

TiGenix
Naamloze vennootschap
die een openbaar beroep doet of heeft gedaan op het spaarwezen
Romeinse straat 12 box 2
3001 Leuven
VAT nr. BE 0471.340.123
RLE Leuven
(the “Company”)

SPECIAL REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 604 OF THE COMPANIES CODE WITH RESPECT TO THE RENEWAL OF THE AUTHORISATION IN RESPECT OF THE AUTHORISED CAPITAL

This special report was drawn up pursuant to Article 604 of the Companies Code with respect to the proposal to renew the authorisation for the board of directors to increase the registered capital of the Company within the framework of the authorised capital. In this report, the board of directors has set out the circumstances in which the board of directors will be able to use the authorised capital and the purposes for which it can be used.

1. Authorised capital

The board of directors proposes to the shareholders of the Company to renew the authorisation for the board of directors to increase the Company’s registered capital in one or more transactions by a (cumulated) amount equal to the current amount of the registered capital of the Company, i.e. twenty-five million nine hundred ninety-five thousand six hundred thirty-six euro fifty eurocent (EUR 25,995,636.50).

If the shareholders of the Company would approve the board of directors’ proposal, the text of Article 6 of the articles of association will be replaced by the following text:

“Article 6: Authorised capital

6.1. By virtue of the resolution of the extraordinary shareholders’ meeting held on [DATE] 2017, 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 twenty-five million nine hundred ninety-five thousand six hundred thirty-six euro fifty eurocent (EUR 25,995,636.50). This authorisation may be renewed in accordance with the relevant legal provisions.

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.

6.2. 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 off in accordance with the conditions provided for by the Companies Code in respect of amendments to the articles of association.

The board of directors is authorised, with power of substitution, to amend the articles of association after each capital increase realised within the framework of the authorised capital, in order to bring them in line with the new situation of the registered capital and the shares."

2. Circumstances in which and purposes for which the authorised capital can be used

The technique of the authorised capital offers the board of directors a degree of flexibility and allows swift execution, which could be necessary to ensure a good management and optimal financing of the Company.

In certain circumstances and especially with the Company being publicly listed on Euronext Brussels and Nasdaq, the relatively complex, expensive and time consuming procedure of convening an extraordinary shareholders' meeting for a capital increase in a listed company could be irreconcilable with certain fluctuations on the capital markets or certain opportunities presented to the Company, which potentially could turn negatively against the Company. The Company may wish to use the authorized capital, for example, to raise new capital for general purposes, to address refinancing needs or extend its debt maturity profile, to fund R&D and clinical programs and opportunities, to admit an important shareholder to its capital structure or to entirely or partially finance a transaction (including but not limited to strategic alliances, in-licensing deals, takeovers or acquisitions of companies and/or assets) or investment by issuing new shares. A convocation of an extraordinary shareholders' meeting could in such circumstances, for example, lead to a premature announcement of the concerned transaction, and therefore the board of directors can use the authorised capital in such circumstances. Moreover, the time to convene an extraordinary shareholders' meeting (including a second meeting if the required attendance quorum of 50% of the shares is not reached) can take approximately two months. During this period, market circumstances can change significantly.

The board of directors can also use the authorised capital within the framework of the remuneration policy of the Company, namely for the issuance of shares, stock options or warrants to employees, directors or consultants of the Company or its subsidiaries, as well as to other persons who in the scope of their professional activity have made themselves useful to the Company or a subsidiary, including but not limited to the members of the scientific and clinical advisory committees.

The capital increases resulting from this authorisation could *inter alia* be implemented by way of contributions in cash or in kind or by incorporation of reserves or issuance premium.

The board of directors can limit or cancel the preferential subscription right of the existing shareholders of the Company, also to the benefit of one or more specific persons who are not employees of the Company or its subsidiaries.

The board of directors cannot use the aforementioned authorisation after the Financial Services and Markets Authority (FSMA) has notified the Company of a public takeover bid for the Company's shares until the end of such takeover bid.

This authorisation also includes the power of the board of directors to amend the articles of association after each capital increase realised within the framework of the authorised capital.

In view of the above, the board of directors requests the shareholders' meeting to renew the authorisation for the board of directors to increase the registered capital.

For the board of directors, on the basis of a power of attorney

Date: 29 March 2017

Innosté SA, represented by
Jean Stéphane
Director

Willy Duron
Director