

**TiGenix**

Limited liability company having made a public appeal on savings  
Romeinse straat 12, box 2  
3001 Leuven  
Belgium  
Register of legal entities Leuven  
VAT BE 0471.340.123

(hereinafter referred to as the “**Company**”)

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**Special report of the Board of Directors in accordance with article 602 of the Companies Code**

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We have the honour to present the special report drafted in accordance with article 602 of the Companies Code within the framework of the proposed capital increase of the Company through a contribution in kind of a receivable for an amount of 2,296,364.76 EUR (including issuance premium).

On November 13, 2009, the “Agreement relating to the acquisition of the entire issued share capital of Orthomimetics Limited” was signed by, on the one hand, the Company and on the other hand, the shareholders of the company under the laws of England and Wales, Orthomimetics Limited, having its registered office at Byron House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ, United Kingdom (hereinafter referred to as “**OM**”) (hereinafter referred to as the “**Agreement**”), pursuant to which the Company has acquired the totality of the 3,286,438 shares in OM (hereinafter referred to as the “**OM Shares**”).

More specifically, pursuant to the Agreement which was approved at the occasion of the meeting of the Board of Directors held on November 12, 2009:

- i) 2,605,752 shares in OM were contributed in kind to the Company in exchange for the issuance of 3,010,589 new shares in the Company at the occasion of the meeting of the Board of Directors held on November 30, 2009; and
- ii) 680,686 shares in OM were sold to the Company in exchange for a receivable for an amount of 3,377,007 EUR to the shareholders involved, i.e. Mr. Andrew Lynn, Mr. Tim Mead, Mrs. Ann Savell and Mr. Mark Withers (hereinafter referred to as the “**Warrantors**”).

The receivable of the Warrantors against the Company mentioned under ii) serves, until March 30, 2012, as security for the Company for the obligations of these Warrantors under the Agreement. Article 3.5 of this Agreement states that this receivable will, on November 12, 2010 for 32% and on March 30, 2012 for 68%, each time after possible downward adjustments insofar as the Company would have certain claims against the Warrantors, be contributed in kind to the

Company in exchange for the issuance of new shares in the Company, at an issuance price agreed upon in the Agreement.

On November 9, 2010, the first part (32%) of the receivable of the Warrantors, amounting to 1,080,642.24 EUR (including issuance premium), was contributed to the Company.

This report is drawn up with a view to clarifying the interest of the Company in the proposed capital increase of the Company through a contribution in kind of the remaining 68% of the receivable of the Warrantors, amounting to 2,296,364.76 EUR (including issuance premium). The Board of Directors confirms that this amount does not require any downward adjustment.

The proposed capital increase will be decided by the Board of Directors within the framework of the authorised capital, as granted by the extraordinary shareholders' meeting of April 26, 2011 and included in article 6 of the Articles of Association of the Company.

Article 603 of the Companies Code states that articles 592 to 602 of the Companies Code apply within the framework of the authorised capital.

More specifically, article 602, §1 of the Companies Code states that:

*"In case a capital increase consists of a contribution in kind, the statutory auditor or, in companies where one has not been appointed, an auditor appointed by the Board of Directors, first drafts a report.*

*That report specifically relates to the description of each contribution in kind and the valuation methods applied. The report has to indicate whether the valuations these methods result in, at least equal the number and the nominal value or, in the absence of nominal value, the fractional value and, as the case may be, the issuance premium of the shares issued in exchange for the contribution. The report indicates the actual compensation that is given in consideration.*

*In a special report, to which the report mentioned in the first sentence is attached, the Board of Directors describes why both the contribution and the proposed capital increase are in the interest of the company and why, as the case may be, the conclusions of the attached report are deviated from.*

*The special report of the Board of Directors and the attached report are filed with the Clerk's Office of the Commercial Court, in accordance with article 75.*

*When the capital increase is decided upon by the general meeting, in accordance with article 581, the reports mentioned in the third sentence are mentioned in the agenda. A copy thereof can be obtained in accordance with article 535.*

*The absence of the reports mentioned in this article results in the nullity of the decision of the general meeting."*

We hereby want, in accordance with the abovementioned article, to report to you on the proposed capital increase through the contribution in kind of 68% of the aforementioned receivable, for an amount of 2,296,364.76 EUR (including issuance premium).

This report should be read together with the special report of the statutory auditor of the Company, BDO Bedrijfsrevisoren Burg. Ven. CVBA, having offices at The Corporate Village, Da Vincilaan 9 - Bus E.6, Elsinore Building, 1935 Zaventem, represented by Mr Gert Claes, drafted in accordance with article 602 of the Companies Code.

## **1. AUTHORISED CAPITAL**

### **1.1. Description of the authorised capital**

As included in article 6 of the Articles of Association of the Company, the extraordinary shareholders' meeting of April 26, 2011 has explicitly authorised the Board of Directors to increase the capital in one or more times for a (total) amount of 89,091,655.28 EUR.

The Board of Directors can use this authorisation for a period of five years as of the publication of this authorisation in the Annexes to the Belgian State Gazette of June 24, 2011, i.e. until June 24, 2016. The extraordinary shareholders' meeting made the authorisation subject to the conditions mentioned below.

The capital increase which can be decided upon pursuant to the aforementioned authorisation, can take place in accordance with the modalities to be determined by the Board of Directors, through a contribution in cash or in kind, or through the conversion of reserves and issuance premiums, with or without the issuance of new shares with or without voting rights. The Board of Directors can also use this authorisation for the issuance of convertible bonds, subordinated or not subordinated, warrants or bonds to which warrants or other tangible values are connected, or other securities.

When using the authorisation, the Board of Directors can, in the interest of the Company, within the limits of and in accordance with the conditions set out in the Companies Code, limit or cancel the preferential subscription right of the existing shareholders. This limitation or cancellation can also occur for the benefit of the employees of the Company or its subsidiaries, and for the benefit of one or more specific persons even if these are not employees of the Company or its subsidiaries.

If, at the occasion of the capital increase decided upon within the framework of the authorised capital, an issuance premium is paid, this will automatically be booked on the account "Issuance premiums", which will, in the same manner as the registered capital, serve as a guarantee for third parties and of which, without prejudice to the possibility of the conversion of this reserve into capital, can only be disposed in accordance with the conditions set out in the Companies Code for modification of the Articles of Association.

### **1.2. Available amount of the authorised capital**

As the Board of Directors did not yet use the authorised capital since the extraordinary shareholders' meeting of April 26, 2011, the total available amount for a capital increase in the framework of the authorised capital amounts, on the date of this report, to 89,091,655.28 EUR.

## **2. DESCRIPTION AND VALUATION OF THE CONTRIBUTION**

### **2.1. Description of the contribution**

The proposed contribution in kind to the capital of the Company consists of a contribution by Mr Andrew Lynn, one of the Warrantors, of the balance of his receivable (hereinafter referred to as the “**Receivable**”) for an amount of 2,296,364.76 EUR, in accordance with the Agreement.

### **2.2. Valuation of the contribution**

The Board of Directors proposes to value the contribution of the Receivable, on the basis of its nominal value, at 2,296,364.76 EUR.

As regards the valuation, the Board of Directors explicitly refers to the attached report of the statutory auditor of the Company, BDO Bedrijfsrevisoren Burg. Ven. CVBA, having offices at The Corporate Village, Da Vincilaan 9 - Bus E.6, Elsinore Building, 1935 Zaventem, represented by Mr Gert Claes.

The Board of Directors is of the opinion that the use of this valuation method is most appropriate, since it is in accordance with past obligations of the Company within the framework of the acquisition of OM.

## **3. SHARES TO BE ISSUED IN EXCHANGE FOR THE CONTRIBUTION IN KIND**

In accordance with article 5 of the Articles of Association, the capital of the Company currently amounts to 89,091,655.28 EUR represented by 91,122,667 shares, without nominal value, each representing 1/91,122,667<sup>th</sup> of the capital.

In exchange for the proposed contribution, valued at 2,296,364.76 EUR (including issuance premium), new shares in the Company will be issued. The issuance price (including issuance premium) of these new shares was set at 4.28 EUR per new share in article 3.6.1 of the Agreement.

On the basis of this issuance price, 536,534 new shares in the Company (i.e. 2,296,364.76 EUR / 4.28 EUR) will consequently be issued (hereinafter referred to as the “**New Shares**”) to Mr Andrew Lynn.

The difference between the fractional value (i.e. rounded upwards to 0.98 EUR) and the issuance price (i.e. 4.28 EUR), i.e. 3.30 EUR, will be booked on a reserved account “Issuance premiums”, which will, in the same manner as the registered capital, serve as a guarantee for third parties and of which, without prejudice to the conversion into capital, can only be disposed in accordance with the legal requirements for a capital decrease. Consequently, the registered capital will be increased by an amount of 525,803.32 EUR (i.e. 536,534 shares x 0.98 EUR) from 89,091,655.28 EUR to 89,617,458.60 EUR and the reserved account “Issuance

premiums" will be increased by an amount of 1,770,561.44 EUR (i.e. 2,296,364.76 EUR - 525,803.32 EUR).

The New Shares will be dematerialised shares, without nominal value, with the same rights and benefits as the existing shares, it being understood, for the avoidance of doubt, that these New Shares will participate in the results of the Company as of the entire financial year in which they were issued (i.e. as of and for the entire financial year which commenced on January 1, 2012).

The New Shares will not benefit from the reduced withholding tax rate or the so-called VVPR-right. Consequently, where applicable, dividends distributed will be subject to movable withholding tax at the applicable legal rate (which currently amounts to 25%).

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

Following the abovementioned capital increase, the capital will amount to 89,617,458.60 EUR (i.e. 89,091,655.28 EUR + 525,803.32 EUR), represented by 91,659,201 shares (i.e. 91,122,667 shares + 536,534 shares), without nominal value, each representing 1/91,659,201<sup>th</sup> of the capital.

#### **4. INTEREST OF THE OPERATION AND OF THE CAPITAL INCREASE**

##### **4.1. Interest of the operation**

The Board of Directors states that the proposed contribution of the Receivable occurs within the framework of the execution of the decision of the Board of Directors of November 12, 2009 relating to the acquisition of OM. The acquisition of the OM Shares, through i) the contribution in kind of 2,605,752 shares in OM in the Company in exchange for the issuance of 3,010,589 new shares in the Company at the occasion of the meeting of the Board of Directors held on November 30, 2009; and ii) the sale of 680,686 shares in OM to the Company in exchange for a receivable for an amount of 3,377,007 EUR to the Warrantors, with the contractual obligation of the Warrantors to contribute this receivable in kind in the Company, has allowed the Company to complete the acquisition of OM without the need to rely on external financing. Consequently, the proposed contribution of the Receivable is a contractual obligation of the Company resulting from the aforementioned decision of the Board of Directors of November 12, 2009 which also strengthens the position of the Company from an economic and financial point of view, and this by a reduction of the debts and an increase of the net equity of the Company.

In view of the preceding, the Board of Directors is of the opinion that the abovementioned contribution is in the interest of the Company and is in accordance with past obligations of the Company within the framework of the acquisition of OM.

#### **4.2. Interest of the capital increase**

The capital increase through the contribution in kind of the Receivable strengthens the net equity of the Company.

In view of the preceding, the Board of Directors is of the opinion that the abovementioned contribution is in the interest of the Company and is in accordance with past obligations of the Company within the framework of the acquisition of OM.

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As indicated above, the valuation of the contribution and the valuation methods are further described in the report of the statutory auditor of the Company, BDO Bedrijfsrevisoren Burg. Ven. CVBA, having offices at The Corporate Village, Da Vincilaan 9 - Bus E.6, Elsinore Building, 1935 Zaventem, represented by Mr. Gert Claes, which is attached to this report. The Board of Directors complies with this report.

The abovementioned justifies the interest for the Company to perform the proposed capital increase.

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For the Board of Directors, on the basis of a power of attorney

Done in: Leuven

On: 8 March 2012

Eduardo Bravo  
Director and CEO