



## **Ablynx NV**

Statutory auditor's report to the shareholders' meeting for the year ended  
31 December 2017

The original text of this report is in Dutch

## Statutory auditor's report to the shareholders' meeting of Ablynx NV for the year ended 31 December 2017

### (Annual accounts)

In the context of the statutory audit of the annual accounts of Ablynx NV (the "company"), we hereby submit our statutory audit report. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 27 April 2017, in accordance with the proposal of the board of directors upon the recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting approving the annual accounts for the year ending 31 December 2019. We have performed the statutory audit of the annual accounts of Ablynx NV for 7 subsequent years.

### Report on the audit of the financial statements

#### Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2017 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 452 701 (000) EUR and the income statement shows a loss for the year ended of 98 196 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2017 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

#### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Research &amp; development expenses</b></p> <p>The research and development expenses (R&amp;D) consist of services and other goods from third party suppliers and R&amp;D partners, payroll costs and depreciations. The R&amp;D activities with these suppliers and co-development partners are documented in detailed agreements and are typically performed over an extended period of time. Allocation of these expenses in each reporting period based on the progress of the R&amp;D projects involves judgement.</p> <p>The company's disclosures about the research and development expenses are included in VOL 6.2.1, VOL 6.10 and in the valuation rules related to intangible fixed assets in VOL 6.19 of the financial statements.</p>	<p>Our audit procedures included, amongst others, the review of agreements with suppliers and R&amp;D partners and testing relevant controls in regard of the R&amp;D process. In addition, we tested progress of R&amp;D projects based on inquiry with project managers and inspection of supporting documentation in order to determine completeness and cut-off of R&amp;D expenses and valuation of the related accruals recorded. We also challenged management's estimates based on its historical track record in setting up R&amp;D progress accruals.</p>
<p><b>Revenue recognition</b></p> <p>Revenue recognition involves accounting for R&amp;D collaboration agreements with multiple elements (combinations of licenses or options to license and R&amp;D services), remunerated using a combination of upfront payments, milestone payments and other revenues. The review of these R&amp;D collaboration agreements is an important part of our audit because of the relatively more complex and industry specific nature and variety of these agreements.</p> <p>The company's disclosures about the valuation rules related to revenue are included in VOL 6.19 of the financial statements.</p>	<p>We discussed revenue recognition principles with management. Our audit procedures included testing relevant controls in regard of revenue recognition. We read the relevant agreements to assess whether the company correctly applied the revenue recognition principles and we considered and challenged the reasonableness of the judgements made by management in calculating recognized revenue.</p> <p>We tested a sample of transactions of revenue recognized in the income statement (revenue) and the balance sheet (deferred income) for accurate calculation and appropriate recognition based on the agreements, recognition principles and managements estimates and judgements.</p>
<p><b>Cash at bank and in hand and short-term investments</b></p> <p>We focused on this area as the cash at bank and in hand and short-term investments represent a large part of total assets.</p> <p>The company's disclosures about the cash at bank and in hand and short-term investments are included in VOL 6.6 of the financial statements.</p>	<p>We reconciled the bank balances to bank confirmations and recalculated the translation of foreign currencies held. In addition, our audit procedures included review of the classification of the cash at bank and in hand and short-term investments and any restriction on the use of the cash at bank and in hand and short-term investments.</p>



### **Responsibilities of the board of directors for the annual accounts**

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the statutory auditor for the audit of the annual accounts**

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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## Report on other legal and regulatory requirements

### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium, as well as for the company's compliance with the Companies Code and the company's articles of association.

### Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the annual and compliance with certain obligations referred to in the Companies Code and the articles of association, as well as to report on these matters.

### Aspects regarding the directors' report and other matters disclosed in the annual report

In our opinion, after performing the specific procedures on the directors' report on the annual accounts, the directors' report on the annual accounts is consistent with the annual accounts for the same year and it has been established in accordance with the requirements of article 95 and 96 of the Companies Code.

In the context of our statutory audit of the annual accounts we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the annual accounts is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement. We do not express any kind of assurance on the directors' report.

The non-financial information as required by article 96, § 4 of the Companies Code, has been disclosed in the directors' report. This non-financial information has been established by the company in accordance with the Belgian Corporate Governance Code. We do however not express any opinion on the question whether this non-financial information has been established, in all material respects, in accordance with this Belgian Corporate Governance Code. Furthermore, we do not express any assurance on individual elements that have been disclosed in this non-financial information.

### Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 100, § 1, 6<sup>o</sup>/2 of the Companies Code, includes, both in form and in substance, all of the information required by the Companies Code and is free from any material inconsistencies with the information available to us in the context of our mandate.



### Statements regarding independence

- No prohibited non-audit services, as referred to by the law, have been performed and our audit firm and, if applicable, our network of audit firms, remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the annual accounts, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the annual accounts.

### Other statements

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.
- We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association or the Companies Code.
- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.
- In accordance with article 523 of the Companies Code, we are required to report on the following operations which have taken place:
  - In connection with the board decision of 17 January 2018 granting warrants towards certain employees and consultants of the company, the procedure of article 523 of the Companies Code has been followed by and relating to Mr. Edwin Moses because Mr. Edwin Moses, as a member of the Executive Committee, is selected as one of the beneficiaries of the "Stock option plan". The financial impact of this decision on the financial position of the company has been sufficiently and accurately explained in the director's report on the annual accounts;
  - In connection with the board decision of 23 March 2018 granting discharge to the members of the executive committee of which Mr. Edwin Moses is also a member, the procedure of article 523 of the Companies Code has been followed by and relating to Mr. Edwin Moses. The financial impact of this decision on the financial position of the company has been sufficiently and accurately explained in the director's report on the annual accounts.

Zaventem, 26 March 2018

**The statutory auditor**



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BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Nico Houthaeve

## Deloitte.

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