in the statement of financial position have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk.

During 2014, the fair value of the loans at below market rate interest has been calculated based on a discount rate of 21% reflecting the market credit risk for a company such as TiGenix in a similar development stage. This market credit risk was determined considering the effective interest from the Kreos loan, signed at the end of December 2013 but only into force since February 2014, and the market yields of similar companies.

At December 2013 and 2012, the fair value of these loans was calculated based on a discount rate of 4%. Such discount rate was estimated on the basis of the existing loans and the Spanish legal interest rate of money at those dates. At that moment, additional market risk information was not taken into account resulting into an understatement of the discount rate used.

Fair value of financial loans in the above table has been corrected with the updated rate (21%) for the years 2013 (bringing the fair value from 7.7 to 3.4 million euros) and 2012 (bringing the fair value from 5.7 to 2.9 million euros). More information can be found in Note 20.

The current financial assets and liabilities are not included in the table above as their carrying amounts approximate their fair values.

4.4. Financial risk management objectives

The Group coordinates access to financial markets, monitors and manages the financial risks relating to the operations through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

Currency risk

The Group may be subject to limited currency risk. The Group's reporting currency is the euro, in addition to which we are exposed to the U.S. dollar. The Company tries to match foreign currency cash inflows with foreign currency cash outflows. The Company has not engaged in hedging of the foreign currency risk via derivative instruments.

The Group's financial assets and financial liabilities were denominated in the following currencies:

	EUR			USD			GBP			Total		
	As at December 31			As at December 31			As at December 31			As at December 31		
Thousands of euros	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Financial assets												
Cash and cash equivalents (including held for sale)	13,204	15,790	11,008	73	7	9	194	103	55	13,471	15,900	11,072
Trade receivables	603	1,032	2,141	24	—	—	—	—	336	627	1,032	2,477
Total Financial assets	**13,807**	**16,822**	**13,149**	**97**	**7**	**9**	**194**	**103**	**391**	**14,098**	**16,932**	**13,549**
Financial liabilities												
Trade payables	844	2,156	2,398	91	5	5	254	14	210	1,188	2,175	2,613
Borrowings	13,579	9,480	8,099	—	—	—	—	—	—	13,579	9,480	8,099
Total financial liabilities	**14,423**	**11,636**	**10,496**	**91**	**5**	**5**	**254**	**14**	**210**	**14,767**	**11,655**	**10,712**

The Group's exposure is only limited to pounds sterling and U.S. dollars.

Due to the limited external currency exposure, no sensitivity analysis has been performed.

Despite the limited external currency exposure, the income statement presents an important amount of foreign exchange differences that are mainly related to the intercompany balances in foreign currencies with its subsidiaries. These differences arise from the exchange gain or losses from intercompany loans recognized in the consolidated income statement.

Interest rate risk

The Group is exposed to very limited interest rate risk, because the vast majority of the Group's borrowings is at fixed interest rates and only a very limited part is at floating interest rates. Therefore, the Group's exposure to interest risk is not material.

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

The Group has one debt with a floating rate. It concerns one roll-over credit facilities (from 2007) for an original amount of 0.4 million euros used for the acquisition of manufacturing equipment in the United States. The borrowing has a remaining maturity of three years and carries a floating interest rate of three-month Euribor + 1.40%. The outstanding amount for this borrowing per December 31, 2014 was 0.1 million euros (2013: 0.3 million euros; 2012: 0.4 million euros). (See Note 20).

If interest rates had been fifty basis points higher/lower and all other variables were held constant, the impact on the Group's profit/(loss) for the year ended December 31, 2014 would be very limited, because the total interest expense relating to these borrowings at floating rate amount to 3 thousand euros (2013: 5 thousand euros; 2012: 9 thousand euros).

Liquidity risk

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

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

Thousands of euros	Interest rate	Within one year	1 - 5 years	After 5 years	Total
As at December 31, 2014					
Non-interest bearing	N/A	225	1,653	987	2,866
Floating interest rate borrowings	Euribor 3M + 1.40%	40	60	—	100
Fixed interest rate borrowings	1.46%	451	3,263	3,038	6,752
Fixed interest rate borrowings	20.16%	3,086	9,064	—	12,150
Other financial liabilities	N/A	671	—	—	671
Total		**4,473**	**14,041**	**4,025**	**22,539**
As at December 31, 2013					
Non-interest bearing	N/A	112	1,551	1,315	2,978
Floating interest rate borrowings	Euribor 3M + 1.40%	180	100	—	280
Fixed interest rate borrowings	1.46%	—	3,039	3,713	6,752
Other financial liabilities	N/A	874	—	—	874
Total		**1,166**	**4,690**	**5,028**	**10,884**
As at December 31, 2012					
Non-interest bearing	N/A	46	1,184	1,390	2,620
Floating interest rate borrowings	Euribor 3M + 1.40%	80	280	—	360
Fixed interest rate borrowings	1.46%	—	1,817	2,725	4,542
Other financial liabilities	N/A	1,527	—	—	1,527
Total		**1,653**	**3,281**	**4,115**	**9,049**

On December 20, 2013, the Group entered into a loan facility agreement of up to 10.0 million euros with Kreos. The loan was drawn in three tranches (5.0 million euros by February 3, 2014; 2.5 million euros by May 31, 2014; and 2.5 million euros by September 30, 2014).

As part of the consideration for this debt financing agreement, in April 2014 the Group issued a warrant plan to Kreos Capital IV (Expert Fund). The warrant plan consisted of 1,994,302 warrants that were issued with an exercise price of 0.75 euros exercisable immediately and which expire in April 2019. The warrants also include a put option that authorizes Kreos Capital IV (Expert Fund) to return the warrants to the Company and to settle the warrants in cash under certain circumstances.

The loan is measured at amortized cost in accordance with IAS 39. At initial recognition of the loan, the nominal amount of the loan is decreased with the transactions costs related to the loan which also includes the amount of the warrants allocated to the tranches. The interest rate is the effective interest rate (20.16%).

The warrants, including the put option, are accounted for as one instrument (not separating the put option from the warrants) and at issuance had a fair value of 0.7 million euros. Since Kreos Capital IV (Expert Fund) has the option to settle the warrants in cash, the instrument is considered as a financial derivative liability measured at fair value with changes in fair value recognized immediately in profit or loss. The measurement of the warrant (including the put option) at December 31, 2014 at fair value is based on a Black-Scholes valuation model taking into account following inputs: share price (0.52 euros), strike price (0.74 euros), volatility of the share (63.4%), duration (4.31 years) and risk free interest rate (0.31%).

During 2014, the changes in fair value recognized in profit and loss amount to 60 thousand euros.

Credit risk management

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

The Company's exposure to credit risk is limited, as its main debtor is its distributor of ChondroCelect, Swedish Orphan Biovitrum AB (publ), which is a solid company listed on NASDAQ OMX Stockholm. In addition, the Company is exposed to the credit risk relating to the final payment by PharmaCell under the share purchase agreement for the sale by the Company to PharmaCell of the shares of the Company's former Dutch subsidiary holding the Dutch manufacturing facility, for an amount of 0.8 million euros (recognized at its present value of 0.6 million euros) three years after closing of the transaction. Overall, the Company is only exposed to a limited risk of counterparty default.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset. The Group does not hold any collateral as security.

More information on the trade receivables can be found in Note 17 to the consolidated financial statements.

5. Revenues

Thousands of euros	Years ended December 31, 2014	2013	2012
Royalties	338	-	-
Grant revenues	5,522	774	1,227
Other income	426	109	162
Total revenues	**6,286**	**883**	**1,389**

Royalties

In 2014 we earned 0.3 million euros in royalties on net sales of ChondroCelect by Swedish Orphan Biovitrium, Sobi. Under the agreement with Sobi, we are entitled to receive 22% royalties on net sales during the first year and 20% thereafter.

Through the agreement, Sobi acquired exclusive rights to distribute ChondroCelect within the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. ChondroCelect was approved for reimbursement in Belgium in February 2011, in the Netherlands in June 2012 (retroactively applicable through to January 2011) and in Spain in March 2013; in addition ChondroCelect is available to patients in the U.K. and Finland.

Grant revenues

- Grants earned through the 2014 activities related to the 7th Framework Program. At the end of 2011, the Company obtained a 7th Framework Program for the project: "Bringing Regenarative Medicine into de market: Allogeneic eASCs Phase IB/IIA clinical trial for treating Rheumatoid Arthritis". The project lasted for 3 years (from January 2012 to December 2014) and all activities and expenses had to be justified in two reporting periods in June 30, 2013 and December 31, 2014. At year end 2014, the Company has recognized in the income statement all the profit related to the activities performed in 2014 for an amount of 1.1 million euros.
- Grants related to soft loans:
  - From Madrid Network. At the end of 2011, TiGenix SAU obtained a soft loan from Madrid Network of 5.0 million euros in 3 tranches of 2.0 million euros (October 2011), 2.0 million euros (December 2011) and 1.0 million euros (April 2013) to finance its clinical trial Phase III for complex perianal fistulas in Crohn´s disease patients. The duration of the project was from January 2012 to December 2014 with yearly reporting periods ending in December 2014.

    In July 2013, TiGenix SAU obtained an additional soft loan from Madrid Network of 1.0 million euros to finance "New applications of the eASCs in autoimmune diseases". The duration of the project was from July 2013 to December 2014 with reporting period end of December 2013 and 2014.

    At the end of 2014, TiGenix SAU had successfully justified all the activities and expenses agreed in both loans and therefore fully recognized in the income statement the part of the benefit obtained through the loan at a below market rate of interest for an amount of 2.8 million euros for the first loan and 0.6 million euros for the second loan.

  - From the Ministry of Science. Since 2006 to date, TiGenix SAU obtained from the Ministry of Science eight soft loans of different amounts for different projects.

    At year-end 2014 all activities related to the loans were done and justified and the period for inspection had elapsed (except fot two loans). As such, the Company considered that there was sufficient assurance of the grant for the loans for which the inspection period was elapsed and recognized the benefit, from the loans at a below market rate of interest, in the income statement for 1.1 million euros.The benefit obtained through a government loan at a below market rate of interest is treated as a government grant, (measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates). Under the Company´s view during 2014 all the conditions attached to the terms of each grant were met and therefore the grant was recognized.

The discount rate that reflects the market credit risk for a company in the development status such as TiGenix has been established at 21%.

During 2013 and 2012, the loans were recognized at fair value in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk. The difference between the carrying amount and the fair value of the loans represented the related deferred grant income and was included in line "Financial Loans" of the statement of financial position.

As detailed above, the Company obtained soft loans at below market rate interest during the last years. The

effective interest rate expenses related to these loans have been recognized in accordance with IAS 39. These financial expenses have however been offset by the recognition of the grant income for the same period related to the loans at below market interest rate (benefit for the lower interest) for the same amount.

Other income

In 2014 we increased our other income for an amount of 0.3 million euros compared to 2013 in respect of activities performed on behalf of Sobi.

6. Operating charges

The operating charges consist of the following elements:

Research and development expenses

	Years ended December 31,		
Thousands of euros	2014	2013[1]	2012[1]
Employee benefits expenses	2,425	1,927	2,959
Depreciations, amortisations and impairment losses	1,997	3,320	3,496
Lab fees and other operating expenses	4,548	3,095	4,267
Other expenses	2,473	1,501	1,418
Total	**11,443**	**9,843**	**12,140**

1 The research and development expenses for the years ended December 31, 2013 and 2012 have been restated to present the ChondroCelect operations a discontinued operations (see also note 9).

Research and development expenses increased by 16%, from 9.8 million euros for the year ended December 31, 2013 to 11.4 million euros for the year ended December 31, 2014. The increased expenses were in connection with the Phase III clinical trial for Cx601 in perianal fistula in Chron´s disease and the launch of new projects during the second half of 2014, in particular the Phase I clinical trial for Cx611 in sepsis.

Research and development expenses decreased by 19%, from 12.1 million euros for the year ended December 31, 2012 to 9.8 million euros for the year ended December 31, 2013. The decrease was partly related to a decrease of 1.2 million euros in lab fees and other operating expenses due to the completion in 2012 of our Phase I/IIa clinical trial for Cx611 in refractory rheumatoid arthritis and the Phase I clinical trial for Cx621 for intra lymphatic administration to treat autoimmune disorders and a decrease of a further 1.2 million euros in labor costs mainly due to the internal reorganization of the research and development department in 2012.

General and administrative expenses

	Years ended December 31,		
Thousands of euros	2014	2013[2]	2012[2]
Employee benefits expenses	2,980	3,028	3,440
Depreciation and amortisation expenses	758	318	235
Services and other sundry expenses	2,530	1,667	1,566
Other expenses	1,137	816	996
Total	**7,406**	**5,829**	**6,237**

2 The general and administrative expenses for the years ended December 31, 2013 and 2012 have been restated to present the ChondroCelect operations a discontinued operations (see also note 9).

General and administrative costs increased by 27%, from 5.8 million euros for the year ended December 31, 2013 to 7.4 million euros for the year ended December 31, 2014. The increase was primarily related to expenses in connection with the Company's preparation to obtain additional funding during 2015.

General and administrative costs decreased by 7%, from 6.2 million euros for the year ended December 31, 2012 to 5.8 million euros for the year ended December 31, 2013. The decrease of 0.4 million euros was mainly driven by the vesting in 2012 of the 2008 equity based incentive plan and the 2010 share based compensation plan, and was partially offset by an increase in service expenses and depreciation and amortization expenses.

Employee benefits expenses and mandate contractors

The employee benefits expenses included in the research and development expenses and the General and administrative expenses lines of the income statements can be detailed as follows:

	Years ended December 31,		
Thousands of euros	2014	2013	2012
Wages, salaries, fees and bonuses	5,164	5,511	6,795
Social security cost	865	1,097	1,213
Group & Hospitalisation insurance	105	210	161
Share-based compensation	451	398	612
Other expenses	243	195	84
Total	**6,828**	**7,411**	**8,865**
of which included in discontinued operations	*1,064*	*2,376*	*2,037*

The Group operates a pension plan with different premiums depending on the job level. The assets of the plans are held separately from those of the Group in designated funds. In 2014, a total cost of 0.1 million euros (2013: 0.1 million euros; 2012: 0.1 million euros) represents contributions payable to these plans by the Group at rates specified in the rules of the plans (the insurance plan guarantees an interest rate of 3.25% on the premiums and reserves until January 31, 2013 and as of February 1, 2013 there is a guaranteed interest rate of 1.75% on the 'increase' of premiums and reserves of the existing contracts and a rate of 1.75% for the new contracts as from that date).

The Company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary up to a breakpoint and a fixed percentage of the salary in excess of the breakpoint.

By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, currently equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards (the insurance plan guarantees an interest rate of 3.25% on the premiums and reserves until January 31, 2013 and as of February 1, 2013 there is a guaranteed interest rate of 1.75% on the 'increase' of premiums and reserves of the existing contracts and a rate of 1.75% for the new contracts as from that date). Those rates may be modified in the future by Royal Decree in which case legislation currently foresees that the new rates also apply to the accumulated past contributions as from the date of modification onwards. There is a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guaranteed rates of return.

Since the minimum guaranteed reserves were entirely covered by plan assets, no amounts were recognized in the statement of financial position at December 31, 2014, 2013 and 2012.

The amounts of the minimum guaranteed reserves and the mathematical reserves related to the Belgian defined contribution plan are not material.

The expected 2015 employer contributions amount to 28 thousand euros.

At year-end, the number of employees (full-time equivalents) from continuing operations was as follows:

	As at December 31,		
Number of employees and mandate contractors	2014	2013	2012
Research and development staff	33	34	28
General and administrative staff	16	15	19
Total	**49**	**49**	**47**

For further details about the share-based compensation plans, see Note 25.

7. Financial result

Thousands of euros	Years ended December 31, 2014	2013	2012
Interest income on bank deposits	23	1	9
Other interest income	92	6	26
Total financial income	**115**	**7**	**35**
Interest on borrowings	(982)	(28)	(14)
Interest on subordinated loan	—	—	(24)
Interest on obligations under finance leases	—	—	(3)
Fair value gains and losses	60	—	—
Other finance costs	(44)	(17)	(17)
Total financial expenses	**(966)**	**(45)**	**(58)**
Net foreign exchange differences	**1,101**	**(352)**	**(142)**
Financial result	**250**	**(390)**	**(165)**

Financial Income. Financial income increased from 7.2 thousand euros for the year ended December 31, 2013 to 114.7 thousand euros for the year ended December 31, 2014. Financial income consists of interest income and varies based on the cash balances in our bank deposits.

Financial income decreased from 35.0 thousand euros for the year ended December 31, 2012 to 7.2 thousand euros for the year ended December 31, 2013. Financial income consists of interest income and varies based on the cash balances in our bank deposits.

Financial Expenses. Financial expenses increased from 44.8 thousand euros for the year ended December 31, 2013 to 1.0 million euros for the year ended December 31, 2014. The significant increase in the financial expenses was due to interest under the Kreos loan in an amount of 1.0 million euros.

Financial expenses decreased from 58.2 thousand euros for the year ended December 31, 2012 to 44.8 thousand euros for the year ended December 31, 2013. These expenses represent the interest paid on our credit facilities with ING and BNP Paribas Fortis.

As detailed described in Note 5, the Company obtained soft loans at below market rate interest during the previous years. Financial expenses related to these loans have been recognized in accordance with IAS 39. In addition, due to the specific conditions of these loans and in accordance with IAS 20, these financial expenses have been offset with the financial grants embedded in them.

Foreign Exchange Differences. Foreign exchange differences changed from a loss of 0.4 million euros for the year ended December 31, 2013 to an income of 1.1 million euros for the year ended December 31, 2014. The difference is related to loans incurred by our subsidiaries, particularly TiGenix Inc., and the increased income is due to the weakness of the euro against the U.S. dollar in 2014. These amounts arise as a result of our translation of the financial statements from the functional currency, which may be currencies other than the euro, into our presentational currency, which is the euro, using the exchange rate at the balance sheet date, which may differ from the rate in effect at the last measurement date of the item in question and are included in the foreign currency translation reserve. The major evolution compared to previous years is related to the evolution of the USD/EUR rate during 2014 (01/01/2014: 1.3791 – 31/12/2014: 1.2141).

Foreign exchange differences changed, from a loss of 0.1 million euros for the year ended December 31, 2012 to a loss of 0.4 million euros for the year ended December 31, 2013. These losses are related to loans incurred by our subsidiaries, particularly TiGenix Inc., in currencies other than the euro, and the increased loss is due to the strength of the euro against the U.S. dollar in 2013.

The intercompany loan with TiGenix Inc. is extended annually, as the Company expects possible future repayment of this loan if TiGenix Inc's activities are reactivated in the context of future activities of the Group in the US.

See also Note 20 to these consolidated financial statements.

8. Income tax expense

The income tax in 2014 of 927 thousand euros is related to an adjustment of current income tax for prior periods, due to a new law for entrepreneurs in Spain that will allow TiGenix SAU to receive in cash the fiscal deductions obtained from R&D activities performed in 2013. This is presented as current tax assets in the statement of financial position.

The income tax in 2013 of 58.7 thousand euros consisted mainly of a settlement of current income taxes for prior periods of 60.7 thousand euros and deferred tax expenses of 2.0 thousand euros.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Years ended December 31,		
Thousands of euros	2014	2013	2012
Profit/(Loss) before taxes	(12,313)	(15,179)	(17,153)
Income tax expense calculated at 33.99%	(4,185)	(5,159)	(5,830)
Effect of income that is exempt from taxation	(7)	(838)	604
Effect of expenses that are not deductible	791	1,529	316
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	3,018	4,068	4,616
Effect of different tax rates in foreign jurisdictions	383	399	296
Adjustments recognised in the current year in relation to the current tax of prior years	927	(58)	—
Total	**927**	**(59)**	**1**

The deferred taxes are further detailed in Note 21.

9. Discontinued operations

At the end of 2013, the board of directors decided to discontinue the ChondroCelect operations. As such and as negotiations to sell the Dutch manufacturing facility were significantly advanced, the Group recognized an impairment of 0.7 million euros at December 31, 2013, which is included in Loss for the period from discontinued operations.

During the first half of 2014, the discontinuation of the ChondroCelect operations was successfully completed through the combination of the sale of the Dutch manufacturing facility and a licensing agreement on the marketing and distribution rights of the ChondroCelect operations.

On May 30, 2014, the Group completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy, for a total consideration of 4.3 million euros. Under the terms of the share purchase agreement with PharmaCell, we received an upfront payment of 3.5 million euros when the sale became effective on May 30, 2014 and will receive a final payment of 0.8 million euros (recognized at its present value of 0.6 million euros) after three years. At the end of 2013 an impairment test in respect of the Dutch manufacturing facility was conducted and 0.7 million euros were recognized as a loss. During the first half of 2014 and after the sale of the plant was completed, the Company registered an additional loss on disposal of 1.1 million euros which was included in Loss for the period from discontinued operations.

On June 1, 2014, TiGenix completed the licensing of the marketing and distribution rights of ChondroCelect to Sobi, the international specialty healthcare company dedicated to rare diseases. Sobi will continue to market and distribute the product for a period of ten years within the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. TiGenix will receive in return royalties on the net sales of ChondroCelect, and Sobi will reimburse nearly all of TiGenix's costs associated with the product. At the end of the agreement with Sobi, no remaining development costs of ChondroCelect will be pending to amortize.

Based on a contract manufacturing agreement with our former subsidiary, now owned by PharmaCell, the Company is entitled to a cost relief amounting up to a maximum of 1.5 million euros on future purchases during the first three years since the effective date. Based on the distribution contract with Sobi, this cost relief will be transferred to Sobi on future ChondroCelect sales with the same maximum of 1.5 million euros during the same period. Both the contract manufacturing agreement with our former subsidiary now owned by PharmaCell and the distribution agreement with Sobi include commitments for minimum binding quantities of ChondroCelect that are required to be purchased by us and from us under the respective agreements. If Sobi's actual purchases were to be lower than the required minimum, we would nevertheless be entitled to receive payment from Sobi up to a maximum amount of 5.7 million euros and would be required to pass on such payment to PharmaCell.

The effect of the Pharmacell and Sobi arrangements is that TiGenix will act as a "pass through" intermediary for the ChondroCelect product (which is purchased from Pharmacell and sold to Sobi through back-to-back, identical contractual arrangements). This means that following IAS 18.IE21, TiGenix is acting as an agent and not as a principal as it relates to the reimbursement of cost for the manufacturing activities. The amounts collected on behalf of the principal are netted with the amounts paid on behalf of the principal.

At the end of 2012, the Group stopped all operating activities of TiGenix Ltd., its biomaterials unit, to allow the

Group to focus on further progressing in the commercial roll-out of ChondroCelect and its cell therapy product development pipeline. During May 2014 TiGenix Ltd. was formally dissolved. As such, TiGenix Ltd. has been de-consolidated and presented as part of our discontinued operations.

In the table below, a detail of the loss for the period from discontinued operations (which mainly includes the sales & marketing operations of ChondroCelect and the Dutch manufacturing facility) is set forth. Were the ChondroCelect sales and marketing operations to be presented as continuing operations, the below line items related to revenues and those specific expenses should have to be added to the corresponding line items from continuing operations on the consolidated income statement.

Analysis of loss for the period from discontinued operations

	Years ended December 31,		
Thousands of euros	**2014[1]**	**2013[2]**	**2012[2]**
Revenue	3,527	4,324	4,190
Expenses	(4,991)	(7,591)	(7,425)
Operating expenses related to the sales & marketing	*(1,904)*	*(4,172)*	*(6,631)*
Operating expenses related to the Dutch manufacturing facility	*(1,971)*	*(2,732)*	*(794)*
Impairment losses related to the Dutch manufacturing facility	*—*	*(687)*	*—*
Loss on disposal related to the Dutch manufacturing facility	*(1,116)*	*—*	*—*
Other income and expenses	(141)	(4)	(4)
Loss before taxes	**(1,605)**	**(3,270)**	**(3,239)**
Total	**(1,605)**	**(3,270)**	**(3,239)**
Basic and diluted loss per share from discontinued operations (in euro)	**(0.01)**	**(0.03)**	**(0.04)**

1 Figures for 2014 relate only to 5 months of ChondroCelect
2 2013 and 2012 figures have been restated to present the ChondroCelect operations as discontinued operations.

The loss on disposal included in the discontinued operations at December 31, 2014 of 1.1 million euros is composed of the following (thousands of euros):

Consideration received in cash	3,490
Deferred consideration	534
Net assets disposed of	(5,139)
Loss on disposal	**(1,116)**

Cash flows from discontinued operations

	Years ended December 31,		
Thousands of euros	**2014**	**2013**	**2012**
Cash flows from operating activities	(153)	176	(2,782)
Cash flows from investing activities	3,490	(61)	(550)
Net cash flows from discontinued operations	**3,336**	**115**	**(3,332)**

10. Loss per share

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

The Group offers its employees share-based compensation benefits (see Note 25), which may have a dilutive effect on the basic loss per share. For the purpose of calculating diluted loss per share, the number of ordinary shares shall be the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued in case of conversion into ordinary shares of all instruments that can be converted into ordinary shares.

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

Thousands of euros except share and per share data	Years ended December 31, 2014	2013[1]	2012[1]
CONTINUING AND DISCONTINUED OPERATIONS			
Loss for the period for the purpose of basic earnings per share	(12,990)	(18,390)	(20,393)
Weighted average number of shares for the purpose of basic earnings per share	160,476,620	115,237,304	91,596,484
Basic loss per share from continuing and discontinued operations (in euros)	**(0.08)**	**(0.16)**	**(0.22)**
CONTINUING OPERATIONS			
Loss for the period for the purpose of basic earnings per share	(11,386)	(15,120)	(17,154)
Weighted average number of shares for the purpose of basic earnings per share	160,476,620	115,237,304	91,596,484
Basic loss per share from continuing operations (in euros)	**(0.07)**	**(0.13)**	**(0.19)**
DISCONTINUED OPERATIONS			
Loss for the period for the purpose of basic earnings per share	(1,605)	(3,270)	(3,239)
Weighted average number of shares for the purpose of basic earnings per share	160,476,620	115,237,304	91,596,484
Basic loss per share from discontinued operations (in euros)	**(0.01)**	**(0.03)**	**(0.04)**
POTENTIAL DILUTIVE INSTRUMENTS			
Number of share-based options (out-of-the-money)	8,588,978	6,570,285	5,617,683

1 2013 and 2012 figures have been restated to present the ChondroCelect operations as discontinued operations.

11. Disposal group held for sale

As at December 2013, the disposal group held for sale related to the classification of TiGenix B.V., a 100% subsidiary of TiGenix, as held for sale. Details of the figures presented on the statement of financial position are presented below. For further information see Note 9.

Thousands of euros	As at December 31, 2013
DISPOSAL GROUP ASSETS HELD FOR SALE	
Property, plant and equipment	5,651
Inventories	104
Trade and other receivables	45
Cash and cash equivalents	335
Total assets	**6,135**
LIABILITIES RELATED TO DISPOSAL GROUP HELD FOR SALE	
Trade and other payables	(162)
Other current liabilities	(404)
Total liabilities	**(566)**
Net assets of disposal group held for sale	**5,569**

12. Intangible assets

Thousands of euros	Development	Intellectual property	Patents and licences	Software	Total
COST					
Balance at January 1, 2012	**2,458**	**41,117**	**780**	**1,118**	**45,474**
Additions—separately acquired	—	—	276	3	279
Reclassification to/from held for sale	50	—	—	—	50
Balance at December 31, 2012	**2,508**	**41,117**	**1,056**	**1,122**	**45,803**
Additions—separately acquired	—	—	324	—	324
Effect of foreign exchange differences	(1)	—	—	—	(1)
Balance at December 31, 2013	**2,507**	**41,117**	**1,380**	**1,122**	**46,126**
Additions—separately acquired	—	—	315	—	315
Disposals	(49)	—	—	—	(49)
Reclassification	2,613	(2,613)	—	—	—
Balance at December 31, 2014	**5,071**	**38,504**	**1,695**	**1,122**	**46,393**
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Balance at January 1, 2012	**(293)**	**(1,827)**	**(274)**	**(1,053)**	**(3,447)**
Amortisation expense	(247)	(2,741)	(77)	(35)	(3,101)
Disposals or reclassified to/from held for sale	(50)	—	—	—	(50)
Balance at December 31, 2012	**(590)**	**(4,569)**	**(352)**	**(1,088)**	**(6,598)**
Amortisation expense	(249)	(2,741)	(102)	(30)	(3,122)
Effect of foreign exchange differences	1	—	—	—	1
Balance at December 31, 2013	**(837)**	**(7,310)**	**(454)**	**(1,118)**	**(9,719)**
Amortisation expense	(222)	(2,102)	(137)	(2)	(2,463)
Impairment losses	(87)	—	—	—	(87)
Disposals	49	—	—	—	49
Balance at December 31, 2014	**(1,097)**	**(9,412)**	**(591)**	**(1,120)**	**(12,221)**
Carrying amount at December 31, 2012	**1,918**	**36,549**	**704**	**34**	**39,205**
Carrying amount at December 31, 2013	**1,670**	**33,808**	**927**	**4**	**36,407**
Carrying amount at December 31, 2014	**3,974**	**29,091**	**1,104**	**2**	**34,172**

Intellectual property and other intangibles recognized relate to the acquisition of TiGenix SAU in May 2011 and consist of the technology platform, included in 'Intellectual property', in-process research & development and goodwill, included in 'Development'. These intangible assets were recognized at fair value in accordance with IFRS 3—*Business Combinations*. The technology platform's carrying value of 29.1 million euros at December 31, 2014 (2013: 33.8 million euros; 2012: 36.5 million euros) is amortized over its useful life of fifteen years. The remaining useful life is twelve years at the end of 2014. In-process research & development of 2.6 million euros is currently not amortized, because it is not yet available for use and is, therefore, subject to an annual test for impairment. Goodwill from the acquisition of TiGenix SAU is deemed to be immaterial.

The Company has also recognized during 2011 and 2010 development costs for ChondroCelect. They are amortized over their useful life of ten years. No additional development costs for ChondroCelect were capitalized after 2011. The carrying amount of these development costs amounted to 1.4 million euros at December 31, 2014 (2013: 1.7 million euros; 2012: 1.9 million euros). The remaining useful life is six years at December 31, 2014.

Intangible assets have been pledged to secure the Kreos credit facilities and the soft loans related to Madrid Network. The Group is not allowed to pledge these assets as security for other borrowings or to sell them.

At December 31, 2014, no commitments (2013: nil; 2012: nil) were signed to acquire intangible assets.

13. Property, plant and equipment

Thousands of euros	IT & machinery	Furniture	Laboratory equipment	Leasehold improvements	TOTAL
COST					
Balance at January 1, 2012	**2,022**	**395**	**1,256**	**7,259**	**10,933**
Additions	343	—	7	261	611
Disposals	(605)	(17)	(27)	—	(649)
Reclassification to/from held for sale	508	100	—	—	608
Effect of foreign exchange differences	9	2	1	—	12
Balance at December 31, 2012	**2,277**	**481**	**1,237**	**7,520**	**11,515**
Additions	61	—	40	16	116
Disposals	(14)	—	—	—	(14)
Reclassification to/from held for sale	(166)	(31)	(578)	(6,321)	(7,096)
Effect of foreign exchange differences	7	2	5	—	14
Balance at December 31, 2013	**2,164**	**451**	**704**	**1,215**	**4,535**
Additions	11	1	28	—	40
Disposals	(413)	(50)	—	—	(463)
Balance at December 31, 2014	**1,763**	**402**	**732**	**1,215**	**4,113**
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Balance at January 1, 2012	**(1,243)**	**(167)**	**(399)**	**(462)**	**(2,275)**
Depreciation expense	(409)	(76)	(164)	(296)	(945)
Impairment losses	(67)	(1)	—	—	(68)
Eliminated on disposals	555	16	27	—	598
Eliminated on reclassification as held for sale	(386)	(96)	—	—	(481)
Effect of foreign exchange differences	(8)	(2)	1	—	(9)
Balance at December 31, 2012	**(1,557)**	**(326)**	**(535)**	**(759)**	**(3,180)**
Depreciation expense	(282)	(48)	(160)	(469)	(959)
Impairment losses	(60)	(6)	(47)	(847)	(960)
Eliminated on disposals	13	—	—	—	13
Eliminated on reclassification as held for sale	69	18	201	1,157	1,445
Effect of foreign exchange differences	(7)	(2)	(5)	—	(14)
Balance at December 31, 2013	**(1,825)**	**(365)**	**(547)**	**(918)**	**(3,655)**
Depreciation expense	(9)	(79)	(150)	(81)	(319)
Eliminated on disposals	413	50	—	—	463
Balance at December 31, 2014	**(1,422)**	**(394)**	**(697)**	**(999)**	**(3,511)**
Carrying amount at December 31, 2012	**720**	**155**	**702**	**6,761**	**8,334**
Carrying amount at December 31, 2013	**339**	**86**	**157**	**297**	**879**
Carrying amount at December 31, 2014	**341**	**8**	**36**	**216**	**601**

In 2013, TiGenix BV was classified as held for sale. Therefore, all related property, plant and equipment were transferred to held for sale.

At December 31, 2014, no commitments (2013: nil. 2012: nil) were signed to acquire property, plant and equipment.

14. Available-for-sale investments

The available-for-sale investments consist of the participation of TiGenix in Arcarios B.V., a spin-off established jointly with Therosteon in which the Company at December 31, 2014 holds 3.53% of the shares. The participation is classified as a financial asset available for sale in accordance with IAS 39—*Financial Instruments: Recognition and Measurement*. However, due to the fact that Arcarios B.V. is not traded on an active market and the Group is not able to measure fair value in an alternative way, the investment is carried at cost.

As a result of a capital increase in Arcarios B.V. in two tranches in 2013, the participation of the Company in Arcarios B.V. diluted from 14% to 3.53%. The Company recognized an impairment loss of 0.1 million euros.

15. Other non-current assets

The other non-current assets include mainly guaranteed deposits in relation to soft loans obtained from Madrid Network and the deferred consideration from the sale of the Dutch manufacturing facility (see note 9).

16. Inventories

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Raw materials and consumables	102	77	91
Finished goods and goods for resale	—	—	14
Total	**102**	**77**	**105**

All the raw materials and consumables are related to the eASC platform´s activities.

17. Trade and other receivables

	As at December 31,		
Thousands of euros	2014	2013	2012
Trade receivables	627	1,032	2,477
Other receivables	1,107	551	1,184
Recoverable taxes	*776*	*474*	*849*
Other	*331*	*77*	*335*
Total	**1,734**	**1,583**	**3,661**

The trade receivables can be detailed as follows:

	As at December 31,		
Thousands of euros	2014	2013	2012
Trade receivables	714	1,146	2,489
Allowance for doubtful debts	(87)	(114)	(12)
Total	**627**	**1,032**	**2,477**

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Not past due	578	999	963
Up to three months	29	—	831
Three to 6 months	—	—	106
Six to twelve months	20	33	560
More than one year	—	—	17
Total	**627**	**1,032**	**2,477**

The movement in the allowance for doubtful debts is detailed below:

	As at December 31,		
Thousands of euros	2014	2013	2012
Balance at January 1	**114**	**12**	**—**
Impairment losses recognised	41	102	12
Amounts recovered during the year	(35)	—	—
Impairment losses reversed	(32)	—	—
Balance at December 31	**87**	**114**	**12**

The credit risk management is described in section 4 of the consolidated financial statements.

18. Other current financial assets

The other current financial assets primarily include bank deposits that were pledged to guarantee the potential repayment of part of certain subsidies granted to TiGenix SAU in 2006 and 2007 for a total amount of 0.3 million euros, not including interest. These bank balances cannot be used for other purposes than the ones defined in the grants.

19. Equity

19.1. Share Capital

The share capital of TiGenix amounts to 16.0 million euros at December 31, 2014 (2012: 16.0 million euros; 2012: 10.0 million euros), represented by 160,476,620 shares (2013: 160,476,620 shares; 2012: 100,288,586 shares). The Company's shares have no par value. The holders of TiGenix shares are entitled to receive dividends as declared and to one vote per share at the shareholders' meeting of the Company. All shares issued are fully paid.

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

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

Number of shares	2014	2013	2012
Balance at January 1,	**160,476,620**	**100,288,586**	**91,122,667**
Capital increase—contribution in kind	—	—	536,534
Capital increase—contribution in cash	—	60,188,034	8,629,385
Balance at December 31,	**160,476,620**	**160,476,620**	**100,288,586**

During 2013, the share capital of the Company was increased twice:

- 26,000,000 shares were issued pursuant to a contribution in cash on July 24 and 26, 2013 (6.5 million euros); and
- 34,188,034 shares were issued pursuant to a contribution in cash on November 22, 2013 (12.0 million euros).

Transaction costs related to these capital increases amounted to 1.2 million euros.

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

- 536,534 shares were issued pursuant to a contribution in kind on April 17, 2012; and
- 8,629,385 shares were issued pursuant to a contribution in cash on December 27, 2012.

Transaction costs related to these capital increases amounted to 0.4 million euros.

19.2. Equity-settled employee benefits reserve

The equity-settled employee benefits reserve relates to share options granted by the Group to its employees under its employee share option plan. Further information about share-based payments to employees is set out in Note 25.

19.3. Translation reserves

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (the euro) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

20. Financial loans and other payables

Thousands of euros	As at December 31, 2014	2013	2012
Non-current			
Financial loans	10,052	3,124	2,595
Other payables	601	5,139	3,589
Financial loans and other payables	10,652	8,263	6,184
Non-current borrowings	**10,652**	**8,263**	**6,184**
Current			
Current portion of financial loans	2,256	343	388
Other financial liabilities	671	874	1,527
Current borrowings	**2,927**	**1,217**	**1,915**
Total	**13,579**	**9,480**	**8,099**

The Company borrowings include financial loans as follows:

- Roll-over credit facility (from 2007) for an original amount 0.4 million euros used for the acquisition of manufacturing equipment in the United States. The borrowing has a remaining maturity of three years and carries a variable interest of three-month Euribor + 1.40%.
- Two loans received in different tranches over 2011 and 2013 from Madrid Network for an original amount of 5.9 million euros to finance the TiGenix SAU Phase III study for complex perianal fistulas in Crohn's disease patients and to develop the potential of stem cells in autoimmune inflammatory diseases. The loans will be reimbursed over a period of ten years starting in 2015 with an annual fixed interest rate of 1.46%.
- Interest-free loans maturing in 2025 received from the Spanish Government. These loans have an original amount of 3.2 million euros.
- Kreos loan received in 3 tranches over 2014 of 5.0 million euros, 2.5 million euros and 2.5 million euros respectively. The loan will be repaid as from the first anniversary over a period of four years and has a fixed interest rate of 12.5%.

The borrowings were granted subject to the condition of maintaining specific covenants. As at December 31, 2014, the Group was not in breach of any of the covenants.

Other payables consist of deferred income related to government grants received in the form of loans obtained at below market rate interest. The significant decrease in other payables between 2014 and 2013 is related to the recognition in profit and loss at December 31, 2014 of the government grants, being all related conditions met and the expenses arising from the costs that the grant was intended to compensate recognized.

The fair value of the government loans at below market rate interest represented in the table above for the periods 2014-2013-2012, has been calculated based on a discount rate of 21% reflecting the market credit risk for a company such as TiGenix in a similar development stage. This market credit risk was determined considering the effective interest from the Kreos loan, which was signed at the end of December 2013 but only into force since February 2014, and the market yields of similar companies.

However, at December 2013 and 2012, the fair value of the loans at below market rate interest was calculated based on a discount rate of 4%. Such discount rate was estimated on the basis of the existing loans and the Spanish legal interest rate of money at those dates. At that moment, additional market risk information for the determination of the discount rate was not taken into account, which resulted in an overstatement of the fair value of the loans at below market rate and consequently in an understatement of the deferred income related to government grants. The following table reflects the impact in the calculation of the deferred income related to government grant (other payables) due to this correction of the discount rate. This correction led to an important increase of deferred income related to government grants (from 696 to 5,139 in 2013 and from 506 to 3,589 in 2012). The major part of those government grants were recognized in income in 2014.

Thousands of euros	As at December 31, 21% 2013	21% 2012	4% 2013	4% 2012
Non current				
Financial loans	3,124	2,595	7,567	5,678
Other payables	5,139	3,589	696	506
Financial loans and other payables	8,263	6,184	8,263	6,184
Non current borrowings	**8,263**	**6,184**	**8,263**	**6,184**

Other financial liabilities in 2014 relate to the warrants issued as a consideration for the Kreos loan for an amount of 0.7 million euros. The warrant plan consisted of 1,994,302 warrants that were issued with an exercise price of 0.75 euros exercisable immediately and which expire in April 2019. The warrants also include a put option that authorizes Kreos Capital IV (Expert Fund) to return the warrants to the Company and to settle the warrants in cash under certain circumstances.

The warrants, including the put option, are accounted for as one instrument (not separating the put option from the warrants) and at issuance had a fair value of 0.7 million euros. Since Kreos Capital IV (Expert Fund) has the option to settle the warrants in cash, the instrument is considered as a financial derivative liability measured at fair value with changes in fair value recognized immediately in profit or loss. The measurement of the warrant (including the put option) at December 31, 2014 at fair value is based on a Black-Scholes valuation model taking into account following inputs: share price (0.52 euros), strike price (0.74 euros), volatility of the share (63.4%), duration (4.31 years) and risk free interest rate (0.31%).

Other financial liabilities in 2013 and 2012 are related to the factoring of trade receivables. As the trade receivables are not paid until their maturity, the bank reserves the right to request the Group to pay for the unsettled balance. As a consequence, the Group recognizes the full carrying amount of the trade receivables, as well as the cash received on the transfer, as a secured borrowing due to the fact that it has not transferred the significant risks and rewards relating to these trade receivables to the bank.

21. Deferred taxes

	As at December 31,		
Thousands of euros	2014	2013	2012
Deferred tax liabilities	(29)	(29)	(27)
Total	**(29)**	**(29)**	**(27)**

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

Thousands of euros	Intangible assets	Tax losses	Other	Total
Balance at January 1, 2012	**(11,787)**	**11,787**	**(27)**	**(27)**
Recognised in income statement—continuing operations	822	(822)	—	—
Balance at December 31, 2012	**(10,965)**	**10,965**	**(27)**	**(27)**
Recognised in income statement—continuing operations	822	(822)	(2)	(2)
Balance at December 31, 2013	**(10,143)**	**10,143**	**(29)**	**(29)**
Recognised in income statement—continuing operations	631	(631)	—	—
Balance at December 31, 2014	**(9,512)**	**9,512**	**(29)**	**(29)**

In the context of the business combination with TiGenix SAU, the Group recognized a deferred tax liability of 12.3 thousand euros relating to the recognition of the intangible assets of TiGenix SAU at the acquisition date. At the same time (*i.e.*, the acquisition date), a deferred tax asset was recognized for the tax losses carried forward of TiGenix SAU to the extent of the deferred tax liabilities recognized.

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Unused Tax losses	143,384	125,585	113,281
Unused tax credits	15,034	13,994	12,062
Deductible temporary differences	5,132	7,570	8,302
Total	**163,712**	**147,149**	**133,645**

The tax losses do not have an expiration date. The tax credits have an average remaining maturity of ten years. The deductible temporary differences have an average remaining maturity of 3.5 years.

Due to the losses of the Group, no income taxes were payable. On December 31, 2014 the Group had a loss carried forward amounting to 143.4 million euros (2013: 125.6 million euros; 2012: 113.2 million euros), including a potential deferred tax asset of 47.3 million euros. Due

to the uncertainty surrounding TiGenix's ability to realize taxable profits in the near future, the Company did not recognize any deferred tax assets on its balance sheet.

In addition to tax losses, the Group has unused tax credits (2014: 15.0 million euros; 2013: 13.9 million euros; 2012: 12.1 million euros) and deductible temporary differences (2014: 5.1 million euros; 2013: 7.6 million euros; 2012: 8.3 million euros) for which no deferred tax assets have been recognized.

22. Other non-current liabilities

The other non-current liabilities in 2013 and 2012 include the capital grants received by TiGenix SAU, which are deferred.

23. Trade and other payables

	As at December 31,		
Thousands of euros	2014	2013	2012
Trade payables	1,188	2,175	2,613
Other payables	1,164	832	1,401
Payables relating to personnel	*1,014*	*683*	*1,189*
Other	*150*	*149*	*212*
Total	**2,352**	**3,007**	**4,014**

24. Other current liabilities

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Accrued charges	3,204	1,653	2,412
Deferred income	-	-	742
Total	**3,204**	**1,653**	**3,154**

Accrued charges increased significantly in 2014 when comparing with 2013 due to the increase during the last months of 2014 of the research and development activities and the general and administrative expenses.

25. Share-based payments

TiGenix—Stock options granted to employees, consultants and directors

On February 26, 2007 (800,000), March 20, 2008 (400,000), June 19, 2009 (500,000), March 12, 2010 (500,000) July 6, 2012 (4,000,000), March 20, 2013 (777,000) and December 16, 2013 (1,806,000) in the aggregate 8,783,000 warrants were issued, subject to the warrants being granted to and accepted by the beneficiaries. Of these 8,783,000 warrants, (i) 734,800 warrants expired as they have not been granted, (ii) 379,250 warrants have expired as they have not been accepted by their beneficiaries, (iii) 1,071,774 warrants have lapsed due to their beneficiaries leaving the Company, and (iv) 2,500 warrants have been exercised. As a result, as at December 31, 2014, there are 6,594,676 warrants outstanding (2013: 6,570, 285; 2012: 5,617,683).

The warrants are granted to employees, consultants and directors of the Company and its subsidiaries, as well as to other persons who in the scope of their professional activity have made themselves useful to the Group, including but not limited to the members of the scientific advisory board and the clinical advisors. The warrants have been granted free of charge. Each warrant entitles its holder to subscribe to one common share of the Company at a subscription price determined by the board of directors, within the limits decided upon at the occasion of their issuance.

The warrants issued on February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010, July 6, 2012 and December 16, 2013 have a term of ten years. The warrants issued on March 20, 2013 have a term of five years. Upon expiration of the ten or five year term, the warrants become null and void.

The warrants issued on February 26, 2007, March 20, 2008, June 19, 2009, March 12, 2010 vest, in principle, in cumulative tranches of 25% per year, *i.e.*, 25% as of the first anniversary date of their granting, 50% as of the second anniversary date of their granting, 75% as of the third anniversary date of their granting, 100% as of the fourth anniversary date of their granting provided that

the cooperation between the Company and the warrant holder has not yet ended, unless the board of directors approved a deviation from this vesting schedule. As to the warrants issued on July 6, 2012 and March 20, 2013, in principle, (i) one-third of the warrants granted will vest on the first anniversary of the granting of the warrants and (ii) one-twenty fourth of the remaining two-thirds of the warrants granted will vest on the last day of each of the twenty-four months following the month of the first anniversary of the granting of the warrants. As to the warrants issued on December 16, 2013, in principle, (i) 10% of the warrants granted will vest on the date of acceptance of the warrants, (ii) 25% of the warrants granted will vest on the first anniversary of the granting of the warrants and (iii) 65% of the warrants granted will only vest (one-twenty fourth on the last day of each of the months included in the period January 2015 to December 2016) if the Company effectively enters into certain business transactions. The warrants can only be exercised by the warrant holder if they have effectively vested.

In accordance with IFRS 2, the table below provides an overview as at December 31, 2014 of all outstanding warrant pools offered to employees, consultants and directors of the Company and its subsidiaries together with the activities under the different pools of warrants during 2014.

Number of options	Weighted average exercise price	Total	Options issued in										
Grant date			December 16, 2013	Mar 20, 2013	Mar 20, 2013	July 6, 2012	Mar 12, 2010	June 19, 2009	Mar 20, 2008	Feb 26, 2007	Nov 03, 2005	April 20, 2005	May 14, 2004
Number of options created			1.806.000	160.000	273.000	4.000.000	500.000	500.000	400.000	800.000	454.570	45.268	135.802
Weighted average exercise price (euros)			0,47	1,00	0,91	1,00	2,74	3,98	4,10	5,49	3,50	3,18	3,10
Fair value at grant date (euros)			0,35	0,20	0,43	0,17	2,00	3,53	2,56	2,64	1,29	1,15	1,08
Expiration date			11/30/2024	11/30/2019	11/30/2019	05/31/2022	11/30/2019	05/31/2019	11/30/2017	03/31/2017	03/31/2014	03/31/2014	03/31/2014
Balance at January 1, 2012	**4,31**	**1.727.683**	**—**	**—**	**—**	**—**	**342.750**	**144.050**	**287.375**	**509.813**	**293.663**	**45.268**	**104.764**
Granted	1,00	3.948.000	—	—	—	3.948.000	—	—	—	—	—	—	—
Forfeited	2,03	(58.000)	—	—	—	(26.000)	(30.000)	(1.125)	(875)	—	—	—	—
Balance at December 31, 2012	**2,01**	**5.617.683**	**—**	**—**	**—**	**3.922.000**	**312.750**	**142.925**	**286.500**	**509.813**	**293.663**	**45.268**	**104.764**
Granted	0,62	1.390.180	957.180	160.000	273.000	—	—	—	—	—	—	—	—
Forfeited	1,14	(437.578)	—	—	—	(374.703)	(59.750)	(3.125)	—	—	—	—	—
Balance at December 31, 2013	**1,77**	**6.570.285**	**957.180**	**160.000**	**273.000**	**3.547.297**	**253.000**	**139.800**	**286.500**	**509.813**	**293.663**	**45.268**	**104.764**
Granted	0,66	848.820	848.820	—	—	—	—	—	—	—	—	—	—
Forfeited	1,05	(380.734)	(81.270)	—	—	(204.464)	(95.000)	—	—	—	—	—	—
Expired	3,50	(443.695)	—	—	—	—	—	—	—	—	(293.663)	(45.268)	(104.764)
Balance at December 31, 2014	**1,35**	**6.594.676**	**1.724.730**	**160.000**	**273.000**	**3.342.833**	**158.000**	**139.800**	**286.500**	**509.813**	**—**	**—**	**—**

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

- The historic volatility of the Company (determined at 67% for the 2013 warrant plans, 52.8% for the 2012 warrant plan and 60% for the previous plans), which was determined based on past (three years) volatility of the TiGenix share;
- The expected dividends are assumed to be zero in the model;
- Weighted average risk-free interests rates based on Belgian Sovereign Strips at the date of grant with a term equal to the expected life of the warrants, ranging between 1.7% and 4.6%;
- Weighted average share price (determined at 0.47 euros for the latest warrant plan); and
- The expected lifetime of the warrants, which on average is about seven years for the warrants with a maximum duration of ten years.

The remaining weighted average life of these options was 4.82 years at December 31, 2014 (2013: 7.31 years; 2012: 7.86 years).

The total expense recognised for the period arising from share-based payment transactions amounts to 0.5 million euro at December 31, 2014 (2013: 0.4 million euro; 2012: 0.6 million euro).

TiGenix SAU—Stock options granted to employees, executives and independent board members

Prior to the business combination, TiGenix SAU (formerly Cellerix) had created two equity based incentive plans, or EBIPs. The completion of the business combination triggered certain consequences outlined below which affect both EBIPs. A summary overview of some of the conditions of both EBIPs is given below.

Options under the EBIP 2008 were granted to employees, executives and independent members of the board of directors of TiGenix SAU prior to the business combination. Options under the EBIP 2008 were granted to each beneficiary through individual letters. As a result of the business combination, all EBIP 2008 options have vested except for 32,832 options of employees who terminated their employment with TiGenix SAU before

the business combination and that were not re-allocated. The exercise prices of the EBIP 2008 are set at 11.0 euros, 7.0 euros and 5.291 euros depending on the date of grant and beneficiary. TiGenix SAU granted 453,550 options under the EBIP 2008 of which 420,718 are vested. As a result of the business combination, all TiGenix SAU options were exchanged into TiGenix stock options.

Options under the EBIP 2010 were only granted to senior management of TiGenix SAU. The EBIP provides that the normal exercise price of the options is set at 5.291 euros. However, as a result of the business combination the exercise price for all EBIP 2010 options has been reduced to 0.013 euros. TiGenix SAU has granted 221,508 options under the EBIP 2010. As a result of the business combination, all EBIP 2010 options have vested. Beneficiaries must exercise their options before September 30, 2016. Pursuant to the terms of the EBIP 2010 the board of directors of TiGenix SAU has opted to exchange all existing options for new options over existing TiGenix shares.

As the options keep the same exchange rate of the Contribution (*i.e.*, 2.96 shares per TiGenix SAU share contributed to TiGenix), each EBIP 2008 and 2010 option shall give the EBIP 2008 and 2010 beneficiaries the right to receive 2.96 shares at the time of exercise.

As of December 31, 2014, all EBIP 2008 and EBIP 2010 options were vested. The table below provides an overview as per December 31, 2014 of all outstanding options remaining:

Number of options Grant date	Total	Options issued in 2010	 2008
Number of options created	642,226	221,508	420,718
Weighted average exercise price (euros)		0.01	5.29
Fair value at grant date (euros)		2.30	6.36
Expiration date		9/30/2016	9/30/2016
Balance at January 1, 2012	**642,226**	**221,508**	**420,718**
Balance at December 31, 2012	**642,226**	**221,508**	**420,718**
Exercised	(31,011)	(31,011)	—
Balance at December 31, 2013	**611,215**	**190,497**	**420,718**
Balance at December 31, 2014	**611,215**	**190,497**	**420,718**

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

- The volatility of TiGenix SAU (determined at 55%).
- Weighted average risk-free interests rates based on German Sovereign bond at the date of grant with a term equal to the expected life of the stock option (*i.e.*, 7.3 years), ranging between 0.85% and 1.95%.

26. Related party transactions

Transactions between the Group and its employees, consultants or directors are disclosed below.

There were no other related party transactions.

Compensation of key management personnel

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

The combined remuneration package of key management was as follows:

	Years ended December 31,		
Thousands of euros	2014	2013	2012
Short-term benefits	1,257	1,075	1,250
Post-employment benefits	65	57	16
Share-based payments	302	240	318
Total	**1,623**	**1,372**	**1,584**

No loan, quasi-loan or other guarantee is outstanding with members of the management team.

Transactions with non-executive directors

Non-executive directors that represent shareholders of the Company receive no compensation for their position as directors.

The independent directors receive a fee for attending and preparing the meetings of the board of directors and they receive reimbursement for expenses directly related to the board meetings. In 2014, an amount of 0.1 million euros (2013: 0.1 million euros; 2012: 0.1 million euros) in total was paid as fees and expense reimbursement to independent members of the board of directors.

No advances or credits have been granted to any member of the board of directors. None of the members of the board of directors has received any non-monetary remuneration other than warrants.

27. Segment information

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

Geographical information

Revenue from continuing operations are mainly related to royalties 0.3 million euros (Sweden) and grant income 5.2 million euros Spain and 0.4 million euros Belgium).

All sales related to the product ChondroCelect have been disclosed as a discontinued operation.

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

	Years ended December 31,		
Thousands of euros	2014	2013	2012
Belgium	1,488	2,023	1,653
The Netherlands	1,428	1,786	1,949
United Kingdom	472	427	368
Other	102	65	114
Total	**3,490**	**4,301**	**4,084**

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Belgium	2,564	2,467	3,210
The Netherlands	—	—	6,805
Spain	34,244	36,396	38,298
Other	—	—	2
Total	**36,808**	**38,863**	**48,315**

28. Commitments and contingencies

Operating lease commitments

The operating lease commitments of the Group relate to leases of buildings between one and nine years and leases of cars and IT equipment for four years. The Group does not have an option to purchase the leased assets.

In 2014, the Group made operating minimum lease payments for a total amount of 0.9 million euros (2013: 0.9 million euros; 2012: 1.2 million euros).

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

	As at December 31,		
Thousands of euros	2014	2013	2012
Within one year	603	843	1,018
In the second to fifth year	516	1,598	2,308
After five years	—	1,594	2,281
Total	**1,119**	**4,035**	**5,607**

Of the above presented commitments, 2.7 million euros related to TiGenix B.V. (sold in 2014) in 2013 and 3.5 million euros in 2012.

Other commitments

TiGenix Inc. guarantees the operating lease payments of Cognate for the building leased in the United States. Total remaining operating lease commitments at December 31, 2014 for which TiGenix Inc. was a guarantor were 0.4 million euros. Cognate was the party with whom TiGenix had a joint venture, TC CEF LLC, in the past.

Both the contract manufacturing agreement with our former subsidiary now owned by PharmaCell and the distribution agreement with Sobi include commitments for minimum binding quantities of ChondroCelect that are required to be purchased by us and from us under the respective agreements. If Sobi's actual purchases were to be lower than the required minimum, we would nevertheless be entitled to receive payment from Sobi up to a maximum amount of 5.7 million euros and would be required to pass on such payment to PharmaCell.

Legal proceedings

TiGenix SAU is involved in the following legal proceedings.

Invalidation of U.S. patent US6777231

On April 1, 2011, Cellerix (the predecessor entity of our subsidiary TiGenix SAU) filed an inter partes re-examination request with the Patent and Trademark Office regarding the patent US6777231, owned by the University of Pittsburgh. The Patent and Trademark Office examiner issued a decision concluding that all ten originally issued and all eighteen newly submitted claims of the patent granted to the University of Pittsburgh were invalid. The University of Pittsburgh then appealed the examiner's decision, but only with respect to two of the newly submitted claims. We cross-appealed the examiner's refusal to reject those two newly submitted claims as anticipated by the prior art. The Patent Trial and Appeal Board issued a decision simultaneously granting both appeals, thus confirming that all claims of the patent were invalid, but with respect to the newly submitted claims, on different grounds than those cited in the decision by the initial examiner. On this basis, the University of Pittsburgh filed a request to reopen prosecution and submitted claim amendments to those newly submitted claims to the Patent and Trademark Office for further consideration in an attempt to overcome the Patent Trial and Appeal Board's institution of a new ground for rejection as anticipated by the prior art. We submitted comments to the Patent and Trademark Office arguing that these claim amendments did not overcome the anticipated rejection and as of December 31, 2014, we have not received any decision from the Patent and Trademark Office regarding the amended claims. We do not know when a final decision can be expected, and at this stage, we are not in a position to assess the probable outcome of these proceedings.

Repayment of subsidies

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

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

The Administration claims that (i) the contested subsidies, together with other subsidies granted to TiGenix SAU during the same time period (*i.e.*, 2006 and 2007), exceeded the maximum permitted by law, and has, therefore, requested the reimbursement of the excess amount granted, and that (ii) some of the expenses attributed to the project financed by the contested subsidies had already been financed by other subsidies.

TiGenix SAU contends, among other arguments, that the Administration is not entitled to aggregate all of the subsidies granted to TiGenix SAU (*i.e.*, the contested subsidies and other subsidies granted) for purposes of applying the maximum (*i.e.*, in the particular case of TiGenix SAU, 60.0% of the eligible cost of the project), because the various subsidies were granted for fi-

nancing different projects with different purposes and scopes.

The total claim of the Administration, with respect to the full consortium and both contested subsidies, including late payment interest, amounts to 0.9 million euros, and the Administration has claimed the full amount from TiGenix SAU, as the representative of the consortium. However, the claim against TiGenix SAU amounts to 0.3 million euros, and in case the appeal does not succeed, TiGenix SAU would be able to claim the remaining amount from the other members of the consortium.

As an intermediate measure, TiGenix SAU obtained an injunctive decision that the amounts claimed by the Administration do not have to be repaid until a final judgment is received. Instead, TiGenix SAU requested two financial institutions to issue separate guarantees in favor of the Administration guaranteeing the full amount claimed.

On May 20, 2014, TiGenix SAU received the judgment of the Chamber for Contentious Administrative Proceedings of the National High Court of April, 30, 2014. In this judgment, the court partially upheld the claims made by TiGenix SAU throughout the administrative appeal, and declared null the two resolutions on the partial repayment of the two subsidies that were granted in 2006 and 2007, respectively. However, the court also found that there were grounds for a partial repayment of the contested subsidies but ordered the Administration to recalculate the amount of such repayment. It concluded that some of the items included in the Administration's calculations are either wrong or duplicative. Because the court did not calculate the amount to be repaid, the Administration must submit revised calculations of the amounts to be repaid under the contested subsidies. Even though in principle this should have been done within a period of two months, the Administration has not yet submitted such revised calculations as of December 31, 2014. We have no recourse to any further appeals against the judgment of the court.

Following IAS 37.10, the Company has not made a provision due to the uncertainty when estimating a reliable amount for the repayment.

29. Subsequent events

On March 6, 2015, the Company issued senior, unsecured convertible bonds due 2018 for a total principal amount of 25 million euros and with a nominal value of 100,000 euros per convertible bond. The bonds are convertible into fully paid ordinary shares of the Company and are guaranteed by the Company's subsidiary, TiGenix S.A.U.

Unsecured. The bonds are unsecured, meaning that the holders of the bonds will not benefit from any security interests to secure the performance of the Company's obligations under the bonds, except for the guarantee provided by TiGenix S.A.U., the coupon escrow and the negative pledge as further described.

Senior. The bonds will constitute senior obligations of the Company, meaning that the obligations of the Company will not be subordinated to the repayment of any other unsecured financial indebtedness of the Company. The bonds will rank at all times pari passu and rateably, without any preference among themselves, and equally with all other existing and future unsecured (subject to the coupon escrow and the negative pledge) and unsubordinated obligations of the Company.

Coupon Escrow. An amount sufficient to pay the aggregate amount of interest to be paid on the bonds on the first four interest payment dates up to and including March 6, 2017 has been transferred to an escrow account for the purpose of paying those four interest payments.

Negative Pledge. The Company and its subsidiaries cannot issue debt instruments on the capital market.

Issue Price / Redemption Price / Coupon / Maturity. The bonds are issued and will be redeemed at 100% of their principal amount and have a coupon of 9% per annum, payable semi-annually in arrear in equal instalments on March 6 and September 6 of each year, commencing with the first interest payment date falling on September 6, 2015. Final maturity date is March 6, 2018.

Initial Conversion Price. The initial conversion price has been set at 0.9414 euros. At this initial conversion price, the bonds will be convertible into 26,556,192 fully paid ordinary shares of the Company.

Conversion Period. The bonds are convertible into shares of the Company during the priod from April 16, 2015 until approximately 10 dealing days prior to the final maturity date or, in the case of an earlier redemption, the date falling 10 dealing days prior to the relevant redemption date.

Conversion Price Reset. As from March 7, 2016, the conversion price shall be adjusted so as to equal the greater of (i) the arithmetic average of the daily volume weighted average price ("**VWAP**") of the Company's share on each dealing day in the "reset period", and (ii) 80% of the arithmetic average of the conversion price in effect on each dealing day in the "reset period", whereby "reset period" means the 20 consecutive dealing days ending on the fifth dealing day prior to March 7, 2016, provided that no adjustment will be made if such adjustment would result in an increase to the conversion price.

Issuer Call Option. If at any time after March 27, 2017, the share price on each of at least 20 dealing days within a period of 30 consecutive dealing days ending not ear-

lier than 7 dealing days prior to the giving of a notice of redemption shall have been at least 130% of the applicable conversion price in effect on each such dealing day, by giving a notice, the Company may redeem all, but not some only, of the bonds at their principal amount (plus accrued interest) within not less than 30 and not more than 60 days of the date of the notice of redemption.

Clean-up Call. The Company may redeem all, but not some only, of the outstanding bonds at their principal amount (plus accrued interest) at any time if less than 15% of the aggregate principal mount of the bonds originally issued remains outstanding, by giving not less than 30 and not more than 60 days notice.

Anti-dilution Protection. The bonds are issued subject to standard anti-dilution protection dealing with, inter alia, share consolidations, share splits, rights issues, capital distributions and bonus issues.

Dividend Protection. The bonds benefit from full dividend protection through adjustment of the conversion price for any distribution in cash or shares.

Change of Control Protection. Subject to the approval by the next shareholders' meeting, upon the occurrence of a change of control (i.e. when one or several individuals or legal entities acting alone or in concert acquire, directly or indirectly, more than 30% of the share capital or voting shares of the Company), bondholders may require the Company to redeem their bonds at the principal amount, plus accrued interest. In addition, the conversion price of the bonds shall be temporarily adjusted downwards in accordance with a market standard formula for a period of 60 days.

Transferability. The bonds are freely transferable.

Lock-up. The Company agreed, subject to certain customary exceptions, not to issue or dispose of ordinary shares, convertible bonds, warrants or related securities during a period of 90 days after March 6, 2015.

Listing. Application will be made for the bonds to be admitted to trading on the Open Market (*Freiverkehr*) segment of the Frankfurt Stock Exchange no later than June 6, 2015.

Governing law. The bonds are governed by English law, except for the provisions relating to meetings of bondholders and any matter relating to the dematerialized form of the bonds which are governed by Belgian law.

Due to the recent issue of the convertible bonds, on March 6, 2015, the Company could not yet make a reliable estimate of the financial effects of this instrument as per the date of this registration document.

30. Consolidation scope

			Ownership interest As at December 31,		
Legal Entity	Principal activity	Place of incorporation	2014	2013	2012
TiGenix Romeinse straat 12, Box 2 3001 Leuven	Biopharmaceutical company	Belgium	100%	100%	100%
TiGenix SAU Calle Marconi 1, Parque Tecnológico de Madrid Tres Cantos 28760 Madrid	Biopharmaceutical company	Spain	100%	100%	100%
TiGenix Inc. 1209 Orange Street Wilmington, Delaware	Biopharmaceutical company	U.S.A.	100%	100%	100%
TiGenix B.V. Urmonderbaan 22 6167 RD Geleen	Biopharmaceutical company	Netherlands	—%	100%	100%
TiGenix Ltd. Cambridge Business Park Milton Road Cambridge CB4 0WZ	Biopharmaceutical company (dissolved in May 2014)	England and Wales	—%	100%	100%

31. Auditor remuneration

The total remuneration of the statutory auditor (and related firms) in 2014 amounted to 96,707 euros (excluding VAT) (audit fees related to TiGenix NV and TiGenix SAU, as well as fees related to assignments entrusted to the statutory auditor by law) and 766,461 euros (excluding VAT) (fees for other services, related to the TiGenix group). In accordance with Article 133 of the Belgian Companies Code, the Company's audit committee has approved that the fees for other services are higher than the audit fees. The higher fees for other services are justified by the fact that in 2014, the Company required substantial ad hoc services in connection with the Company's preparation to obtain additional funding during 2015.

The total remuneration of the statutory auditor (and related firms) in 2013 amounted to 99,205 euros (excluding VAT) (audit fees related to TiGenix NV and TiGenix SAU, as well as fees related to assignments entrusted to the statutory auditor by law) and 90,295 euros (excluding VAT) (fees for other services, related to the TiGenix group).

The total remuneration of the statutory auditor (and related firms) in 2012 amounted to 91,597 euros (excluding VAT) (audit fees related to TiGenix NV and TiGenix SAU, as well as fees related to assignments entrusted to the statutory auditor by law) and 31,520 euros (excluding VAT) (fees for other services, related to the TiGenix group).

11.7. Auditor's report on the consolidated financial statements per December 31, 2014

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidate financial statements comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the explanatory note.

Report on the consolidated financial statements – unqualified opinion

We have audited the consolidated financial statements of the company Tigenix NV for the year 2014 ended December 31, 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 53.921 (000) EUR and a consolidated income statement showing a consolidated loss for the year of 12.990 (000) EUR.

Responsibility of the board of Directors for the preparation of the consolidated financial statements

The board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the statutory auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the company's internal control relevant to the preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of Directors and company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the company Tigenix NV give a true and fair view of the group's equity and financial position as at December 31, 2014, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter paragraph

Notwithstanding the Group suffered significant losses that affected its financial position and cash situation, the consolidated financial statements have been drawn up in the assumption of going concern. This is only justified if the underlying assumptions, as described in chapter 11.6 § 2.1 of the consolidated financial statements, will be realized. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amount and classification of liabilities that would have to be made should the company be unable to continue as a going concern.

Report on other legal and regulatory requirements

The board of Directors is responsible for the preparation and the content of the Director's report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which do not modify the scope of our opinion on the consolidated financial statements:

- The Director's report the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, March 16, 2015

BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by
Gert Claes
Registered auditor

11.8. Auditor's report on the consolidated financial statements per December 31, 2013

In accordance with the legal requirements, we report to you on the performance of the engagement of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and statement of comprehensive income for the year ended 31 December 2013 and the explanatory notes, as well as the required additional information.

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

We have audited the consolidated financial statements of the company TiGenix NV for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 63.043 kEUR and a consolidated loss for the year of 18.390 kEUR.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Unqualified opinion with explanatory paragraph

In our opinion, the consolidated financial statements of the company TiGenix NV as of 31 December 2013 give a true and fair view of the net assets and financial position of the group as at 31 December 2013, as well as its consolidated results and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Notwithstanding the Group suffered significant losses that affected its financial position and cash situation, the consolidated financial statements have been drawn up in the assumption of going concern. This is only justified if the underlying assumptions of the budget, as described in chapter 13.8 of the annual report of the Board of Directors, will be realized. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amount and classification of liabilities that would have to be made should the company be unable to continue as a going concern.

Report on other legal and regulatory requirements

Management is responsible for the preparation and the content of the consolidated Directors' report. As part of our engagement and in accordance with the additional Belgian standard on auditing added to the International Standards on Auditing, it is our responsibility, for all significant aspects, to ascertain the compliance of certain legal and regulatory requirements. Based on that requirement we report the following additional statement, which does not modify our audit opinion on the consolidated financial statements:

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

Zaventem, 18 March 2014

BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Gert Claes.

11.9. Auditor's report on the consolidated financial statements per December 31, 2012

In accordance with the legal requirements, we report to you on the performance of the engagement of statutory auditor, which has been entrusted to us. This report contains our opinion on the consolidated balance sheet as at December 31, 2012 the consolidated profit and loss statement for the year ended December 31, 2012 and the explanatory notes, as well as the required additional information.

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

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from management and the company's officials the explanations and information necessary for our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Unqualified opinion with explanatory paragraph

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

Notwithstanding the Group suffered significant losses that further affected its financial position and cash situation, the consolidated financial statements have been drawn up in the assumption of going concern. This assumption is only justified to the extent that the assumptions of the budget, as described in chapter 13.8 of the annual report of the Board of Directors, will be timely realized and will timely generate sufficient new cash. If this would not be the case, the group will need to find additional cash by means of a capital increase or alternative funding. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the company be unable to continue as a going concern.

Report on other legal and regulatory requirements

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

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

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

Zaventem, March 11, 2013

BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Gert Claes

12 STATUTORY FINANCIAL STATEMENTS 2014-2013-2012

The statutory accounts are based upon Belgian GAAP.

An unqualified audit opinion with an explanatory paragraph in respect of the continuity of the Company has been issued by the statutory auditor on March 16, 2015.

The information included in this section is an extract from the statutory accounts that will be submitted for approval to the annual shareholders meeting of April 20, 2015 and that will be filed with the Belgian National Bank, and does not include all information as required by articles 98 and 100 of the Belgian Companies Code.

12.1. Statutory income statement 2014-2013-2012

	Years ended December 31,		
Thousands of euros except per share data	2014	2013	2012
I. Operating income	**4,791**	**5,353**	**5,168**
A. Turnover	4,150	4,301	4,084
D. Other operating income	641	1,052	1,084
II. Operating charges	**-10,192**	**-11,378**	**-11,795**
A. Raw materials, consumables, goods for resale	-831	-1,058	-619
B. Services and other goods	-5,576	-4,609	-4,933
C. Remuneration, social security contributions and pensions	-1,851	-2,516	-4,099
D. Depreciation & amounts written off on formation expenses, intangible and tangible fixed assets	-1,352	-2,114	-1,537
G. Other operating charges	-583	-1,080	-606
III. Operating profit/(loss)	**-5,401**	**-6,025**	**-6,627**
IV. Financial income	**594**	**766**	**344**
A. Income from financial fixed assets	519	711	219
B. Income from current assets	1	1	9
C. Other financial income	74	54	116
V. Financial charges	**-1,106**	**-210**	**-308**
A. Debt charges	-1,092	-150	-169
C. Other financial charges	-14	-60	-139
VI. Current profit/(loss) before taxes	**-5,913**	**-5,469**	**-6,591**
VII. Extraordinary income	**75**	**14**	**122**
VIII. Extraordinary charges	**-1,998**	**-4,597**	**-585**
IX. Profit/(loss) before taxes	**-7,836**	**-10,051**	**-7,054**
X. Income taxes	**—**	**59**	**-1**
XI. Profit/(loss) for the year after taxes	**-7,836**	**-9,993**	**-7,055**

12.2. Statutory balance sheet 2014-2013-2012

Thousands of euros	As at December 31, 2014	2013	2012
NON-CURRENT ASSETS	**79,023**	**83,580**	**70,773**
I. Formation expenses	**1,593**	**2,169**	**1,524**
II. Intangible fixed assets	**1,476**	**1,754**	**1,997**
III. Tangible fixed assets	**225**	**311**	**708**
B. Plant, machinery and equipment	10	12	72
C. Furniture and vehicles	—	3	24
E. Other tangible assets	215	296	612
IV. Financial fixed assets	**75,729**	**79,346**	**66,543**
A. Affiliated enterprises	74,856	78,924	66,005
A1. Investments	74,856	73,356	59,674
A2. Amounts receivable	—	5,569	6,331
C. Other financial non-current assets	873	421	537
C1. Shares	161	161	278
C2. Amounts received and cash guarantee	712	260	259
CURRENT ASSETS	**10,265**	**4,310**	**10,329**
VI. Stocks and contracts in progress	**—**	**—**	**62**
VII. Amounts receivable within one year	**1,292**	**1,445**	**3,107**
A. Trade debtors	701	1,181	2,838
B. Other amounts receivable	591	264	269
IX. Cash at bank and in hand	**8,830**	**2,794**	**7,082**
X. Deferred charges and accrued income	**143**	**71**	**79**
TOTAL ASSETS	**89,288**	**87,890**	**81,102**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	**72,923**	**80,018**	**71,511**
I. Capital	**16,048**	**16,048**	**10,029**
A. Issued capital	16,048	16,048	10,029
II. Share premium	**108,897**	**108,155**	**95,674**
V. Accumulated profit/(loss)	**-52,020**	**-44,184**	**-34,191**
AMOUNTS PAYABLE	**16,364**	**7,872**	**9,591**
VIII. Debts payable after 1 year	**10,741**	**3,260**	**3,318**
A. Financial debts	60	100	280
A4. Credit institutions	60	100	280
F. Other debts	10,681	3,160	3,038
IX. Debts payable within 1 year	**3,663**	**3,403**	**4,800**
A. Current portion of debts after one year	1,586	180	80
C. Trade debts	223	879	1,117
C1. Suppliers	223	879	1,117
E. Taxes, remuneration & social security	436	533	940
E2. Remuneration & social security	436	533	940
F. Other amounts payables	1,417	1,810	2,662
X. Accrued charges and deferred income	**1,961**	**1,210**	**1,473**
TOTAL EQUITY AND LIABILITIES	**89,288**	**87,890**	**81,102**

12.3. Accounting policies (belgian gaap)

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

12.3.1. Formation expenses and costs relating to capital increases

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

12.3.2. Intangible fixed assets

Research and development costs

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

Patents, licenses and similar rights

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

12.3.3. Tangible fixed assets

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

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

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

12.3.4. Financial fixed assets

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

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

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

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

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

12.3.6. Stocks and contracts in progress

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

The Company does not account for work in progress and finished products, as the production process is short and finished goods are shipped to customers immediately thereafter, resulting in no such items on the balance sheet at year-end for any of the periods reported.

12.3.7. Treasury placements

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

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

12.3.8. Provisions for risks and charges

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

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

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

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

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

12.3.10. Regularisation accounts

Regularisation accounts on the assets side

These accounts include:

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

Regularisation accounts on the liabilities side

These accounts include:

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

12.3.11. Currencies

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

Currency losses are recorded in the statement of results.

13. ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE STATUTORY FINANCIAL STATEMENTS PER DECEMBER 31, 2014

Dear shareholders,

We are pleased to present to you the consolidated financial statements and the statutory financial statements for the fiscal year ended December 31, 2014.

1. Overview

We are an advanced biopharmaceutical company focused on developing and commercializing novel therapeutics from our proprietary platform of allogeneic, or donor derived, expanded adipose derived stem cells, known as eASCs, in inflammatory and autoimmune diseases.

During 2014, we transformed our operations to focus fully on realizing the value of our eASC platform and pipeline by discontinuing our operations in connection with ChondroCelect.

Based on our platform, we have developed a pipeline of product candidates with our most advanced being Cx601, a first in class injectable allogeneic stem cell therapy that has been granted orphan designation by the European Medicines Agency, or EMA. We are conducting a single pivotal Phase III trial for Cx601 for the treatment of complex perianal fistulas in patients suffering from Crohn's disease, a painful and debilitating condition affecting approximately 100,000 patients in the Europe and United States. Data from the single pivotal trial should be available in the third quarter of 2015, based on which we plan to submit a marketing authorization application to the EMA in the first half of 2016. We also intend to initiate a Phase III trial for Cx601 for the treatment of complex perianal fistulas in the United States by the second half of 2016. Based on discussions with the U.S. Food and Drug Administration, or FDA, we believe that this Phase III trial, if successful, could, together with the European Phase III data, serve as supportive evidence for filing for regulatory approval with the FDA.

Our platform has generated other product candidates, including Cx611, for which we have completed a Phase I/IIa trial in rheumatoid arthritis. We are currently conducting a Phase Ib trial for Cx611 in severe sepsis in the first quarter of 2015 and preparing a Phase IIb trial for Cx611 in early rheumatoid arthritis in the fourth quarter of 2015. Our third product candidate, Cx621, completed a Phase I clinical trial for intra lymphatic administration of allogeneic eASCs; its mode of administration has the potential to enable applications in other autoimmune diseases.

Effective June 1, 2014, we entered into an agreement with Swedish Orphan Biovitrium, or Sobi, for the exclusive marketing and distribution rights with respect to ChondroCelect within the European Union (excluding Finland), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. We also completed the sale of TiGenix B.V., our Dutch subsidiary, which held our manufacturing facility for ChondroCelect, to PharmaCell, a leading European contract manufacturing organization active in the area of cell therapy.

2. Pipeline development

Our eASC pipeline portfolio includes a product candidate poised to receive pivotal Phase III data in the third quarter of 2015 and two further product candidates in Phases II and I.

- **Cx601**. Cx601, our lead product candidate, is a first in class injectable allogeneic stem cell therapy that is currently in a pivotal Phase III trial for the treatment of complex perianal fistulas in patients suffering from Crohn's disease. We have observed compelling clinical results that suggest that Cx601 may have clinical utility in treating perianal fistulas in one injectable dose with a more favorable adverse events profile than currently available therapies.

  Moreover, Cx601 enjoys significant benefits due to its designation as an orphan drug by the EMA, including the following: (i) research grants and subsidies; (ii) assistance from the EMA in developing our clinical trials, including detailed feedback on proposed study designs; (iii) a streamlined process for obtaining the relevant regulatory approvals in Europe; and (iv) up to ten years of exclusivity in the European market from the date of the product's launch. We have also had a meeting with the FDA to discuss the adequacy of our

clinical and non clinical data to support an investigational new drug, or IND, application for a U.S. based Phase III trial. We received positive feedback regarding our current pivotal European Phase III trial design for supporting a BLA. Current therapies have limited efficacy, and there is currently no commercially available cell based therapy for this indication. We believe Cx601, if approved, would fulfill a significant unmet need in the market. If our pivotal Phase III trial is successful, we expect to file for marketing authorization in Europe by the first half of 2016 and initiate a Phase III trial in the United States by the second half of 2016.

- **Cx611**. Cx611, our second product candidate, is a first in class injectable allogeneic stem cell therapy intended for the treatment of early rheumatoid arthritis and severe sepsis. We believe that Cx611, if approved for early rheumatoid arthritis, would have advantages over current treatments such as biologics due to its safety profile and higher induction of remission. We have completed a successful Phase I/IIa trial of Cx611 in refractory rheumatoid arthritis patients that illustrated the safety of the therapy and provided indications of therapeutic activity. If it is approved for severe sepsis, we believe that Cx611 would be an add on therapy that has the potential to reduce mortality. We are planning to advance Cx611 in severe sepsis in a Phase Ib trial that is currently ongoing and in early rheumatoid arthritis in a Phase IIb trial in the fourth quarter of 2015.

- **Cx621**. Cx621, our third product candidate, has completed a Phase I trial that generated safety and feasibility information on intra lymphatic administration of allogeneic eASCs. This different route of administration has the potential to enable applications in other autoimmune diseases.

3. Discussion and analysis of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS and have been drawn up by the Board of Directors on March 16, 2015. The financial statements will be communicated to the shareholders at the annual general shareholders' meeting on April 20, 2015.

Result of Operations

Comparison of the Years Ended December 31, 2014, 2013 and 2012

The following table summarizes the audited results of our operations for the periods ended December 31, 2014, 2013 and 2012:

		Years ended December 31,		
Thousands of euros except per share data	**Notes**	**2014**	**2013**	**2012**
CONTINUING OPERATIONS				
Revenues				
Royalties		338	—	—
Grants and other operating income	5	5,948	883	1,389
Total revenues		**6,286**	**883**	**1,389**
Research and development expenses	6	(11,443)	(9,843)	(12,140)
General and administrative expenses	6	(7,406)	(5,829)	(6,237)
Total operating charges		**(18,849)**	**(15,672)**	**(18,377)**
Operating Loss		**(12,563)**	**(14,789)**	**(16,989)**
Financial income	7	115	7	35
Financial expenses	7	(966)	(45)	(58)
Foreign exchange differences	7	1,101	(352)	(142)
Loss before taxes		**(12,313)**	**(15,179)**	**(17,153)**
Income taxes	8	927	59	(1)
Loss for the period from continuing operations		**(11,386)**	**(15,120)**	**(17,154)**
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	9	(1,605)	(3,270)	(3,239)
Loss for the period		**(12,990)**	**(18,390)**	**(20,393)**
Attributable to equity holders of TiGenix		*(12,990)*	*(18,390)*	*(20,393)*
Basic and diluted loss per share (euro)	10	**(0.08)**	**(0.16)**	**(0.22)**
Basic and diluted loss per share from continuing operations (euro)	10	**(0.07)**	**(0.13)**	**(0.19)**
Basic and diluted loss per share from discontinued operations (euro)	10	**(0.01)**	**(0.03)**	**(0.04)**

Royalties

In 2014 we earned 0.3 million euros in royalties on net sales of ChondroCelect by Swedish Orphan Biovitrium, Sobi. Under the agreement with Sobi, we are entitled to receive 22% royalties on net sales during the first year and 20% thereafter.

Through the agreement, Sobi acquired exclusive rights to distribute ChondroCelect within the European Union (excluding Finland, where we have a pre-existing distribution agreement with Finnish Red Cross Blood Service), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. ChondroCelect was approved for reimbursement in Belgium in February 2011, in the Netherlands in June 2012 (retroactively applicable through to January 2011) and in Spain in March 2013; in addition ChondroCelect is available to patients in the U.K. and Finland.

Grants and Other Operating Income

Thousands of euros	2014	2013	2012
Grant revenues	**5,522**	774	1,227
Other income	**426**	109	162
Total Grants and other operating income	**5,948**	**883**	**1,389**

Grant income relates to:

- Grants earned through the 2014 activities related to the 7th Framework Program. At the end of 2011, the Company obtained a 7th Framework Program for the project: "Bringing Regenarative Medicine into de market: Allogeneic eASCs Phase IB/IIA clinical trial for treating Rheumatoid Arthritis". The project lasted for 3 years (from January 2012 to December 2014) and all activities and expenses had to be justified in two reporting periods in June 30, 2013 and December 31, 2014. At year end 2014, the Company has recognized in the income statement all the profit related to the activities performed in 2014 for an amount of 1.1 million euros.
- Grants related to soft loans:
  - From Madrid Network. At the end of 2011, TiGenix SAU obtained a soft loan from Madrid Network of 5.0 million euros in 3 tranches of 2.0 million euros (October 2011), 2.0 million euros (December 2011) and 1.0 million euros (April 2013) to finance its clinical trial Phase III for complex perianal fistulas in Crohn´s disease patients. The duration of the project was from January 2012 to December 2014 with yearly reporting periods ending in December 2014.

    In July 2013, TiGenix SAU obtained an additional soft loan from Madrid Network of 1.0 million euros to finance "New applications of the eASCs in autoimmune diseases". The duration of the project was from July 2013 to December 2014 with reporting period end of December 2013 and 2014.

    At the end of 2014, TiGenix SAU had successfully justified all the activities and expenses agreed in both loans and therefore fully recognized in the income statement the part of the benefit obtained through the loan at a below market rate of interest for an amount of 2.8 million euros for the first loan and 0.6 million euros for the second loan.
  - From the Ministry of Science. Since 2006 to date, TiGenix SAU obtained from the Ministry of Science eight soft loans of different amounts for different projects.

At year-end 2014 all activities related to the loans were done and justified and the period for inspection had elapsed (except fot two loans). As such, the Company considered that there was sufficient assurance of the grant for the loans for which the inspection period was elapsed and recognized the benefit, from the loans at a below market rate of interest, in the income statement for 1.1 million euros.The benefit obtained through a government loan at a below market rate of interest is treated as a government grant, (measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates). Under the Company´s view during 2014 all the conditions attached to the terms of each grant were met and therefore the grant was recognized.

Research and Development Expenses. Our research and development expenses increased by 16%, from 9.8 million euros for the year ended December 31, 2013 to 11.4 million euros for the year ended December 31, 2014. The increased expenses were in connection with the Phase III clinical trial for Cx601 in perianal fistula in Chron´s disease and the launch of new projects during the second half of 2014, in particular the Phase I clinical trial for Cx611 in sepsis.

Our research and development expenses decreased by 19%, from 12.1 million euros for the year ended December 31, 2012 to 9.8 million euros for the year ended December 31, 2013. The decrease was partly related to a decrease of 1.2 million euros in lab fees and other operating expenses due to the completion in 2012 of our Phase I/IIa clinical trial for Cx611 in refractory rheumatoid arthritis and the Phase I clinical trial for Cx621 for intra-lymphatic administration to treat autoimmune disorders and a decrease of a further 1.2 million euros

in labor costs mainly due to the internal reorganization of the research and development department in 2012.

General and Administrative Expenses. General and administrative costs increased by 27%, from 5.8 million euros for the year ended December 31, 2013 to 7.4 million euros for the year ended December 31, 2014. The increase was primarily related to expenses in connection with the Company's preparation to obtain additional funding during 2015.

General and administrative costs decreased by 7%, from 6.2 million euros for the year ended December 31, 2012 to 5.8 million euros for the year ended December 31, 2013. The decrease of 0.4 million euros was mainly driven by the vesting in 2012 of the 2008 equity based incentive plan and the 2010 share based compensation plan, and was partially offset by an increase in service expenses and depreciation and amortization expenses.

Financial Income. Financial income increased from 7.2 thousand euros for the year ended December 31, 2013 to 114.7 thousand euros for the year ended December 31, 2014. Financial income consists of interest income and varies based on the cash balances in our bank deposits.

Financial income decreased from 35.0 thousand euros for the year ended December 31, 2012 to 7.2 thousand euros for the year ended December 31, 2013. Financial income consists of interest income and varies based on the cash balances in our bank deposits.

Financial Expenses. Financial expenses increased from 44.8 thousand euros for the year ended December 31, 2013 to 1.0 million euros for the year ended December 31, 2014. The significant increase in the financial expenses was due to interest under the Kreos loan in an amount of 1.0 million euros.

Financial expenses decreased from 58.2 thousand euros for the year ended December 31, 2012 to 44.8 thousand euros for the year ended December 31, 2013. These expenses represent the interest paid on our credit facilities with ING and BNP Paribas Fortis.

Foreign Exchange Differences. Foreign exchange differences changed from a loss of 0.4 million euros for the year ended December 31, 2013 to an income of 1.1 million euros for the year ended December 31, 2014. The difference is related to loans incurred by our subsidiaries, particularly TiGenix Inc., and the increased income is due to the weakness of the euro against the U.S. dollar in 2014. These amounts arise as a result of our translation of the financial statements from the functional currency, which may be currencies other than the euro, into our presentational currency, which is the euro, using the exchange rate at the balance sheet date, which may differ from the rate in effect at the last measurement date of the item in question and are included in the foreign currency translation reserve.

Foreign exchange differences changed, from a loss of 0.1 million euros for the year ended December 31, 2012 to a loss of 0.4 million euros for the year ended December 31, 2013. These losses are related to loans incurred by our subsidiaries, particularly TiGenix Inc., in currencies other than the euro, and the increased loss is due to the strength of the euro against the U.S. dollar in 2013.

Income Taxes. For the year ended December 31, 2013, our income taxes were a credit of 58.7 thousand euros. For the year ended December 31, 2014, our income taxes were a credit of 0.9 million euros. The increase is related to an adjustment of current income tax for prior periods, due to a new law for entrepreneurs in Spain that will allow TiGenix SAU to receive in cash fiscal deductions obtained from R&D activities performed in 2013.

For the year ended December 31, 2012, our income taxes were an expense of 1 thousand euros. For the year ended December 31, 2013, our income taxes were a credit of 58.7 thousand euros.

The tax losses attributable to our subsidiary TiGenix SAU have an average maturity of fourteen years, and our other tax losses may be held indefinitely. As of December 31, 2013, we had a tax loss carried forward of 125.6 million euros compared to 143.4 million euros as of December 31, 2014, including a potential deferred tax asset of 47.3 million euros. Because it remains uncertain whether we will be able to realize taxable profits in the near future, we did not recognize any deferred tax assets in our balance sheet. In addition to these tax losses, we have unused tax credits amounting to 13.9 million euros as of December 31, 2013 compared to 15.0 million euros as of December 31, 2014 and deductible temporary differences of 7.6 million euros as of December 31, 2013 compared to 5.1 million euros as of December 31, 2014 for which we have not recognized any deferred tax assets in our balance sheet.

Loss for the Period from Discontinued Operations. Our loss for the period from discontinued operations decreased by 51% from 3.3 million euros for the year ended December 31, 2013 to 1.6 million euros for the year ended December 31, 2014.

Our loss for the period from discontinued operations increased by 1% from 3.2 million euros for the year ended December 31, 2012 to 3.3million euros for the year ended December 31, 2013.

During the first six months of 2014, we completed the discontinuation of our operations in connection with ChondroCelect, our commercialized product, through the combination of the sale of TiGenix B.V., our Dutch subsidiary, that held our production facility for ChondroCelect, to PharmaCell for a total consideration of 4.3 million euros and the entry into an agreement with Sobi for the exclusive marketing and distribution

rights for ChondroCelect. Under the terms of the share purchase agreement with PharmaCell, we received an upfront payment of 3.5 million euros when the sale became effective on May 30, 2014 and will receive a final payment of 0.8 million euros on May 30, 2017, which we have recognized at the net present value of 0.6 million euros. At the end of 2013, we conducted an impairment test with respect to the disposal of our Dutch subsidiary and recognized a loss of 0.7 million euros. After the completion of the disposal of the Dutch subsidiary and as a result of entering into the distribution agreement with Sobi, we recognized an additional loss on disposal of 1.1 million euros at June 30, 2014.

On June 1, 2014, we entered into an agreement with Sobi for the exclusive marketing and distribution rights with respect to ChondroCelect. Sobi will continue to market and distribute the product within the European Union (excluding Finland), Switzerland, Norway, Russia, Turkey and the Middle East and North Africa region. We will receive royalties on the net sales of ChondroCelect, and Sobi will reimburse nearly all of our costs in connection with the product. The agreements with our former subsidiary, now owned by PharmaCell, and Sobi both include commitments for minimum quantities of ChondroCelect that are required to be purchased by us and from us under the respective contracts. If Sobi's actual purchases were to be lower than the required minimum, we would nevertheless be entitled to receive payment from Sobi up to a maximum amount of 5.7 million euros and would be required to pass on such payment to PharmaCell.

The sale of our Dutch subsidiary also included a cost relief of up to 1.5 million euros on future purchases of ChondroCelect under the conditions of the long-term manufacturing agreement with our former subsidiary, which is now owned by PharmaCell. We will pass on this cost relief on a like-for-like basis to Sobi, which will purchase ChondroCelect from us at cost.

In 2012, we closed TiGenix Ltd., our biomaterials unit, and stopped all operating activities resulting in operating expenses of 1.9 million euros. During 2013, we decided to sell TiGenix B.V., our subsidiary that held our Dutch production facility. As a result of this decision, we recognized an impairment loss of 0.7 million euros, which reduced the carrying value of the subsidiary to the expected sales price of the asset less the cost of selling at that time. In addition, we incurred 0.8 million euros in operating expenses in TiGenix B.V. in 2012, compared to 1.3 million euros in 2013. In addition, for the year ended December 31, 2014, all ChondroCelect operations, including revenues, production costs, sales and marketing expenses, have been presented as discontinued operations in the consolidated financial statements. For comparability purposes, we have used the same presentation for previous periods.

Critical Accounting Policies

Our financial statements are prepared in accordance with IFRS as issued by the IASB. The preparation of our financial statements in accordance with IFRS as issued by the IASB requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, cost of sales, operating expenses and related disclosures. We consider an accounting policy to be critical if it is important to our financial condition or results of operations, and if it requires significant judgment and estimates on the part of management in its application. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, and we evaluate our estimates on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions. If actual results or events differ materially from the judgments and estimates that we have made in reporting our financial position and results of operations, our financial position and results of operations could be materially affected.

The summary of significant accounting policies and critical accounting judgements and key sources of estimation uncertainty can be found in note 2 and 3 respectively in the Consolidated Financial Statements.

Cash Flows

The following table summarizes the results of our cash flows for the periods ended December 31, 2014, 2013 and 2012:

	Years ended December 31,		
Thousands of euros	2014	2013	2012
Net cash generated from (used in):			
Operating activities	(13,367)	(14,425)	(17,627)
Investing activities	3,307	(1,320)	(721)
Financing activities	7,969	20,237	9,647
Net increase (decrease)	**(2,091)**	**4,490**	**(8,701)**
Cash and cash equivalents	13,471	15,565	11,072

The net cash used in operating activities decreased to -13.4 million euros in 2014 from -14.4 million euros in 2013.

Net cash outflow from continuing operating activities was 14.4 million euros for the year ended December 31, 2013 compared to 14.8 million euros for the year ended December 31, 2012, a decrease of 3%. This decrease was mainly related to the completion in 2012 of our Phase I/IIa clinical trial for Cx611 in refractory rheumatoid arthritis and our Phase I clinical trial for Cx621 for intra-lymphatic administration to treat autoimmune disorders as well as a reduction in operating costs due to the synergies resulting from our business combination with Cellerix in 2011.

Net cash inflow from discontinued operating activities was 0.2 million euros for the year ended December 31, 2013 compared to net cash outflow of 2.8 million euros for the year ended December 31, 2012. This change was mainly related to the discontinuation of our biomaterials unit, TiGenix Ltd., in 2012.

The net cash proceeds from investing activities amounted to 3.3 million euros in 2014, compared to EUR -1.3 million in 2013. In 2014 the Company sold its Dutch manufacturing facility for an amount of 3.5 million euros while the main investment in 2013 was related to a guarantee for the second soft loan of Madrid Network.

Net cash outflow from continuing investing activities was 1.3 million euros for the year ended December 31, 2013 compared to 0.2 million euros for the year ended December 31, 2012. In 2013, the primary investment related to a guarantee in connection with a so-called "soft" loan from Madrid Network, an umbrella organization for companies, research centers, universities, technology centers and science and technology parks in the Madrid region of Spain.

Net cash outflow from discontinued investing activities was 0.1 million euros for the year ended December 31, 2013 compared to 0.6 million euros for the year ended December 31, 2012. In 2012, our investing activities primarily included expenses in connection with the construction of our Dutch manufacturing facility, which has now been discontinued.

The net cash provided by financing activities in 2014, amounted 8.0 million euros and was mainly related to the Kreos loan while the net cash provided by financing activities in 2013 amounting 20.2 million euros was mainly related to the private placements that took place in July and November 2013.

Net cash inflow from continuing financing activities was 20.2 million euros for the year ended December 31, 2013 compared to 9.6 million euros for the year ended December 31, 2012, an increase of 110%. In 2013, we increased our capital twice, through a private placement in July 2013 in which we raised 6.5 million euros, and a strategic investment by Grifols, a global healthcare company, of 12.0 million euros on November 22, 2013. In 2012, we increased our capital through a private placement in December in which we raised 6.7 million euros. We also received financing in the form of proceeds of loans in both 2013 and 2012.

Statement of financial position

The balance sheet at December 31, 2014 remained solid as evidenced by the following key ratios:

	Years ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities			
Cash and cash equivalents as a % of total assets	25%	25%	17%
Working capital as a % of asets	16%	19%	10%
Solvency ratio (equity / total assets)	64%	76%	76%
Gearing ratio (financial debt / equity	37%	18%	14%

The major assets of the balance sheet at December 31, 2014 are:

- Cash and cash equivalents of 13.5 million euros, for about 25% of the total assets, including the cash incorporated from the Kreos loan and the sale of the Dutch manufacturing facility,
- Intangible assets of 34.2 million euros, mainly the fair value of the intangible assets out of the acquisition of TiGenix SAU, for about 63% of the total assets,
- Tangible assets of 0.6 million euros, mainly the leasehold improvements of the offices in Belgium and the incorporated assets from the acquisition of TiGenix SAU, for about 1% of the total assets,
- Available for sale investments related to the Arcarios participation representing 0.3% of the total assets,
- Other non-current assets related to the guarantees of both TiGenix NV and TiGenix SAU for rental of buildings, the deposit for the guarantee of the second soft loan of Madrid Network and the last tranche of the Dutch manufacturing facility to be received in 2017 representing in total 3% of the total assets,
- Inventories related to the stock of TiGenix SAU, for

about 0.2% of the total assets,

- Receivables that have significantly increased from 2013 due to the recognition of the tax income resulting from the certification of the 2013 R&D, for about 2% of the total assets,
- Other current financial assets related to grant guarantees, representing 2% of the total assets, and
- Total equity of 34.2 million euros accounts, for 63% of the total balance sheet at December 31, 2014.

The other major liabilities are:

- Non-current liabilities of 10.7 million euros, mainly related to the financial loans including Kreos, Madrid Network and the rest of soft loans, for about 20% of the total balance sheet,
- Current portion of financial loans of 2.3 million euros mainly related to the short term part of the financial loans mentioned above, for about 4% of the total balance sheet,
- Other financial liabilities of 0.7 million euros, related to the warrants issued in respect of the Kreos loan, for about 1% of the total balance sheet,
- Trade payables of 2.4 million euros, for about 4% of the total balance sheet, and
- Other current liabilities related to operating accruals of 3.2 million euros, representing about 6% of the total balance sheet. The increase in the 2014 expenses relates mainly to the increase in accrued charges in TiGenix SAU and TiGenix NV.

Other commitments

The Group has off-balance sheet commitments related to rent for leased facilities, vehicles and equipment. At December 31, 2014, these commitments amounted to 1.1 million euros (2013: 4.0 million euros; 2012: 5.6 million euros).

TiGenix Inc. guarantees the operating lease payments of Cognate for the building leased in the United States. Total remaining operating lease commitments at December 31, 2014 for which TiGenix Inc. was a guarantor were 0.4 million euros. Cognate was the party with whom TiGenix had a joint venture, TC CEF LLC, in the past.

Both the contract manufacturing agreement with our former subsidiary now owned by PharmaCell and the distribution agreement with Sobi include commitments for minimum binding quantities of ChondroCelect that are required to be purchased by us and from us under the respective agreements. If Sobi's actual purchases were to be lower than the required minimum, we would nevertheless be entitled to receive payment from Sobi up to a maximum amount of 5.7 million euros and would be required to pass on such payment to PharmaCell.

Going concern

For the reasons set out in section 9 of this report below, the Board of Directors decided to maintain the valuation rules in the assumption of the continuity of the Company.

4. Discussion and analysis of the statutory financial statements

The annual accounts cover the accounting period from January 1, 2014 to December 31, 2014.

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

Balance sheet - assets

- The cash at bank and in hand amounts to 8.8 million euros on December 31, 2014;
- The non-current assets represent an amount of 79.0 million euros, including 75.7 million euros of financial assets, representing mainly the business combination with TiGenix SAU; the remainder consists of the formation expenses of 1.6 million euros, being the costs (after depreciation) associated with the various capital increases, the tangible assets of 0.2 million euros and the intangible assets of 1.5 million euros related to the capitalized development costs of ChondroCelect;
- The current assets, excluding the cash at bank and in hand, amount to 10.3 million euros. They mainly consist of receivables within one year and deferred charges and accrued income.

Balance sheet - liabilities

- The issued capital of the Company amounts 16.0 million euros and the share premium account amounts to 108.9 million euros;
- Accumulated losses reached 52.0 million euros at December 31, 2014;
- The amounts payable of 16.4 million euros consist mainly of short and long term financial debtss from Kreos and intra-group loans (12.3 million euros); trade payables (0.2 million euros); liabilities in respect of remuneration and social security obligations (0.4 million euros); other amounts payable (1.4 million euros); and accrued charges and deferred income (2.0 million euros).

Results of the fiscal year

The operating income amounts to 4.8 million euros and relates to the sales of ChondroCelect of 3.4 million euros, other income of services reinvoiced to Sobi of 0.4 million euros, royalties from Sobi from the licencing of the ChondroCelect of 0.3 million euros and other operating income related to the 7th Framework Program of 0.6 million euros.

The operating charges of 10.2 million euros consist of:

- The expenses for services and other goods for an

amount of 5.6 million euros, mainly related to clinical, medical and regulatory activities, sales and marketing outsourced costs, expenses for protection of intellectual property rights and the costs of mandate contractors;
- The total personnel costs of 1.9 million euros, reduced as a consequence of the licensing of the sales and marketing activities of ChondroCelect;
- Depreciation costs and amounts written off of 1.4 million euros, reduced in 2014 as during 2013 all the R&D activities were closed and fully depreciated;
- Raw materials, consumables and goods for resale of 0.8 million euros, decreased in comparison with last year after the licence of ChondroCelect;
- Other operating charges of 0.6 million euros, decreased due to a decrease in the Belgian taxes as a consequence of the licence of ChondroCelect.

The financial losses of -0.5 million euros are mainly related to the Kreos loan and the intra-company loan with TiGenix SAU.

The operating losses before taxes in 2014 amount to 5.9 million euros.

The extraordinary charges of 2.0 million euros are related to the written-off financial assets related to the Dutch manufacturing facility.

The Company has closed its annual accounts with respect to the financial year 2014 with a loss of 7.8 million euros.

Statutory and non-distributable reserves

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

Allocation of the results

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

5. Capital increases, decreases and issuance of financial instruments

No capital increases or decreases occurred in 2014.

At December 31, 2014, a total of 8,588,978 warrants were outstanding at an average weighted exercise price of EUR 1.35.

Under the existing warrant plans, 800,000, 400,000, 500,000, 500,000, 4,000,000, 777,000, 1,806,000 and 1,994,302 warrants were created in February 2007, March 2008, June 2009, March 2010, July 2012, March 2013, December 2013 and April 2014 respectively.

Under the 2007, 2008, 2009 and 2010 plans, in principle 25% of the warrants granted vests on each anniversary of the date of the grant. Under the July 2012 and the March 2013 plans, in principle 1/3rd of the warrants granted vests on the first anniversary of the date of the grant and 1/24th of the remaining 2/3rd of the warrants granted vests on the last day of each of the 24 months following the month of the first anniversary of the date of the grant[1]. Under the December 2013 plan, in principle 10% of the warrants granted vests on the date of acceptance of the warrants, 25% of the warrants granted vests on the first anniversary of the granting of the warrants and 1/24th of the remaining 65% of the warrants granted vests, if the Company effectively enters into certain business transactions, on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. Under all said plans, warrants granted will only vest provided that the beneficiary still has a relationship with the Company via an employment contract, a director's mandate or another collaboration agreement. Under the April 2014 plan, all warrants have vested upon acceptance of the warrants. The warrants can only be exercised once vested. All warrants were granted for free. The duration of the warrants is 5 years (March 2013 and April 2014 plans) or 10 years (all other plans) as of the respective issue date of the warrants. Warrants that have not been exercised within such periods become null and void.

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

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

In the framework of the contribution of all TiGenix SAU (previously Cellerix SA) shares to TiGenix NV on May 3, 2011 (the "**Contribution**"), CX EBIP Agreement, SLU contributed its 642,226 TiGenix SAU shares into TiGenix NV and received 1,905,144 TiGenix NV shares in return. Therefore, as a result of the Contribution, CX EBIP Agreement, SLU no longer held TiGenix SAU shares, but received 1,905,144 TiGenix NV shares instead. Pursuant to the agreements reached in relation to the Contribution, the underlying assets of the options are no longer the TiGenix SAU shares, but the TiGenix NV shares received

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

by CX EBIP Agreement, SLU. Therefore, upon the exercise of its options under any of the EBIPs, a beneficiary will receive a number of TiGenix NV shares corresponding to approximately 2.96 shares per option (rounded down to the nearest integer) under any of the EBIPs.

As per December 31, 2014, a total of 611,215 EBIP options, corresponding to 1,813,152 TiGenix shares, was outstanding.

6. Discussion of the main risks and uncertainties

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

Risks and uncertainties related to the clinical development and regulatory approval of the Company's product candidates

- The Company may experience delays or failure in the preclinical and clinical development of its product candidates.
- Regulatory approval of the Company's product candidates may be delayed, not obtained or not maintained.
- Any delay or denial of regulatory approval of the Company's product candidates or any failure to comply with post approval regulatory policies is likely to have a significant impact on its operations and prospects, in particular on its expected revenues.
- The Company works in a strict regulatory environment, and future changes in any pharmaceutical legislation or guidelines, or unexpected events or new scientific insights occurring within the field of cell therapy, could affect its business.

Risks and uncertainties related to the Company's financial condition and capital requirements

- If TiGenix fails to obtain additional financing, it may be unable to complete the development and commercialization of its product candidates.
- The Company has a history of operating losses and an accumulated deficit and may never become profitable.
- The Company's net losses and significant cash used in operating activities have raised substantial doubt regarding its ability to continue as a going concern.
- The Company's revenues and operating results may fluctuate and may not be sufficient to cover its fixed costs.
- The allocation of available resources could affect the Company's ability to carry out its business plan.
- The Company's international operations pose currency risks, which may adversely affect its operating results and net income.

Risks and uncertainties related to the Company's business

- The manufacturing facilities where the Company's product candidates are made are subject to regulatory requirements that may affect the development of its product candidates and the successful commercialization of its product candidates.
- There may be uncertainty over reimbursement from third parties for newly approved healthcare products or such reimbursement may be refused, which could affect the Company's ability to commercialize its product candidates.
- The Company's cell therapy product candidates may not be accepted by patients or medical practitioners.
- The Company faces competition and technological change, which could limit or eliminate the market opportunity for its product candidates.
- The Company's employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.
- The Company could face product liability claims, resulting in damages against which it is uninsured or underinsured.

Risks and uncertainties related to the Company's intellectual property

- The Company may not be able to protect adequately its proprietary technology or enforce any rights related thereto.
- Third party claims of intellectual property infringement may prevent or delay the Company's product discovery and development efforts.
- The Company's future development may depend on its ability to obtain and maintain licenses to certain technologies.
- The Company may be involved in lawsuits to protect or enforce its patents, which could be expensive, time consuming and unsuccessful.
- The Company is currently engaged in proceedings challenging a patent owned by the University of Pittsburgh, and may choose to delay the launch of its eASC-based products in the United States until the expiration of the patent on March 10, 2020 due to the risk of patent infringement or further litigation.

Risks and uncertainties related to the Company's dependence on third parties

- The Company relies on third parties to manufacture its product ChondroCelect, and, in the future, it may rely on third parties to manufacture its product candidates; a failure of service by such parties could adversely affect its business and reputation.
- The Company may need to rely on distributors and other third parties to commercialize its product candidates, and such distributors may not succeed in commercializing its product candidates effectively or at all.
- The Company relies on third parties to conduct its clinical trials. If these third parties do not successfully carry

out their contractual duties or meet expected deadlines, the Company may not be able to obtain regulatory approval for, or commercialize, its product candidates.
- The Company may form or seek strategic alliances in the future, and it might not realize the benefits of such alliances.

Please also refer to the "Risk Factors" starting on page 4 of this registration document.

7. Use of financial instruments

Besides investments in term deposits and reverse repurchase agreements, the Company did not use any financial instruments during 2014.

Receivables from reverse repurchase agreements are short term non derivative instruments with a carrying amount approximate to the fair value. Because they can be disposed at any time with no penalty on the principal, they are considered liquid assets.

8. Corporate governance statement

8.1 Corporate governance code

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

8.2 Compliance with corporate governance code

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

Provision 6.1. of the Code: as there is only one executive director (the Chief Executive Officer or "CEO") and there is no executive committee (*directiecomité / comité de direction*), the Company has not drafted specific terms of reference of the executive management, except for the terms of reference of the CEO.

Provision 7.7. of the Code: only the independent directors shall receive a fixed remuneration in consideration of their membership of the Board of Directors and their attendance at the meetings of committees of which they are members. In principle, they will not receive any performance related remuneration in their capacity as director. However, upon advice of the nomination and remuneration committee, the Board of Directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of performance related remuneration would be necessary to attract independent directors with the most relevant experience and expertise. The Board of Directors effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors. On February 26, 2013, the shareholders' meeting approved such deviation and the grant of warrants (which were effectively issued by the shareholders' meeting on March 20, 2013) to the independent directors.

8.3 Internal control and risk management systems

Internal control and financial reporting

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

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

Internal control policies aim to:

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

Risk analysis

Financial risk management involved primarily the following:
- Capital risk: the Group's policy with respect to managing capital is to safeguard the Group's ability to continue as a going concern and to obtain over time an optimal capital structure;
- Credit risk: the Company's exposure to credit risk is limited, as its main debtor is its distributor of ChondroCelect, Swedish Orphan Biovitrum AB (publ), which is a solid company listed on NASDAQ OMX Stockholm;
- Interest risk: the Group is exposed to very limited interest rate risk, because the vast majority of the Group's borrowings is at fixed interest rates and only a very limited part is at floating interest rates. Therefore, the Group's exposure to interest risk is not material;
- Currency risk: the Group may be subject to limited currency risk. The Group's reporting currency is Euro, in addition to which the Group is exposed to the U.S. dollar and pound sterling. The Company tries to match foreign currency inflows with foreign cash outflows. The Company has not engaged in hedging of

the foreign currency risk via derivative instruments;
- Liquidity risk: the Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

8.4 Shareholder structure

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

Shareholder	Number of shares declared in transparency declaration	% of shares at time of transparency declaration[1]	% of shares (simulation) as per December 31, 2014[2]
Gri-Cel SA[3]	34,188,034	21.30%	21.30%
Novartis Bioventures Ltd.[4]	5,534,905	4.55%	3.45%
Subtotal[5]	**39,722,939**		**24.75%**
Other shareholders	120,753,681		75.25%
TOTAL	**160,476,620**		**100.00%**

1 Percentages based on number of shares and denominator at time of transparency declaration.
2 Percentages based on number of shares at time of transparency declaration, but denominator as per December 31, 2014.
3 Gri-Cel SA is controlled by Instituto Grifols, S.A., which is controlled by Grifols, S.A.
4 Novartis Bioventures Ltd is controlled by Novartis AG.
5 The above shareholders are acting independently.

8.5 Board of Directors and Board committees

Composition of the Board of Directors

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

Name	Age (as per December 31, 2014)	Position	Term[1]	Professional Address
Innosté SA, represented by Jean Stéphenne[2]	65	Chairman / Independent director	2016	Avenue Alexandre 8, 1330 Rixensart, Belgium
Eduardo Bravo Fernández de Araoz[3]	49	Managing Director (executive) / CEO	2015	Romeinse straat 12, 3001 Leuven, Belgium
Dirk Büscher[4]	50	Director (non-executive)	2017	Calle Pujolar 44 08198 Sant Cugat del Vallés La Floresta, Spain
Willy Duron[5]	69	Independent director	2015	Oude Pastoriestraat 2, 3050 Oud-Heverlee, Belgium
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig[2]	62	Independent director	2016	1241 Karen Lane, Wayne, PA 19087, USA
Eduard Enrico Holdener[3]	69	Independent director	2015	Buchenrain 6, 4106 Therwil, Switzerland
R&S Consulting BVBA[3], represented by Dirk Reyn	53	Independent director	2015	Populierstraat 4, 1000 Brussels, Belgium
José Terencio[4]	47	Director (non-executive)	2017	Pasea Bonanova 92, 6-2 08017 Barcelona Spain

Notes
1 The term of the mandates of the directors will expire immediately after the annual shareholders' meeting held in the year set forth next to the director's name.
2 First appointed on a provisional basis by the meeting of the Board of Directors on September 19, 2012, in order to replace Ms. Mounia Chaoui-Roulleau (who had been appointed director herself on January 18, 2012 in replacement of Ventech S.A.) and Mr. Koenraad Debackere, both having resigned effective as of September 19, 2012. The shareholders' meeting of February 26, 2013 has confirmed their appointment.
3 First appointed on April 26, 2011 with effect as of May 3, 2011.
4 First appointed on a provisional basis by the meeting of the Board of Directors on December 4, 2013, in order to replace Ysios Capital Partners SGECR SA (represented by Joël Jean-Mairet) and LRM Beheer NV (represented by Nico Vandervelpen), both having resigned effective as of December 4, 2013. The shareholders' meeting of April 2, 2014 has confirmed their appointment.
5 First appointed by the shareholders' meeting on February 26, 2007. Appointment renewed on April 20, 2011 and on April 26, 2011 with effect as of May 3, 2011. Willy Duron resigned as Chairman of the Board of Directors on September 19, 2012 and was replaced as Chairman by Innosté SA, represented by Jean Stéphenne.

Functioning of the Board of Directors in 2014

In 2014, the Board of Directors met 12 times.

Individual presence of the members of the Board of Directors in 2014

Name	Number of meetings attended
Gil Beyen BVBA, represented by Gil Beyen	1
Eduardo Bravo	12
Dirk Büscher	12
Willy Duron	11
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	12
Eduard Enrico Holdener	8
R&S Consulting BVBA, represented by Dirk Reyn	10
Innosté SA, represented by Jean Stéphenne	11
José Terencio	12

Audit Committee

The following directors are member of the audit committee:

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

The audit committee met twice in 2014. All members of the audit committee were present at both meetings.

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

Willy Duron: Independent Director

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

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

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

Dirk Büscher: Director (non-executive)

Dr. Dirk Büscher, PhD, is CEO of Gri-Cel SA, which invests in advanced therapies and innovative therapeutics. Previously he served as Vice President R&D of Cellerix. Dr. Büscher obtained his PhD in biology and immunology from the University of Hannover, Germany, and conducted post doctoral studies in molecular developmental biology and stem cell research at the Salk Institute in La Jolla, California. He also holds an executive MBA from Instituto de Empresa Business School. Dr. Büscher has served as industry expert on mesenchymal stem cells at the European Medicines Agency. He is a member of the board of directors of VCN Biosciences and Araclon Biotech.

Nomination and remuneration committee

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

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

The nomination and remuneration committee met seven times in 2014. At all seven meetings, all members of the nomination and remuneration committee were present.

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

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

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

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

8.7. Remuneration report

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

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

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

8.7.2 Remuneration of Directors

Remuneration policy

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

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

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

The nomination and remuneration committee benchmarks independent directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various committees. The Directors' remuneration has been last determined by the shareholders' meeting of February 26, 2013. Currently, a fixed annual fee of EUR 25,000 is granted to each independent director. The chairman's fee

amounts to EUR 40,000. An additional fixed annual fee of EUR 5,000 is granted to each independent director who is also a member of a committee. Such additional fixed annual fee amounts to EUR 7,500 for each independent director who is also the chairman of a committee. The aforementioned fixed annual fees are based on six board meetings and two committee meetings a year. The fixed fee is supplemented with an amount of EUR 2,000.00 for each additional meeting. Changes to these fees will be submitted to the shareholders' meeting for approval.

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

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

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

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

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

In the next two years, 2015 and 2016, the remuneration of the members of the Board of Directors will be on the same basis as approved by the shareholders' meeting of February 26, 2013.

Remuneration of the members of the Board of Directors in 2014

In 2014, the following amounts were accrued for fees of the independent directors as member of the Board of Directors (not as member of a Board committee) for the performance of their mandate during the financial year 2014:

Name	Fee (Euro)
Gil Beyen BVBA, represented by Gil Beyen	-
Eduardo Bravo	-
Dirk Büscher	-
Willy Duron	27,000
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	25,000
Eduard Enrico Holdener	25,000
R&S Consulting BVBA, represented by Dirk Reyn	27,000
Innosté SA, represented by Jean Stéphenne	40,000
José Terencio	-
TOTAL	**144,000**

Remuneration of the audit committee in 2014

In 2014, the following amounts were accrued for fees of the independent directors as member of the audit committee for the performance of their mandate during the financial year 2014:

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

Remuneration of the nomination and remuneration committee in 2014

In 2014, the following amounts were accrued for fees of the independent directors as member of the nomination and remuneration committee for the performance of their mandate during the financial year 2014:

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

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

The table below provides an overview (as at December 31, 2014) of the shares, EBIP options on shares and warrants held by the independent and other non-executive directors. This overview must be read together with the notes referred to below.

	Shares		Options on existing shares under EBIPs(4)		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	%[1]	Number	%[1]	Number	%[2]	Number	%[3]
Dirk Büscher	172,126	0.1073%	–	0%	–	0%	172,126	0,1018%
Willy Duron	6,000	0.0037%	–	0%	54,600	0.6357%	60,600	0.0358%
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	–	0%	–	0%	54,600	0.6357%	54,600	0.0323%
Eduard Enrico Holdener	–	0%	73,989	0.0461%	54,600	0.6357%	128,589	0.0761%
R&S Consulting BVBA, represented by Dirk Reyn(5)	2,500	0.0016%	–	0%	54,600	0.6357%	57,100	0.0338%
Innosté SA, represented by Jean Stéphenne	–	0%	–	0%	54,600	0.6357%	54,600	0.0323%
José Terencio	–	0%	–	0%	–	0%	–	0%
Total	**180,626**	**0.1126%**	**73,989**	**0.0461%**	**273,000**	**3.1785%**	**527,615**	**0.3121%**

Notes:
1 Calculated on the basis of the total number of issued voting financial instruments on December 31, 2014.
2 Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2014.
3 Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2014 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2014.
4 This column refers to the number of existing shares that the beneficiary of the EBIP options would receive upon exercise of his options with delivery of 2.96 existing TiGenix shares per EBIP option. In this respect for the EBIP 2008 options it has been assumed that they shall all be exchanged for options on existing TiGenix shares. For more information on the EBIP options, see section 4 of this report above.
5 R&S Consulting BVBA is controlled by Dirk Reyn, who also controls Horizon Pharmaventures BVBA. Horizon Pharmaventures BVBA holds 1,000 shares (0.0006% of the issued and outstanding shares, calculated on the basis of the total number of issued voting financial instruments on December 31, 2014). Therefore Dirk Reyn controls through R&S Consulting BVBA and Horizon Pharmaventures BVBA in aggregate 3,500 shares and 54,600 warrants (0.0343% of the issued and outstanding voting financial instruments, calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2014 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2014)

8.7.3 Remuneration of executive management

Remuneration policy

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

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

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

- Fixed remuneration: the members of the executive management are entitled to a basic fixed remuneration designed to fit responsibilities, rele-

vant experience and competences, in line with market rates for equivalent positions. The amount of the fixed remuneration is evaluated and determined by the Board of Directors each year.

- Short-term variable remuneration: the members of the executive management are entitled to a variable remuneration in cash dependent on the executive management members meeting individual, team and/or company objectives in a certain year. The maximum short-term variable remuneration, or maximum bonus, is set at a percentage of the yearly fixed remuneration, and is not spread in time. The maximum bonus of the CEO amounts to 90% of his yearly fixed remuneration. The maximum bonus of the CFO and the CTO amounts to 45% of their yearly fixed remuneration. This short-term variable remuneration cannot be claimed back by the Company once it is granted.

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

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

- Long-term incentive plan: warrants may be granted to the members of the executive management, in accordance with the recommendations set by the nomination and remuneration committee, after recommendation by the CEO to such committee.

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

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

In the next two years, 2015 and 2016, it is expected that the remuneration of the members of the executive management will be broadly on the same basis as in 2014. Adjustments to the salaries are possible in view of Company events.

Termination payments

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

Claudia D'Augusta (CFO) has an employment contract with TiGenix SAU. The employment contract is for an indefinite term and may be terminated at any time by TiGenix SAU, subject to a three month notice period and, in case TiGenix SAU terminates the agreement, a severance payment of minimum nine months. An additional severance payment of maximum one year is payable in certain cases, including unfair or collective dismissal by TiGenix SAU.

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

Marie Paule Richard (CMO) has an employment contract with TiGenix SAU. The employment contract is for

an indefinite term and may be terminated at any time by TiGenix SAU, subject to either a three month notice period, or a compensation equal to three months fixed salary, or a combination of both.

Remuneration of the CEO in 2014

Euros	2014
Fix remuneration (gross)	322,000
Variable remuneration (short term)	154,560
Pension/Life	20,809
Other benefits	22,012
Total	**519,380**

No warrants, shares, options on shares or rights to acquire shares were granted to Eduardo Bravo in 2014. No warrants, options on shares or rights to acquire shares were exercised by Eduardo Bravo in 2014 or expired in 2014.

Remuneration of the other members of the executive management in 2014

Euros	2014
Fix remuneration (gross)	479,575
Variable remuneration (short term)	122,584
Pension/Life	36,438
Other benefits	46,477
Total	**685,073**

No warrants, shares, options on shares or rights to acquire shares were granted to Claudia D'Augusta, Wilfried Dalemans or Marie Paule Richard in 2014. No warrants, options on shares or rights to acquire shares were exercised by them in 2014 or expired in 2014.

The table below provides an overview (as at December 31, 2014) of the shares, EBIP options on shares and warrants held by the executive management, including the executive directors. This overview must be read together with the notes referred to below.

Shares and warrants held by executive management

	Shares		Options on existing shares under EBIPs(4)		Warrants		Total shares, options on existing shares under EBIPs and warrants	
	Number	%[1]	Number	%[1]	Number	%[2]	Number	%[3]
Eduardo Bravo, CEO	150,263	0.09%	782,771	0.49%	1,883,740	21.93%	2,816,774	1.67%
Claudia D'Augusta, CFO	127,682	0.08%	206,492	0.13%	805,080	9.37%	1,139,254	0.67%
Wilfried Dalemans, CTO	–	0%	–	0%	815,900	9.50%	815,900	0.48%
Marie Paule Richard, CMO	–	0%	–	0%	–	0%	–	0%
Total	**277.945**	**0.17%**	**989,263**	**0.62%**	**3,504,720**	**40.80%**	**4,771,928**	**2.82%**

Notes:

1 Calculated on the basis of the total number of issued voting financial instruments on December 31, 2014.
2 Calculated on the basis of the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2014.
3 Calculated on the basis of the sum of (i) the total number of issued voting financial instruments on December 31, 2014 and (ii) the total number of outstanding warrants that can be converted into voting financial instruments on December 31, 2014.
4 This column refers to the number of existing shares that the beneficiary of the EBIP options would receive upon exercise of his options with delivery of 2.96 existing TiGenix shares per EBIP option. In this respect for the EBIP 2008 options it has been assumed that they shall all be exchanged for options on existing TiGenix shares. For more information on the EBIP options, see section 4 of this report above.

9. Continuity of the Company

On December 31, 2014, the Company had a cash position of EUR 13.5 million. Taking into account this cash position, as well as the net proceeds from the issue by the Company of a 25 million euros convertible bond loan on March 6, 2015, the Board of Directors is of the opinion that the cash position is sufficient to continue the Company's current operations during at least the next twelve months (until the next ordinary shareholders' meeting of April 2016).

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

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

10. Conflicts of interest

In 2014, during two (2) Board meetings, decisions were taken that required the application of the conflict of interests procedure pursuant to Article 523 of the Belgian Companies Code. The relevant parts of the minutes are copied below.

Meeting of the Board of Directors of February 4, 2014

Preliminary statement

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo declared, prior to the meeting of the board of directors, to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to his evaluation and bonus relating to 2013 and his remuneration for 2014.

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

Furthermore, the minutes of the resolutions regarding the evaluation and bonus of Eduardo Bravo relating to 2013 and his remuneration for 2014 will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2014.

Eduardo Bravo is not present at the meeting.

Deliberation and resolutions

Dirk Reyn, representative of R&S Consulting, chairman of the nomination and remuneration committee, presented to the board of directors the proposal of the nomination and remuneration committee on (i) the evaluation of the 2013 Company objectives, (ii) the evaluation of the members of the executive management and their bonuses for 2013, and (iii) the remuneration of the members of the executive management for 2014.

Evaluation of the 2013 Company objectives

In particular, it is proposed that the evaluation of the 2013 Company objectives is set at 75% of the target Company objectives.

The board of directors RESOLVED to approve the evaluation of the 2013 Company objectives as proposed by the nomination and remuneration committee.

Evaluation of the members of the executive management and their bonuses for 2013

It is further proposed that all members of executive management will each receive a bonus equal to 75% of their target bonus.

As regards the proposed bonus for Eduardo Bravo, the board of directors is of the opinion that this bonus is justified in view of Eduardo Bravo's role and the efforts that are requested from him.

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

Remuneration of the members of the executive management for 2014

The proposal of the nomination and remuneration committee on the remuneration of the members of the executive management for 2014 is as follows:

Eduardo Bravo, CEO:

- Fixed remuneration for 2014: equal to the fixed remuneration for 2013;
- Variable remuneration: a target bonus of 60% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached);
- Company car: for a value equal to the company car granted in 2013;
- Pension, life and medical insurances: in accordance with applicable Company policy.

Claudia D'Augusta, CFO:

- Fixed remuneration for 2014: equal to the fixed remuneration for 2013, as the case may be indexed for 2014 in accordance with applicable provisions;
- Variable remuneration: a target bonus of 30% of the fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached);
- Company car: for a value equal to the company car granted in 2013;
- Meal vouchers, pension, life and medical insurances: in accordance with applicable Company policy.

Wilfried Dalemans, CTO:

- Fixed remuneration for 2014: equal to the fixed remuneration for 2013, as the case may be indexed for 2014 in accordance with applicable provisions;
- Variable remuneration: a target bonus of 30% of the

fixed remuneration (whereby the actual bonus can vary from 0% to 150% of the target bonus in proportion to the relevant objectives reached);

- Company car: for a value equal to the company car granted in 2013;

- Meal vouchers, expense reimbursement, group insurance and hospitalization insurance: in accordance with applicable Company policy.

As regards the proposed remuneration package for Eduardo Bravo, the board of directors is of the opinion that this remuneration package is justified in view of Eduardo Bravo's role and the efforts that are requested from him.

The board of directors RESOLVED to approve the remuneration of the members of the executive management for 2014 as proposed by the nomination and remuneration committee.

Furthermore, in line with almost identical agreements entered into for 2011, 2012 and 2013, the board of directors CONFIRMED to approve the entering into of an agreement between the Company and Eduardo Bravo for 2014 in respect of the reimbursement by Eduardo Bravo of Belgian salary taxes that are pre-paid by the Company to avoid that Eduardo Bravo has to bear a double withholding on the Belgian part of his remuneration (as both Spanish and the Belgian tax authorities withhold taxes on such Belgian part of his remuneration)."

Meeting of the Board of Directors of March 31, 2014

Preliminary statement

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 523 of the Companies Code, Eduardo Bravo declared, prior to the meeting of the board of directors, to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the board of directors, in particular with respect to the modification of the vesting conditions of the warrants granted to him under the "second warrants plan 2013".

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

Furthermore, the minutes of the resolutions regarding the modification of the vesting conditions of the warrants granted to Eduardo Bravo under the "second warrants plan 2013" will be included in the annual report of the board of directors in relation to the financial year ending 31 December 2014.

Eduardo Bravo is not present at the meeting.

Deliberation and resolutions

Due to changed circumstances since the date on which the warrants issued under the "second warrants plan 2013" were granted to the beneficiaries, the nomination and remuneration committee proposes to slightly modify the vesting conditions related to said warrants as set out in the proposal attached in Annex 1.

As regards the warrants that were granted to and accepted by Eduardo Bravo, the board of directors is of the opinion that the modification of the vesting conditions is justified in view of Eduardo Bravo's role and the efforts that are requested from him. In addition, the modification of the vesting conditions of the warrants does not have negative patrimonial consequences for the Company itself. On the contrary, the net assets of the Company shall be reinforced when the warrants will be effectively exercised.

The board of directors RESOLVED to approve the modification of the vesting conditions of the warrants issued and granted under the "second warrants plan 2013" as set out in the proposal attached in Annex 1."

11. Branches

The Company does not have any branches.

12. Subsequent events

On March 6, 2015, the Company issued senior, unsecured convertible bonds due 2018 for a total principal amount of 25 million euros and with a nominal value of 100,000 euros per convertible bond. The bonds are convertible into fully paid ordinary shares of the Company and are guaranteed by the Company's subsidiary, TiGenix S.A.U.

The bonds are issued and will be redeemed at 100% of their principal amount and have a coupon of 9% per annum, payable semi-annually in arrear in equal instalments on March 6 and September 6 of each year, commencing with the first interest payment date falling on September 6, 2015.

The initial conversion price has been set at 0.9414 euros. At this initial conversion price, the bonds will be convertible into 26,556,192 fully paid ordinary shares of the Company.

The shareholders' meeting shall be requested to approve the statutory financial statements as submitted and to release the directors and auditor from liability for the performance of their duties in the course of the financial year ended December 31, 2014.

Done on March 16, 2015

On behalf of the Board of Directors

14. BUSINESS AND FINANCIAL UPDATE AND OUTLOOK FOR THE NEXT 12 MONTHS

Copy of the March 17, 2014 press release: "TiGenix reports its full year 2014 results"

Leuven, Belgium – 17 March, 2015 – TiGenix NV (Euronext Brussels: TIG), an advanced biopharmaceutical company focused on developing and commercialising novel therapeutics from its proprietary platform of allogeneic, expanded adipose-derived stem cells, or eASC's, in inflammatory and autoimmune diseases, reported its results for 2014 today.

Business highlights

- Strategic refocusing successfully completed
  - All resources focused on advancing the allogeneic expanded adipose-derived stem cell (eASCs) product pipeline. ChondroCelect marketing and distribution rights licensed to Sobi and Dutch manufacturing facility sold to PharmaCell
  - Management team strengthened with the appointment of Chief Medical Officer and VP Medical Affairs & New Product Commercialisation
- Patient recruitment of Cx601 European Phase III study completed
  - Results at 24 week of the ADMIRE Phase III study expected in the third quarter of 2015
  - Key adipose-derived stem cell composition patent obtained in Europe
- Cx601 development for the United States progressed according to plan
  - Phase III trial design submitted to the Food and Drug Administration (FDA) for a Special Protocol Assessment (SPA)
  - Agreement signed with Lonza for the manufacture of Cx601 in the US
- Development plan for Cx611 announced and implementation started
  - Cx611 to be developed for early rheumatoid arthritis and severe sepsis
  - Phase I trial of Cx611 in a clinical challenge study for severe sepsis begun

Financial highlights

- Loss for the period of Euro 13.0 million, a reduction of 29% compared to 2013
- Cash and cash equivalents at year end of Euro 13.5 million
- Additional funds of Euro 25 million secured in February 2015 through convertible bond issue

"We are very pleased with our progress in the last year," said Eduardo Bravo, CEO of TiGenix. "We have transformed the operational focus of the Company to exploit the potential of our proprietary technology platform of allogeneic eASCs. From this, we have an advanced pipeline of products in areas of high unmet medical need in inflammatory and autoimmune diseases, including Cx601 which will deliver Phase III results in the third quarter of this year, and Cx611 which will enter Phase IIb in early rheumatoid arthritis in the fourth quarter of this year, and which is already in Phase I in severe sepsis. Finally, through a convertible bond issue in February 2015, we have refinanced the Company. TiGenix is re-positioned with an enhanced clinical pipeline and a bright future".

Business update

Strategic refocusing of the Company successfully completed

In 2014, management refocused the resources of the Company on to the development of the product pipeline from its allogeneic expanded adipose-derived stem cell (eASCs) technology platform.

In April, the marketing and distribution rights in Europe, the Middle East and North Africa for ChondroCelect, the cell-based medicinal product for the repair of cartilage defects of the knee, were licensed to the international specialty healthcare company dedicated to rare diseases, Swedish Orphan Biovitrum AB ('Sobi'). TiGenix receives a royalty of 22% of the net sales of ChondroCelect in the first year of the agreement, and 20% thereafter. In July, the Committee for Medicinal Products for Human Use (CHMP) renewed for an additional five years its marketing authorisation for ChondroCelect in all of the 31 countries of the European Union (EU) and European Economic Area (EEA).

In June, TiGenix completed the sale of its Dutch production facility to PharmaCell, a leading European contract manufacturing organisation active in the areas of cell therapy and regenerative medicine.

In September, TiGenix announced that it had appointed Dr Marie Paule Richard as the Company's Chief Medical Officer, and Dr Mary Carmen Diez as its Vice President Medical Affairs and New Product Commercialisation. Dr Richard will be responsible for the development of

Cx611 in both early rheumatoid arthritis and severe sepsis, for the completion of the ongoing European pivotal Phase III trial with Cx601, and for the preparation and implementation of the development plan of Cx601 in the United States. Dr Diez will be responsible for the Medical Affairs function across all the Company's assets and she will be directly in charge of preparing the launch of Cx601 in Europe.

The business model and operational focus of the Company have been transformed and are now concentrated on those assets with the greatest potential to deliver value.

Patient recruitment of Cx601 European Phase III study completed

In November 2014, TiGenix completed the patient recruitment for its Phase III trial of Cx601 in Europe, codenamed ADMIRE. The trial is a randomised, double-blind, placebo-controlled Phase III study designed to confirm the efficacy and safety of Cx601, a locally-injected product of eASCs, in the treatment of complex perianal fistulas in Crohn's disease patients. It has recruited 289 patients across 51 centres in 7 European countries and Israel. The study's primary endpoint is combined remission of fistulous disease, defined as closure of all treated external openings draining at baseline despite gentle finger compression confirmed by MRI (no collections > 2cm). The complete analysis of results at week 24 will be available in the third quarter of 2015. This pivotal study is intended to allow filing for marketing authorisation in Europe, and to serve as a key supportive study in filing for approval in other territories, including the United States.

In September 2014, the Paediatric Committee of the European Medicines Agency (EMA) issued a positive opinion on the Company's Paediatric Investigation Plan (PIP) for Cx601. An accepted PIP is a requirement for the filing for marketing authorisation of a new medicinal product with the EMA. It describes how a company intends to evaluate the use of the new product in children. On completion of the PIP, the company is awarded an additional six months' patent exclusivity for the product. Cx601 received Orphan Drug designation from the EMA in 2009 giving it ten years' market exclusivity from the date of marketing authorisation.

In January 2015, the European Patent Office (EPO) granted TiGenix European Patent EP2292736 relating to an adipose-derived stem cell composition. The claims of the granted patent cover both a specified population of expanded adipose-derived multipotent cells and their therapeutic uses. The issuance of this patent reinforces TiGenix's intellectual property portfolio of 24 patent families, which now includes 14 granted patents related specifically to its eASC platform. The pending and granted patents in TiGenix's intellectual property portfolio include patent families that are directed to its eASC platform; and more specifically, to eASC compositions and therapeutic applications as well as to cell therapy delivery mechanisms and other eASC technology improvements.

Successful Phase III results for Cx601 permitting, the Company is now poised to realise the value of its most advanced asset.

Cx601 development for the United States progressed according to plan

In 2014, the Company's strategy to capture the value of Cx601 in its most important opportunity, the US market, was significantly advanced. In December 2014, TiGenix submitted to the Food and Drug Administration (FDA) the required documentation for a Special Protocol Assessment (SPA) of its pivotal Phase III trial design for Cx601 in the United States. The planned US study design is similar to the ongoing Phase III trial in Europe. The US trial design protocol incorporates guidance both from the FDA and from the Company's US Scientific Advisory Board of six leading North American clinical experts in gastroenterology and inflammatory bowel disease. On completion of the SPA review process, and of the technology transfer of its cell manufacturing process to its contract manufacturing partner in the US, TiGenix will submit its investigational new drug application (IND) for this Phase III study to the FDA.

In February 2015, TiGenix and Lonza signed an agreement whereby Lonza will manufacture Cx601 for the US Phase III trial at Lonza's cell therapy production facility in Walkersville, Maryland (US).

As a result of this progress, at the time of the European Phase III study results in Q3 2015, the company will have in the US an approved Phase III trial protocol and the possibility of completing the development of Cx601 in its most important market.

Development plan for Cx611 completed and implementation begun

In June 2014, TiGenix announced that it will develop its intravenous-administered allogeneic stem cell product, Cx611, for patients suffering from early rheumatoid arthritis and for patients afflicted with severe sepsis, a potentially life-threatening complication of infection. The Company considered the demonstrated therapeutic effects of allogeneic stem cells, the animal and clinical data for Cx611 collected so far, the potential applications into areas of high unmet medical need, and the advice from clinical experts in Europe and in the United States. In early rheumatoid arthritis, Cx611 could offer patients a therapy with an alternative mechanism of action that delays the need to progress to biological drugs. In severe sepsis, Cx611 could be a therapy with a mechanism of action that provides significant advantages when combined with normal standards of care, deliver-

ing faster recovery and improved survival rates.

In December 2014, the development of Cx611 in severe sepsis began with the enrollment of the first subject in a sepsis challenge Phase I study, codenamed CELLULA. The trial is designed to confirm the safety and demonstrate the anti-inflammatory effect of Cx611 on the sepsis-like clinical symptoms and immunological response elicited by an intravenous administration of a bacterial endotoxin (lipopolysaccharide) in healthy volunteers. The trial is a placebo-controlled dose-ranging study (3 doses of Cx611) in 32 healthy male volunteers. It is being conducted in the Academic Medical Center of the University of Amsterdam in the Netherlands which is a centre of excellence for such trials. Recruitment and dosing of all 32 subjects in the trial was completed in early March 2015. Results are expected in the second quarter of 2015.

Success for Cx611 in either of these indications represents a major medical and commercial opportunity.

Financial Update

Financial results for the full year 2014

Key figures (thousands of Euro, except share data)

	Years ended December 31,	
Thousands of euros except per share data	**2014**	**2013***
CONSOLIDATED INCOME STATEMENT		
CONTINUING OPERATIONS		
Revenues		
Royalties	338	
Grants and other operating income	5.948	883
Total revenues	**6.286**	**883**
Research and development expenses	-11.443	-9.843
General and administrative expenses	-7.406	-5.829
Total operating charges	**-18.849**	**-15.672**
Operating Loss	**-12.563**	**-14.789**
Financial income	115	7
Financial expenses	-966	-45
Foreign exchange differences	1.101	-352
Profit/(Loss) before taxes	**-12.313**	**-15.179**
Income taxes	927	59
Profit/(Loss) for the period from continuing operations	**-11.386**	**-15.120**
DISCONTINUED OPERATIONS		
Profit/(Loss) for the period from discontinued operations	-1.605	-3.270
Profit/(Loss) for the period	**-12.990**	**-18.390**
Basic and diluted loss per share (EURO)	**-0,08**	**-0,16**
Basic and diluted loss per share from continuing operations (EURO)	**-0,07**	**-0,13**
Basic and diluted loss per share from discontinued operations (euro)	**-0,01**	**-0,03**
Cash and cash equivalents	13.471	15.565

**The consolidated income statements for the 2013 have been restated to present the ChondroCelect operations as discontinued operations*

Loss for the period reduced by 29%

In 2014, the operating loss was reduced by 15%, from Euro 14.8 million in 2013 to Euro 12.6 million, resulting from a significant increase in total revenues together with a lower increase in operating expenses.

Total revenues for the period amounted to Euro 6.3 million. Grants income, Euro 5.6 million, significantly increased during 2014. Growth has been mainly driven by grants related to soft loans received in previous years (Euro 4.5 million). In addition to grants, total revenues include Euro 0.3 million of royalties from the net sales of ChondroCelect, and Euro 0.4 million of other operating income.

Total operating charges for the period amounted to Euro 18.8 million. The increase over 2013 is mainly due to progress made with the clinical development of Cx601 in Phase III as well as the launch of the Phase I sepsis challenge trial for Cx611.

The financial result (the balance of financial income, financial expenses and foreign exchange differences) improved from a negative result of Euro –0.4 million in 2013 to a positive result of Euro 0.3 million in 2014. This was due to the combined effect of an increase in financial expenses related to the Kreos loan (which was signed in 2013 but only came into effect in 2014), positive exchange differences coming from loans receivable in foreign currency (the US dollar strengthened significantly against the Euro in 2014), and improved financial income from bank deposits.

Loss for the period from continuing operations has been reduced by 25% compared to 2013, from Euro 15.1 million to Euro 11.4 million, as a consequence of the significant increase in total revenues and the lower increase in operating expenses.

Income taxes increased to Euro 0.9 million due to fiscal benefits obtained from research and development activities performed in 2013.

Loss for the period from discontinued operations decreased 51%, from Euro 3.3 million to Euro 1.6 million. During the first half of 2014, the Group discontinued ChondroCelect operations through the combination of the sale of the Dutch manufacturing facility and a licensing agreement for the marketing and distribution rights of the product from which TiGenix will receive royalties.

As a result of the above, the loss for the period decreased significantly by 29%, from Euro 18.4 million to Euro 13.0 million, in 2014.

Cash and cash equivalents at year-end of Euro 13.5 million

As at 31 December, 2014, cash and cash equivalents amounted to Euro 13.5 million. Average monthly cash burn from operating activities for the year amounted to Euro 1.1 million.

On 6 March, 2015, the Company issued senior, unsecured convertible bonds due 2018 for a total principal amount of Euro 25 million, thus strengthening its cash position.

Outlook

TiGenix expects to take the following steps within the next 18 months:

- Q2 2015: clinical results of the Phase I sepsis challenge trial of Cx611
- Q3 2015: FDA agreement on the US Phase III trial protocol for Cx601 in complex perianal fistulas in Crohn's disease
- Q3 2015: clinical results from the European Phase III trial of Cx601 in complex perianal fistulas in Crohn's disease
- Q4 2015: start Phase IIb study of Cx611 in early rheumatoid arthritis
- Q4 2015: start Phase IIa study of Cx611 in severe sepsis
- Q1 2016: file for marketing authorisation for Cx601 in Europe
- H1 2016: complete technology transfer to Lonza

Auditor's review

The statutory auditor of the Company, BDO Bedrijfsrevisoren Burg. Ven. CBVA, has completed its review of the financial statements of the Company for the year ended on 31 December 2014 and issued an unqualified audit opinion with an explanatory paragraph with respect to the Company as a going concern.

Financial statements

The financial statements for 2014 can be found in the investor section of the TiGenix website, www.tigenix.com

15. AVAILABLE DOCUMENTS

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

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

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

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

ANNEX A – GLOSSARY

Adipose	Fat tissue
Adipose derived	Derived from fat tissue
Allogeneic	Derived from a donor (i.e. another person than the patient who is being treated)
Amino acid	The building block of proteins
Analgesic	Painkiller
Antibody	Type of protein that is used by the immune system to identify and neutralize foreign objects such as bacteria and viruses
Antigen	Antibody generator; generates immune response
ATMP	Advanced therapy medicinal product
BLA	Biologics license application
B lymphocytes or B cells	Subtype of lymphocytes
cGMP	current Good Manufacturing Practices
Chimeric monoclonal antibody	Hybrid human / non-human antibody created through genetic engineering
Coagulation	Blood clotting
Co-stimulatory molecules	Proteins that are at the surface of cells and help the generation of an immune response
Cytokines	Proteins that are released by cells and affect the behaviour of other cells
Dendritic cells	Type of cells of the immune system that process antigens
eASCs	Expanded adipose derived stem cells
Ectopic tissue growth	Growth of new tissue at a site within the body where such tissue would not occur naturally
EMA	European Medicines Agency
FDA	United States Food and Drug Administration
Human leukocyte antigens	Proteins that are at the surface of cells and that can be different from person to person; they are responsible for being recognized as foreign and therefore for leading to possible rejection of cells by the patient´s immune system
Hypo-perfusion	Decreased blood flow through an organ
IDO-enzyme	Indoleamine 2,3 dioxygenase enzyme; enzyme that degrades the amino acid tryptophan
IDO-inhibitor	Compound that blocks the activity of the IDO enzyme
Immune-mediated inflammatory process	An inflammatory process that is generated through the activation of the immune system. In case this inflammation is deregulated, it can lead to inflammatory or autoimmune diseases, such as e.g. psoriasis, arthritis, inflammatory bowel disease (IBD), autistic enterocolitis or allergy
Immunogenicity	Potential of a substance to provoke an immune response
Immunoglobulin	Type of protein that constitutes an antibody
Immunomodulatory	Capable of modifying or regulating the immune system
IND application	Investigational New Drug application
Inhibitory effect	Suppressing effect
Intralymphatic administration	Administration through an injection into the lymphatic system
Intraperitoneal administration	Administration through an injection into the peritoneal/abdominal cavity
Intravenous administration	Administration through an injection into the veins
Ligands for neurokinin receptors	Molecules that bind to neurokinin receptors and thereby can activate the receptors; neurokinin receptors are present at the surface of certain cells and implicated in the stress and/or pain pathways involved in chronic pain conditions
Lymphocytes	Type of white blood cells of the immune system; cells that produce antibodies, destroy invading microorganisms or regulate the function of other immune cells
Macrophages	Type of white blood cells of the immune system; cells that destroy invading microorganisms

Mesenchymal stem cells, or MSCs	Stem cells from tissues of mesenchymal origin such as bone marrow or fat
Monocytes	Type of white blood cells of the immune system that develop into macrophages
Natural killer cells, or NK cells	Subtype of lymphocytes; cells that kill foreign substances and abnormal tissues
Neutrophils	Type of white blood cells of the immune system; cells that consume harmful bacteria, fungi and other foreign materials
Peripheral blood mononuclear cells, or PBMCs	Immune cells obtained from blood
Phenotype	Physical, cellular or biochemical characteristics
Rectovaginal administration	Administration through the rectum or the vagina
Re-epithelization	Regeneration of epithelial tissue; epithelial tissue is composed of single or stratified layers of cells, and cover internal or external surfaces of the body
Refractory	Treatment-resistant
Soluble factors	Molecules that are released to the environment and have a function on the surrounding cells, tissues or body fluids
SPA	Special protocol assessment
Stromal vascular fraction of the fat tissue	The part of fat tissue that is not composed of fat cells themselves but of the surrounding and supporting tissue; it contains several cell types including the adipose stem cells
T lymphocytes or T cells	Subtype of lymphocytes
Transwell	A semi-permeable membrane
Tryptophan	Type of amino acid
Tumorigenicity	Potential of a substance to cause tumors

TiGenix

Living Medicines

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