ABLYNX NV

Limited Liability Company ("*Naamloze Vennootschap*")
Registered offices: Technologiepark 21, 9052 Zwijnaarde
Company number: 0475.295.446
RPR Ghent

(the "**Company**")

SPECIAL REPORT BY THE BOARD OF DIRECTORS
IN ACCORDANCE WITH ARTICLES 596 AND 598 OF THE BELGIAN COMPANY CODE ("BCC")
REGARDING THE ISSUE OF WARRANTS FOR THE BENEFIT OF CERTAIN EMPLOYEES AND MEMBERS OF THE MANAGEMENT OF THE COMPANY

The Board of Directors of the Company (the "**Board**") contemplates, within the context of the authorized capital which was granted to the Board by the General Meeting on 18 July 2013 and which explicitly includes, in accordance with Article 605 BCC, the authorization to issue warrants and the preferential right of the company's shareholders being limited or cancelled, to issue a maximum of five hundred and ninety thousand (590,000) warrants free of charge, of which (i) a maximum of three hundred and fifty thousand (350,000) warrants for the benefit of certain employees (hereafter, the "**Employees SOP**"), free of charge, and (ii) a maximum of two hundred forty thousand (240,000) warrants for the benefit of certain members of the management of the Company (hereafter the "**Consultants SOP**"), each of such warrants entitling the holder thereof to subscribe for one new common share of the Company against payment of an exercise price, per warrant exercised, to be immediately and fully paid up upon exercise of the relevant warrant (the "**Warrants**"). The Warrants will be issued with cancellation of the shareholders' preferential subscription rights.

In this special report prepared in accordance with Articles 596 and 598 BCC regarding the cancellation of the existing shareholders' preferential subscription rights in respect of the issue of warrants under the stock option plan, the Board justifies the proposal to cancel the shareholders' preferential subscription rights for the benefit of certain employees and certain members of the management of the Company, in particular regarding the issue price and the financial consequences of the transaction for the shareholders, and wherein the identity of the beneficiaries under the Consultant SOP is listed.

Capitalized words in this report are defined in Section 3 of the report of the Board in accordance with Article 583 BCC.

1. Justification for the issue of the Warrants with cancellation of the shareholders' preferential subscription rights

The issue of the Warrants aims to achieve the following purposes:

i. creating a long-term incentive for the selected employees and consultants who are able to contribute substantially to the success and growth of the Company;

ii. providing the Company with the necessary means to recruit and retain competent and experienced staff members; and

iii. creating a common interest between the Selected Participants on the one hand and the shareholders of the Company on the other, aimed at an increase in the value of the Company's shares.

The Board believes that these purposes are in the interest of the Company. Furthermore, the grant of these Warrants to the beneficiary employees and certain members of the management of the Company necessarily presupposes a cancellation of the preferential subscription rights of the existing shareholders.

2. Identity of the persons to whose benefit the preferential subscription rights are cancelled

The preferential subscription rights of the existing shareholders will be cancelled for the benefit of the Selected Participants (as defined in Article 3 of the report of the Board in accordance with Article 583 BCC).

The Selected Participants under the Employees SOP are the persons associated with the Company by way of an Employment Agreement and to whom Warrants will be offered by a Proxyholder of the Board.

The Selected Participants under the Consultants SOP are the following persons, whose identity is disclosed in accordance with Article 598 BCC:

- Mr. Edwin Moses, CEO
- Mr. Wim Ottevaere permantent representative of Woconsult BVBA and/or Woconsult BVBA, CFO
- Mr. Johan Heylen, CCO
- Mr. Antonin de Rollet de Fougerolles, CSO
- Mr. Robert Zeldin, CMO
- Mr. Guido Gielen, VP HR
- Mr. Franciscus Gerrit Landolt, VP IP&Legal

The system which allows members of the management of the Company to be (partly) remunerated by way of offering warrants, was approved by the extraordinary general meeting of the Company of 30 October 2009, in accordance with Article 7.13 of the Belgian Corporate Governance Code 2009.

3. Justification of the Issue Price and Exercise Price

The Warrants will be offered free of charge, in view of the purpose to create an incentive for the Selected Participants by means of these securities.

The price will be determined as follows:

In view of the law of March 26, 1999 and Article 598 BCC, the Exercise Price of the Warrants will equal the highest of the following two values: (i) the average closing rate of the share on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lowest of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate preceding the Date of the Offer, as to be determined in the Offer.

For clarity's sake, it is specified that if the Date of the Offer and the Date of the Decision coincide, the Exercise Price of the Warrants shall at least equal the average closing rate of the share on Euronext Brussels during a period of thirty days preceding this date.

4. Consequences for the existing shareholders and warrant holders

As referred to in the report of the Board in accordance with Article 583 BCC the consequences for the Company's existing shareholders, warrant holders and holders of convertible bonds are to be described as follows:

In case the maximum number of Warrants to be issued (590,000), would be subscribed for and in case such Warrants would all be exercised, the resulting dilution of such exercise (in terms of relative shareholding, *i.e.* pro rata participation in the voting rights in, and the profits of, the Company) for the existing shareholders (currently 55,100,544 common shares), warrant holders (currently warrants which entitle to an aggregate of 2,504,032 shares) and holders of convertible bonds (currently entitling to an aggregate of 7,733,952 shares[1]), on a non-diluted (*i.e.* without taking into account the impact on the existing warrant holders and holders of convertible bonds) as well as on fully diluted basis, as set out in the table hereunder:

1 This number of shares is calculated on the basis of the current conversion price of EUR 12.93, which is however still subject to changes pursuant to the terms and conditions of such convertible bonds.

	% in relation to the existing shares (= on a non-diluted basis)	**% on a fully diluted basis**
590,000 Warrants to be issued	1.07%[2]	0.89%

Ablynx NV has an aggregate of 2,793,032 outstanding warrants, of which 578,000 warrants entitle the holder thereof to an aggregate of 289,000 shares (where two warrants entitle to subscribe for one share) and of which 2,215,032 warrants entitling the holder thereof to an aggregate of 2,215,032 shares (where one warrant entitles to subscribe for one share). The total number of voting rights that can be acquired upon the exercise of the outstanding warrants amounts to 2,504,032. Ablynx NV has also an aggregate of 1,000 outstanding convertible bonds which entitle the holders thereof to an aggregate of 7,733,952 shares (with a current conversion ratio of 7,733.952 Shares per EUR 100,000 principal amount of convertible bonds, such conversion ratio being subject to potential changes pursuant to the terms and conditions of the convertible bonds).

The total number of outstanding warrants currently amounts to 3.83% of the total number of outstanding shares (on fully diluted basis) (*i.e.* 65,338,528 shares).

The Board believes that the percentage of outstanding warrants (even after the proposed issue) is not unusual compared with similar companies in the same sector.

As a general principle, the financial dilution that existing shareholders would face as a result of the exercising of the Warrants at a price that is lower than the price per share at the time when the Warrants have actually been exercised (the potential positive difference in terms of percentage between both prices, hereafter the "**Benefit Percentage**", *i.e.* the benefit in terms of percentage the holders of Warrants would realize *vis à vis* the stock market price) can be calculated as follows: assuming (i) the maximum number of 590,000 warrants would be issued, (ii) the same number being offered and accepted and (iii) the same number would actually be exercised, the existing shareholders of the Company would undergo a financial dilution of a fixed percentage of the Benefit Percentage. Such fixed percentage is the quotient of the total number of warrants to be issued (numerator) and the sum of the total number of outstanding shares and the warrants to be issued (denominator). The fixed percentage for the proposed issue amounts to (rounded) 1.06%. In other words, for each percentage point of "benefit" (*vis à vis* the then prevailing stock market price) that would be realized by the Selected Participants by exercising the Warrants, the existing shareholders would undergo 0.0106% of financial dilution.

In addition, the issue of the Warrants may cause an economic shift from the shareholders to the Warrant holders at the occasion of the exercise of the Warrants, if the value of the common

2This percentage is the result of the quotient of the warrants to be issued and the currently outstanding shares (whereby neither the potential number of voting rights related to the currently outstanding warrants or convertible bonds, nor the number of warrants to be issued under this proposal are included in the denominator).

shares would be higher than the Exercise Price of the Warrants at the time of the issue of common shares further to the exercise of Warrants. This is an inherent characteristic of the Warrants to be issued, and the Board believes that this potential economic shift is acceptable in the light of the benefits for the Company linked to the issue of the Warrants and is even desirable, taking into account the purpose of the issue of Warrants, as set out in Article 1 of this report.

The net intrinsic value of the existing shares on the date of the annual accounts of the Company ending on 30 June 2015 amounted to EUR 2.64[3] per (at that time existing) share. On the basis of the current stock price of the Company, the Board expects that the exercise price of the Warrants shall exceed that net intrinsic value. The Board points out that the final dilution which the net intrinsic value of the existing shares shall undergo, shall depend upon the final exercise price of the warrants (and the negative difference between that exercise price and the net intrinsic value per share at that time). However, based on the current price per share, the exercise price shall largely exceed the fractional value of the share as included in the annual accounts (EUR 1.87).

A number of simulations based on the hypothetical exercise prices is attached to this report as Annex 1 and demonstrates that, depending on the exercise price, the exercise of Warrants could lead to a decrease or an increase of the net intrinsic value of the existing shares.

The costs in relation to the services received in compensation for the granting of such Warrants are booked under IFRS as a cost in the consolidated accounts of the Company. The total amount of the costs is spread over the vesting period and determined on the basis of the actual value of the Warrants on the date of grant by applying the Black & Scholes model. Based on this model, the estimated cost to be recognized amounts to EUR 3,066,997, and shall be spread over 3 years, as set out in Article 6.2.5 of the Board's report in accordance with Article 583 BCC.

Zwijnaarde, 23 February 2016

For the Board,

Edwin Moses, Director

[3] Value based on the balance sheet, prepared in accordance with Belgian GAAP.

Annex 1: simulations of the impact of hypothetical exercise prices on the future equity value per share

Simulation impact intrinsic value		
# Shares	**30/09/2015**	**54,512,424**
Equity	**30/09/2015**	**58,549,279**
# Warrants (in number of shares)	30/09/2015	2.895.695
Convertible bond (# Shares/€)	7.733.952	100.000.000
A. Actual situation, before issuance of the new warrants - Basic		
		Equity in €
Amount represented by 1 share		1,07
Total		58,549,279
B. Actual situation before issuance of the new warrants - Fully Diluted		
		Equity in €
Amount represented by 1 share		2,70
Total		176,174,101.83
C. Situation after issuance of the new warrants with an exercise price of €11		
number of warrants to be issued		590,000
exercise price	€ 11	
		Equity in €
Amount represented by 1 share		2,78
Total		182,664,101.83
D. Situation after issuance of the new warrants with an exercise price of €12		
number of warrants to be issued		590,000
exercise price	€ 12	
		Equity in €
Amount represented by 1 share		2,79
Total		183.254.101,83
E. Situation after issuance of the new warrants with an exercise price of €13		
number of warrants to be issued		590,000
exercise price	€ 13	
		Equity in €
Amount represented by 1 share		2.80
Total		183,844,101.83