

TiGenix
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op het spaarwezen doet of heeft gedaan
Romeinse straat 12 box 2
3001 Leuven
VAT BE 0471.340.123
Register of Legal Entities Leuven
(the “Company”)

**SPECIAL REPORT OF THE BOARD OF DIRECTORS IN ACCORDANCE
WITH ARTICLE 602 OF THE COMPANIES CODE WITH RESPECT TO A
CAPITAL INCREASE BY WAY OF A CONTRIBUTION IN KIND**

We have the honour to present this special report drawn up in accordance with Article 602 of the Companies Code within the framework of the proposed capital increase of the Company by way of a contribution in kind (*“inbreng in natura”*) of shares in, and receivables on, Coretherapix S.L., a company incorporated and existing under the laws of Spain, having its registered office at Calle Santiago Grisolia, 2 (Parque Tecnológico de Madrid) 28760 Tres Cantos, Madrid, Spain and registered with the Commercial Registry of Madrid under volume number 24667, page 70, book 0, section 8 sheet M-443970 and with tax identification number (CIF) B-64282650 (**“Coretherapix”**).

The proposed capital increase will be decided by the board of directors of the Company within the framework of the authorised capital (*“toegestaan kapitaal”*), as granted by the extraordinary shareholders’ meeting of 8 September 2014 and included in article 6 of the articles of association of the Company.

This report explains why the proposed capital increase of the Company through the contribution of shares in, and receivables on, Coretherapix is in the interest of the Company.

This special board report should be read together with the special report of the statutory auditor of the Company, BDO Bedrijfsrevisoren CVBA, having its registered office at The Corporate Village, Da Vincilaan 9, Box E.6, Elsinore Building, 1935 Zaventem, represented by Mr. Gert Claes, drawn up in accordance with Article 602 of the Companies Code.

1 Background

This special report is drawn up in relation to the contribution agreement entered into between the Company and Genetrix S.L., a company organised and existing under the laws of Spain, having its registered office at Calle Santiago Grisolia nº 2 (Parque Tecnológico Madrid) 28760 Tres Cantos, Madrid, Spain, and registered with the Commercial Registry of Madrid under volume number 15,909, page M-268.899, book 0, section 8 sheet 140 and with tax identification number (CIF) B-82826546 (**“Genetrix”**), on 29 July 2015 in the presence of Coretherapix (the **“Contribution Agreement”**).

Under the Contribution Agreement and subject to the terms and conditions set out in the Contribution Agreement, Genetrix undertakes to contribute, through a contribution in kind ("*inbreng in natura*"), into the Company all of its shares in, and receivables it has on, Coretherapix as at the date of completion of such contribution.

Coretherapix is a company focused on developing myocardial regeneration therapies for preventing the effects of cardiovascular disease during the acute and chronic stages of the myocardial infarction (Acute Myocardial Infarction ("**AMI**") and Congestive Heart Failure ("**CHF**"), respectively). It uses the following technologies: (i) allogeneic cardiac stem cells ("**AlloCSCs**"), and (ii) growth factors. Coretherapix is developing the following products/programmes: (a) AlloCSCs in AMI (AlloCSC-01), (b) AlloCSCs in Ventricular Tachycardia, and (c) Embolic delivery of encapsulated growth factors (IGF 1 and HGF) for cardiovascular disease.

2 Authorised capital

2.1 Description of the authorised capital

By virtue of the resolution of the extraordinary shareholders' meeting held on 8 September 2014, the board of directors has been expressly authorised to increase the registered capital in one or more transactions with a (cumulated) amount equal to the registered capital, being sixteen million forty-seven thousand six hundred sixty-two euro (EUR 16,047,662.00) at that time.

The board of directors can exercise this power for a period of five (5) years as of the publication of the authorisation in the Annexes to the Belgian State Gazette, i.e. until 8 October 2019.

The capital increases to which can be decided pursuant to this authorisation, take place in accordance with the modalities to be determined by the board of directors, by means of a contribution in cash or in kind or through conversion of reserves and issuance premiums, with or without 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, bonds to which warrants or other tangible values are connected, or other securities.

When exercising its authorisation within the framework of the authorised capital, the board of directors can limit or cancel the preferential subscription right of the shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Companies Code. This limitation or cancellation can also occur to the benefit of the employees of the Company or its subsidiaries, and to the benefit of one or more specific persons even if these are not employees of the Company or its subsidiaries.

If, pursuant to a capital increase that has been decided within the framework of the authorised capital, an issuance premium is paid, this shall be automatically booked on the account "Issuance Premiums", that shall serve as guarantee for third parties in the same manner as the Company's registered capital and which, apart from the possibility to convert this reserve into registered capital, can only be disposed of in accordance with the conditions provided for by the Companies Code in respect of amendments to the articles of association.

2.2 Available amount of the authorised capital

Since the authorisation by the extraordinary shareholders' meeting on 8 September 2014, the board of directors has used the authorised capital for a conditional capital increase in an amount of up to EUR 3,319,612.20 in relation to the issuance by the Company of convertible bonds on 26 February 2015. Consequently, the available authorised capital now amounts to EUR 12,728,049.80.

3 Description and valuation of the Contribution

3.1 Description of the Contribution

3.1.1 Contributed Assets

The proposed contribution in kind in the capital of the Company consists of a contribution by Genetrix of the following assets (the "**Contribution**"):

- (i) all 80,041 outstanding shares in Coretherapix, representing 100% of the share capital of Coretherapix as at the date of completion of the Contribution, together with all rights attaching thereto (including the right to the full amount of all dividends which might be allocated to these shares in respect of the financial year ending 31 December 2014 and the current financial year which started on 1 January 2015) (the "**Contributed Shares**");
- (ii) the EUR 1,684,767.69 receivable Genetrix will have on Coretherapix as a result of Genetrix having fully (re)paid on behalf of Coretherapix, on the date of and prior to completion of the Contribution, all outstanding amounts (including principal amounts, any interest accrued thereon and any early repayment penalties) under (a) the facility agreement entered into between Coretherapix and Madrid Network on 29 July 2013 and (b) the facility agreement entered into between Coretherapix and CDTI on 25 April 2012 (the "**Contributed Other Genetrix Receivables**"); and
- (iii) (A) 316,138.13/641,520.56th of the rights and obligations that Genetrix will have, on the date of and prior to completion of the Contribution, under the existing loan agreements entered into (a) between Genetrix and Coretherapix on 15 June 2015 for an amount of EUR 341,520.56 (including principal amount of EUR 340,000 and interest in the amount of EUR 1,520.56 accrued thereon until 31 July 2015) and (b) between Genetrix Life Sciences and Coretherapix on 17 April 2015 for an amount of EUR 300,000 (including principal amount of EUR 300,000 and any interest accrued thereon until 31 July 2015) which shall be transferred and assigned by Genetrix Life Sciences to Genetrix on the date of and prior to completion of the Contribution, and (B) the rights and obligations that Genetrix has under the existing loan agreements entered into between Genetrix and Coretherapix on 15 July 2015 and 23 July 2015 for an aggregate amount of EUR 151,207.57 (including principal amount of EUR 151,000 and interest thereon until 31 July 2015 in the amount of EUR 207.57) (together the "**Contributed Genetrix Loan Receivables**"). The Contributed Genetrix Loan Receivables in aggregate amount to EUR 467,345.70.

The Contributed Shares, the Contributed Genetrix Loan Receivables and the Contributed Other Genetrix Receivables are hereinafter together referred to as the “**Contributed Assets**”.

3.1.2 Consideration for the Contributed Assets

- (i) The consideration for the Contributed Shares shall consist (i) in part of 4,681,612 new ordinary shares to be issued by the Company as set out below (the “**Fixed Contributed Shares Consideration**”), and (ii) in part of conditional and variable cash considerations subject to the terms and conditions set out in the Contribution Agreement (the “**Variable Contributed Shares Consideration**”).

The components of the Variable Contributed Shares Consideration can be summarized as follows:

- (a) Genetrix is entitled to (i) a payment from the Company in the amount of EUR 5,000,000 upon completion of the CAREMI Trial, i.e. upon the study report becoming available; and (ii) a payment from the Company in the amount of EUR 10,000,000 upon issue of the final study report showing statistically significant ($p < 0.05$) results on at least one of the secondary efficacy endpoints as defined in the current protocol relating to the CAREMI Trial (each such payment is referred to hereinafter as a “**Milestone 1 Payment**”). The Milestone 1 Payments may result in the Company issuing new shares as described in further detail hereafter.
- (b) Subject to EMA marketing authorization or equivalent FDA approval (“**Market Approval**”) and based on and subject to future sales milestones, Genetrix may receive up to EUR 245,000,000 plus certain percentages of the direct net sales of the first product/indication based on AlloCSCs in AMI (the “**First Product**”), or certain percentages of any third party royalties and sales milestones for the First Product. Sales milestones start when annual net sales reach EUR 150,000,000 and the last one will become due once annual net sales are above EUR 750,000,000.
- (c) In case Coretherapix obtains Market Approval for any product/indication resulting from its existing portfolio (i.e., eCSCs or preclinical projects) other than the First Product, Genetrix shall receive a EUR 25,000,000 milestone payment per additional product reaching the market.

Under the Contribution Agreement and subject to the terms and conditions set out therein, Genetrix undertakes to subscribe to a capital increase in the Company by way of a contribution in kind of its Milestone 1 Payments (if any). Subject to the terms and conditions of the Contribution Agreement, in the event that Genetrix is entitled to a Milestone 1 Payment and provided the par value (“*fractiewaarde*”) of the shares in the Company at the time of the relevant Milestone 1 Contribution (as defined below) is lower than the average closing share price of the Company on Euronext Brussels over the 90 days period immediately preceding the date of completion of the abovementioned condition for the relevant Milestone 1 Payment, Genetrix

undertakes to subscribe to a capital increase in the Company, by way of a contribution in kind of its claim for the relevant Milestone 1 Payment (a “**Milestone 1 Contribution**”) against issuance of a number of new ordinary shares in the Company (“**Milestone 1 New Shares**”) which shall be calculated as follows: euro amount of the relevant Milestone 1 Contribution, divided by the average closing share price of the Company on Euronext Brussels over the 90 days period immediately preceding the date of completion of the abovementioned condition for the relevant Milestone 1 Payment, whereby fractions of shares shall be rounded down. In case the Company does not succeed in organising and approving such capital increase within 60 days of Genetrix being entitled to the relevant Milestone 1 Payment, the Company shall have the option to pay the relevant Milestone 1 Payment to Genetrix in cash.

- (ii) The consideration for the Contributed Other Genetrix Receivables shall consist of 2,372,912 new ordinary shares to be issued by the Company as set out below.
- (iii) The consideration for the Contributed Genetrix Loan Receivables shall consist of 658,233 new ordinary shares to be issued by the Company as set out below.

3.2 Valuation of the Contributed Assets

3.2.1 Contributed Shares

The board of directors proposes to value the Contributed Shares on the basis of an income approach, which results in a value of at least EUR 3,323,944.52.

On the assumption that the value can be determined by the ability of Coretherapix to generate future cash flows, different scenarios have been developed and a set of free cash flows has been forecasted based on the achievement of certain development and commercial milestones as well as their relative likelihood. In each scenario a discounted cash flow method has been used, together with several probabilities of success over the development phases and an estimated discount rate.

The board of directors is of the opinion that the use of this valuation method is in line with the commonly applied valuation approaches and reasonable in light of the intangible nature of the majority of Coretherapix’ assets and its clinical development stage.

3.2.2 Contributed Other Genetrix Receivables

The board of directors proposes to value the contribution of the Contributed Other Genetrix Receivables, on the basis of its nominal value, at EUR 1,684,767.69.

The board of directors is of the opinion that the use of this valuation method is most appropriate in light of the existing contractual agreements among Coretherapix and Genetrix.

3.2.3 Contributed Genetrix Loan Receivables

The board of directors proposes to value the contribution of the Contributed Genetrix Loan Receivables, on the basis of its nominal value, at EUR 467,345.70.

The board of directors is of the opinion that the use of this valuation method is most appropriate in light of the existing contractual agreements among Coretherapix and Genetrix.

4 Shares to be issued in exchange for the Contribution

The registered capital of the Company currently amounts to sixteen million forty-seven thousand six hundred and sixty-two euro (EUR 16,047,662), represented by one hundred sixty million four hundred seventy-six thousand six hundred and twenty (160,476,620) shares without nominal value, each representing 1/160,476,620th of the registered capital (i.e., a par value ("*fractiewaarde*") of ten eurocent (EUR 0.10) per share).

In exchange for the Contributed Assets, which are in aggregate valued at five million four hundred seventy-six thousand fifty-seven euro ninety-one eurocent (EUR 5,476,057.91), excluding the Variable Contributed Shares Consideration (if any), new shares in the Company will be issued. The agreed aggregate issuance price of these new shares amounts to EUR 5,476,057.91 (including issuance premium), being, as stipulated in the Contribution Agreement, seventy-one eurocent (EUR 0.71) per new share, including an issuance premium of EUR 0.61 per share. Fractions of shares will be rounded down.

On the basis of this issue price and after rounding down fractions of shares, seven million seven hundred and twelve thousand seven hundred fifty-seven (7,712,757) new shares in the Company (hereinafter referred to as the "**New Shares**") will consequently be issued to Genetrix, as follows:

- (i) 4,681,612 new ordinary shares in the Company will be issued to Genetrix as consideration for the contribution of the Contributed Shares (the "**Tranche 1 New Shares**");
- (ii) 2,372,912 new ordinary shares in the Company will be issued to Genetrix as consideration for the contribution of the Contributed Other Genetrix Receivables (the "**Tranche 2 New Shares**"); and
- (iii) 658,233 new ordinary shares in the Company will be issued to Genetrix as consideration for the contribution of the Contributed Genetrix Loan Receivables (the "**Tranche 3 New Shares**").

Consequently, the registered capital of the Company will be increased by an amount of seven hundred seventy-one thousand two hundred seventy-five euro seventy eurocent (EUR 771,275.70) (i.e. 7,712,757 new shares x EUR 0.10).

The difference between the aggregate issuance price of the New Shares (EUR 5,476,057.91) and the amount of the capital increase (EUR 771,275.70) will be booked on the account "Issuance Premiums", that shall serve as guarantee for third parties in the same manner as the Company's registered capital and which, apart from the possibility to convert this reserve into registered capital, can only be disposed of in accordance with the conditions provided for by the Companies Code in respect of amendments to the articles of association. The account "Issuance Premiums" will thus be increased by an amount of four million seven hundred and four thousand seven hundred eighty-two euro twenty-one eurocent (EUR 4,704,782.21).

The New Shares shall be ordinary registered shares in the Company having the same rights and advantages as the existing ordinary shares in the Company at the time of issuance of the New Shares. The New Shares shall participate in the results of the

Company as of and for the entire financial year that started on the first day of the financial year during which the New Shares have been issued (provided that, for the avoidance of doubt, the New Shares will only participate in any dividends that have been declared by the Company on or after the date of issuance of the New Shares and will not participate in any dividends that have been declared by the Company prior to the date of issuance of the New Shares).

The Company shall use its best efforts to have the New Shares admitted to trading on Euronext Brussels as soon as reasonably practicable following the date of issuance of the New Shares.

Subject to the terms and conditions of the Contribution Agreement, the New Shares will be subject to a “lock-up” obligation during a term starting as from the completion of the Contribution and ending twelve (12) months thereafter. This means that Genetrix can not voluntarily transfer any of its New Shares, subject to certain exceptions as set out in the Contribution Agreement and provided that on the last day of each calendar month following the month in which the completion of the Contribution occurs 1/12 of the Tranche 2 New Shares and 1/12 of the Tranche 3 New Shares shall be released from the lock-up.

Following the abovementioned capital increase, the registered capital of the Company will amount to sixteen million eight hundred eighteen thousand nine hundred thirty-seven euro seventy eurocent (EUR 16,818,937.70), represented by one hundred sixty-eight million one hundred eighty-nine thousand three hundred seventy-seven (168,189,377) shares without nominal value, each representing 1/168,189,377th of the registered capital.

5 Interest of the Company in the Contribution and in the capital increase

5.1 Interest of the Company in the Contribution

The allogeneic cardiac stem cells that Coretherapix is developing open the cardiovascular indications to the Company, complementing the existing products in development in inflammatory and auto-immune indications with allogeneic adipose derived stem cells.

The most advanced of the Coretherapix assets has already demonstrated good safety and has recruited more than half of the patients for the on-going phase II clinical trial in acute myocardial infarction, a very prevalent disease with a significant unmet need. The trial will provide clinical data for the Company well in advance of the planned phase II results in early rheumatoid arthritis and severe sepsis.

Moreover, Coretherapix is exploring in animal models the activity of the allogeneic cardiac stem cells in ventricular tachycardia, another important disease area with no effective treatment today.

The board of directors is of the opinion that the acquisition of Coretherapix, through the Contribution, allows the Company to expand its clinical programs and broadens the potential of both platforms of allogeneic cell therapy products, which significantly helps the Company towards its goal of leading the cell therapy space in the world.

In view of the preceding, the board of directors is of the opinion that the Contribution is in the interest of the Company.

5.2 Interest of the Company in the capital increase

The acquisition of the shares in, and receivables on, Coretherapix through the Contribution allows the Company to complete the interesting acquisition without the need to pay an upfront cash consideration for the Contributed Shares.

In addition, the Company expands its pipeline of clinical stage assets, enters the cardiovascular indications and gets access to a new platform of allogeneic stem cells of different origin, which significantly strengthens the competitive position of the Company in the cell therapy sector.

In view of the preceding, the board of directors is of the opinion that the abovementioned capital increase is in the interest of the Company.

As indicated above, the valuation of the Contributed Assets and the valuation methods are further described in the report of the statutory auditor of the Company, BDO Bedrijfsrevisoren CVBA, having its registered office at The Corporate Village, Da Vincilaan 9, Box E.6, Elsinore Building, 1935 Zaventem, represented by Mr. Gert Claes, which is attached to this special board report. The board of directors does not deviate from this report.

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For the board of directors

Done in Brussels on 31 July 2015

Willy Duron

Director

R&S Consulting BVBA,
represented by Mr. Dirk Reyn

Director

Schedule 1

**Special report of the statutory auditor of the Company,
drawn up in accordance with Article 602 of the Companies Code**