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CORPORATE OVERVIEW
INTRODUCTION

ABLYNX AT A GLANCE

Ablynx is a late-stage clinical development company with a powerful proprietary technology platform.

Ablynx is dedicated to creating new medicines which will make a real difference to patients and their caregivers.

Ablynx is committed to launching its first product in 2018.
2017 ACHIEVEMENTS – A YEAR OF MANY MOMENTOUS MOMENTS

R&D HIGHLIGHTS

Ablynx experienced many momentous moments in 2017 with the compelling Phase III results for lead product caplacizumab and the successful US initial public offering raising $230 million. A strategic research collaboration and licensing agreement was signed with Sanofi to develop up to eight Nanobody® product candidates focused on immune-mediated inflammatory diseases and we received significant milestone payments from our existing partnerships.

During the year, significant progress has been made across a number of our key clinical programmes and we continue to advance our growing pipeline of products, including more than 45 proprietary and partnered programmes.

Caplacizumab (anti-vWF; wholly-owned)

- Announced positive topline results from the Phase III HERCULES study of caplacizumab, in 145 patients with acquired thrombotic thrombocytopenic purpura (aTTP); the study met its primary and two key secondary endpoints and reported a favourable safety profile
- Reported additional clinically important benefits of caplacizumab from its Phase III HERCULES study in aTTP at the 59th Annual Meeting of the American Society of Hematology (ASH) as part of the late-breaking abstracts session; data selected for “Best of ASH” session
- Submitted a marketing authorisation application (MAA) to the European Medicines Agency (EMA) for caplacizumab for the treatment of aTTP, including data from the Phase II TITAN study and further updated with the positive results from the Phase III HERCULES study
- Received Fast Track designation from the FDA for caplacizumab for the treatment of aTTP
- Continued the three-year follow-up study for patients who have completed the Phase III HERCULES study, with greater than 80% of eligible HERCULES patients having rolled over into this follow-up study
- Reported positive data from a single and multiple dose Phase I study of caplacizumab, demonstrating comparable pharmacokinetics in 60 healthy Japanese and Caucasian subjects
- Launched a new website, sponsored by Ablynx, in collaboration with healthcare professionals and patients to increase awareness of TTP (http://www.understandingttp.com/)

ALX-0171 (anti-RSV; wholly-owned)

- Announced the completion of the sequential dose escalation part of the Phase IIb RESPIRE study in 36 infants hospitalised as a result of a respiratory syncytial virus (RSV) infection and the initiation of the parallel dose part in 144 infants with ALX-0171; results from this Phase IIb study are expected in Q4 2018
- Obtained regulatory approval to enable a Phase II study in Japan with ALX-0171 in infants hospitalised with a RSV infection
- Filed for regulatory approval to enable a global Phase II study with ALX-0171 in adults who have undergone haematopoietic stem cell transplantation and have become infected with RSV
**Vobarilizumab (anti-IL-6R; exclusive option licensing deal with AbbVie)**

- Advanced the Phase II STEADY study in 312 patients recruited with systemic lupus erythematosus (SLE), with topline results expected in H1 2018 followed by AbbVie’s decision on whether to opt-in and license the compound.
- Continued the open-label extension study in rheumatoid arthritis (RA) for those patients who had completed the Phase IIb studies (94% roll-over rate), with topline results expected in H2 2018.

**Multi-specific Nanobody programmes**

- Entered into a new research collaboration with Sanofi to develop multi-specific Nanobodies initially focused on immune-mediated inflammatory diseases such as asthma, RA and psoriasis.
- Ablynx’s partner, Merck KGaA, reported encouraging results from their Phase Ib study of the bi-specific anti-IL-17A/F Nanobody, in patients with moderate to severe psoriasis. Merck KGaA subsequently partnered with Avillion to advance a Phase II study with the bi-specific Nanobody in plaque psoriasis.
- Ablynx’s partner, Merck & Co., Inc., (known as MSD outside the US and Canada), initiated an IND-enabling toxicology study with a bi-specific Nanobody as part of the immuno-oncology collaboration, triggering a €2.5 million milestone payment to Ablynx.
- Ablynx’s partner, Boehringer Ingelheim, advanced the Phase I dose escalation trial with a half-life extended bi-specific VEGF-Ang2 Nanobody in adult patients with advanced solid tumours.

**Additional clinical stage Nanobody programmes**

- Ablynx’s partner, Merck KGaA, started a Phase I study of ALX-1141, an anti-ADAMTS-5 Nanobody developed for the treatment of osteoarthritis, following the completion of a pre-clinical package prepared by Ablynx. The acceptance of the pre-clinical package by Merck KGaA triggered a €15 million milestone payment to Ablynx.
- The Phase I trial of single ascending doses of the anti-CX3CR1 Nanobody administered intravenously to healthy volunteers, as part of the strategic alliance with Boehringer Ingelheim, was on clinical hold due to safety concerns, but Boehringer Ingelheim re-initiated the study in January 2018 because the safety event was determined to be non-treatment related.
MILESTONES ACHIEVED IN STRATEGIC PARTNERSHIPS

In 2017, we received over €55 million in payments from our partners

**SANOFI**

On 20 July 2017, Ablynx announced that it had entered into a research collaboration and global exclusive licensing agreement with Sanofi initially focused on developing and commercialising Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases.

This collaboration gives Sanofi access to certain Nanobodies in Ablynx’s existing portfolio as well as to Ablynx’s scientists and proprietary Nanobody platform. Under the terms of the agreement, Sanofi gains exclusive global rights to certain multi-specific Nanobodies against selected targets, with options for similar rights to additional targets, for a total of eight potential Nanobody product candidates.

Ablynx received an upfront payment of €23 million, comprised of license and option fees. In addition, Ablynx will receive research funding estimated to amount to €8 million for the initially selected targets. Upon exercise of options to additional targets, Sanofi will pay Ablynx further option exercise fees and research funding. Sanofi will be responsible for the development, manufacturing and commercialisation of any products resulting from this agreement. Ablynx will be eligible to receive development, regulatory and commercial milestone payments of up to €2.4 billion plus tiered royalties up to low double digits on the net sales of any products originating from the collaboration.

**MERCK**

In June 2017, Ablynx received a second milestone in its immuno-oncology collaboration with Merck & Co., Inc., triggering a €2.5 million payment to Ablynx.

Ablynx entered into a research collaboration and licensing agreement with a subsidiary of Merck & Co., Inc., in February 2014. This exclusive collaboration and licensing agreement is focused on the discovery and development of several Nanobody candidates (including mono-, bi- and tri-specifics) directed toward so-called immune checkpoint modulators. In July 2015, Ablynx announced an expansion of this immuno-oncology collaboration with Merck & Co., Inc., to address an increased number of immune checkpoint modulator targets. The collaboration now includes up to 17 Nanobody programmes against individual protein targets and target combinations (mono-specific and multi-specific Nanobodies).

To date, Ablynx has received €33 million in upfront payments and €6 million in pre-clinical milestone payments. Ablynx is eligible to receive further development, regulatory and commercial milestone payments of up to €340 million per programme, as well as tiered royalties on annual net sales upon commercialisation of any Nanobody products.
In May 2017, Ablynx received a €15 million milestone payment from Merck KGaA for the completion of a pre-clinical package for a novel Nanobody (ALX-1141) targeting ADAMTS-5 in osteoarthritis. Merck KGaA subsequently started a Phase I study with ALX-1141.

ALX-1141 is the first clinical candidate to emerge from the collaboration signed in 2011 between Ablynx and Merck KGaA to co-discover and co-develop Nanobodies against two targets in osteoarthritis. Ablynx is eligible for approximately €120 million in development, regulatory and commercial milestones plus tiered royalties into double digits upon successful development and approval of the product.
FINANCIAL PERFORMANCE

€354.3 MILLION
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND OTHER SHORT TERM INVESTMENTS

€55.5 MILLION
CASH INCOME FROM COLLABORATORS

US$230 MILLION RAISED THROUGH NASDAQ IPO

85% FREE FLOAT DIVERSIFIED SHAREHOLDER BASE WITH AN ESTIMATE OF 66% OF INSTITUTIONAL SHAREHOLDING IN UK AND USA
DEAR SHAREHOLDERS, COLLEAGUES AND BUSINESS PARTNERS,

2017 was an exceptional year for Ablynx, culminating in early 2018 with the Company entering into a definitive agreement under which Sanofi will offer to acquire all of the outstanding ordinary shares, including shares represented by American Depositary Shares (ADSs), warrants and convertible bonds of Ablynx, at a price per Ablynx share of €45 in cash, which represents an aggregate equity value of approximately €3.9 billion. The transaction was unanimously approved by both the Sanofi and Ablynx Boards of Directors. We believe this transaction represents compelling value for shareholders, the potential to develop more Nanobodies more quickly to the benefit of patients and an increased range of opportunities for our staff.

During 2017, we were delighted to report positive data for our lead product, caplacizumab. We also continued to advance our growing pipeline of novel Nanobody-based drug candidates, which now contains more than 45 proprietary and partnered programmes. In addition, 2017 saw us successfully raise $230 million in the second largest IPO of the year on Nasdaq in the US.
CAPLACIZUMAB, POTENTIALLY OUR FIRST PRODUCT TO REACH THE MARKET

The most advanced product in our pipeline is caplacizumab, a wholly-owned anti-vWF Nanobody to treat acquired thrombotic thrombocytopenic purpura (aTTP), a life-threatening blood clotting disorder for which there is no specific drug treatment currently available. We were proud to announce compelling positive data from the Phase III HERCULES study in the late-breaking abstracts session at the 2017 American Society of Hematology (ASH) annual meeting, validating the potential of caplacizumab to become a key component of the new standard-of-care for aTTP. As pioneers in the treatment of aTTP, we are committed to making caplacizumab available to patients suffering from this severe disease. Early in 2017, we filed for approval in Europe for the use of caplacizumab in treating patients with aTTP, with potential approval and first launch anticipated in 2018. Results from the Phase III HERCULES study will support both the ongoing review in Europe and the planned BLA filing in the USA, which we expect to submit during the first half of 2018.

DEMONSTRATING ENCOURAGING CLINICAL AND PRECLINICAL POTENTIAL

In 2017, there were a total of eight Nanobody programmes in clinical development. In August, we completed the dose escalation part of the Phase IIb RESPIRE study with our wholly-owned, inhaled, anti-RSV Nanobody ALX-0171, a treatment for RSV infection in infants. The parallel dose part has now been initiated, with topline results expected in Q4 2018. A Phase II study in Japanese infants hospitalised as a result of a RSV infection has been initiated in March 2018, and a global Phase II study in haematopoietic stem cell transplant patients who become infected with RSV, is expected to be initiated in H1 2018.

We discussed our data from two Phase IIb studies in rheumatoid arthritis with vobarilizumab, our anti-IL-6R Nanobody, with regulators in Europe and the US, and in both cases agreed a potential path forward to Phase III trials. Phase II study results for vobarilizumab in SLE patients are expected in the first half of 2018, followed by AbbVie’s decision on whether or not to opt-in and license the compound.

A BROAD AND DEEP PIPELINE OF PROPRIETARY AND PARTNERED PROGRAMMES

We continued to build a robust product pipeline in 2017 with now more than 45 programmes across a wide range of therapeutic indications. In 2017, we started 10 new discovery programmes, both proprietary and as part of collaborations. We entered into a strategic research collaboration with Sanofi to develop multi-specific Nanobodies, initially focused on immune-mediated inflammatory diseases, with €23 million in upfront payments and up to €2.4 billion in potential milestones plus tiered royalties. Our partner Merck KGaA initiated a Phase I study with an anti-ADAMTS-5 Nanobody discovered at Ablynx for the treatment of osteoarthritis, resulting in a €15 million milestone payments to us. We also expect up to three Nanobodies to enter Phase I studies from our collaborative programmes in 2018. We believe that our collaborations with major pharmaceutical partners are strong endorsements of the capability of our technology platform to rapidly generate novel, potent drug candidates against disease targets which are difficult to address with other technologies.

THANK YOU
As always, we would like to thank all our dedicated employees for their continued hard work and outstanding commitment, our business partners for their dedication to our programmes and our shareholders for their continued strong support.

**SUMMARY**

As we embark on a new chapter in the story of Ablynx, we are excited about the Company’s future as part of the Sanofi family and the opportunity to utilise a broader infrastructure and deeper range of resources to further unlock the power of our Nanobody technology platform for the benefit of patients around the world. We have made amazing progress since the Company was founded 17 years ago and we are certain that the future for Nanobody-based medicines is very bright indeed based upon the highly innovative, world-class expertise and capabilities we have established here in Ghent.

Yours sincerely,

Dr Russell Greig - Chairman

Dr Edwin Moses - CEO
CORPORATE STRATEGY

Ablynx develops **therapeutics** in areas of **high unmet medical** using the Company’s unique Nanobody technology, where Nanobodies offer a **clear advantage** over existing products and technologies.

The Company employs a **hybrid business model** where it invests directly in its own development programmes as well as collaborating with pharmaceutical partners at all stages of discovery and development, selected for their expertise and experience in key areas.

Ablynx’s **ambition** is to develop differentiated and innovative medicines which have the potential to make a **real difference to patient’s lives**, to society, as well as creating sustainable value for all its stakeholders. The **first launch of a therapeutic Nanobody** is expected in **2018**.

On 29th January 2018, Ablynx announced an offer by Sanofi to acquire all its outstanding ordinary shares (including shares represented by American Depository Shares (ADSs), warrants and convertible bonds) at a price of €45 per share, which represents an aggregate equity value of approximately €3.9 billion. This proposed transaction was unanimously approved by both the Sanofi and Ablynx Board of Directors. The tender offer is expected to be launched in the beginning of the second quarter of 2018. Sanofi will publish an offer document in which it will set out the full details of its tender offer, and the Board of Directors of Ablynx will publish a response memorandum (‘memorie van antwoord’), in which it will set out its position on the tender offer.
OUTLOOK 2018 – ANTICIPATING THE FUTURE AS PART OF SANOFI

Ablynx remains focused on creating sustainable value with multiple significant pre-clinical, clinical and commercial events:

**Caplacizumab (anti-vWF)**
- Submit a Biological License Application (BLA) for caplacizumab in the USA
- Potential to receive European Marketing Authorisation for caplacizumab in aTTP followed by potential first commercial sales in Germany

**ALX-0171 (anti-RSV)**
- Generate topline results from the Phase IIb RESPIRE dose-ranging efficacy study with inhaled ALX-171 in 180 infants hospitalised with a RSV infection
- Continue the Phase II study in Japanese infants hospitalised as a result of a RSV infection
- Initiate a global Phase II study in patients who have undergone stem cell transplantation and who have become infected with a RSV infection

**Vobarilizumab (anti-IL-6R)**
- Topline results from the Phase II study of vobarilizumab in 312 SLE patients
- Abbvie’s decision on whether to opt-in and license the compound

**Other**
- Up to three Nanobodies from collaborative programmes enter Phase I clinical studies
NANOBODIES® - POWERFUL PLATFORM GENERATING POTENTIALLY INNOVATIVE MEDICINES

PLATFORM ADVANTAGES

Nanobodies are a novel class of proprietary therapeutic proteins based on single-domain antibody fragments that contain the unique structural and functional properties of naturally-occurring heavy chain only antibodies. Due to their small size and unique structure, Nanobodies are ideal building blocks for the generation of novel biological drugs with multiple advantages:

Mix and match

Multi-specific/multivalent Nanobodies that address multiple targets in a single drug molecule – flexible glycine-serine linker lengths

Nanobodies have the ability to bind **multiple targets with one single molecule**. These therapeutic molecules may contain many Nanobody building blocks combined with each other (seven Nanobodies linked together is the most complex molecule we have produced to date).

**Multi-specific** (binding different therapeutic targets; currently two bi-specific Nanobodies in the clinic) and **multi-valent** (binding to one therapeutic target using multiple Nanobody building blocks; currently five Nanobodies in the clinic) Nanobody molecules have been successfully produced and their potential therapeutic effect demonstrated.

Multiple delivery routes

Injection, inhalation, ocular, oral-to-topical

The robust nature and stability of Nanobodies allows administration through multiple delivery routes, including intravenous and subcutaneous **injection** (currently seven Nanobodies in the clinic) and **nebulisation** directly into the respiratory tract (currently one Nanobody in the clinic), as well as potentially through the **ocular** route and **orally** for local treatment in the gut.
Able to bind and block challenging targets

Nanobodies against ion channels and GPCRs

Nanobodies can interact with epitopes on targets which are hidden or shielded from much larger conventional antibodies.

Functionally selective Nanobodies have been generated against GPCRs as well as against ion-gated, ligand-gated and voltage-gated ion channels (multiple programmes on-going, both internally and with partners).

Customised half-life

At Ablynx, we have the ability to customise the in vivo half-life of a Nanobody from a few hours to over three weeks to achieve the desired properties, such as for use in chronic versus acute indications. Ablynx’s proprietary half-life extension technology is based on a Nanobody that binds to human serum albumin, thereby increasing the in vivo serum half-life of the therapeutic molecule.

Six of the different Nanobody drugs in the clinic incorporate this proprietary half-life extension technology, including three where clinical proof-of-concept has already been achieved in patients.
Manufacturing

High-yield, high-concentration, low-viscosity, microbial production

Nanobodies (including multi-specific and multivalent constructs) are encoded by a single gene and are efficiently produced with high-yields in prokaryotic and eukaryotic hosts, including bacteria, yeast, and mammalian cells. They can be formulated at high concentrations and maintain low viscosity, enabling multiple routes of administration.
THE PRODUCT PIPELINE - MULTIPLE SHOTS ON GOAL

>45 R&D PROGRAMMES – 8 NANOBODIES IN CLINICAL DEVELOPMENT

At the time of writing this report, Ablynx’s product pipeline includes over 45 wholly-owned and partnered programmes of which eight Nanobodies are in clinical development across a wide range of diseases, including haematology, inflammation, respiratory disease and oncology.

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<th>Target</th>
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<td>&gt;20 wholly-owned and partnered programmes</td>
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Pipeline of 23 March 2017

The current status and upcoming near term milestones for the Company’s major pre-clinical and clinical programmes are described in the following sections. More detailed information is also available on the Ablynx website [www.ablynx.com](http://www.ablynx.com).
KEY CLINICAL VALUE DRIVERS

CAPLACIZUMAB (ANTI-VON WILLEBRAND FACTOR; vWF)

FIRST-IN-CLASS POTENTIAL FOR THE TREATMENT OF ACQUIRED TTP (aTTP)

- Highly potent and selective bivalent anti-vWF Nanobody which has an immediate effect on platelet aggregation and the ensuing micro-clot formation in aTTP patients
- Estimated market potential ~€1.2 billion
- Orphan Drug Status in the United States and Europe received in 2009
- IP protection potentially up to 2035 in certain jurisdictions
- Positive ethnobo-bridging data in healthy Japanese and Caucasian subjects
- Marketing Authorisation Application filed in Europe
- Fast Track designation from the US Food and Drug Administration (FDA)
- Potential BLA filing in H1 2018
- First product launch expected in Europe in 2018

Acquired thrombotic thrombocytopenic purpura (aTTP)

Acute, life-threatening, ultra-rare blood clotting disorder

- Auto-immune disorder characterised by impaired activity of ADAMTS13 (<10%)
- Impaired ADAMTS13 activity leaves ultra-large vWF multimers (UL-vWF) un-cleaved (vWF is an important protein involved in the blood clotting process)
- UL-vWF multimers bind to platelets, resulting in severe thrombocytopenia (very low platelet count), and microclot formation in the small blood vessels throughout the body
- Leads to small blood vessel occlusion, tissue ischaemia, organ dysfunction and major thromboembolic events (stroke, acute myocardial infarction, thrombosis)
- Up to 20% mortality rate in the acute phase and up to 80% of patients suffer from recurrences

Incidence rate

- An estimated 7,500 patients present p.a. in North America, Europe and Japan

Current standard of care

- Daily plasma exchange (PEX) until confirmed platelet normalisation plus immunosuppressive treatments

High unmet medical need with no approved therapeutic drug currently available

There remains an urgent need for a novel treatment option that would result in faster resolution of the acute episode of aTTP and reduced related organ damage, risk of mortality and thromboembolic events, and risk of refractoriness to treatment, as well as preventing recurrences and reducing dependency on PEX.

Caplacizumab has been developed to address this unmet need. It blocks the interaction of ultra-large vWF multimers with platelets and, therefore, has an immediate effect on platelet aggregation and the ensuing formation and accumulation of the micro-clots that cause the severe thrombocytopenia and organ damage in aTTP. This immediate effect protects the patient from the critical manifestations of the disease while the underlying disease process is resolved.

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1 Allford et al., BJH 2003, Kremer Hovinga, Blood 2010; Benhamou, Haematologica 2012; Thejeel et al. 2016; Falter et al. 2013
2 Goel et al, Blood 2015; NIS (2007 to 2011); LexisNexis claims database
The efficacy and safety of caplacizumab in addition to daily PEX and immunosuppression were demonstrated in the Phase II TITAN and Phase III HERCULES studies.

The Phase II TITAN study recruited 75 patients with aTTP. Caplacizumab was well-tolerated and the primary endpoint of reduction in time to platelet count normalisation was met (p=0.005). Treatment with caplacizumab resulted in a nearly 40% reduction in time to platelet count normalisation as compared to placebo (i.e. a faster resolution of thrombocytopenia with consequent reduced use of PEX). Moreover, during treatment, caplacizumab reduced aTTP recurrences by 71% compared to placebo when administered as an adjunct to the standard-of-care. These results were published in *The New England Journal of Medicine*³.

Post-hoc analyses⁴ of the Phase II TITAN study data were performed to assess the impact of caplacizumab on a composite endpoint of major thromboembolic complications and aTTP-related mortality, as well as on refractoriness to standard treatment. The results demonstrate that a clinically meaningful lower proportion of subjects treated with caplacizumab experienced one or more major thromboembolic events, or died, as compared to placebo (11% versus 43%). In addition, a dramatic reduction in refractoriness⁵ to treatment was observed in caplacizumab-treated patients compared to those who received placebo (6% versus 22%). These results support the conclusion that caplacizumab has the potential to reduce morbidity and mortality associated with aTTP.

The Phase III HERCULES study recruited 145 patients and is the largest randomised, double-blind, placebo-controlled study conducted in patients with aTTP. Patients with an acute episode of aTTP were randomised 1:1 to receive either caplacizumab or placebo in addition to standard-of-care treatment (i.e. daily PEX and immunosuppression). Patients received a single intravenous bolus of 10mg caplacizumab or placebo followed by daily subcutaneous dose of 10mg caplacizumab or placebo until 30 days after the last daily PEX. If, at the end of this treatment period, there was evidence of persistent underlying disease activity indicative of an imminent risk for recurrence, the treatment could be extended for additional seven-day periods up to a maximum of 28 days. Patients were followed up for a further 28 days after discontinuation of treatment.

In the HERCULES study, treatment with caplacizumab in addition to standard-of-care resulted in a significantly shorter time to platelet count response (p<0.01), a significant reduction in aTTP-related death, recurrence of aTTP, or at least one major thromboembolic event during study drug treatment (p<0.0001), and a significantly lower number of aTTP recurrences in the overall study period (p<0.001). Importantly, treatment with caplacizumab resulted in a clinically meaningful reduction in the use of PEX and length of stay in the intensive care unit (ICU) and the hospital, compared to the placebo group. In addition, caplacizumab has the potential to prevent refractory disease and have a positive impact on the normalisation of organ damage markers (lactate dehydrogenase, cardiac troponin I and serum creatinine). Caplacizumab has a favourable safety profile, consistent with its mechanism of action.

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³ Peyvandi et al, NEJM – 11 February 2016  
⁴ Publication in the Journal of Thrombosis and Haemostasis – 26 April 2017  
⁵ Failure of platelet response after 7 days despite daily PEX treatment
No deaths were reported during the study drug treatment in the caplacizumab group in either the TITAN or the HERCULES studies, while for the placebo group, two deaths were reported in the TITAN study and three deaths in the HERCULES study.

A three-year follow-up study (NCT02878603) of patients who have completed the HERCULES study (85% roll-over rate) is in progress and will further evaluate the long-term safety and efficacy of caplacizumab and repeated use of caplacizumab, as well as characterising the long-term impact of aTTP.

In February 2017, based on the Phase II TITAN study results, a Marketing Authorisation Application (MAA) was submitted to the European Medicines Agency (EMA) for approval of caplacizumab in aTTP. In July 2017, Ablynx received Fast Track designation from the Food and Drug Administration (FDA) for caplacizumab for the treatment of aTTP. The positive results from the Phase III HERCULES study are being used to further support the MAA, as well as a planned Biologics License Application (BLA) filing in the United States in H1 2018. If approved by regulatory authorities, caplacizumab would be the first therapeutic specifically indicated for the treatment of aTTP.

During the course of 2017, a single and multiple dose Phase I study in 60 healthy Japanese and Caucasian subjects was conducted and consisted of single ascending dose and multiple dose parts. At all doses studied, the pharmacokinetics of caplacizumab in the Japanese population were similar to those observed in Caucasians. Caplacizumab was well-tolerated in all groups and its safety profile was consistent with its mechanism of action. A further development plan for caplacizumab in Japan will be discussed with the Japanese regulatory authorities in H1 2018.

Commercialisation of caplacizumab will focus initially on larger markets, including Germany, France, the United Kingdom, Italy and the United States, while also addressing Canada and other European countries, including the Benelux, Sweden, Denmark, Norway, Finland, Austria, Switzerland, Ireland, Spain and Portugal. The primary decision makers involved in prescribing caplacizumab are expected to be hematologists and nephrologists. We plan to communicate with these physicians through all traditional routes together with a complete digital strategy, including a sponsored aTTP website aimed at providing information to doctors and patients.

The initial launch of caplacizumab is expected in Germany in the second half of 2018, with the US launch anticipated in 2019, assuming we receive timely approval from the EMA and FDA, respectively.
2017 key events

• In February, submitted a marketing authorisation application (MAA) to the European Medicines Agency (EMA)
• In July, received Fast Track designation from the U.S. Food and Drug Administration (FDA)
• In October, reported positive topline results from the Phase III HERCULES study, meeting primary and key secondary endpoints
• In December, reported additional clinically important benefits of caplacizumab from the Phase III HERCULES study which showed that treatment with caplacizumab resulted in a significant reduction in the use of PEX and length of stay in the ICU and the hospital
• In December, presented the Phase III HERCULES study results at the 59th Annual Meeting of the American Society of Hematology in Atlanta, GA, USA, as part of the late-breaking abstracts session and the “Best of ASH” session
• In December, announced positive data from the Japanese single and multiple dose Phase I study of caplacizumab, demonstrating comparable pharmacokinetics in 60 healthy Japanese and Caucasian subjects

Potential near term key events

2018

• Anticipated first launch in Europe
• BLA submission in USA
• Start clinical development for Japan

2019

• Anticipated launch in USA
ALX-0171 (ANTI-RSV)

POTENTIAL BREAKTHROUGH FOR THE TREATMENT OF RSV INFECTIONS

- Highly potent, trivalent Nanobody delivered by inhalation
- Estimated market opportunity >€1 billion
- No widely used therapeutic available
- Patent protection up to 2037 in certain jurisdictions
- Important pre-clinical and clinical milestones achieved
- Ongoing Phase Ib RESPIRE dose-ranging study in 180 hospitalised infants with a RSV infection; first patient enrolled in January 2017 and topline results expected in Q4 2018
- Approval to start a Phase II study in 60 Japanese infants hospitalised with a RSV infection in 2018
- Approval to initiate a Phase II study in 75 RSV-infected haematopoietic stem cell transplant patients in 2018

Respiratory syncytial virus infection (RSV)\(^6\)

**Most common cause of lower respiratory tract infections and the leading cause of severe lower respiratory tract disease in infants, the elderly and immuno-compromised patients**

**Primary cause of hospitalisation and virus associated deaths**
- 3.2 million children (<5 years) hospital admissions globally in 2015; 48,000-74,500 in-hospital deaths globally in 2015\(^7\)
- In elderly, in US, >170,000 hospital admissions p.a. and approximately 14,000 deaths p.a.\(^8\)
- High mortality rate in RSV-infected immuno-compromised patients (patients who have undergone a stem cell transplantation)

**High incidence rate**
- 60%-70% of children will have been infected by the age of 1 year
- 5.5% average infection rate in elderly
- 50,000 haematopoietic stem cell transplant (HSCT) procedures globally p.a.\(^9\); about 12% become infected with RSV within 1 year\(^10\)

**Current standard of care**
- Only symptomatic treatments available, including corticosteroids and bronchodilators
- Monoclonal antibody (Synagis\(^9\)) used as prophylaxis and only approved in high-risk, pre-term infants

**High unmet need**
- Long-term disease burden (prolonged wheezing and increased risk for asthma development later in life)
- No specific treatment option available

There remains an urgent need for an effective therapeutic to treat RSV infections. Ablynx’s ALX-0171 is a potential breakthrough for the treatment of this disease. This trivalent Nanobody binds to the F-protein of RSV, thereby inhibiting viral replication and neutralising RSV activity by blocking virus uptake into cells. The physical robustness of the Nanobody allows administration via inhalation directly to the site of infection, i.e. the respiratory tract. ALX-0171 has shown a potent anti-viral effect against a broad range of RSV strains in

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\(^7\) Shi et al, Lancet 2017
\(^8\) Falsey et al, NEJM 2005
\(^9\) Niederwieser et al, Bone Marrow Transplant, 2016
\(^10\) D.P.Shah et al, J. Antimicrob chemother, 2013
vitro and it has demonstrated a marked therapeutic effect following administration via nebulisation in a neonatal animal model for infant RSV infection.\textsuperscript{11}

Repeated daily inhalation of ALX-0171 was proven to be well tolerated in multiple Phase I clinical studies in adult volunteers, including a study in subjects with hyper-reactive airways.

The safety and tolerability of ALX-0171 were demonstrated in the first-in-infant Phase I/IIa study in 53 hospitalised RSV-infected infants, aged 1-24 months, in multiple clinical centres in Europe and the Asia-Pacific region. The study was reported in May 2016 and consisted of an open-label lead-in phase with 5 infants, aged 5-24 months who received ALX-0171 and a double-blind, placebo-controlled phase with 48 infants, aged 1-24 months, who were randomised to ALX-0171 or placebo.

The study met its primary endpoint, demonstrating the favourable safety and tolerability profile of ALX-0171 when administered once daily for three consecutive days by inhalation in the target infant population, with no treatment-related serious adverse events reported. ALX-0171 was detected in the serum of subjects after treatment, consistent with lung exposure. Anti-drug antibodies had no effect on the pharmacokinetics and no apparent relation to the adverse events that were seen. Treatment with inhaled ALX-0171 had an immediate and significant impact on viral replication and also reduced viral load, as compared to placebo. Analysis of a composite of clinical efficacy endpoints, the Global Severity Score\textsuperscript{12}, led to an encouraging initial indication of a therapeutic effect for infants treated with ALX-0171.

In January 2017, the first patient was dosed in the Phase IIb RESPIRE study of ALX-0171. This study is a randomised, double-blind, placebo-controlled, international, multicentre dose-ranging study of three different doses of inhaled ALX-0171 in approximately 180 infants (aged 1-24 months) diagnosed with RSV and hospitalised for lower respiratory tract infection. ALX-0171 is administered once daily for three consecutive days. The trial consists of a sequential dose escalation part, which enrolled 36 infants, followed by a parallel part in which approximately 144 infants will be randomly assigned to one of the three dose groups of inhaled ALX-0171, or placebo. The primary endpoint of the trial is to evaluate the anti-viral effect of treatment measured in samples taken by nasal swabs. Secondary endpoints include safety, pharmacokinetics and clinical activity determined by assessment of the composite Global Severity Score. The last of the three safety cohorts in the sequential dose escalation part of the study was completed in July 2017, after which the Data Monitoring Committee (DMC) recommended continuing the study without changes to the protocol. The parallel dose part of the study was initiated in August 2017. Topline results from the RESPIRE trial are expected in Q4 2018.

During 2017, discussions took place with the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) to enable initiation of clinical development of ALX-0171 in Japan. In December 2017, approval was received

\textsuperscript{11} Oral presentation at the 9\textsuperscript{th} International RSV Symposium, November 2014

\textsuperscript{12} Poster presentation, Justicia et al: "Development and validation of a new clinical scale for infants suffering from acute respiratory infection"
from the PMDA to conduct a Phase II trial in 60 RSV-infected Japanese infants and young children without requiring prior studies in healthy Japanese adults. The first patient was dosed in March 2018 and the study is expected to read out in H2 2019.

In addition, preparations took place to start clinical development of ALX-0171 in haematopoietic stem cell transplant (HSCT) patients. Regulatory submissions to the different health authorities are ongoing and we expect to start a global Phase II study in 75 HSCT patients hospitalised with a RSV infection in H1 2018.

2017 key events

- Completed the sequential dose escalation part of the Phase IIb RESPIRE study in 36 infants hospitalised with a RSV infection and proceeded to the parallel dose part of the study in an additional 144 infants following a positive DMC recommendation
- Received approval from the PMDA to start a Phase II study in 60 Japanese infants hospitalised with a RSV infection
- Filed for regulatory approval to enable a global Phase II study in 75 adults who have undergone stem cell transplantation and have become infected with RSV

Potential 2018 key events

- Start Phase II study in 75 RSV-infected HSCT patients (H1)
- Phase IIb RESPIRE study results (Q4)
VOBARILIZUMAB (ANTI-IL-6R)

POTENTIAL NOVEL TREATMENT FOR RA AND SLE

- Opportunity in multi-billion dollar markets
- Half-life extended Nanobody for the treatment of auto-immune disorders
- Positive results from 2 Phase IIb RA studies in a total of 596 patients obtained and open-label extension study ongoing; Phase IIb RA data and potential design of Phase III RA programme discussed with regulators in Europe and the USA
- Phase II study in 312 SLE patients ongoing with results expected in H1 2018
- Awaiting the SLE data and AbbVie’s opt-in decision before deciding on next steps for vobarilizumab

Rheumatoid arthritis (RA)\(^{13}\)

Chronic, progressive, inflammatory disease of the joints and surrounding tissues

- RA is an inflammatory disease that occurs when a person’s immune system mistakenly starts attacking healthy joints, causing symptoms that may range in severity from patient to patient. These symptoms may include pain, swelling, stiffness, and loss of physical function.
- Patients with RA may also experience systemic symptoms, such as low-grade fever, fatigue, or weight loss.
- Over time, rheumatoid arthritis symptoms can worsen, everyday tasks may become difficult, and permanent joint damage may occur.

High incidence rate

- 2.5 million patients in the United States
- Approximately 6 million people expected to suffer from RA by 2025 in the 7 major markets

Current treatment options

- Two broad categories: 1) symptomatic treatments (e.g. corticosteroids); 2) disease modifying agents (DMARDs) to halt the destructive course of RA and prevent debilitating joint damage
- Market-leading drugs include anti-TNFα biological DMARDs
- RA drugs had >US$22 billion in sales in 2016

Unmet need

- Many patients respond initially to their treatment, but relapse after about 1 year.
- >30% of patients do not respond to TNFα inhibitors, the market leading biological DMARDs.
- Need for new, differentiating treatments with fewer treatment failures and fewer inadequate responders
- Need for disease modifying therapies with improved efficacy

\(^{13}\) Singh et al, Arthritis Rheumatol. 2016
Systemic lupus erythematosus (SLE)\textsuperscript{14}

Complex, multi-organ, autoimmune disorder characterised by the production of pathogenic autoantibodies and tissue deposition of immune complexes, which result in widespread tissue damage

- Although the aetiology of SLE is not fully understood, multiple genetic, environmental, and hormonal factors have been implicated in its development
- The disease displays a broad variety of symptoms and highly variable clinical features, including systemic, cutaneous, renal, musculoskeletal, and haematological manifestations

High incidence rate

- Approximately 5 million people worldwide suffer from a form of lupus
- 90\% of people diagnosed with lupus are women

Current treatment options

- Benlysta\textsuperscript{\textregistered} (a B-cell modulator) is the only drug specifically approved for the treatment of SLE
- Majority of therapies used for the treatment of SLE are relatively non-specific immunosuppressants and corticosteroids, many of which are ineffective and associated with significant side effects
- SLE market expected to grow to more than US$2.3 billion by 2026\textsuperscript{15}

Unmet need

- Reduction of disease activity
- Steroid sparing to reduce risk of future organ damage
- Prevention of flares
- Reduction of cardiovascular mortality
- Improved health-related quality-of-life

There remains an important need for new, differentiating treatment options with improved efficacy in RA and there is a substantial unmet medical need for more effective and better-tolerated therapies for the treatment of SLE. Vobarilizumab has been developed to address these unmet needs. Vobarilizumab targets the interleukin 6 pathway via its IL-6 receptor (IL-6R). IL-6 is a pro-inflammatory cytokine that plays a role in T-cell activation, production of acute phase proteins in response to inflammation, induction of immunoglobulin production, and stimulation of osteoclast differentiation and activation.

Vobarilizumab is an anti-IL-6R Nanobody linked to an anti-human serum albumin (HSA) Nanobody (to increase the \textit{in vivo} half-life of the molecule).

24-week data from a Phase IIa proof-of-concept combination study of vobarilizumab studied together with methotrexate (MTX) in 37 RA patients were published in February 2013 and the results demonstrated that vobarilizumab positively impacts the signs and symptoms of the disease and has a convenient dosing regime and a favourable safety profile.

In September 2013, Ablynx and AbbVie entered into a global licensing agreement for the development and commercialisation of vobarilizumab in RA and SLE. As part of the agreement, Ablynx received US$175,000,000\textsuperscript{14}


\textsuperscript{15} Decision Resources 2017
million in an upfront payment and assumed responsibility for the execution of Phase II clinical development in both RA and SLE. In return, AbbVie received certain rights to opt-in and license vobarilizumab (including, following such opt-in, the responsibility for Phase III development, registration and commercialisation).

In July 2016, Ablynx announced topline results from the 12-week Phase IIb study of vobarilizumab as a monotherapy in 251 patients with moderate to severe RA which demonstrated that vobarilizumab was effective and resulted in ACR20, ACR50 and ACR70 scores of up to 81%, 49% and 24% respectively at week 12. Moreover, vobarilizumab induced clinical remission (based on DAS28$_{\text{CRP}}^1$) in up to 41% of patients, as compared to 27% for tocilizumab-treated patients. Vobarilizumab also had a favourable safety profile at all administered doses.

In August 2016, Ablynx reported results from the 24-week Phase IIb study of vobarilizumab administered as a combination therapy with MTX in 345 patients with moderate to severe RA. ACR20, ACR50 and ACR70 scores were 79%, 61% and 45% respectively at week 24, and vobarilizumab had a rapid and strong impact on disease activity with up to 51% of vobarilizumab-treated patients achieving clinical remission (based on DAS28$_{\text{CRP}}$) at week 24. Its impressive effect on clinically relevant efficacy endpoints, such as ACR70 and DAS28 remission, confirms the potential of vobarilizumab to be a best-in-class drug candidate in RA. Importantly, the results also confirmed the favourable safety profile of vobarilizumab in a larger patient population and the potential for convenient monthly administration.

An open-label extension study in RA patients is currently ongoing (94% roll-over rate) and results are expected in 2018.

In October 2016, AbbVie decided not to exercise its right to opt-in and license vobarilizumab in RA at that time.

In H1 2017, Ablynx held end-of-Phase II meetings with the FDA and EMA to discuss the results of the vobarilizumab trials and agree a path forward to a potential Phase III programme.

The multi-centre, dose-ranging, placebo-controlled Phase II study of vobarilizumab in patients with moderate to severe active SLE recruited 312 patients ahead of schedule by the end 2016. The last patient completed the 48-week treatment schedule in 2017. Topline results are expected in H1 2018 at which time AbbVie again has the right to opt-in and license vobarilizumab.

2017 key events

- End-of-Phase II meetings on RA data with FDA and EMA
- Progress in the Phase II SLE study according to plan

Potential 2018 key events

- Topline results from Phase II study in SLE (H1)
- AbbVie’s decision to opt-in and license vobarilizumab in RA and SLE
- Results from open-label extension study in RA (H2)

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Remission: DAS28$_{\text{CRP}} < 2.6$
KEY PRE-CLINICAL VALUE DRIVERS

IMMUNO-ONCOLOGY – Merck & Co., Inc. Collaboration

- Collaboration signed in 2014 and extended in 2015
- Up to 17 fully-funded programmes, targeting multiple immune-checkpoint modulators
- €33 million in upfront and €6 million in pre-clinical milestone payments received
- Up to €5.7 billion in potential future milestones plus royalties
- First clinical studies planned for 2018

Immuno-oncology

“Immuno” in immuno-oncology refers to a person’s own immune system. Immuno-oncology drugs, known as immunotherapies, target the patient’s own immune system to help fight cancer.

Cancer is the most common cause of death globally

- Each year, approximately 14 million people are diagnosed with cancer
- Approximately 8 million patients die of cancer each year
- It is expected that in the next 2 decades, the number of cancer cases will increase by 70% to approximately 22 million per year

Current immuno-oncology treatment options

- Immunotherapies have a proven substantial survival impact and are expected to treat 60% of cancers
- First antibody drugs that hit the market target the immune checkpoint modulators CTLA4 and PD1

Next generation

- The number of targets in immuno-oncology is increasing
- Combination therapies are the next generation immunotherapies
- Market in immuno-oncology drugs expected to grow to >US$43 billion by 2020

Extensive immuno-oncology collaboration with Merck & Co., Inc.

In February 2014, Ablynx entered into a research collaboration and licensing agreement with a subsidiary of Merck & Co., Inc., focused on the discovery and development of Nanobodies (including bi- and tri-specifics) against up to five targets or target combinations. The Nanobody candidates are directed toward so-called immune checkpoint modulators, which are proteins believed to be important potential targets for the development of cancer immunotherapies.

In July 2015, Ablynx and Merck & Co., Inc. significantly expanded their collaboration to include up to 12 additional Nanobody programmes against individual protein targets and target combinations (mono-specific and multi-specific Nanobodies).

Under the terms of both the original and expansion agreements, Ablynx received €33 million in upfront payments and is potentially entitled to receive up to €5.7 billion in future development, regulatory and sales milestone payments, plus royalties. Ablynx is responsible for the discovery, optimisation and development of Nanobody candidates, after which Merck & Co., Inc., will have the option to advance specified lead

17 BofA Meryll Lynch July 2015
candidates into pre-clinical development. Merck & Co., Inc. will be responsible for clinical development, manufacturing and commercialisation of any products resulting from the collaboration.

Pre-clinical proof-of-concept was achieved with a bi-specific Nanobody programme in October 2015 and an IND-enabling toxicology study was initiated by Merck & Co., Inc. in June 2017. This Nanobody is a selective bi-specific molecule that potently binds to two different immune modulators. The results from the pre-clinical studies in relevant tumour models demonstrated that this bi-specific Nanobody potently inhibits tumour growth.

In 2017, a second in-vivo proof-of-concept milestone was fulfilled for a second Nanobody programme. In addition, in-vivo testing of Nanobodies binding multiple additional immune-modulatory targets was initiated during 2017.

To date, Ablynx has received €6 million in pre-clinical milestone payments from Merck & Co., Inc. The first clinical studies are expected to start in 2018.

2017 key events

- Initiation of IND-enabling toxicology study by Merck & Co., Inc. with a bi-specific Nanobody
- Completion of pre-clinical proof-of-concept studies for a second Nanobody programme

Potential 2018 key events

- Start of first clinical studies by Merck & Co., Inc.
IMMUNO-INFLAMMATION – Sanofi Collaboration

- Collaboration signed in 2017
- Up to 8 fully-funded programmes, focused on immune-mediated inflammatory diseases
- €23 million in upfront received plus research funding
- Up to €2.4 billion in potential future milestones plus royalties

Immune-mediated inflammatory diseases

Immune-mediated inflammatory diseases (IMID) comprise a wide range of immune-mediated conditions that share common inflammatory pathways.

- Chronic disorders characterised by dysregulation of immune pathways, e.g., RA, asthma, chronic obstructive pulmonary disease, atopic dermatitis
- Associated with significant morbidity, mortality and reduced quality of life
- Growing need for novel treatments to modify disease state
- Affect 5-7% of western populations\(^\text{18}\)
- Market expected to grow to $74 billion in 2022

Strategic discovery collaboration with Sanofi:

In July 2017, Ablynx entered into a research collaboration and global exclusive licensing agreement with Sanofi initially focused on developing and commercialising Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases. This collaboration gives Sanofi access to certain Nanobodies in our existing portfolio as well as to our scientists and proprietary Nanobody platform.

Under the terms of the agreement, Sanofi gains exclusive global rights to certain multi-specific Nanobodies against selected targets, with options for similar rights to additional targets, for a total of eight potential Nanobody product candidates. The financial terms included an upfront payment of €23 million to us, comprised of license and option fees. In addition, Ablynx will receive research funding, estimated to amount to €8 million for the initially selected targets. Upon exercise of options to additional targets, Sanofi will pay us further option exercise fees and research funding.

Sanofi will be responsible for the development, manufacturing and commercialization of any products resulting from this agreement. We will be eligible to receive up to €2.4 billion in potential development, regulatory and commercial milestone payments plus tiered percentage royalties on the net sales of any products originating from the collaboration.

Three target combinations were identified at the start of the collaboration and Sanofi has recently exercised its option to license two additional target combinations.

\(^{18}\) GBI research, December 2015
2018 key events

- In February 2018, Sanofi exercised its options for two additional multi-specific Nanobody product candidates, triggering the payment to Ablynx of €13 million in exercise fees
- Potential initiation of in-vivo proof-of-concept studies with multiple Nanobody target combinations.
### KEY PERFORMANCE

#### KEY FIGURES AND PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>(€ '000)</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>Revenu</td>
<td>55,562</td>
<td>84,773</td>
<td>76,761</td>
<td>47,710</td>
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<tr>
<td>Grants</td>
<td>(31)</td>
<td>414</td>
<td>779</td>
<td>1,587</td>
<td>2,761</td>
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<tr>
<td><strong>Total revenue and grant income</strong></td>
<td><strong>55,531</strong></td>
<td><strong>85,187</strong></td>
<td><strong>77,540</strong></td>
<td><strong>49,297</strong></td>
<td><strong>35,942</strong></td>
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<tr>
<td>Research and development expenses</td>
<td>(90,920)</td>
<td>(100,315)</td>
<td>(83,084)</td>
<td>(54,488)</td>
<td>(43,699)</td>
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<tr>
<td>General and administrative expenses</td>
<td>(18,805)</td>
<td>(13,472)</td>
<td>(11,411)</td>
<td>(11,047)</td>
<td>(10,044)</td>
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<tr>
<td>Operating loss</td>
<td>(54,195)</td>
<td>(28,600)</td>
<td>(16,955)</td>
<td>(16,238)</td>
<td>(53,743)</td>
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<tr>
<td>Finance income</td>
<td>449</td>
<td>34,761</td>
<td>1,768</td>
<td>4,294</td>
<td>131</td>
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<tr>
<td>Finance expenses</td>
<td>(54,787)</td>
<td>(7,248)</td>
<td>(39,360)</td>
<td>(786)</td>
<td>(3)</td>
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<tr>
<td><strong>Loss before taxes</strong></td>
<td>(108,532)</td>
<td>(1,087)</td>
<td>(54,547)</td>
<td>(12,730)</td>
<td>(19,470)</td>
</tr>
<tr>
<td><strong>Profit/(loss) for the period</strong></td>
<td><strong>(108,532)</strong></td>
<td><strong>(1,087)</strong></td>
<td><strong>(54,547)</strong></td>
<td><strong>(12,730)</strong></td>
<td><strong>(19,470)</strong></td>
</tr>
<tr>
<td><strong>Total comprehensive profit/(loss) for the period</strong></td>
<td><strong>(108,532)</strong></td>
<td><strong>(1,087)</strong></td>
<td><strong>(54,547)</strong></td>
<td><strong>(12,730)</strong></td>
<td><strong>(19,470)</strong></td>
</tr>
<tr>
<td>Profit/(loss) attributable to equity holders</td>
<td>(108,532)</td>
<td>(1,087)</td>
<td>(54,547)</td>
<td>(12,730)</td>
<td>(19,470)</td>
</tr>
<tr>
<td>Total comprehensive profit/(loss) attributable to equity holders</td>
<td>(108,532)</td>
<td>(1,087)</td>
<td>(54,547)</td>
<td>(12,730)</td>
<td>(19,470)</td>
</tr>
<tr>
<td>Basic profit/(loss) per share</td>
<td>(1.74)</td>
<td>(0.02)</td>
<td>(1.00)</td>
<td>(0.25)</td>
<td>(0.41)</td>
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<tr>
<td>Diluted loss per share</td>
<td>(1.74)</td>
<td>(0.43)</td>
<td>(1.00)</td>
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<td>(0.41)</td>
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TOTAL REVENUE AND GRANT INCOME

€36 million 2013
€49 million 2014
€78 million 2015
€85 million 2016
€55.5 million 2017
Ablynx is a dynamic, fast moving and multicultural environment with 18 different nationalities working together: American, Belgian, British, Columbian, Danish, Dutch, French, German, Greek, Hungarian, Indian, Irish, Italian, Polish, Portuguese, Spanish, Swedish and Turkish.
PRODUCTS IN THE CLINIC

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<th>Year</th>
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<tbody>
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<td>2013</td>
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<td>2015</td>
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<tr>
<td>2016</td>
<td>8</td>
</tr>
<tr>
<td>2017</td>
<td>8</td>
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* Not including anti-RANKL Nanobody (ALX-0141) licensed to Eddingpharm in Greater China (in pre-clinical development in China but completed Phase I study in Europe before it was licensed to Eddingpharm)
CASH INCOME, OPERATING EXPENSES AND YEAR-END CASH POSITION

Cash & Expenses (€million)
BREAKDOWN OF SHARE CAPITAL
At 31 December 2017

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Shareholder</th>
<th>Country</th>
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<tbody>
<tr>
<td>8%</td>
<td>Van Herk Investments B.V.</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>8%</td>
<td>FMR LLC</td>
<td>USA</td>
</tr>
<tr>
<td>5%</td>
<td>Baker Brothers</td>
<td>USA</td>
</tr>
<tr>
<td>5%</td>
<td>Perceptive Advisors</td>
<td>USA</td>
</tr>
<tr>
<td>4%</td>
<td>Farallon Capital Management</td>
<td>USA</td>
</tr>
<tr>
<td>4%</td>
<td>Bank of America Corporation</td>
<td>USA</td>
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<td>4%</td>
<td>Consonance CapMan GP LLP</td>
<td>USA</td>
</tr>
<tr>
<td>3%</td>
<td>GAM International Management Limited</td>
<td>UK</td>
</tr>
</tbody>
</table>

Based on public filings
ESTIMATED PERCENTAGE OF INSTITUTIONAL AND PRIVATE SHAREHOLDERS BY GEOGRAPHY

Representing 88% of total shares outstanding at 31 December 2017

- 52% USA
- 14% UK
- 16% Belgium
- 12% The Netherlands
- 7% Other
THE SHARES IN 2017

On 31 December 2017, there were 74,720,644 shares representing a total share capital of the Company of €139,674,249.57[1]. The total number of rights (warrants) to subscribe to not yet issued securities conferring voting rights was 2,808,058 at 31 December 2017. This number equals the total number of voting rights that may result from the exercise of these warrants. Currently 1,000 convertible bonds are outstanding entitling the holders thereof to 7,896,960 shares of the Company in the aggregate, upon conversion of such convertible bonds. The total number of fully diluted shares of the Company at 31 December 2017 was 85,425,662.

Ablynx’s shares are traded on Euronext Brussels and on Nasdaq, under the ticker symbol ABLX.

On Euronext (in €)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Average daily volume</td>
<td>190,926</td>
<td>121,006</td>
<td>165,910</td>
<td>189,867</td>
<td>227,786</td>
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<td>Average daily value</td>
<td>1,343,892</td>
<td>1,045,748</td>
<td>1,914,721</td>
<td>2,223,856</td>
<td>3,370,887</td>
</tr>
<tr>
<td>Total traded volume</td>
<td>48,686,030</td>
<td>30,795,240</td>
<td>42,472,998</td>
<td>48,795,905</td>
<td>58,085,379</td>
</tr>
<tr>
<td>Total traded value</td>
<td>342,692,372</td>
<td>265,619,949</td>
<td>490,168,666</td>
<td>571,531,030</td>
<td>859,576,268</td>
</tr>
</tbody>
</table>

On Nasdaq (in USD)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average daily volume</td>
<td>283,638</td>
</tr>
<tr>
<td>Average daily value</td>
<td>6,265,980</td>
</tr>
<tr>
<td>Total traded volume</td>
<td>13,047,337</td>
</tr>
<tr>
<td>Total traded value</td>
<td>288,235,066</td>
</tr>
</tbody>
</table>

[1] Under Belgian GAAP
ABSOLUTE PERFORMANCE IN 2017

Euronext

Nasdaq: 25/10/2017 – 31/12/2017
RELATIVE PERFORMANCE IN 2017

Euronext

chart by amCharts.com
FINANCIAL CALENDAR 2018
27 March – online publication annual report 2018
26 April – annual general meeting 2018
17 May – results Q1 2018

ANALYST COVERAGE
At present, Ablynx is covered by nine brokers:

<table>
<thead>
<tr>
<th>Broker</th>
<th>Analyst(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baird</td>
<td>Brian P. Skorney</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>Ying Huang</td>
</tr>
<tr>
<td>Bryan Garnier</td>
<td>Hugo Solvet</td>
</tr>
<tr>
<td>Degroof Petercam</td>
<td>Stéphanie Put</td>
</tr>
<tr>
<td>Jefferies</td>
<td>Peter Welford and Lucy Codrington</td>
</tr>
<tr>
<td>J.P. Morgan Cazenove</td>
<td>James P. Quigley and Anupam Rama</td>
</tr>
<tr>
<td>KBC Securities</td>
<td>Sandra Cauwenberghs and Lenny Van Steenhuyse</td>
</tr>
<tr>
<td>Kempen &amp; Co.</td>
<td>Suzanne van Voorthuizen</td>
</tr>
<tr>
<td>Ladenburg Thalmann</td>
<td>Kevin DeGeeter and James Colby</td>
</tr>
</tbody>
</table>

INVESTOR RELATIONS CONTACT
Ablynx nv
Technologiepark 21
9052 Zwijnaarde (Ghent) Belgium

Email: investors@ablynx.com
Tel: +32 9 262 00 00
Website: www.ablynx.com
GLOSSARY

Ang2
angiopoietin-2 (Ang2) - an important protein involved in the formation of new blood vessels from pre-existing vessels (angiogenesis), a vital mechanism in the growth of tumours

Bi-specific Nanobody
Nanobody construct which binds to two different targets

Bivalent Nanobody
Nanobody construct comprising two Nanobodies that bind with the same targets

BLA
Biologics License Application - request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce

DMARDs
disease modifying anti-rheumatic drugs (defined by their use in RA to slow down disease progression)

EMA
European Medicines Agency

FDA
Food and Drug Administration

Free float
Free float is defined as the outstanding capital less shareholdings exceeding 5%, except where such interests are held by (a) collective investment schemes/ mutual funds or (b) pension funds. In addition, certain insider holdings (e.g. shares held by directors, employees, founders and family), government holdings and holdings of the company itself (including subsidiaries) are not considered free float, irrespective of the size

HSCT
haematopoietic stem cell transplantation - transplantation of multipotent haematopoietic stem cells, usually derived from bone marrow, peripheral blood, or umbilical cord blood

IL-17A/F
T Helper 17 (Th17) cells and interleukine-17 (IL-17) are associated with the pathology of many human inflammatory and autoimmune disorders like psoriasis, rheumatoid arthritis and multiple sclerosis and have proved to play an important role in animal models mimicking these and other auto-immune disorders. Although IL-17A is the most characterised family member, its closest relative IL-17F has similar biological activity and possibly even a non-redundant role in vivo.
IL-6R
receptor of interleukin-6 (IL-6R) - a cytokine involved in a wide range of biological activities

MAA
marketing authorisation application

MTX
methotrexate is a drug commonly prescribed for various types of cancers, severe psoriasis, and severe rheumatoid arthritis

Multi-specific Nanobody
Nanobody construct which binds to multiple different targets

Nanobody®
protein that is composed of one or more binding domains with the structural and functional characteristics of naturally occurring heavy chain variable domains (VHH’s) from Camelidae. Nanobody® is a registered trademark of Ablynx

Orphan drug
drug treating a rare disease - the grant of orphan drug status by the authorities provides certain privileges, intended to stimulate the research, development and commercialisation of orphan drugs including market exclusivity of ten years in Europe and seven years in the USA

PEX
plasma exchange

Phase I
first stage of testing in human subjects. Normally, a small (20-100) group of healthy volunteers will be selected. This phase includes trials designed to assess the safety (pharmacovigilance), tolerability, pharmacokinetics, and pharmacodynamics of a drug

Phase II
once the initial safety of the study drug has been confirmed in Phase I trials, Phase II trials are performed on larger patient groups (20-300) and are designed to assess how well the drug works, as well as to continue Phase I safety assessments in a larger group of patients

Phase III
Phase III studies are randomised controlled multi-centre trials on large patient groups (300-3,000 or more depending upon the disease/medical condition studied) and are aimed at being the definitive assessment of how effective the drug is in comparison with current ‘gold standard’ treatment. Because of their size and comparatively long duration Phase III trials are the most expensive, time-consuming and difficult trials to design and run, especially in therapies for chronic medical conditions
Pre-clinical
involves *in vitro* (test tube or cell culture) and *in vivo* (animal) experiments using wide-ranging doses of the study drug to obtain preliminary efficacy, toxicity and pharmacokinetic information

Proof-of-concept study
clinical trial to demonstrate the product is effective in patients

RA
rheumatoid arthritis - autoimmune disease that causes chronic inflammation of the joints, the tissue around the joints, as well as other organs in the body

RANKL
Receptor Activator of Nuclear factor Kappa-B Ligand - a key regulator in bone remodelling

RSV
respiratory syncytial virus – virus that infects the respiratory tract

SLE
systemic lupus erythematosus (SLE) - complex, multi- organ, autoimmune disorder characterised by the production of pathogenic autoantibodies and tissue deposition of immune complexes, which result in widespread tissue damage

TNFα
protein named Tumour Necrosis Factor-alpha - a cytokine involved in systemic inflammation

TTP
thrombotic thrombocytopenic purpura - a rare thrombotic disorder

UL-vWF
ultra-large vWF multimers

VEGF
vascular endothelial growth factor (VEGF), an important protein involved in the formation of new blood vessels from pre-existing vessels (angiogenesis), a vital mechanism in the growth of tumours

vWF
don Willebrand factor - a blood glycoprotein involved in haemostasis
CORPORATE GOVERNANCE AND FINANCIAL INFORMATION
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1. REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We are pleased to present the financial statements for the fiscal year ended 31 December 2017 which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

1.1. STRATEGIC HIGHLIGHTS

R&D update

In January, Ablynx’s partner, Merck KGaA, reported encouraging results from their Phase Ib study of the bi-specific anti-IL-17A/F Nanobody, in patients with moderate to severe psoriasis.

In February, Ablynx submitted a marketing authorisation application (MAA) to the European Medicines Agency (EMA) for caplacizumab, its wholly-owned anti-vWF-Nanobody, caplacizumab, for the treatment of aTTP, including data from the Phase II TITAN study. In November, the MAA was further updated with the positive results of the Phase III HERCULES study that were announced in October.

In May, Ablynx received a €15 million milestone payment from Merck KGaA for the completion of a pre-clinical package for a novel Nanobody (ALX-1141) targeting ADAMTS-5 in osteoarthritis, with Merck KGaA subsequently starting a Phase I study.

In June, Ablynx achieved a second milestone in the immuno-oncology collaboration with Merck & Co., Inc., (known as MSD outside the USA and Canada) triggering a €2.5 million payment to Ablynx.

In July, Ablynx received Fast Track designation from the FDA for caplacizumab for the treatment of aTTP.

In August, Ablynx announced the completion of the sequential dose escalation part of the Phase IIb RESPIRE study in 36 infants hospitalised as a result of a RSV infection and the initiation of the parallel dose part in 144 infants with ALX-0171, the Company’s inhaled anti-RSV Nanobody. Results from this Phase IIb study are expected in Q4 2018.

In October, Ablynx announced positive topline results from the Phase III HERCULES study of caplacizumab, in 145 patients with aTTP. The study met its primary and two key secondary endpoints and reported a favourable safety profile.

In December, Ablynx reported additional clinically important benefits of caplacizumab from its Phase III HERCULES study in aTTP at the 59th Annual Meeting of the American Society of Hematology (ASH) as part of the late-breaking abstracts session.

Also in December, Ablynx announced positive data from a single and multiple dose Phase I study of caplacizumab, demonstrating comparable pharmacokinetics in 60 healthy Japanese and Caucasian subjects.

Corporate developments

In June, Ablynx appointed Dr Markus Ewert as Chief Business Officer to lead Ablynx’s business development activities and become a member of the Executive Committee.
In July, Ablynx announced a research collaboration and global exclusive licensing agreement with Sanofi to develop up to eight Nanobody product candidates initially focused on immune-mediated inflammatory diseases. Ablynx received an upfront payment of €23 million plus research funding for the initially selected targets and is eligible to receive further option exercise fees from additional targets and up to €2.4 billion in potential future milestone payments and royalties on the net sales of any products originating from the collaboration.

In October, following the positive Phase III data of caplacizumab, Ablynx completed its initial US public offering, raising $230 million in gross proceeds from the sale of 13,144,500 ordinary shares in the form of ADSs, including the full exercise of the underwriters’ option, at a price of $17.50 per ADS. The US public offering was nearly three times oversubscribed and was upsized from the $175 million initially targeted.

Also in October, Ablynx established Ablynx, Inc., its subsidiary in the USA and appointed Mr Daniel Schneider as the General Manager to lead the commercialisation of caplacizumab in North America.

**Post-period highlights**

In January 2018, Ablynx announced the appointment of Robert Friesen, PhD, as Chief Scientific Officer, effective 1st March 2018. Dr Friesen will lead the Company’s scientific, research and technology activities and become a member of the Executive Committee.

In January and February 2018, Ablynx announced changes to its Board of Directors with the departures of Dr Peter Fellner and Dr Bo Jesper Hansen respectively. Dr Russell G. Greig, who has been a non-executive Director of Ablynx since 2012, is now the new Chairperson of the Board.

On 16th February 2018, Ablynx announced that as part of the research collaboration signed in July 2017, Sanofi has exercised its options for two additional multi-specific Nanobody product candidates, triggering the payment to Ablynx of €13 million in exercise fees.

On 1st March 2018, Piet Houwen joined Ablynx as Chief Operating Officer. Mr Houwen will be responsible for the support of Ablynx’s business and R&D processes and become a member of the Executive Committee.

**1.2. ANALYSIS OF RESULTS OF OPERATIONS**

Total revenues and grant income decreased by 35% to €55.5 million (2016: €85.2 million), mainly driven by lower recognition of upfront payments from the ongoing collaborations with AbbVie and Merck & Co., Inc.

Total research and development costs decreased to €90.9 million (2016: €100.3 million) in line with the decrease in external development costs, largely related to lower clinical trials expenditure for vobarilizumab.

General and administrative costs increased to €18.8 million (2016: €13.5 million), related to expenditure for consultancies and staff, including pre-commercialisation costs for caplacizumab and costs related to the IPO on Nasdaq completed in October 2017.

As a result of the above, the operating loss was €54.2 million (2016: €28.6 million).

The net financial loss of €54.3 million comprises finance expenses of €46.6 million resulting from an increase in the fair value of the derivative associated with the convertible bond (following an increase in the Ablynx share price at year-end
compared to that at the end of 2016), and finance costs of €7.4 million (mainly related to the amortisation of the debt component of the convertible bond).

As a result, the net loss for 2017 increased to €108.5 million (2016: net loss of €1.1 million).

**1.3. BALANCE SHEET ANALYSIS**

The Company’s non-current assets of €78.5 million are €53.9 million higher than at 31 December 2016, mainly driven by the purchase of Interest Structured Notes with a maturity of two years and higher receivables for research and development incentives.

Ablynx’s current assets of €311.3 million consist mainly of cash and cash equivalents and other financial assets. Cash and cash equivalents consist of cash and deposits held on call with several banks. The Company also places cash in term accounts with maturities limited to a maximum of one year.

Shareholders’ equity increased from €103.1 million at the end of 2016 to €179.9 million at the end of 2017, mainly as a result of the €179.3 million net proceeds from the IPO on Nasdaq and the incorporation of the €108.5 million loss for the period.

Non-current liabilities relate to the senior unsecured bonds due on 27 May 2020 with a principal value of €100 million and to the non-current portion of deferred income.

Current liabilities consist mainly of trade payables and current deferred income related to the upfront payments received from partners.

**1.4. CASH FLOW ANALYSIS**

Net cash outflow from operating activities was €57.8 million as compared to a net outflow of €66.6 million in 2016. The difference primarily relates to lower operating expenses for the current period.

Cash flow from investing activities resulted in a net outflow of €160.0 million as compared to a net inflow of €45.9 million in 2016. The net cash outflow primarily relates to the movements from deposits with a term of less than 1 month to deposits with a term greater than 1 month.

Cash flow from financing activities represented a net inflow of €179.5 million compared to a net inflow of €70.4 million in 2016. The difference primarily relates to higher net proceeds from the issue of new shares on Nasdaq in 2017 compared to the net proceeds raised via an accelerated book building procedure in 2016.

The Company ended the period with a total liquidity position of €354.3 million (2016: €235.4 million) which consists of cash and cash equivalents of €14.9 million, other financial assets of €337.8 million and restricted cash of €1.6 million.
1.5. OUTLOOK 2018

During H1 2018, a BLA will be submitted for caplacizumab in the USA. In Europe, the Company has the potential to receive marketing authorisation for caplacizumab in aTTP in Q3 2018 followed by potential first commercial sales in Germany.

For ALX-0171, a Phase II study in Japanese infants, hospitalised as a result of a RSV infection has been initiated in March 2018, and a global Phase II study in hematopoietic stem cell transplant patients who become infected with RSV, is expected to be initiated in H1 2018. Results from the ongoing Phase IIb study in RSV-infected hospitalised infants are expected in Q4 2018.

The Phase II study results for vobarilizumab (anti-IL6R Nanobody) in 312 systemic lupus erythematosus (SLE) patients are expected in H1 2018 followed by AbbVie’s decision on whether to opt-in and license the compound.

The Company expects up to three Nanobodies to enter Phase I studies from our collaborative programmes during the year.

1.6. CORPORATE GOVERNANCE STATEMENT

1.6.1. REFERENCE CODE – COMPLY OR EXPLAIN

The Corporate Governance of the Company has been organised pursuant to the Belgian Companies Code and the Company’s Articles of Association. The Company’s Corporate Governance Charter is available on the Ablynx website via the following link: http://www.ablynx.com/investors/corporate-governance/principles-codes-and-guidelines/. The Company’s Corporate Governance Charter and this Corporate Governance Statement have been adopted in accordance with the recommendations set out in the Belgian Corporate Governance Code (https://www.corporategovernancecommittee.be/en/about-2009-code/2009-belgian-code-corporate-governance) (the “CGC”) that was issued on 9 December 2004 by the Belgian Corporate Governance Committee and subsequently amended on 12 March 2009. The Charter is regularly updated and the date of modification is mentioned each time.

The Company has opted for a two-tier governance structure. As a result, the governance structure of Ablynx is based on a distinction between:

- The management of Ablynx (including the daily management), a task conducted by the Executive Committee (“Directiecomité”) within the meaning of Art. 524bis of the Belgian Companies Code and within the framework of the general strategy defined by, and under the supervision of the Board of Directors; and

- The development of the general strategy of Ablynx, the supervision of the Executive Committee and the exercise of specific powers attributed by the Belgian Companies Code, the Company’s Articles of Association and the Company’s Corporate Governance Charter, which fall within the powers of the Board of Directors.

All transactions involving conflicts of interests were in line with the precisions of the Corporate Governance Charter and are listed in the annual report under point 1.12.

The Company’s Board of Directors complies with the Corporate Governance Charter (CGC), and believes that certain deviations from its provisions are justified in view of the Company’s particular situation. These deviations include the following:
• **Provision 2.9 CGC:** the Company has no Company Secretary. The CFO acts a Company Secretary with the assistance of external counsels.

• **Provision 5.2 CGC:** the Company has no overall formal internal auditor because of the size of the Company. However, the Audit Committee regularly evaluates the need for this function and/or commissions external parties to conduct specific internal audit missions and report back to the Audit Committee.

• **Provision 7.7 CGC:** only the independent Directors shall receive a fixed remuneration in consideration of their membership to the Board of Directors and their attendance in the meetings of the committees of which they are members. In principle, they will not receive any performance-related remuneration, nor will any options or warrants be granted to them in their capacity as Director. However, upon recommendation of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders' Meeting to deviate from that principle in application of Art. 554 BCC, if, to the Board of Directors’ reasonable opinion, the granting of options or warrants would be necessary or useful to attract or retain independent Directors with the most relevant experience and expertise.

**Diversity. Compliance with Art 96§2 BCC**

In line with its code of conduct ([http://www.ablynx.com/investors/corporate-governance/principles-codes-and-guidelines/](http://www.ablynx.com/investors/corporate-governance/principles-codes-and-guidelines/)), Ablynx firmly supports, in the organisation of its day to day business, diversity in age, gender, nationality, ethnic origin and level of education. Regular training is provided to employees, management and consultants so that all involved are fully aware of this policy.

The demographics show that Ablynx adheres to the above principles.

**Risk Management and Internal Control**

In addition to the information set out below, we refer to the section “1.6.10. Most important characteristics of the Company’s internal control system and risk management” The “Risk management” and “risk factors” topics are incorporated by reference in this corporate governance statement.
1.6.2. CAPITAL AND SHARES

On 1 January 2017, the share capital of Ablynx NV amounted to €113,870,284.13 represented by 60,921,732 shares. In the course of 2017 there have been 6 capital increases resulting from the exercise of warrants, which led to the issuance of 654,412 new shares and an increase of the share capital with €1,223,750.44 and of the issuance premium with €2,246,946.95.

<table>
<thead>
<tr>
<th>Date notary deed</th>
<th>Qty of new shares</th>
<th>Qty of warrants exercised</th>
<th>Par value</th>
<th>Issue premium</th>
<th>Total amount of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/01/2017</td>
<td>154,342</td>
<td>154,342</td>
<td>288,619.54</td>
<td>723,319.51</td>
<td>61,076,074.00</td>
</tr>
<tr>
<td>19/04/2017</td>
<td>57,125</td>
<td>59,375</td>
<td>106,823.75</td>
<td>291,978.02</td>
<td>61,133,199.00</td>
</tr>
<tr>
<td>18/07/2017</td>
<td>19,833</td>
<td>19,833</td>
<td>37,087.71</td>
<td>84,356.54</td>
<td>61,153,032.00</td>
</tr>
<tr>
<td>08/08/2017</td>
<td>16,700</td>
<td>16,700</td>
<td>31,229.00</td>
<td>49,454.50</td>
<td>61,169,732.00</td>
</tr>
<tr>
<td>13/09/2017</td>
<td>249,563</td>
<td>424,563</td>
<td>466,682.81</td>
<td>412,267.28</td>
<td>61,419,295.00</td>
</tr>
<tr>
<td>19/10/2017</td>
<td>156,849</td>
<td>156,849</td>
<td>293,307.63</td>
<td>685,571.10</td>
<td>61,576,144.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>654,412</strong></td>
<td><strong>831,662</strong></td>
<td><strong>1,223,750.44</strong></td>
<td><strong>2,246,946.95</strong></td>
<td></td>
</tr>
</tbody>
</table>

In addition Ablynx successfully completed an Initial Public Offering on Nasdaq in October 2017. This led to the creation of 13,144,500 new shares and an increase of the share capital with €24,580,215 and of the issuance premium with €170,747,055.

<table>
<thead>
<tr>
<th>Date Notary deed</th>
<th>Qty of new shares</th>
<th>Par value</th>
<th>Issue premium</th>
<th>Total amount of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>27/10/2017</td>
<td>11,430,000</td>
<td>21,374,100</td>
<td>148,475,700.00</td>
<td>73,006,144</td>
</tr>
<tr>
<td>30/10/2017</td>
<td>1,714,500</td>
<td>3,206,115</td>
<td>22,271,355.00</td>
<td>74,720,644</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,144,500</strong></td>
<td><strong>24,580,215.00</strong></td>
<td><strong>170,747,055.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

On 31 December 2017, the share capital of Ablynx NV amounted to €139,674,249.57 represented by 74,720,644 fully paid up shares. Each share has a par value of €1.87. Furthermore the company had 2,798,058 outstanding warrants and also 1,000 bonds with a nominal value of €100,000 each.

| Number of shares on 31 December 2016 | 60,921,732 |
| Numer of new shares (exercise of warrants) | 654,412    |
| Numer of new shares (US IPO) | 13,144,500 |
| Numer of shares on 31 December 2017 | 74,720,644 |

More detailed information can be found under section 8.12.1 “Capital Transactions during the year” of this annual report.

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants was approved and 734,958 warrants have subsequently been granted, of which 527,061 have been accepted on 31 May 2017 and on 18 July 2017 (219,155 warrants at €12.33/warrant for employees and 307,906 warrants at €12.33/warrant for consultants).

During the Board Meeting of 20 September 2017, the issuance of a maximum number of 670,000 warrants was approved and 662,500 warrants have subsequently been granted, of which 629,000 have been accepted on 17 January 2018 and
on 26 February 2018 (89,000 warrants at €12.26/warrant; 42,500 warrants at €12.96/warrant; 150,000 warrants at €13.32/warrant; 10,000 warrants at €17.84/warrant and 37,500 warrants at €19.78/warrant for employees and 150,000 warrants at €14.53/warrant and 150,000 warrants at 23.36/warrant for consultants).

Details on the above mentioned warrant plans can be found under section 8.12.2. “Authorised Capital” of this annual report.

1.6.3. SHAREHOLDERS AND SHAREHOLDERS STRUCTURE

As at 31 December 2017, the shareholding structure is as follows (based on the transparency declarations):

<table>
<thead>
<tr>
<th>Investor</th>
<th>Address</th>
<th>% of total</th>
<th># shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baker Bros</td>
<td>860, Washington Street, 3rd Floor New York, NY 1014 USA</td>
<td>5.35%</td>
<td>4,000,665</td>
</tr>
<tr>
<td>Bank of America Corporation(US)</td>
<td>Wilmington, DE USA</td>
<td>4.22%</td>
<td>3,151,686</td>
</tr>
<tr>
<td>Consonance CapMan GP LLP</td>
<td>1370, Avenue of the Americas 33rd Floor New York, NY 10019 USA</td>
<td>4.14%</td>
<td>3,096,059</td>
</tr>
<tr>
<td>Farallon Capital Management</td>
<td>251, Little Falls Drive Welminton, DE 19808 USA</td>
<td>4.25%</td>
<td>3,175,000</td>
</tr>
<tr>
<td>Fidelity Management Research (US)</td>
<td>245, Summer Street Boston, MA 02210 USA</td>
<td>7.78%</td>
<td>5,813,507</td>
</tr>
<tr>
<td>Gam International (UK)</td>
<td>20, King Street London, SW1Y 6QY UK</td>
<td>3.22%</td>
<td>2,408,585</td>
</tr>
<tr>
<td>Perceptive Advisors (US)</td>
<td>51, Astor Place 10th floor New York, NY 10003 USA</td>
<td>4.55%</td>
<td>3,400,628</td>
</tr>
<tr>
<td>Van Herk Investments (NL)</td>
<td>Lichtenaueelaan 30 Rotterdam, 3062ME The Netherlands</td>
<td>8.21%</td>
<td>6,136,386</td>
</tr>
<tr>
<td>Other shareholders</td>
<td></td>
<td>58.28%</td>
<td>43,538,128</td>
</tr>
</tbody>
</table>
1.6.4. BOARD OF DIRECTORS

1.6.4.1. COMPOSITION OF THE BOARD

The Board of Directors consists currently of seven members (as of 7 February 2018), one of whom is an executive Director, six of whom are independent non-executive Directors.

At the end of 2017 the Board of Directors was composed of 3 female Directors and 6 male Directors. This means that the composition of the Board of the Company is compliant with Art 518bis BCC as one third of its members is of a different sex than the other members.

Ms Hilde Windels permanent representative of BVBA Hilde Windels was elected as Director by the General Shareholders Meeting on 18 August 2017 whereas Dr Peter Fellner resigned from the Board on 8 January 2018. Dr Fellner was succeeded by Dr Bo Jesper Hansen until 7 February 2018. Since 7 February 2018 Dr Russell Greig has filled the role of Chairperson of our Board.

From left to right: Dr Edwin Moses, Dr Russell G. Greig, Dr William Jenkins, Mrs Catherine Moukheibir, Prof Dr Lutgart Van den Berghe, Mr Remi Vermeiren, Ms Hilde Windels

Peter Fellner
Chairperson of the Board till 8 January 2018

Dr Peter Fellner, Ph.D. has served as a member of our Board of Directors since November 2013 until 8 January 2018. He has served as Chairperson of the Board of Consort Medical Plc since 2009, Vernalis Plc since 2003 and Mereo BioPharma Group Plc since 2015. He was a member of the Novo A/S Advisory Group from October 2010 to January 2016. He was Chairperson of Optos Plc from 2010 until its acquisition by Nikon Corporation in 2015, and served as Vice Chairperson of Astex Pharmaceuticals Inc. from 2011 until its acquisition by Otsuka Pharmaceuticals in 2013. He was a Director of the global biopharmaceutical company UCB SA from 2005 to 2014. Dr Fellner received his Ph.D. in molecular biology from Cambridge University.
Edwin Moses  
*Member of the Board of Directors and Chief Executive Officer*


Russell G. Greig  
*Independent Director and Chairperson of the Board since 7 February 2018*

**Dr Russell G. Greig, Ph.D., permanent representative of Greig Biotechnology Global Consulting Inc.,** has served as a member of our Board of Directors since 2012, member of the Audit Committee and Chairperson of the Nomination and Remuneration Committee since 2013. He is Chairperson of our Board of Directors since February 7, 2018 and member of the Research and Development Committee since 21 February 2018. Dr Greig has been the current Chairperson of AM Pharma since January 2012, Mint Solutions since September 2014, Sanifit since July 2015 and eTheRNA since September 2016. He has been a Director of Tigenix since September 2012. He was also a Venture Partner to Kurma Life Sciences, a position held from 2012 until March 2017 and was Director at Onxeo from 2013 until April 2017. He served as acting Chief Executive Officer at Isconova from April 2011 to 2013. He was also Chairperson of Bionor from July 2015 to March 2016, Syntaxin from June 2011 to August 2013, which was acquired by Ipsen, Novagali from August 2011 to March 2012 which was sold to Santen, and of Isconova from January 2011 to 2013, which was acquired by Novavax. Dr Greig received his B.Sc. and Ph.D. in biochemistry from Manchester University.

Remi Vermeiren  
*Independent Director*

**Mr Remi Vermeiren** has served as a member of our Board of Directors and as the Chairperson of our Audit Committee since 2007. Prior to joining us, Mr Vermeiren, for more than 43 years, served in various roles with Kredietbank NV (since 1998 KBC Bank and Insurance Group) including as Chief Executive Officer from 1998 until 2003, when he retired. Mr Vermeiren is currently a member of a number of private companies and of charitable organizations, such as Pro Vives, Vives and ‘Foundation RV,’ set up and funded by himself. He has also been a member of the board of ACP II SCA in Luxembourg since 2007. Over the past five years Mr Vermeiren has held positions as a member of the board or governing bodies of the following companies: Devgen NV from 2004-2013 and Zinner NV and MCS NV from 2013-2014. Mr Vermeiren holds a degree in commercial and financial sciences from the Higher Institute for Administration and Commerce, Brussels.
Catherine Moukheibir
Independent Director

Ms Catherine Moukheibir has served as a member of our Board of Directors and our Audit Committee since 2013. Ms Moukheibir has held positions in several European biotech companies after an initial career in strategy consulting and investment banking in Boston and London. Ms Moukheibir has been a non-executive Board member, Chairperson of the Audit Committee and member of the Remunerations Committee of GenKyoTex and non-executive Board member and Chairperson of the Audit Committee of Orphazyme since 2017, the current non-executive Chairperson, Chairperson of the Audit Committee and Chairperson of the Remuneration and Nominations Committee of MedDay Pharma SA since 2016, non-executive Board member and Chairperson of the Audit Committee at Zealand Pharma since 2014, non-executive Board member and member of the Audit Committee at Cerenis since 2015, and Advisory board member at the Imperial College Business School since 2015 and the Yale School of Management since 2016. She served as Senior Advisor, Finance and a member of the Executive Board of Innate Pharma from 2011 to 2016 and as Chief Financial Officer and a member of the Executive Committee of Movetis from 2008 until its acquisition by Shire in 2010. Ms Moukheibir holds an M.A. in economics and an MBA from Yale University.

Bo Jesper Hansen member of the Board of Directors till 7 February 2018
Chairperson of the Board from 8 January 2018 till 7 February 2018

Dr Bo Jesper Hansen, Ph.D., permanent representative of Orfacare Consulting GmbH, has served as a member of our Board of Directors from 2013 until his resignation in February 2018, including as Chairperson of our Board of Directors from January 8, 2018 until 7 February 7, 2018.
Dr Hansen currently serves as Chairperson of Laborie Inc., a position held since September 2016, and as non-executive Director of Newron Pharmaceuticals SpA a position held since 2010, Orphazyme Aps, a position held since 2011, Ascelia Pharma, a position held since 2008 and Azanta A/S, a position held since 2016. He was executive Chairperson of Karolinska Development AB from 2013 until 2017. From January 2010 until May 2016. Dr Hansen was the executive Chairperson of the Board of Swedish Orphan Biovitrum AB, an international growth company specializing in the development, registration, marketing and distribution of pharmaceutical drugs for rare and life threatening diseases. Dr Hansen held that position beginning in January 2010 as a result of the merger of Swedish Orphan International AB Group and Biovitrum. Prior to the merger, Dr Hansen served in numerous positions with Swedish Orphan International AB Group, including as a co-founder and, from 1998 to 2010, Chief Executive Officer, president and member of the Board of Directors. Dr Hansen previously served on the Board of Onxeo SA and as executive Chairperson of TopoTarget A/S from 2010 until 2014, and on the Board of Hyperion Therapeutics Inc. from 2011 until its acquisition by Horizon in 2015. He was also non-executive Director of Gambro from 2009 until its acquisition by Baxter in 2013, of Zymenex from 2008 until its acquisition by Chiesi in 2013 and of and Inspyr Therapeutics, Inc. from 2010 till 2017. Prior to this, Dr Hansen founded Scandinavian Medical Research in 1991 and also served as Medical Advisor for Synthélabo, Pfizer, Pharmacia and Yamanouchi Pharmaceutical. Dr Hansen received his Doctor of Medicine degree and Ph.D. from the University of Copenhagen.

William J. Jenkins
Independent Director

Dr William J. Jenkins has served on our Board of Directors since 2013. He is also Chairperson of the Research and Development Committee and member of the Nomination and Remuneration Committee. He is principal of William Jenkins Pharma Consulting and has been advising a wide range of pharma and biotech companies and investment and venture capital firms in the healthcare sector since 1999. Formerly, Dr Jenkins was Head of Worldwide Clinical
Development and Regulatory Affairs for Novartis Pharma from 1996 to 1999, having previously held the same post at Ciba-Geigy since 1992, and Head of Worldwide Clinical Research for Glaxo Group Research Limited from 1988 to 1992. Dr Jenkins is currently Senior Independent Director of Consort Medical, a position he has held since 2009, a member of the Board of Allegra Therapeutics GmbH since 2013 and a member of the Strategic Advisory board of Chiesi Farmaceutici since 2009. In addition, he has been a member of the Scientific Advisory boards of BB Biotech Ventures II and III funds since 2005. Dr Jenkins received his B.A. from Cambridge University in electrophysiology, his M.A. and M.D. in medicine from Cambridge University and his M.Sc. in biochemistry from London University.

Lutgart Van den Berghe

_Independent Director_

**Dr Lutgart Van den Berghe, Ph.D., permanent representative of Feedon NV,** has served as a member of our Board of Directors since 2015 and is a member of our Nomination and Remuneration Committee since 21 February 2018. She has been Managing Director of GUBERNA (Belgian Governance Institute) since 1996 and has been the Extra-Ordinary Professor in Corporate Governance at the University of Ghent since 1997. Dr Van den Berghe is a Partner of the Vlerick Business School where she served as Chairperson of the Competence Center “Entrepreneurship, Governance and Strategy” from 1994 to 2010. Dr Van den Berghe has extensive governance experience gained as a member of the Belgian Commission for Corporate Governance and as non-executive Director in several companies, such as Belfius since 2012. She is a member of the Board and Chairperson of the Policy Committee at EcoDA (European Confederation of Directors’ Association), a position she has held since 2006. Formerly she served as a non-executive Director of Proximus from 2004 to 2016, Engie from 2003 to 2014, and SHV Holdings from 1997 to 2013. Dr Van den Berghe has a doctorate in business economics from the University of Ghent.

Hilde Windels

_Independent Director_

**Ms Hilde Windels, permanent representative of Hilde Windels BVBA,** has served as a member of our Board of Directors and the Audit Committee since 2017. She is currently an Executive Director at Biocartis Group NV and a member of the Board of Directors of Erytech Pharma SA, MDx Health NV, Mycartis NV and Vlaams Instituut voor Biotechnologie (VIB). Ms Windels served as Chief Financial Officer for Biocartis NV from 2011 until she became Deputy Chief Executive Officer in 2015, followed by a CEO ad interim position until September 2017. From 2009 to 2011, she worked as an independent Chief Financial Officer for several private biotech companies and served as director of MDxHealth SA from June 2010 until August 2011. From 1999 to 2008, Ms Windels was Chief Financial Officer and a board member of Devgen NV. Ms Windels holds a masters in economics from the University of Leuven, Belgium.
(1) The term of the mandate of the Director will expire immediately after the Annual General Meeting of Shareholders held in the year indicated.

(2) First appointed as independent Director by the Extraordinary General Meeting of Shareholders held on 21 October 2004. He has been re-appointed as executive Director by the Extraordinary General Meeting of Shareholders held on 23 August 2006 and by the Annual General Meeting of Shareholders held on 30 April 2015. Dr Moses has taken up the position of CEO on 6 June 2006. Dr Moses was also Chairperson of the Board until November 2013.

1.6.4.2. ACTIVITY REPORT

In 2017, fifteen Board meetings have been held.

In four of these meetings, the strategy and/or the company results have been discussed. The attendance was as follows: Dr Fellner (100%), Dr Edwin Moses (100%), Dr Russell Greig (100%), Dr Bo Jesper Hansen (100%), Dr William Jenkins (100%), Mr Remi Vermeiren (100 %), Dr Lutgart Van den Bergh (100%) and Ms Catherine Moukheibir (75%). Ms Windels attended all meetings of the Board since her nomination in August 2017.

<table>
<thead>
<tr>
<th>Name</th>
<th>Year of birth</th>
<th>Position</th>
<th>Term(1)</th>
<th>Board Committee Memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Peter Fellner</td>
<td>1943</td>
<td>Independent Director and Chairman until 8 January 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr Edwin Moses(2)</td>
<td>1954</td>
<td>Director and Chief Executive Officer</td>
<td>2019</td>
<td>Member of the Research and Development Committee</td>
</tr>
<tr>
<td>Mr Remi Vermeiren</td>
<td>1940</td>
<td>Independent Director</td>
<td>2019</td>
<td>Chairman of the Audit Committee</td>
</tr>
<tr>
<td>Mrs Catherine Moukheibir</td>
<td>1959</td>
<td>Independent Director</td>
<td>2021</td>
<td>Member of the Audit Committee</td>
</tr>
<tr>
<td>Greig Biotechnology Global Consulting Inc., represented by its</td>
<td>1952</td>
<td>Independent Director and Chairman from 7 February 2018</td>
<td>2020</td>
<td>Chairman of the Nomination and Remuneration Committee</td>
</tr>
<tr>
<td>permanent representative Dr Russell Greig</td>
<td></td>
<td></td>
<td></td>
<td>Member of the Audit Committee</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Member of the Research and Development Committee from 21 February 2018</td>
</tr>
<tr>
<td>William Jenkins Pharma Consulting represented by its Principal Dr</td>
<td>1947</td>
<td>Independent Director</td>
<td>2021</td>
<td>Chairman of the Research and Development Committee</td>
</tr>
<tr>
<td>William J. Jenkins</td>
<td></td>
<td></td>
<td></td>
<td>Member of the Nomination and Remuneration Committee</td>
</tr>
<tr>
<td>Orfacare Consulting GmbH represented by its permanent representative</td>
<td>1958</td>
<td>Independent Director and Chairman from 8 January 2018 to 7 February 2018</td>
<td></td>
<td>Member of the Nomination and Remuneration Committee until 7 February 2018</td>
</tr>
<tr>
<td>Dr Bo Jesper Hansen</td>
<td></td>
<td></td>
<td></td>
<td>Member of the Research and Development Committee until 7 February 2018</td>
</tr>
<tr>
<td>Orfacare Consulting GmbH represented by its permanent representative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feadon NV represented by its permanent representative, Baroness Prof</td>
<td>1951</td>
<td>Independent Director</td>
<td>2019</td>
<td>Member of the Nomination and Remuneration Committee from 21 February 2018</td>
</tr>
<tr>
<td>Dr Lutgart Van den Bergh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orfacare Consulting GmbH represented by its permanent representative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hilde Windels BVBA represented by its permanent representative Mrs Hilde Windels</td>
<td>1965</td>
<td>Independent Director</td>
<td>2021</td>
<td>Member of the Audit Committee since 22 August 2017</td>
</tr>
</tbody>
</table>
All other Board meetings were related to the issue of warrants, the US IPO, the unsolicited, non-binding and conditional proposal from Novo Nordisk and the preparation of the General Assemblies.

1.6.4.3. PERFORMANCE EVALUATION OF THE BOARD

Under the lead of the Chairperson, the Board regularly evaluates its performance to determine whether the Board and its Committees are functioning effectively. The evaluation process has the following objectives: assessing how the Board operates; verifying that important issues are adequately prepared and discussed; evaluating the actual composition of each Director’s work, the Director’s presence in the Board and Committee meetings and his/her constructive involvement in discussions and decision-making and verifying the Board’s current composition against the Board’s desired composition.

The non-executive Directors will assess their interactions with the Executive Committee. At least once a year, they meet in the absence of the CEO. No formal Board decision can be taken in such a meeting.

The Board has discussed its composition and performance on several occasions during 2017.

At the time of their re-election, the Directors’ commitments and contributions are evaluated within the Board, and the Board ensures that any appointment or re-election allows an appropriate balance of skills and experience to be maintained in the Board. The same applies at the time of the appointment or the re-election of the Chairperson (of the Board and of the Board’s Committees). The Board shall act on the results of the performance evaluation by recognising its strengths and addressing its weaknesses. Where appropriate, this will involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the Board.
1.6.5. AUDIT COMMITTEE

As of 8 January 2009 (the date on which the Law of 17 December 2008 with regard to the incorporation of an Audit Committee in listed companies and financial companies entered into effect), “large” listed companies (as defined in Art. 526bis of the Belgian Companies Code) are legally obliged to establish an Audit Committee within their Boards of Directors.

The Board of Directors has set up an Audit Committee. From 22 August 2017 onwards the Audit Committee was composed of four members, which are exclusively non-executive Directors. All of its members are independent Directors and two of its members have an expertise in the field of accounts and audit. The Chairperson of the Audit Committee is not the Chairperson of the Board of Directors.

1.6.5.1. COMPOSITION

The following Directors are members of the Audit Committee: Remi Vermeiren (Chairperson), Greig Biotechnology Global Consulting Inc., represented by Dr Russell Greig, Catherine Moukheibir and BVBA Hilde Windels represented by its permanent representative Ms Hilde Windels. Remi Vermeiren and Catherine Moukheibir have expertise in the field of accounts and audit and are both independent Directors.

All these Directors have many years of experience in the biotechnology sector in general and have gained extensive knowledge of Ablynx's business in particular.

1.6.5.2. ACTIVITY REPORT

The Audit Committee met four times in 2017. During these meetings the financial results, budgets, treasury, topics related to risk management and the financial press releases were discussed.

The attendance was as follows: Mr Remi Vermeiren (100 %), Dr Russell Greig (100%) and Ms Catherine Moukheibir (75%). Ms Hilde Windels attended the two meetings of the Audit Committee since her nomination as member of the Board of Ablynx NV.

The Audit Committee is responsible for the financial reporting, the internal control and risk management, the internal audit and the external audit, and for the reporting and communication between the statutory auditor and the Board. More detailed information on these responsibilities can be found on Ablynx’s website in the Corporate Governance Charter and in the Terms of Reference of the Audit Committee.

1.6.6. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is appointed by the Board of Directors of Ablynx to advise the Board in its duties and responsibilities relating to the nomination and the compensation and benefit programmes of executive & non-executive Directors, the Chief Executive Officer and the Executive Committee including other terms of employment for the CEO and the Executive Committee. The Nomination and Remuneration Committee at the same time reviews possible warrant plans for employees.

The basic principle is that the level of remuneration should be sufficient to attract, retain and motivate on each level the most talented individuals for the job.
1.6.6.1. COMPOSITION

The Nomination and Remuneration Committee consisted of three members during 2017: Greig Biotechnology Global Consulting Inc., represented by its permanent representative, Dr Russell Greig (Chairperson); William Jenkins Pharma Consulting, represented by its principal Dr William J. Jenkins and Orfacare Consulting GmbH, represented by its permanent representative Dr Bo Jesper Hansen. On 21 February 2018, Feadon NV represented by its permanent representative Prof Dr Lutgart Van den Berghe, became member of the Nomination and Remuneration Committee. Feadon NV replaces Orfacare Consulting GmbH represented by Dr Bo Jesper Hansen.

All members of the Nomination and Remuneration Committee are also a member of the Board of Directors.

All members are independent non-executive Directors. Each member of the Committee has appropriate knowledge and experience in compensation- and benefit- related matters, since they are associates of Boards of other companies and as a result have knowledge of remuneration policies across the world.

The CEO and the Vice President Human Resources are invited to attend the meetings of the Nomination and Remuneration Committee in an advisory and non-voting capacity on all matters. They do not attend discussions concerning their own remuneration.

The Chairperson leads all meetings of the Committee, coordinates the evaluation of the performance of the CEO and acts as Secretary, although he can delegate this duty or parts thereof to the Vice President Human Resources.

The members of the Committee declare that they dedicate a significant amount of their time to the Committee’s activities.

The Nomination and Remuneration Committee of Ablynx advises the Board of Directors on all aspects of the Compensation and Benefit programmes for the executive and non-executive Directors, the CEO and the Executive Committee and other terms of employment for the CEO and the Executive Committee. The Committee makes recommendations to the Board on appropriate Compensation and Benefit programmes (in respect of both amounts and composition) of:

- The CEO and the other members of the Executive Committee, upon proposal by the CEO (except when it concerns his own remuneration), such as: (i) the principal contractual terms and arrangements for the termination of employment; and (ii) the principal components of the remuneration package (including, the relative importance of each component, the performance criteria applying to the variable elements, the benefits in kind, bonuses and long-term incentives, whether stock-related or not, in the form of stock options or other financial instruments); as well as Directors;
- Drawing up the policy regarding warrant plans and overseeing the general policy for the granting of warrants to employees, executive and non-executive Directors and members of the Executive Committee. The CEO shall propose the identity of the beneficiaries and the number of warrants to be allocated to each of them (individually in the case of members of the Executive Committee, and individually or per category in the case of other Employees) to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall evaluate such proposals. In the case of grants of warrants to the CEO, the initial proposal shall be made by the Committee itself;
- Ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, and relevant industry benchmarks;
- Preparing the annual remuneration report;
Explaining the remuneration report during the Statutory General Meeting.

As it is the Nomination and Remuneration Committee’s duty to oversee the search for appropriate candidates for appointment to the Executive Committee or non-executive Director membership to the Board of Directors, the Committee receives detailed and regular updates (while diligently respecting any confidentiality and conflict of interest issues) on the hiring of Executive Committee members from the CEO and is given the opportunity (or designated members) to interview the final candidate(s) before their appointment.

The Nomination and Remuneration Committee is, together with the Executive Committee, engaged in the succession planning of Executive Committee members, including the CEO. In the latter case the Nomination and Remuneration Committee coordinates closely with the Chairperson any and all activities involved in planning for CEO succession.

Any recommendations made in respect of the recruitment or succession planning requires discussion and endorsement by the Board of Directors before becoming effective.

The Nomination and Remuneration Committee (or designated members) has the option to schedule exit interviews with departing members of the Executive Committee.

The Nomination and Remuneration Committee, with the input of the Executive Committee, annually reviews and presents the annual goals/objectives for the Board of Directors in order to finalise and approve the final goals/objectives by the Board of Directors.

The Nomination and Remuneration Committee also advises the Board of Directors on the accomplishment of the targets set earlier and consequently initiates a discussion on the Board which finally adjusts and/or approves the recommendations of the Nomination and Remuneration Committee.

1.6.6.2. ACTIVITY

In 2017 the Nomination and Remuneration Committee officially met four times to fulfill its functions. Meeting minutes circulated after the meeting among all members of the Board of Directors.

During the meetings, the minutes of the previous meeting, the goals of the Company, the performance against the goals of the Company and the goals of the Executive Committee, the warrant plans, the salary evolution, the benchmark of salaries in general and more specifically of the Executive Committee members and the independent Directors and the nomination of new members of the Board of Directors were discussed.

On top of these meetings, the Nomination and Remuneration Committee held several teleconferences to discuss ad hoc nomination and remuneration topics.

The attendance was as follows: Dr Russell Greig (100%), Dr William Jenkins (100%) and Dr Bo Jesper Hansen (100%).

1.6.7. THE RESEARCH AND DEVELOPMENT COMMITTEE

The Research and Development Committee of the Board advises the Board on its duties and responsibilities related to the long term Research and Development strategy of the Company in general and the development of the Company’s Nanobody platform and programmes in particular.
1.6.7.1. COMPOSITION

The Research and Development Committee consisted of three members during 2017: William Jenkins Pharma Consulting, represented by its principal Dr William J. Jenkins (Chairperson), Orfacare Consulting GmbH, represented by its permanent representative Dr Bo Jesper Hansen, and Dr Edwin Moses. Dr Jenkins and Dr Hansen are independent Directors. On 21 February 2018, Greig Biotechnology Global Consulting Inc., represented by its permanent representative Dr Russell Greig became a member of the Research and Development Committee. Greig Biotechnology Global Consulting Inc., replaces Orfacare Consulting GmbH, represented by Dr Bo Jesper Hansen.

All the members of the Committee have relevant scientific, research, medical or other related expertise.

1.6.7.2. ACTIVITY REPORT

The Research and Development Committee officially met four times in 2017. During these meetings the projects in research and development were discussed in detail and strategic decisions were prepared to be discussed at the Board Meeting.

The attendance was as follows: Dr William Jenkins (100%), Dr Bo Jesper Hansen (100%) and Dr Edwin Moses (100%).

1.6.8. EXECUTIVE COMMITTEE

1.6.8.1. COMPOSITION

From left to right: Dr Edwin Moses, Dr Robert K. Zeldin, Mr Johan Heylen, Mr Markus Ewert, Mr Wim Ottevaere, Mr Guido Gielen, Mr Gerrit Franciscus Landolt

The Board of Directors has established an Executive Committee (“Directiecomité”) within the meaning of Art. 524bis of the Belgian Companies Code and Art. 24 of the Company’s Articles of Association.
The Executive Committee consisted on 31 December 2017 of seven members: the Chief Executive Officer (CEO), the Chief Medical Officer (CMO), the Chief Commercial Officer (CCO), the Chief Business Officer (CBO), the Chief Financial Officer (CFO), the VP Human Resources and the VP IP and Legal.

The current members of the Executive Committee (31 December 2017) are listed in the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Function</th>
<th>Date of Birth</th>
<th>Nationality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwin Moses</td>
<td>Chief Executive Officer</td>
<td>1954</td>
<td>British</td>
</tr>
<tr>
<td>Markus Ewert</td>
<td>Chief Business Officer</td>
<td>1960</td>
<td>German</td>
</tr>
<tr>
<td>Johan Heylen</td>
<td>Chief Commercial Officer</td>
<td>1967</td>
<td>Belgian</td>
</tr>
<tr>
<td>Wim Ottevaere(1)</td>
<td>Chief Financial Officer</td>
<td>1956</td>
<td>Belgian</td>
</tr>
<tr>
<td>Robert Zeldin</td>
<td>Chief Medical Officer</td>
<td>1963</td>
<td>American</td>
</tr>
<tr>
<td>Gerrit Franciscus Landolt</td>
<td>VP IP and Legal</td>
<td>1964</td>
<td>Dutch</td>
</tr>
<tr>
<td>Guido Gielen</td>
<td>VP Human Resources</td>
<td>1960</td>
<td>Belgian</td>
</tr>
</tbody>
</table>

(1) Mr Ottevaere acts as the permanent representative of Woconsult BVBA

1.6.8.2. ACTIVITY REPORT

In principle, the Executive Committee meets at least once every month. Additional meetings may be called at any time by the CEO or at the request of two members. The Executive Committee shall constitute a quorum when all members have been invited and the majority of the members are present or represented at the meeting. The resolutions of the Executive Committee shall be passed unanimously. If unanimity cannot be reached, the matter shall be referred to the Board of Directors, which shall decide upon the matter in its next meeting.
1.6.9. REMUNERATION REPORT

1.6.9.1. DIRECTORS

*Procedure applied in 2017 in order to create a remuneration policy and to determine the individual remuneration.*

The Nomination and Remuneration Committee recommends the level of remuneration for Directors, including the Chairperson of the Board, which is subject to approval by the Board and, subsequently, by the General Meeting of Shareholders.

The Nomination and Remuneration Committee benchmarks the Directors’ compensation against peer companies to ensure competitiveness. Without prejudice to the powers granted by law to the Shareholders Meeting, the Board sets and revises at regular intervals the rules and the level of compensation for Directors executing a special mandate or having a seat in one of the Committees, as well as the rules for reimbursement of the Directors’ business-related out-of-pocket expenses. Apart from the remuneration for independent Directors, all Directors will be entitled to a reimbursement of the Directors’ business-related out-of-pocket expenses. Apart from the remuneration for independent Directors, all Directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred as a result of their participation in meetings of the Board of Directors.

The remuneration of the Directors will be disclosed to the Company’s shareholders in accordance with the applicable laws and regulations.

The level of remuneration should be sufficient to attract, retain and motivate Directors who match the profile determined by the Board.

Only independent Directors received a fixed remuneration in consideration of their membership of the Board and the Committees of which they are members. They have not received, any performance-related remuneration, nor have any options or warrants been granted to them in 2017.

Given the fact that the Company acts in a highly competitive and international environment and is at the same time cost-conscious because it does not yet generate profits, the Board has – until the end of 2013 and upon advice of the Nomination and Remuneration Committee- proposed to the Shareholders Meeting to deviate from the latter principle and grant warrants in order to attract and retain highly qualified independent Directors.

The CEO as member of the Board did not receive any compensation for serving as member of the Board.

Executive Committee members receive no additional compensation when invited to the Board.

The Director’s mandate may be terminated ad nutum without any form of compensation.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and the members of the Board of Directors who are not a member of the Executive Committee. In respect of the members of the Board of Directors who are a member of the Executive Committee, reference is made to the section Executive Committee below.
Remuneration policy applied during 2017

During 2017 Ablynx obtained salary market data for the members of the Board via own market research.

The General Meeting of Shareholders of 28 April 2016 decided to increase all fixed annual remunerations of independent Directors by 2%.

The fixed annual remuneration of the Chairperson of the Board increased from €100,000 to €102,000. No additional remuneration is foreseen for membership of other Board Committees.

The fixed annual remuneration of independent Directors as part of their membership of the Board of Directors increased from €30,000 to €30,600, and the additional fixed annual remuneration of the Chairperson of the Nomination and Remuneration Committee, the Chairperson of the Audit Committee and the Chairperson of the Research and Development Committee increased from €10,000 to €10,200.

For other independent non-executive Directors the additional fixed remuneration related to the membership of the Nomination and Remuneration Committee, the Audit Committee or the Research and Development Committee increased from €5,000 to €5,100 per committee.

The total amount of the remunerations and the benefits to which the independent Directors (in such capacity) where entitled in 2017 was €359,550 (gross, excluding VAT). See table below:

<table>
<thead>
<tr>
<th>Committee</th>
<th>Name</th>
<th>Board</th>
<th>R&amp;D</th>
<th>Audit</th>
<th>Remuneration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr Peter Fellner</td>
<td>102,000</td>
<td></td>
<td></td>
<td></td>
<td>102,000</td>
</tr>
<tr>
<td></td>
<td>Mr Remi Vermeiren</td>
<td>30,600</td>
<td>10,200</td>
<td></td>
<td></td>
<td>40,800</td>
</tr>
<tr>
<td></td>
<td>Greig Biotechnology Global Consulting Inc. represented by its permanent representative Dr Russell Greig</td>
<td>30,600</td>
<td></td>
<td>5,100</td>
<td>10,200</td>
<td>45,900</td>
</tr>
<tr>
<td></td>
<td>Ms Catherine Moukheibir</td>
<td>30,600</td>
<td></td>
<td>5,100</td>
<td></td>
<td>35,700</td>
</tr>
<tr>
<td></td>
<td>William Jenkins Pharma Consulting represented by its Principal Dr William J. Jenkins</td>
<td>30,600</td>
<td>10,200</td>
<td></td>
<td>5,100</td>
<td>45,900</td>
</tr>
<tr>
<td></td>
<td>Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen</td>
<td>30,600</td>
<td>5,100</td>
<td></td>
<td>5,100</td>
<td>40,800</td>
</tr>
<tr>
<td></td>
<td>Feadon NV represented by its permanent representative Dr Baroness Prof Lutgart Van den Berghe</td>
<td>30,600</td>
<td></td>
<td></td>
<td></td>
<td>30,600</td>
</tr>
<tr>
<td></td>
<td>Hilde Windels BVBA represented by its permanent representative Ms Hilde Windels</td>
<td>15,300</td>
<td>2,550</td>
<td></td>
<td></td>
<td>17,850</td>
</tr>
<tr>
<td></td>
<td></td>
<td>300,900</td>
<td>15,300</td>
<td>22,950</td>
<td>20,400</td>
<td>359,550</td>
</tr>
</tbody>
</table>

There is no performance-related remuneration for non-executive Directors.
The table below provides an overview of the shares and warrants held by the members of the Board on 31 December 2017. This overview should be read together with the notes listed below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Total shares and warrants (1)</th>
<th>Shares</th>
<th>Warrants (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>% (3)</td>
<td>Number</td>
</tr>
<tr>
<td>Dr Peter Fellner</td>
<td>50,000</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>Dr Edwin Moses</td>
<td>766,679</td>
<td>0.90</td>
<td>509,200</td>
</tr>
<tr>
<td>Mr Remi Vermeiren</td>
<td>25,000</td>
<td>0.03</td>
<td>25,000</td>
</tr>
<tr>
<td>Ms Catherine Moukheibir</td>
<td>5,028</td>
<td>0.01</td>
<td>5,028</td>
</tr>
<tr>
<td>Greig Biotechnology Global Consulting Inc. represented by its permanent representative Dr Russell Greig</td>
<td>6,434</td>
<td>0.01</td>
<td>6,434</td>
</tr>
<tr>
<td>William Jenkins Pharma Consulting represented by its Principal Dr William J. Jenkins</td>
<td>4,781</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen</td>
<td>4,781</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Feadon NV, represented by its permanent representative Prof Dr Lutgart Van den Berghe</td>
<td>4,545</td>
<td>0.01</td>
<td></td>
</tr>
</tbody>
</table>

(1) Reflecting the number of shares of the Company to which such warrants give right to subscription
(2) Warrants granted in 2013 with an exercise price of €7.32
(3) Percentage on a fully diluted basis
(4) Warrants granted in 2013 with an exercise price of €7.32
(5) Warrants granted from 2006 onwards with an exercise price between €2 and €10.22

During 2017 Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc., exercised 269 warrants. Mr Remi Vermeiren exercised 3,571 warrants and sold the resulting shares. Dr Edwin Moses exercised 350,000 warrants warrants (giving right to 175,000 shares) during this period.

Apart from Dr Moses, who received 41,840 warrants as member of the Executive Committee during 2017, no warrants were granted to the members of the Board during 2017. No warrants granted to Board members lapsed during 2017.
The exercised warrants had the following characteristics:

<table>
<thead>
<tr>
<th>Board member</th>
<th># warrants in (# number of shares)</th>
<th>Warrant Plan</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc.</td>
<td>269</td>
<td>06/11/2012</td>
<td>5.44</td>
</tr>
<tr>
<td>Mr Remi Vermeiren</td>
<td>3,571</td>
<td>12/10/2007</td>
<td>7.00</td>
</tr>
<tr>
<td>Dr Edwin Moses</td>
<td>175,000</td>
<td>13/07/2006</td>
<td>2.00</td>
</tr>
</tbody>
</table>

With respect to the following two years, Ablynx does not foresee changes in its remuneration policy.

**1.6.9.2. EXECUTIVE COMMITTEE**

*Procedure applied in 2017 in order to create a remuneration policy and to determine the individual remuneration*

The remuneration of the members of the Executive Committee is determined by the Board of Directors upon recommendation of the Nomination and Remuneration Committee and subsequent to the CEO’s recommendation to this Committee (except for his own remuneration). Ablynx strives to be competitive in the European biotech market.

*Remuneration policy applied during 2017*

In the compensation strategy of Ablynx, the starting salary is primarily based on input from the market and the merit increase on individual performance. Via own research Ablynx obtained in 2017 salary market data for the members of the Executive Committee, in order to understand the compensation market. The data confirm the remuneration policy is in line with the market practice.

The level and structure of the remuneration of the members of the Executive Committee is such that qualified and expert professionals can be recruited, retained and motivated taking into account the nature and scope of their individual responsibilities.

An appropriate proportion of the remuneration package of a member of the Executive Committee shall be structured so as to link rewards to corporate and individual performances, thereby aligning on an annual basis the interests of a member of the Executive Committee with the interests of the Company and its shareholders.

Since any Short Term Compensation component should include a maximum award limit, an Executive Committee member can receive maximum 30% of the annual base remuneration as a performance-driven bonus. Given the competitive landscape, the CEO’s bonus will be maximum 50% of the annual base salary.

The Extraordinary General Meeting of 26 April 2012 has approved that the CEO’s variable remuneration, which is part of his yearly remuneration, will be spread over a period of one year. This means that the bonus is spread over a period that is shorter than the periods determined in Art. 520ter, second paragraph of the Belgian Companies Code. This deviation has been incorporated in Art. 25bis of the Ablynx Articles of Association.

The corporate and individual goals are based on the operation performance of the Company as measured by a.o. financial indicators, progress in the pipeline, the completion and/or extension of important collaborations and other measures. More specifically the following areas, not disclosed in great level of detail because of the competitive nature...
of the business, are part of the corporate goals and subsequently part of the individual goals of the members of the Executive Committee:

- Control of the cash burn versus a predefined target;
- Completion of (a) new discovery deal(s) generating an upfront defined income;
- Control of expenditure of internal development programmes while delivering on time and against earlier agreed standards;
- Initiation of new internal discovery programmes and access to complementary technologies.

The above goals and the criteria for the variable remuneration of the CEO and members of the Executive Committee are in advance and explicitly spelled out in a software system, which automates the performance management and appraisal process at Ablynx and binds the Company and the individuals. The variable remuneration will only be paid when the KPIs are effectively met. The Remuneration Committee evaluates the performance and makes a proposal to the Board.

Schemes under which members of the Executive Committee are remunerated in shares, warrants or any other rights to acquire shares, shall be subject to prior shareholder approval by way of a resolution taken by the General Meeting of Shareholders (except for warrants issued under the authorised capital). The approval shall relate to the scheme itself and not to the grant to individuals of share-based benefits under the scheme. As a rule, plans issued until September 2015 stated that 25% of the warrants granted vested after 1 year, 2.08% vested additionally after each full month, however, vested warrants would in principle not be exercisable within less than three full calendar years.

From September 2015, new plans state that as a rule, 28% of the warrants will vest after 1 year from the date of the offer, 9% vest additionally after each full quarter, however vested warrants shall in principle not be exercisable within less than three full calendar years.

In order to avoid a subjective and discretionary benefit, the grant of warrants to Executive Committee members (similar to the grant to certain levels of employees) is based on a formula. Whereas the Short Term Incentive (bonus) is based on contributing to the corporate goals, the Long Term Incentive Plan is based on the performance against the key responsibilities in the job description of the individual or group of individuals as well as based on the observed attitude versus the values of the Company. The outcome of this yearly evaluation can vary between 2 (low) and 10 (high) points. Based on the ultimate performance score between 6 and 10 points, based on the share price and the yearly base salary of the individual, the exact number of warrants is calculated (number of warrants = (yearly salary/grant price)\*performance coefficient). A performance score below 6 does not qualify for a Long Term Incentive.

The CEO presents his proposal regarding performance against key responsibilities and values to the Nomination and Remuneration Committee, which submits a final proposal regarding the offering of warrants to members of the Executive Committee and the CEO to the Board of Directors which takes a final decision.

The remuneration policy for the Executive Committee shall at least include the main contractual terms including the main characteristics of pension schemes, termination arrangements and the key elements for determining the remuneration, including (i) the relative importance of each component of the remuneration, (ii) the performance criteria chosen for the variable elements and (iii) the fringe benefits.

In 2017 the total amount of remunerations and benefits paid to the CEO and the other members of the Executive Committee and to the persons they are represented by, amounted to €2,729,070.29 (gross, excluding VAT and share-related payments), of which a detailed breakdown is shown in the table below:
The insurance plan, for which the above amounts have been paid, is a defined contribution plan for which 10% of the base salary is contributed on a yearly basis.

Given the nature of the contract of the Executive Committee members there is no liability for the Company regarding the defined interest rate or total benefit during or at the end of the collaboration.

With respect to the two financial years to come, Ablynx does not foresee changes in its remuneration policy regarding the Executive Committee.

The table below provides an overview of the shares and warrants held by the members of the Executive Committee, including Executive Director on 31 December 2017.

<table>
<thead>
<tr>
<th>Name</th>
<th>Function</th>
<th>Shares</th>
<th>Warrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwin Moses</td>
<td>Chief Executive Officer</td>
<td>509,200</td>
<td>257,479 warrants giving the right to subscribe for 257,479 shares</td>
</tr>
<tr>
<td>Markus Ewert</td>
<td>Chief Business Officer</td>
<td></td>
<td>150,000 warrants giving the right to subscribe to 150,000 shares</td>
</tr>
<tr>
<td>Johan Heylen</td>
<td>Chief Commercial Officer</td>
<td></td>
<td>207,725 warrants giving the right to subscribe for 207,725 shares</td>
</tr>
<tr>
<td>Wim Ottevaere/Woconsult BVBA</td>
<td>Chief Financial Officer</td>
<td>68,605</td>
<td>343,918 warrants giving the right to subscribe for 238,918 shares</td>
</tr>
<tr>
<td>Robert Zeldin</td>
<td>Chief Medical Officer</td>
<td></td>
<td>275,338 warrants giving the right to subscribe for 275,338 shares</td>
</tr>
<tr>
<td>Gerrit Franciscus Landolt</td>
<td>VP IP and Legal</td>
<td></td>
<td>154,493 warrants giving the right to subscribe for 154,493 shares</td>
</tr>
<tr>
<td>Guido Gielen</td>
<td>VP Human Resources</td>
<td></td>
<td>118,196 warrants giving the right to subscribe for 118,196 shares</td>
</tr>
</tbody>
</table>

During 2017 Edwin Moses, CEO, exercised 350,000 warrants (giving right to 175,000 shares); Guido Gielen, VP HR, exercised 33,750 warrants and sold 33,750 shares and Frank Landolt VP IP and Legal exercised 10,000 warrants and sold 10,000 shares.
The exercised warrants had the following characteristics:

<table>
<thead>
<tr>
<th>ExCom member</th>
<th># Warrants in (# number of shares)</th>
<th>Warrant Plan</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Guido Gielen</td>
<td>21,250.00</td>
<td>3/12/2010</td>
<td>8.24</td>
</tr>
<tr>
<td>Mr Guido Gielen</td>
<td>10,000.00</td>
<td>28/04/2011</td>
<td>8.68</td>
</tr>
<tr>
<td>Mr Guido Gielen</td>
<td>2,500.00</td>
<td>01/02/2012</td>
<td>3.21</td>
</tr>
<tr>
<td>Mr Frank Landolt</td>
<td>10,000.00</td>
<td>28/04/2011</td>
<td>8.68</td>
</tr>
<tr>
<td>Dr Edwin Moses</td>
<td>175,000.00</td>
<td>13/07/2006</td>
<td>2.00</td>
</tr>
</tbody>
</table>

The most important characteristics of the warrants, which were allocated in 2017 are detailed below.

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants was approved and 307,906 warrants with an exercise price of €12.33/warrant have subsequently been granted to the members of the Executive Committee.

In total 307,906 warrants were accepted by members of the Executive Committee of which 41,840 by Edwin Moses, CEO; 150,000 by Markus Ewert, CBO; 18,818 by Johan Heylen, CCO; 19,466 by Wim Ottevaere, permanent representative of Woconsult BVBA, CFO; 24,466 by Antonin Rollet de Fougerolles (Dr de Fougerolles left the Executive Committee in October 2017), CSO; 25,338 by Robert Zeldin, CMO; 12,985 by Guido Gielen, VP HR and 14,993 by Gerrit Franciscus Landolt, VP IP & Legal.

The terms and conditions of these warrantplans are extensively described under 8.12.2. “authorised capital”.

During the Board Meeting of 20 September 2017, the issuance of a maximum number of 670,000 warrants was approved and 300,000 warrants have subsequently been granted to two new members of the Executive Committee.

In total 150,000 warrants with an exercise price of €14,53/warrant were accepted by Petrus Houwen, who has been nomintated COO as of 1 March 2018. These warrants were recorded in the notary deed of 17 January 2018. Robert Friesen, who has been nominated CSO as of 1 March 2018, was also offered 150,000 warrants with an exercise price of €23,36/warrant. These warrants were recorded in the notary deed of 26 February 2018.

The terms and conditions of these warrantplans are extensively described under 8.12.2. “authorised capital”.

**Severance payments**

Currently, all members of the Executive Committee are employed on the basis of a service agreement, which can be terminated at any time provided that a previously determined term of notice is observed, which, at the Company’s discretion, can be replaced by a corresponding termination allowance. No other termination remunerations are foreseen.

All service agreements contain non-competition clauses, as well as confidentiality obligations and obligations relating to the transfer of intellectual property.

The Corporate Governance Charter requires that every contractual settlement agreed upon before or after 1 July 2009 concerning the remuneration of the CEO or any other member of the Executive Committee, clearly states that the amount of the exit remuneration, which is granted when the contract is prematurely terminated, should not exceed the basic and variable remuneration of twelve months. All existing contractual settlements reached with the CEO, or any
other member of the Executive Committee, do not contain any exit remuneration higher than 12 months. Except for Dr Edwin Moses, CEO, who is entitled to an exit remuneration which is equal to one (1) time his fixed annual compensation and Mr Wim Ottevaere permanent representative of Woconsult BVBA, CFO who is entitled to an exit remuneration of half (1/2) his fixed annual compensation all other Executive Committee members (Dr Robert K Zeldin, CMO; Dr. Markus Ewert CBO; Mr Johan Heylen, CCO; Mr Gielen, VP HR and Mr Gerrit Franciscus Landolt, VP IP and Legal) are entitled to an exit remuneration of one quarter (1/4) of their fixed annual compensation.

Claw-back provisions

There are no provisions allowing the Company to reclaim any variable remuneration paid to the executive management based on incorrect financial information.

Miscellaneous

Furthermore the Company has no intention to compensate in a subjective or discretionary manner.

1.6.10. MOST IMPORTANT CHARACTERISTICS OF THE COMPANY’S INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Executive Committee should lead the Company within the framework of prudent and effective control, which enables to assess and manage risks. The Executive Committee should develop and maintain adequate internal control systems so as to offer a reasonable assurance concerning the realisation of the goals, the reliability of the financial information, the observance of applicable laws and regulations and to enable the execution of internal control procedures. The Audit Committee assists the Board of Directors in the execution of its task to control the Executive Committee.

The Company has opted for a “two-tier” governance structure. As a result, the principal governance structure of Ablynx is based on a distinction between:

- The management of Ablynx (including the daily management), a task conducted by the Executive Committee (“Directiecomité”) within the meaning of Art. 524bis of the Belgian Companies Code, within the framework of the general strategy defined by, and under the supervision of the Board; and

- The development of the general strategy of Ablynx, the supervision of the Executive Committee and the exercise of specific powers attributed by the Belgian Companies Code, the Articles of Association and the Corporate Governance Charter which fall within the powers of the Board.
Control Environment

The Executive Committee has organised the internal control environment, based upon “COSO’s internal Control-integrated Framework of 2013” which is monitored by the Audit Committee. The role of the Audit Committee is stipulated in the Corporate Governance Statement and in the terms of reference of the Audit Committee.

The Audit Committee decided not to create an internal audit role for the time being, since the scope of the business does not justify a full-time role.

The role of the Audit Committee shall be to assist the Board in fulfilling its monitoring responsibilities in respect of control in the broadest sense, including responsibilities for the financial reporting process, the system of internal control and risk management (including the Company’s process for monitoring compliance with laws and regulations) and the external audit process.

Risk analysis

During 2017, the management of the Company assessed its operational and financial risks and challenged and compared these with the COSO 2013 risk intelligence framework. Following this annual exercise, new appropriate actions have been proposed to the Executive Committee and Board.

The Company is potentially subject to the following inherent risks:

• Risks Related to Our Financial Position and Need for Additional Capital

We are a clinical-stage biopharmaceutical company and have incurred significant losses since our inception. We expect to incur losses for the foreseeable future and may never achieve or maintain profitability.

We may need substantial additional funding in order to complete the development and commercialization of our product candidates. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate certain of our product development or research operations.

Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to make payments on our debt, and we may not have the ability to raise the funds necessary to settle conversions of, or repurchase, the convertible bonds upon a fundamental change, which could adversely affect our business, financial condition and results of operations.

Raising additional capital may cause dilution to holders of our ordinary shares or ADSs, restrict our operations or require us to relinquish rights to our technologies or product candidates.

If we are unable to use carryforward tax losses or benefit from favorable tax legislation to reduce our taxes, our business, results of operations and financial condition may be adversely affected.

We have obtained funding from agencies of the government of the Flemish region of Belgium which contain certain covenants which may restrict our operations.

Exchange rate fluctuations or abandonment of the euro currency may materially affect our results of operations and financial condition.
• Risks Related to Development, Clinical Testing and Commercialization of Our Product Candidates

We are heavily dependent on the success of our lead product candidate, caplacizumab. We are also dependent on the success of our other late-stage product candidates, in particular, ALX-0171. We cannot give any assurance that any product candidate will successfully complete clinical trials or receive regulatory approval, which is necessary before it can be commercialized.

We are dependent on collaboration partners for the development and commercialization of vobarilizumab for the treatment of RA and SLE.

The complexity of a combination product that includes a biological product and a medical device presents additional, unique development and regulatory challenges, which may adversely impact our development plans and our ability to obtain regulatory approval of our product candidates, including caplacizumab for the treatment of aTTP, ALX-0171 for the treatment of RSV, and vobarilizumab for the treatment of RA and SLE.

The regulatory approval processes of the FDA, the EMA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

Even if our product candidates obtain regulatory approval, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, our product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Many of our product candidates are in pre-clinical or early-stage clinical development. Clinical drug development is a lengthy and expensive process with uncertain timelines and uncertain outcomes. If clinical trials of our late-stage product candidates, particularly caplacizumab and ALX-0171, are prolonged or delayed, we or our collaborators may be unable to obtain required regulatory approvals, and therefore will be unable to commercialize our product candidates on a timely basis or at all, which will adversely affect our business.

The results of pre-clinical studies and early-stage clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. Initial success in our ongoing clinical trials may not be indicative of results obtained when these trials are completed or in later stage trials.

Interim, top line and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

We depend on enrollment of patients in our clinical trials for our product candidates. If we are unable to enroll patients in our clinical trials, our research and development efforts and business, financial condition and results of operations could be materially adversely affected.

We have never commercialized a product candidate before and may lack the necessary expertise, personnel and resources to successfully commercialize our products on our own or together with suitable partners.

Our product candidates may have serious adverse, undesirable or unacceptable side effects which may delay or prevent marketing approval. If such side effects are identified during the development of our product candidates or following approval, if any, we may need to abandon our development of such product candidates, the commercial profile of any
approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.

The future commercial success of our product candidates will depend on the degree of market acceptance of our potential products among physicians, patients, healthcare payers and the medical community.

Our high dependency on public perception of our products may negatively influence the success of these products.

We face significant competition for our drug discovery and development efforts, and if we do not compete effectively, our commercial opportunities will be reduced or eliminated. We may not be successful in our efforts to use and expand our Nanobody technology to build a pipeline of product candidates and develop marketable products due to significant competition and technological change, which could limit or eliminate the market opportunity for our product candidates and technology platform.

Our product candidates for which we intend to seek approval as biologic products may face competition sooner than anticipated.

Due to our limited resources and access to capital, we must, and have in the past decided to, prioritize development of certain product candidates over other potential candidates. These decisions may prove to have been wrong and may adversely affect our revenues.

Failure to successfully identify, develop and commercialize additional products or product candidates could impair our ability to grow.

If we fail to obtain and maintain orphan drug exclusivity for our products, our competitors may sell products to treat the same conditions and our revenue will be reduced.

A Breakthrough Therapy Designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process and it does not increase the likelihood that our product candidates will receive marketing approval.

Fast Track Designation by the FDA may not actually lead to a faster development or regulatory review or approval process. We rely and will continue to rely on collaborative partners regarding the development of our research programmes and product candidates. If we fail to enter into new strategic relationships, our business, financial condition, commercialization prospects and results of operations may be materially adversely affected.

We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage, and our product liability insurance may not cover all damages from such claims.

Outbreaks of diseases in llamas and other livestock diseases could have a material adverse effect on our business.

We may not be able to integrate efficiently or achieve the expected benefits of any acquisitions of complementary businesses, product candidates or technologies.

Our business is subject to economic, political, regulatory and other risks associated with international operations.
• Risks Related to Regulatory Compliance

Enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may set.

We may be subject to healthcare laws, regulation and enforcement; our failure to comply with these laws could harm our results of operations and financial conditions.

The successful commercialization of our product candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate reimbursement levels and pricing policies. Failure to obtain or maintain adequate coverage and reimbursement for our product candidates, if approved, could limit our ability to market those products and decrease our ability to generate revenue.

Nearly all aspects of our activities are subject to substantial regulation. No assurance can be given that any of our product candidates will fulfill regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals and withdrawal of approvals as well as fines.

Because we are subject to environmental, health and safety laws and regulations, we may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities which may adversely affect our business and financial condition.

• Risks Related to Intellectual Property

We rely on patents and other intellectual property rights to protect our product candidates and our Nanobody platform technologies, the enforcement, defense and maintenance of which may be challenging and costly. Failure to enforce or protect these rights adequately could harm our ability to compete and impair our business.

Issued patents covering one or more of our products or our proprietary Nanobody platform technology could be found invalid or unenforceable if challenged in court.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

If we do not obtain protection under the Hatch-Waxman Amendments and similar non-U.S. legislation for extending the term of patents covering each of our product candidates, our business may be materially harmed.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

Our ability to compete may be adversely affected if we are unsuccessful in defending against any claims by competitors or others that we are infringing misappropriating or otherwise violating upon their intellectual property rights.

We may be subject to claims by third-parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.
Intellectual property rights of third-parties could adversely affect our ability to commercialize our product candidates, such that we could be required to litigate or obtain licenses from third-parties in order to develop or market our product candidates. Such litigation or licenses could be costly or not available on commercially reasonable terms.

Intellectual property litigation could cause us to spend substantial resources, distract our personnel from their normal responsibilities, harm our reputation and our business operations.

We may not be successful in obtaining or maintaining necessary rights to our product candidates through acquisitions and in-licenses.

Changes in patent laws or patent jurisprudence could diminish the value of patents in general or prevent us from obtaining patents and thereby impairing our ability to protect our products.

If we fail to comply with our obligations under the agreements pursuant to which we license intellectual property rights to or from third parties, or otherwise experience disruptions to our business relationships with our licensors, licensees or collaborators, we could lose the rights to intellectual property that are important to our business.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and protect other proprietary information.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We may not be able to protect our intellectual property rights throughout the world and may face difficulties in certain jurisdictions, which may diminish the value of intellectual property rights in those jurisdictions.

Our business may be adversely affected as a result of computer system failures.

- Risks Related to Our Dependence on Third Parties

We rely on third-parties to supply and manufacture our product candidates and delivery devices, and we expect to continue to rely on third parties to manufacture our products and delivery devices, if approved. The development of such product candidates and the commercialization of any products, if approved, could be stopped, delayed or made less profitable if any such third party fails to provide us with sufficient quantities of product candidates or products or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance.

We rely, and expect to continue to rely, on third parties, including independent clinical investigators and CROs, to conduct our pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.

Service or supply failures, or other failures, business interruptions, or other disasters affecting the manufacturing facilities of any party participating in the supply chain, would adversely affect our ability to supply our products.

Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.
We expect to expand our development, regulatory and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

Our employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.

- **Risks Related to the Ownership of Our Ordinary Shares and ADSs**

  The price of our Ordinary Shares and ADSs may be volatile and may fluctuate due to factors beyond our control.

  Certain significant shareholders will continue to own a substantial number of our ordinary shares and as a result (together with low attendance in recent shareholders meetings), may be able to exercise control over us, including the outcome of shareholder votes. These shareholders may have different interests from us or your interests.

  We have no present intention to pay dividends on our ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of the ADSs or ordinary shares, as applicable, appreciates.

  Future sales of ordinary shares or ADSs by existing shareholders could depress the market price of the ordinary shares and ADSs.

  We may be at an increased risk of securities class action litigation.

  Holders of the ADSs are not treated as shareholders of our company.

  Holders of ADSs do not have the same voting rights as the holders of our ordinary shares and may not receive voting materials or any other document that would need to be provided to our shareholders pursuant to the Belgian Companies Code, in time to be able to exercise your right to vote.

  Fluctuations in the exchange rate between the U.S. dollar and the euro may increase the risk of holding the ADSs.

  We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move ordinary shares for trading between such markets.

  Holders of ADSs may not be able to participate in equity offerings we may conduct from time to time. Holders of ADSs may be subject to limitations on the transfer of their ADSs and the withdrawal of the underlying ordinary shares.

  Our shareholders residing in countries other than Belgium may be subject to double taxation with respect to dividends or other distributions made by us.

  U.S. holders of the ADSs may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

  The recently proposed corporate income tax reform could have an adverse impact on us and the holders of our ADSs.
We may not be able to complete equity offerings without cancellation or limitation of the preferential subscription rights of our existing shareholders, which may as a practical matter preclude us from timely completing offerings.

We are an “emerging growth company” and are availing ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make the ADSs or our ordinary shares less attractive to investors.

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of ADSs or our ordinary shares.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

We will incur increased costs as a result of operating as a U.S.-listed public company, and our Board of Directors will be required to devote substantial time to new compliance initiatives and corporate governance practices.

We are a Belgian public limited liability company, and shareholders of our company may have different and in some cases more limited shareholder rights than shareholders of a U.S. listed corporation.

The audit report included in this annual report is prepared by an auditor who is not inspected by the U.S. Public Company Accounting Oversight Board, or the PCAOB, and, as such, you are deprived of the benefits of such inspection.

It may be difficult for investors outside Belgium to serve process on, or enforce foreign judgments against, us or our directors and senior management.

Takeover provisions in Belgian law may make a takeover difficult.

The United Kingdom’s referendum vote in favor of withdrawal from the European Union could adversely affect us.

Our financial risk management consists of:

Liquidity risk management

The Company makes use of term accounts and treasury notes. The maturities of the term deposits are limited to a maximum of one year.

The Company has €1.6 million restricted cash related to a cash pledge.

On 27 May 2015, the Company raised €100 million through a private placement of €100 million senior unsecured bonds due 27 May 2020. The bonds will mature on 27 May 2020 (5 years) and will pay a coupon of 3.25% payable semi-annually.
The convertible bonds are convertible in Ablynx ordinary shares at the option of the holder. In case of conversion: a cash alternative election (at the option of the issuer) is available including a number of restrictions. Because the issuer has the cash alternative election, it has a choice over how the share conversion option will be settled (i.e. net in cash or by exchanging shares for cash). Therefore the share conversion option is a derivative at Fair Value Through Profit and Loss ("FVTPL") according to IAS 39 and not an own equity instrument (cf. IAS 32.26).

**Interest rate risk**

As the Company has no other significant interest-bearing assets or liabilities, its income and operating cash flows are independent of changes in the market interest rates.

**Credit risk**

The credit risk arises from outstanding transactions with customers. It is the Company’s policy to deal with creditworthy partners to avoid significant risk exposure. The trade receivables relate to a limited number of high-ranked international customers for whom there is no recent history of default. The credit risk is highly concentrated around a limited number of customers.

The financial institutions have credit ratings varying from A+, over A to A-. Available liquidities are placed with several banks.

No cash credit lines were available.

**Foreign exchange risk**

The Company has sales transactions from research and collaboration agreements denominated in USD and purchase transactions denominated in AUD, BGN, CAD, DKK, CHF, GBP, JPY, NOK, PLN, SEK and USD. The Company did not enter into any currency hedging arrangements in order to cover this risk.

**Control activities**

The Board of Directors yearly approves the strategy and the goals. Each year, a business plan is elaborated for the next three years, as well as a detailed budget for the next year, which is submitted to the Board of Directors for approval. The budget is systematically followed up at each Audit Committee and Board of Directors meeting, and regularly adjusted to changing prospects.

A process is in place which enables the finance department to prepare financial statements on a quarterly basis.

ERP support systems have been implemented generating consistent financial and operational information.

Systems are in place in order to verify the accuracy of the reporting figures and are compared with the previous year, budgets and forecasts.

**Supervision and monitoring**

Supervision and monitoring activities are performed by the senior management on a daily basis.
1.6.11. STATUTORY AUDITOR

Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, a civil company having the form of a co-operative company with limited liability ("burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid") and existing under the laws of Belgium, with registered offices at Luchthaven Nationaal 1 J, 1930 Zaventem, Belgium, represented by Nico Houthaeve, was reappointed as Statutory Auditor of Ablynx on 27 April 2017 for a term of three years ending immediately after the Shareholders Meeting to be held in 2020.

1.6.12. STATEMENTS REQUIRED BY ART. 34 OF THE ROYAL DECREED OF 14 NOVEMBER 2007

1.6.12.1 CAPITAL AND SHARES

All Ablynx shares are ordinary and confer equal rights. The shares are either in dematerialised or in registered form. Each share gives right to one vote. Existing shareholders have the right to subscribe to new shares, convertible bonds or warrants in proportion to the part of the share capital represented by the shares they already hold. This preferential subscription right can be restricted or cancelled by a resolution approved by the shareholders’ meeting or by the Board of Directors subject to an authorisation of the shareholders’ meeting, in accordance with the provisions of the Belgian Companies Code and Ablynx NV’s Articles of Association.

The capital of the Company can be increased by a decision of the Extraordinary General Meeting of Shareholders or within the framework of the Authorised Capital by a decision of the Board of Directors. (see below).

According to Article 14 of the Articles of Association the Company can acquire, dispose of or take a pledge on its own shares, profit certificates or certificates relating thereto, subject to compliance with the relevant legal provisions.

1.6.12.2. CHANGES TO THE ARTICLES OF ASSOCIATION

The Articles of Association can only be changed by a decision of the Extraordinary General Meeting of Shareholders or within the framework of the Authorised Capital by a decision of the Board of Directors.

1.6.12.3 THE BOARD

The Company is managed by a Board of Directors, acting as a collegiate body, composed of minimum three (3) Directors, physical or legal persons, whether or not shareholders. Legal entities shall be represented by a legal representative.

When dealing with a new appointment, the Chairperson of the Board shall ensure that, before considering the candidate, the Board has received sufficient information such as the candidate’s résumé (CV), the assessment of the candidate based on the candidate’s initial interview, a list of the positions the candidate currently holds, and, if applicable, the necessary information for assessing the candidate’s independence.

The Board of Directors then proposes, based on the recommendation of the Nomination and Remuneration Committee candidates for Board membership to the General Meeting of Shareholders. The General Meeting of Shareholders appoints the Directors for a maximum term of four (4) years. The mandate can be revoked by the General Meeting of Shareholders at all times. Outgoing Directors may be re-elected.
Appointments to the Board shall be made on merit and on the basis of objective criteria. Directors should attain high standards of professional ability and judgment and should be committed, in conjunction with the other Directors, to serving the long-term interests of the Company.

When an independent Director has served on the Board for three terms, he is in principle not eligible for a fourth term in the capacity as an independent Director subject to exceptional circumstances in the interest of the Company recognised by the Board. In such case the proposal to renew his mandate as independent Director will expressly indicate why the Board considers that his independence as a Director is preserved.

1.6.12.4. IMPORTANT AGREEMENTS

Some of the important agreements that Ablynx has entered into may be amended or terminated in the event of a change of control over Ablynx.

**BOEHRINGER INGELHEIM AGREEMENTS**

The Boehringer Ingelheim Alzheimer’s disease agreement, signed in January 2007, states that in the event of a change of control over Ablynx, Boehringer Ingelheim is entitled to terminate the research (as a result of which each party is released from paying any research license fees and Ablynx is no longer entitled to the research license from Boehringer Ingelheim), and is no longer held to participate in joint committees or to share its development and commercialisation plans.

This clause was approved by the Company’s Annual General Meeting of Shareholders held on 29 April 2010 in accordance with Art. 556 of the Belgian Company Code.

However, this clause is no longer applicable as the Company announced on 28 August 2014 that, following the termination of the Phase I study with BI 1034020 in Alzheimer’s disease, and after a full review of the programme, Boehringer Ingelheim (BI) decided not to move forward with the development of this anti-Abeta Nanobody, thereby ending the collaboration in Alzheimer’s disease that both companies entered into in January 2007.

Under the Boehringer Ingelheim Strategic Alliance agreement signed in September 2007, it is stated that in the event of a change of control over Ablynx, Boehringer Ingelheim is also entitled to terminate the research (without being released from the obligation to pay royalties on licensed products, if any) and is no longer held to participate in joint committees, to share its development and commercialisation plans or to start new programmes. However, Boehringer Ingelheim is entitled to continue the research independently, and Ablynx’ option to co-promotion rights expires.

This clause was approved by the Extraordinary General Meeting of Shareholders of 12 October 2007 in accordance with Art. 556 of the Belgian Company Code. The Agreement was extended with two years in March 2012 and the same change of control clause was approved by the Company’s Annual General Meeting of Shareholders on 26 April 2012. On 21 August 2014 the agreement was extended one last time until 31 December 2014, being the end of the Discovery Term of this Agreement.

**MERCK KGaA AGREEMENTS**

The Merck KGaA agreement signed in September 2008 states that a change of control may result automatically, in the case of early joint research and development programmes, in a full opt-out by Ablynx. In the event of further advanced joint research and development programmes, Merck KGaA may at its sole discretion invite the controlling
shareholder of Ablynx to continue to contribute to such joint research and development programme. If Merck KGaA does not extend such invitation or if Ablynx’s controlling shareholder does not accept such invitation, the change of control results in a full opt-out by Ablynx.

This clause was approved by the Company’s Annual General Meeting of Shareholders on 29 April 2010 in accordance with Art. 556 of the Belgian Company Code.

The Merck KGaA agreement signed in October 2010 states that (i) in the event of a change of control over Ablynx during the research term, Merck KGaA is entitled to terminate the programmes and to assume sole responsibility for further discovery, development and commercialisation; and (ii) in the event of a change of control over Ablynx (a) in respect of early programmes, Ablynx will be deemed to have exercised its opt-out right in full (if the first opt-out point had been reached; if the first opt-out point had not yet been reached, as of the time that the first opt-out point will have been reached); and (b) in respect of further advanced programmes, Ablynx will be deemed to have exercised its opt-out right under the agreement in full, provided that Merck KGaA may then, at its sole discretion, invite the new controlling shareholder of Ablynx to continue to contribute to such programme.

If Merck KGaA does not extend such invitation or if Ablynx’s new controlling shareholder does not accept such invitation, the change of control results in an opt-out in full by Ablynx (in which case, however, the entitlement to royalties will be replaced by an entitlement to a share of net income calculated according to the percentage of resources provided by Ablynx to a programme until the first commercial sale). The clauses under (ii) cease to have effect, on a programme-by-programme basis, as of the first commercial sale of a product resulting from a programme.

This clause was approved by the Company’s Extraordinary General Meeting of Shareholders of 11 January 2011 in accordance with Art. 556 of the Belgian Company Code.

In November 2011, a third agreement with Merck KGaA was signed with the same change of control clause as mentioned above.

This clause was approved by the Company’s General Meeting of Shareholders on 26 April 2012 in accordance with Art. 556 of the Belgian Company Code.

The Merck KGaA collaboration agreement which was signed in September 2013 states that in certain cases of change of control of the Company Merck KGaA is entitled at their option either to (i) proceed with the relevant collaboration, it being understood that Merck KGaA shall have the right to unilaterally decide upon the composition and the continued existence of the joint committees in respect of this collaboration agreement, or (ii) terminate the collaboration agreement and to oblige the Company to transfer all or parts of the ongoing programmes under this collaboration agreement, in which case the Company and Merck KGaA shall enter into separate agreements in respect of these programmes and Merck KGaA shall be exempted from further payments (without any right, however, to reimbursement by the Company).

This clause was approved by the Company’s Extraordinary General Meeting of Shareholders on 7 November 2013 in accordance with Art. 556 of the Belgian Company Code.

**MERCK & CO., INC. AGREEMENTS**

The agreement Ablynx entered into in 2012 with Merck & Co., Inc. (known as MSD outside the United States and Canada), through a subsidiary of Merck, states that in the event of a change of control over Ablynx, Merck is entitled
to elect any one or more of the following options: (i) to immediately discontinue any or all then-ongoing research
programmes under the agreement; (ii) terminate Ablynx’s involvement on any joint committees; (iii) limit Merck’s
reporting obligations such that Merck is only required to provide reports relating to Merck’s obligation to pay
royalties; and/or (iv) if such change of control involves a company that has initiated an IND enabling study for a
competing product (i.e. a compound or molecule directed against the same target), to terminate the agreement.

This clause was approved during the Extraordinary General Meeting of Shareholders on 5 August 2013 in accordance
with Art. 556 of the Belgian Company Code.

The agreement Ablynx entered into in February 2014 with Merck & Co., Inc. (known as MSD outside the United States
and Canada), through a subsidiary of Merck, states that in the event of a change of control over Ablynx, Merck is
entitled to elect any one or more of the following options: (i) to immediately discontinue any or all then-ongoing
research programmes under the agreement; (ii) terminate Ablynx’s involvement on any joint committees; (iii) limit
Merck’s reporting obligations such that Merck is only required to provide reports relating to Merck’s obligation to pay
royalties; and/or (iv) if such change of control involves a company that has initiated an IND enabling study for a
competing product (i.e. a compound or molecule directed against the same target or combination of targets), to
terminate the agreement.

This clause was approved during the Extraordinary General Meeting of Shareholders on 4 April 2014 in accordance
with Art. 556 of the Belgian Company Code.

In July 2015, Ablynx significantly expanded its immuno-oncology partnership with Merck & Co., Inc. which was
originally signed in February 2014, to include a total of up to 17 programmes with a focus on multi-specific Nanobodies.

ABBVIE AGREEMENTS

The agreement with AbbVie which was signed in September 2013, states that in certain cases of a change of control
over the Company, and depending on the stage of the research of the programmes under this collaboration
agreement AbbVie is entitled to:

- terminate the joint committees in respect of these programmes and assume their tasks;
- oblige the Company to take the appropriate measures to avoid the disclosure of confidential information;
- terminate co-promotion rights;
- decide to either (i) assume or (ii) allow the Company to continue, the initial development activities in respect
  of the programme;
- oblige the Company to either transfer or terminate the ongoing clinical trials.

This clause was approved by the Company’s Extraordinary General Meeting of Shareholders on 7 November 2013 in
accordance with Art. 556 of the Belgian Company Code.

ISSUANCE OF A 3.25% CONVERTIBLE BOND

The Terms and Conditions of the 3.25% Convertible Bond issued by the Company on 27 May 2015 and maturing on 27
May 2020 (ISIN BE 6278650344) state that in case of a change of control over the Company:
• the conversion price will be adjusted in proportion to the already elapsed time since the issue date (ie 27 May 2015) and;
• the bondholders may request the early redemption of their bonds at the redemption price plus accrued interest.

This clause was approved by the Company’s Special General Meeting of Shareholders on 10 July 2015 in accordance with Art. 556 of the Belgian Company Code.

NOVO NORDISK AGREEMENT

The agreement with Novo Nordisk, signed on 25 November 2015, states that during the research programme, Novo Nordisk will have the right to terminate the agreement in full or on a programme-by-programme basis in the event of a change of control of Ablynx.

This clause was approved by the Company’s General Meeting of Shareholders on 28 April 2016 in accordance with Art. 556 of the Belgian Company Code.

SANOFI AGREEMENT

The agreement with Sanofi, signed on 20 July 2017, states that in case of a Change of Control during the term of the agreement (as defined in the agreement), Sanofi will have the right to terminate the agreement in full or in part at any time following the earlier of (a) the closing of the Change in Control or (b) receipt of notice by Ablynx or public disclosure of a pending or consummated transaction effecting a Change in Control involving Ablynx, by providing written notice to Ablynx so long as such notice is delivered within 6 months of the closing of the Change in Control. Such termination will be effective as of the later of (x) the receipt of such notice and (y) the closing of the Change In Control. Ablynx will notify Sanofi in writing as soon as possible after Ablynx announces publicly any information regarding any Change in Control involving Ablynx (whether pending or consummated thereafter) or, if the Change in Control will not be publicly announced, then no later than 3 Business Days after the signing of a definitive agreement with respect to such Change in Control (whether pending or consummated thereafter).

This clause will be submitted for approval to the Company’s General Meeting of Shareholders on 26 April 2018 in accordance with Art. 556 of the Belgian Company Code.

1.7. TRANSACTIONS WITHIN AUTHORISED CAPITAL

In 2017, three transactions have occurred within the framework of the authorised capital that are required to be reported in accordance with Art. 608 of the Belgian Companies Code.

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants was approved and 734,958 warrants have subsequently been granted, of which 527,061 have been accepted on 31 May 2017 and on 18 July 2017 (219,155 warrants at €12.33/warrant for employees and 307,906 warrants at €12.33/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the highest of the following two values: (i) the average closing rate of the shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as
mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lower 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. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were granted (thus starting as of 1 January 2021 until 15 January 2024). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director’s Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement.

Warrants that have not been exercised within 7 years of their creation become null and void.

During the Board Meeting of 20 September 2017, the issuance of a maximum number of 670,000 warrants was approved and 662,500 warrants have subsequently been granted, of which 629,000 have been accepted on 17 January 2018 and on 26 February 2018 (89,000 warrants at €12.26/warrant; 42,500 warrants at €12.96/warrant; 150,000 warrants at €13.32/warrant; 10,000 warrants at €17.84/warrant and 37,500 warrants at €19.78/warrant for employees and 150,000 warrants at €14.53/warrant and 150,000 warrants at €23.36/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the lower of the following two values: (i) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (ii) the last closing rate prior to the Date of the Offer. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered (thus starting as of 1 January 2021 until 15 April 2024). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director’s Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement.

Warrants that have not been exercised within 7 years of their creation become null and void.

In addition Ablynx NV successfully completed an Initial Public Offering on Nasdaq in October 2017. This led to the creation of 13,144,500 new shares and an increase of the share capital with EUR 24,580,215 and of the issuance premium with EUR 170,747,055.

The Company had a total of aan 2,798,058 warrants giving right to 2,690,558 shares at the end of 2017.
1.8. ACQUISITION OF OWN SECURITIES

Neither Ablynx nv nor any direct affiliate or any nominee acting in his own name but on behalf of the Company or of any direct affiliate, have acquired any of the Company’s shares. Ablynx nv has not issued profit-sharing certificates or any other certificates.

1.9. USE OF FINANCIAL INSTRUMENTS BY THE COMPANY

In May 2015, Ablynx raised gross €100 million through the placement of 1,000 senior unsecured convertible bonds due May 2020, with a 3.25% coupon rate and a conversion price of €12.93, representing a 26.5% premium above the reference price of €10,2219 being the VWAP (“Volume Weighted Average price”) of Ablynx’ Ordinary Shares on the Brussels Stock Exchange (Eurnext Brussels) on 20 May 2015. At the initial conversion price, the Convertible Bonds were convertible into 7,733,952 fully paid up Ordinary Shares of Ablynx.

In accordance with Condition 5,(b),(vi) of the terms and conditions of the Bonds, the initial conversion price for the Bonds has been adjusted downwards, following the announcement by the Company on 25 October 2017 of the pricing of its initial U.S. public offering totaling approximately $200 million in gross proceeds from the sale of 11,430,000 ordinary shares in the form of American Depositary Shares (“ADS”) at a public offering price of $17.50 per ADS, before underwriter discounts, and the granting by the Company to the underwriters of a 30-day option to purchase up to an additional 1,714,500 ordinary shares in the form of ADSs in connection with the offering.

As a consequence, the Calculation Agent has determined that the conversion price of the Bonds is to be adjusted from €12.93 to €12.6631 per ordinary share (after rounding in accordance with Condition 5, (f) the terms and conditions of the Bonds). The conversion price adjustment became effective on 27 October 2017. The Bonds are now convertible into an aggregate of 7,896,960 ordinary shares, at a conversion price of €12.6631 per ordinary share.

1.10. CIRCUMSTANCES THAT COULD CONSIDERABLY AFFECT THE DEVELOPMENT OF THE COMPANY

No special events have occurred that could considerably affect the development of the Company.

1.11. RESEARCH AND DEVELOPMENT

The Company is committed to fully exploiting its technology platform to develop a diverse and broad portfolio of therapeutic Nanobodies, and to exploring next generation Nanobody-based technologies. It will continue to leverage the advantages of the Company’s Nanobody technology in view of identifying potential drug candidates across a range of therapeutic areas and exploring and developing the potential of Nanobodies in areas where they have specific advantages. It will invest in further advancing the technology platform in terms of performance, applicability and scale.
The Company expects that research and development expenditures for the discovery, development and commercialisation of drug candidates will continue to increase as the Company progresses its clinical and pre-clinical programmes into the next phases. In addition, Ablynx intends to initiate new discovery programmes and is committed to seek to maintain and expand its proprietary Nanobody technology and intellectual property position.

1.12. CONFLICTING INTERESTS OF DIRECTORS (ART. 523 OF THE BELGIAN COMPANIES CODE)

The Directors report that since the last General Meeting two decisions have been taken which fall within the provisions of Art. 523 of the Belgian Companies Code.

As required by Art. 523 of the Belgian Companies Code, the full minutes of said meeting of the Board of Directors relating to such conflict of interests are to be reproduced hereunder:

Meeting of the Board of Directors of 17 January 2018

Mr Moses did not participate in the deliberations and resolution of the Board with respect to this item on the agenda.

Prior to the deliberation on this item, the other members of the Board acknowledge that they have been informed, in accordance with Art. 523 of the Belgian Companies Code, by e-mail dated 16 January 2018, of the declaration by Edwin Moses in respect of his conflict of interest in relation to this item on the agenda, as follows:

“Dear Board members and Mr Houthaeve,

I write to you in my capacity as member of the Board of Directors (the "Board") of Ablynx NV (the "Company").

I refer to the meeting of the Board scheduled for 17 January 2018, which will resolve on the issue in principal of warrants for the benefit of certain employees of the Company and/or its subsidiaries and certain members of the management of the Company. (the "Stock Option Plan")

In accordance with Article 523 of the Belgian Company Code, I would like to report that I have a financial conflict of interest in respect of this agenda item. In my capacity as a member of the Executive Committee of the Company, I am one of the beneficiaries of the Stock Option Plan and will accordingly possibly be offered a certain number of warrants.

However, I believe that the approval by the Board of the Stock Option Plan is in the interest of the Company, given the limited financial consequences for the Company (as the issue of the warrants shall have no immediate financial impact on the Company), as well as the purpose thereof.

The purpose of this Stock Option Plan is (i) to create a long-term incentive for the selected employees and consultants who are able to contribute substantially to the success and growth of the Company and its subsidiaries; (ii) to provide the Company and its subsidiaries with the necessary means to recruit and retain competent and experienced staff members; and (iii) to create 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 consequences of the Stock Option Plan for the existing shareholders warrant holders and bondholders, and more in particular the dilution that would result from the exercise of all offered warrants, are clearly indicated in the special report of the Board in accordance with Article 583 of the Belgian Company Code.

I will leave the meeting before the start of the deliberation on this agenda topic.”

The Board of Directors took note of the financial conflict of interest, as defined in Article 523 of the Belgian Company Code, of Mr Edwin Moses, Director, regarding the issue, as Mr Moses in his capacity of member of the Executive
Committee of the Company will be selected as one of the beneficiaries of the Stock Option Plan and as a consequence will be offered a certain amount of warrants.

The Board is of the opinion that the approval by the Board of Directors of the Stock Option Plan is in the interest of the Company, taking into account the limited financial consequences for the Company (as the issue of the warrants will not have an immediate financial impact on the equity of the Company) as also the purpose, as described in the report of the Board of Directors which has been drafted in accordance with Article 583 of the Belgian Company Code and that is cited underneath:

The Board of Directors intends to achieve the following purposes with the issue of the warrants: (i) to create 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) to provide the Company with the necessary means to recruit and retain competent and experienced staff members; and (iii) to create 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 considers it justified to indicate Mr Edwin Moses as beneficiary of this Issue, taking into account (i) the crucial role of CEO he has within the Company, (ii) the services he has already provided to the Company and (iii) the added value which he can possibly have for the Company in the future.

The Board of Directors is of the opinion that the allocation of warrants creates a common interest between Mr Edwin Moses and the Company and can therefore be an important contribution to the success and growth of the Company.

Taking into account the foregoing and the market conform character of the Issue, the Board is of the opinion that this Issue is (and more in particular the Issue of Warrants to Mr Edwin Moses) in the interest of the Company.

The consequences of the Stock Option Plan for the existing shareholders and warrant holders, and more in particular the dilution that would result from the exercise of all offered warrants, are clearly indicated in the special report of the Board in accordance with Article 583 of the Belgian Company Code.

Meeting of the Board of Directors of 23 March 2018

Mr Moses did not participate in the deliberations and resolution of the Board with respect to this item on the agenda.

Prior to the deliberation on this item, the other members of the Board acknowledge that they have been informed, in accordance with Art. 523 of the Belgian Companies Code, by e-mail dated 17 March 2018, of the declaration by Edwin Moses in respect of his conflict of interest in relation to this item on the agenda, as follows:

“Dear Board members and Mr Houthaeve,

In accordance with Art. 523 of the Belgian Company Code, I wish to report that I am faced with a conflict of interest of a financial nature in respect of the proposed decision of the Board of Directors to grant discharge to the members of the Executive Committee.

The decision to grant discharge to the members of the Executive Committee entails in principle a lapse of the right of the Company to submit a liability claim against (the members of) the Executive Committee in respect of the actions or decisions (in their capacity as members) of the Executive Committee during the 2017 fiscal year.
As I am a member of the Executive Committee, the decision to grant discharge to the members of the Executive Committee entails a conflict of interest of a financial nature between the Company and myself: as a result of such decision, I will no longer be subject to such liability claims in respect of my function as a member of the Executive Committee in the 2017 fiscal year, while the Company loses the opportunity to claim against me and the other members of the Executive Committee, which may lead to potential negative financial consequences for the Company.

The exact amount of the financial impact on the Company of this decision cannot be determined at this time, as it cannot be known, at this time, whether the Company would wish, in the future, to assert any liability claim vis-à-vis myself or the Executive Committee and, if so, in what amount. The financial impact on the Company consists of the loss of this particular possibility.

However, I believe that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company. Through such decision, the Company expresses its confidence in the members of the Executive Committee and offers such members a measure of security, which will allow the Company to attract and retain capable managers within the Company, as well as keep the current members of the Executive Committee motivated, committed and focused on their tasks.

I will not participate on the deliberation of this topic.

The Company’s statutory auditor has been copied on this e-mail, thereby notifying him of this conflict of interest.”

The Board confirmed that the financial impact on the Company of the decision to grant discharge to the members of the Executive Committee cannot be determined at this time, but consists in the lapse of the right of the Company to submit a liability claim against the (members of the) Executive Committee.

The Board was of the opinion that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company, because it expresses the confidence in the members of the Executive Committee, which will allow the Company to attract and retain capable managers. The Board of Directors considered that the decision to grant discharge is in the interest of the Company, because it keeps the current members of the Executive Committee motivated, committed and focused on their tasks. In that perspective, the Board declared that it believes that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company.

After deliberation on the basis of the draft of the annual accounts and the annual report of the fiscal year 2017, which counts as “Annual Activity Report” as described in the Charter of the Executive Committee, the Board of Directors unanimously granted discharge to the members of the Executive Committee for 2017.
1.13. INDEPENDENCE AND EXPERTISE OF AT LEAST ONE MEMBER OF THE AUDIT COMMITTEE

**Remi Vermeiren**

*Remi Vermeiren* is an independent Director of Ablynx and is Chairperson of its Audit Committee. Prior to joining us, Mr Vermeiren, for more than 43 years, served in various roles with Kredietbank NV (since 1998 KBC Bank and Insurance Group) including as Chief Executive Officer from 1998 until 2003, when he retired. Mr Vermeiren is currently a member of a number of private companies and of charitable organizations, such as Pro Vives, Vives and ‘Foundation RV,’ set up and funded by himself. He has also been a member of the board of ACP II SCA in Luxembourg since 2007. Over the past five years Mr Vermeiren has held positions as a member of the board or governing bodies of the following companies: Devgen NV from 2004-2013 and Zinner NV and MCS NV from 2013-2014. Mr Vermeiren holds a degree in commercial and financial sciences from the Higher Institute for Administration and Commerce, Brussels.

**Russell Greig**

*Greig Biotechnology Global Consulting Inc., represented by its permanent representative, Dr Russell Greig* has been appointed as independent Director of Ablynx in 2012 and joined the Audit Committee in February 2013. Dr Greig has more than 35 years experience in the pharmaceutical industry, with knowledge and expertise in research and development, business development and commercial operations. Dr Greig has been nominated Chairperson of the Board on 7 February 2018. Dr Greig has been the current Chairperson of AM Pharma since January 2012, Mint Solutions since September 2014, Sanifit since July 2015 and eTheRNA since September 2016. He has been a Director of Tigenix since September 2012. He was also a Venture Partner to Kurma Life Sciences, a position held from 2012 until March 2017 and was Director at Onxeo from 2013 until April 2017. He served as acting Chief Executive officer at Isconova from April 2011 to 2013. He was also Chairperson of Bionor from July 2015 to March 2016, Syntaxin from June 2011 to August 2013, which was acquired by Ipsen, Novagali from August 2011 to March 2012 which was sold to Santen (Japan), and of Isconova (USA) from January 2011 to 2013, which was acquired by Novavax.

Dr Greig received his B.Sc. and Ph.D. in biochemistry from Manchester University.

**Catherine Moukheibir**

*Catherine Moukheibir* has been appointed as independent Director of Ablynx on 2 September 2013 and joined the Audit Committee on 12 November 2013. She has been in C-level positions in several European biotech companies after an initial career in strategy consulting and investment banking in Boston and London. Her particular experience lies in aligning corporate and financial strategy appropriate to various stages of a biotech’s development, on the continuum from venture capital funding to public market or M&A. Ms Moukheibir has been a non-executive Board member, Chairperson of the Audit Committee and member of the Remunerations Committee of GenKyoTex and non-executive Board member and Chairperson of the Audit Committee of Orphazyme since 2017, the current non-executive Chairperson, Chairperson of the Audit Committee and Chairperson of the Remuneration and Nominations Committee of MedDay Pharma SA since 2016, non-executive Board member and Chairperson of the Audit Committee at Zealand Pharma since 2014, non-executive Board member and member of the Audit Committee at Cerenis since 2015, and Advisory Board member at the Imperial College Business School since 2015 and the Yale School of Management since 2016. She served as Senior Advisor, Finance and a member of the executive Board of Innate Pharma from 2011 to 2016 and a Chief Financial Officer and a member of the Executive Committee of Movetis from 2008 until its acquisition by Shire in 2010. Ms. Moukheibir holds an M.A. in economics and an MBA from Yale University.
Hilde Windels

Hilde Windels BVBA represented by its permanent representative ms Hilde Windels has served as a member of our Board of Directors since 2017. She joined the Audit Committee in August 2017. Ms Windels is currently an Executive Director at Biocartis Group NV and a member of the Board of Directors of Erytech Pharma SA, MDx Health NV, Mycartis NV and Vlaams Instituut voor Biotechnologie (VIB). Mrs. Windels served as Chief Financial Officer for Biocartis NV from 2011 until she became Deputy Chief Executive Officer in 2015, followed by a CEO ad interim position till Sept 2017. From 2009 to 2011, she worked as an independent Chief Financial Officer for several private biotech companies and served as Director of MDxHealth SA from June 2010 until August 2011. From 1999 to 2008, Ms Windels was Chief Financial Officer and a Board member of Devgen NV. Ms Windels holds a masters in economics from the University of Leuven, Belgium.

1.14. JUSTIFICATION OF VALUATION RULES

Ablynx, established in 2001, is a biotechnology company. For the further successful expansion of the research and development activities, the Company is, among others, dependent on sufficient financial funding, the results obtained from research and the Company’s capacity to obtain and maintain adequate protection of its intellectual property.

In addition, several clinical tests are planned in the next years, which will increase the operational costs. On the other hand, major commercial deals were closed which have already generated and which will generate important revenues as milestones have been achieved.

In view of the above we raised through December 31, 2017, an aggregate of more than €540 million in gross proceeds, including $230 million from our global offering onto Nasdaq in 2017, €85.2 million from our initial public offering on Euronext Brussels in 2007, €50.0 million from a follow-on public offering on Euronext Brussels in 2010, €147.4 million through private placements and €100.0 million through the issuance in 2015 of senior unsecured convertible bonds due 2020. In addition, we have received upfront payments, milestone payments and research and development service fees from our collaborators totaling €459.3 million as of December 31, 2017.

As of December 31, 2017, we had a liquid asset position, including cash, current financial assets, restricted cash and deposits of €354.3 million. This will allow the Company to keep up with the financial obligations for at least the following 12 months. Consequently, the annual accounts have been prepared on the assumption that the Company is a going concern.

1.15. APPROPRIATION OF RESULTS

Ablynx NV ended, according to Belgian GAAP, the financial year 2017 with a net loss of 98,195,758.

The Board of Directors proposed to appropriate the loss of the year of €98,195,758, to retained losses, the latter amounting to €199,526,726.

This brings the total amount of retained losses to €297,722,484.
1.16. IMPORTANT EVENTS SUBSEQUENT TO THE ACCOUNTING REFERENCE DATE

On 8 January 2018, Ablynx announced that it received an unsolicited conditional proposal from Novo Nordisk A/S to acquire all of the outstanding shares of Ablynx for €28.00 (or approximately $33.66) per share in cash and one Contingent Value Right (CVR) linked to two upcoming material events with total potential cash payments over time of up to €2.50 (or approximately $3.01) per share. The company announced that it was of the opinion that the proposal fundamentally undervalued the Company and its future prospects.

On 8 January 2018, Ablynx further announced that Dr Peter Fellner, who had served as Chairperson since 2013, had decided to resign from the Board with immediate effect. He was succeeded by Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, who had been a Non-executive Director of Ablynx since November 2013, and had been unanimously elected by the Ablynx Board as the new Chairperson.

During the Board Meeting of 17 January 2018, the issuance of a maximum number of 800,000 warrants for the benefit of certain employees and consultants was approved. The duration of the warrants is 7 years as of the issue date of the warrants. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered.

On 22 January 2018, Ablynx announced that an additional 218,998 new shares had been issued by the Company in exchange for €1,689,981.62 as the result of the exercise of warrants. Ablynx also announced that in relation to the €100,000,000, 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 (ISIN: BE6278650344) issued by the Company in the denomination of €100,000 each (the “Bonds”), an additional 126,348 new shares were issued following the conversion of 16 Bonds. As a result of these transactions the company now 75,065,990 shares outstanding.

On 24 January 2018, Ablynx announced the appointment of Robert Friesen, PhD, as Chief Scientific Officer (CSO), effective 1 March 2018. Dr Friesen will lead the Company’s scientific, research and technology activities and become a member of the Executive Committee. He succeeds Dr Antonin de Fougerolles, Ablynx’s previous CSO, who left the Company last year to become Chief Executive Officer (CEO) at Evox Therapeutics.

On 29 January 2018, Ablynx announced that it had entered into a definitive agreement under which Sanofi will offer to acquire all of the outstanding ordinary shares, including shares represented by American Depositary Shares (ADSS), warrants and convertible bonds of Ablynx at a price per Ablynx share of €45 in cash, which represents an aggregate equity value of approximately €3.9 billion. The transaction was unanimously approved by both the Sanofi and Ablynx Boards of Directors.

On 7 February 2018, Ablynx announced that Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, had decided to resign from the Board of Directors with immediate effect for personal reasons. Having contributed to Ablynx’s recent M&A activities, and served on the Board since 2013, Dr Hansen will now focus on other opportunities. He was succeeded by Dr Russell G. Greig, acting as a permanent representative of Greig Biotechnology Global Consulting Inc., who had been a non-executive Director of Ablynx since 2012, and had been unanimously elected by the Ablynx Board as the new Chairperson.

On 16 February 2018, Ablynx announced that Sanofi had exercised its option to license two additional target combinations as part of the research collaboration signed in July 2017, focussed on developing and commercialising Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases.
On 28 February 2018, Ablynx announced that in relation to the €100,000,000, 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 (ISIN: BE6278650344) issued by the Company in the denomination of €100,000 each (the “Bonds”), an additional 7,896 new shares were issued following the conversion of 1 Bond. As a result of this transaction, Ablynx now has a total number of 75,073,886 shares.

On 1 March 2018, Piet Houwen joined Ablynx as Chief Operating Officer. Mr Houwen will be responsible for the support of Ablynx’s business and R&D processes and become a member of the Executive Committee.

On 2 March 2018, Ablynx announced that the first patient had been dosed in the Japanese Phase II study of ALX-0171, the Company’s wholly-owned inhaled Nanobody® to treat respiratory syncytial virus (RSV) infections.

On 15 March 2018, Ablynx announced that an additional 179,781 common shares had been issued by the Company in exchange for €782,096.92 as the result of the exercise of warrants.

1.17. GRANT OF DISCHARGE TO THE DIRECTORS AND STATUTORY AUDITOR

You are requested, for Ablynx NV, in accordance with the law and the Articles of Association, to grant discharge to the Directors and the Statutory Auditor for the duties carried out by them during the financial year ending 31 December 2017.

This report will be deposited according to the legal requirements and can be consulted at the Company’s address.

Ghent, 23 March 2018

Greig Biotechnology Global Consulting Inc.

represented by

Russell Greig

Chairman
2. RESPONSIBILITY REPORT

We hereby certify that, to the best of our knowledge, the financial statements as of 31 December 2017, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and loss of the Company and that the management report includes a fair review of the development and the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors,
Ghent, 23 March 2018

Greig Biotechnology Global Consulting Inc.
represented by:
Russell Greig
Chairman

Woconsult BVBA
represented by:
Wim Ottevaere,
CFO
3. STATUTORY AUDITOR’S REPORT

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

In the context of the statutory audit of the consolidated financial statements of Ablynx NV (“the company”) and its subsidiary (jointly “the group”), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements 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. Our mandate will expire on the date of the shareholders’ meeting approving the financial statements for the year ending 31 December 2019. We have performed the statutory audit of the consolidated financial statements of Ablynx NV for 7 subsequent years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The balance sheet shows total assets of 389,848 (000) EUR and the consolidated statement of comprehensive income shows a consolidated loss for the year then ended of 108,532 (000) EUR.

In our opinion, the consolidated financial statements of Ablynx NV give a true and fair view of the group’s net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements 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 consolidated financial statements” section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
**Key audit matters**

<table>
<thead>
<tr>
<th><strong>R&amp;D Expenses</strong></th>
<th><strong>How our audit addressed the key audit matters</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The research and development (&quot;R&amp;D&quot;) expenses for the year 2017 mainly consist of payroll costs as well as invoices from third party suppliers and R&amp;D collaboration partners. The R&amp;D activities with these parties are documented in detailed agreements and are typically performed over an extended period. Allocation of these expenses to the appropriate reporting period based on the progress of the research and development projects involves judgement.</td>
<td>Our audit procedures included, among others, the review of agreements with suppliers and R&amp;D collaboration 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, cut-off and nature of R&amp;D expenses and valuation of the related accruals recorded. We also challenged management’s estimates based on its track record in setting up R&amp;D progress accruals.</td>
</tr>
</tbody>
</table>

The company’s disclosures about the research and development expenses are included in note [8.19] of the consolidated financial statements.

<table>
<thead>
<tr>
<th><strong>Financial instruments – convertible bond</strong></th>
<th><strong>How our audit addressed the key audit matters</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The company has issued a convertible bond, which is considered as a financial liability with an embedded derivative, accounted for as follows:</td>
<td>Our audit procedures included, among others, review of the fair value calculation of the convertible bond and challenging the assumptions used by management (e.g. credit spread used).</td>
</tr>
<tr>
<td>• Debt component recognised at amortised cost;</td>
<td></td>
</tr>
<tr>
<td>• Embedded derivative accounted for at fair value.</td>
<td></td>
</tr>
<tr>
<td>The fair value of the embedded derivative is measured as the difference between the fair value of the total convertible bond and the fair value of the host debt. The fair value of the total convertible bond is based on level 3 information. The fair value of the host debt is determined by discounting the contractual cash flows using an interest rate plus a market credit spread.</td>
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</tr>
</tbody>
</table>

The company’s disclosures about financial instruments are included in note [8.4] of the consolidated financial statements.

<table>
<thead>
<tr>
<th><strong>Revenue recognition</strong></th>
<th><strong>How our audit addressed the key audit matters</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>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, reimbursement income 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.</td>
<td>We discussed revenue recognition principles with Management and challenged their assumptions in this respect. 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 when recognizing milestone revenues. We verified documentation supporting the achievement of the milestones and determined whether the milestone amounts recognized were substantive and commensurate with the magnitude of the related achievement as defined in the applicable IFRS standard. We also considered and challenged the period over which up-front payments are recognized as revenues. We tested a sample of transactions of revenue recognized in the income statement (revenue) and the balance sheet.</td>
</tr>
</tbody>
</table>

The company’s disclosures about revenue are included in note [8.18] of the consolidated financial statements.
(deferred income) for accurate calculation and appropriate recognition based on the agreements, recognition principles and Management estimates and judgements.

**Cash, cash equivalents and other financial assets**
Cash, cash equivalents and other financial assets consist of cash and term deposits (current and non-current). The nature and contractual terms of the financial assets determined the presentation on the balance sheet. We focused on this area as it is material to the consolidated financial statements.

The company’s disclosures about cash, cash equivalents and other financial assets are included in note [8.9] and [8.10] of the consolidated financial statements.

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, cash equivalents and other financial assets and any restriction on the use of the cash and cash equivalents.

**Responsibilities of the board of directors for the consolidated financial statements**

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group’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 group or to cease operations, or has no other realistic alternative but to do so.

**Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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 consolidated financial statements, 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 group’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 group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern;
• evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

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 consolidated financial statements.

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 consolidated financial statements as well as to report on these matters.

Aspects regarding the directors’ report on the consolidated financial statements and other matters disclosed in this report

In our opinion, after performing the specific procedures on the directors’ report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors’ report on the consolidated financial statements and other information disclosed in the directors’ report on the consolidated financial statements, i.e. sections:

CORPORATE OVERVIEW

1.1 STRATEGIC HIGHLIGHTS

1.5 OUTLOOK 2018;
are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express and will not express any kind of assurance on the annual report.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the directors’ report on the consolidated financial statements that is part of section 1.6. CORPORATE GOVERNANCE STATEMENT. 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.

**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 consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

**Other statements**

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 26 March 2018

The statutory auditor

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DELOITTE Bedrijfsrevisoren / Réviseurs d’Entreprises
BV o.v.e. CVBA / SC s.f.d. SCRL
Represented by Nico Houthaeve
### 4. CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,234</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>3,876</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>1,601</td>
</tr>
<tr>
<td>Non-current other financial assets</td>
<td>49,718</td>
</tr>
<tr>
<td>Non-current research and development incentives receivable</td>
<td>22,081</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>78,510</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,656</td>
</tr>
<tr>
<td>Current research and development incentives receivable</td>
<td>2,449</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2,286</td>
</tr>
<tr>
<td>Current other financial assets</td>
<td>287,996</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,951</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>311,337</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>389,848</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>117,821</td>
</tr>
<tr>
<td>Share premium account</td>
<td>425,291</td>
</tr>
<tr>
<td>Reserves</td>
<td>8,668</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(371,924)</td>
</tr>
<tr>
<td><strong>Equity attributable to the equity holders</strong></td>
<td>179,856</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>155,169</td>
</tr>
<tr>
<td>Non-current deferred income*</td>
<td>10,791</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>165,960</td>
</tr>
<tr>
<td>Trade and other current liabilities</td>
<td>22,127</td>
</tr>
<tr>
<td>Current deferred income*</td>
<td>21,905</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>44,032</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>389,848</td>
</tr>
</tbody>
</table>

* The consolidated balance sheet has been restated to present deferred income in current and non-current deferred income. In previously published financial statements, deferred income was presented solely under current liabilities. We refer to note 8.15.

The notes 8.1 to 8.28 are an integral part of these financial statements.
5. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Revenue</td>
<td>55,562</td>
</tr>
<tr>
<td>Grants</td>
<td>(31)</td>
</tr>
<tr>
<td><strong>Total revenue and grant income</strong></td>
<td><strong>55,531</strong></td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>(90,920)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(18,805)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td><strong>(54,195)</strong></td>
</tr>
<tr>
<td>Finance income</td>
<td>449</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(54,787)</td>
</tr>
<tr>
<td><strong>Loss before taxes</strong></td>
<td><strong>(108,532)</strong></td>
</tr>
<tr>
<td><strong>Profit/(loss) for the period</strong></td>
<td><strong>(108,532)</strong></td>
</tr>
<tr>
<td><strong>Total comprehensive profit/(loss) for the period</strong></td>
<td><strong>(108,532)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) attributable to equity holders</td>
<td>(108,532)</td>
<td>(1,087)</td>
</tr>
<tr>
<td>Total comprehensive profit/(loss) attributable to equity holders</td>
<td>(108,532)</td>
<td>(1,087)</td>
</tr>
<tr>
<td>Basic profit/(loss) per share</td>
<td>(1.74)</td>
<td>(0.02) (Note 8.25)</td>
</tr>
<tr>
<td>Diluted loss per share</td>
<td>(1.74)</td>
<td>(0.43) (Note 8.25)</td>
</tr>
</tbody>
</table>

The diluted loss per share number for the accounting year 2016 has been restated to correct an error with respect to the calculation of the diluted loss per share, as described in note 25.

The notes 8.1 to 8.28 are an integral part of these financial statements.
### 6. CONSOLIDATED CASH FLOW STATEMENTS

<table>
<thead>
<tr>
<th>(€'000)</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Loss before taxes</td>
<td>(108,532)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>841</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>2,193</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>2,605</td>
</tr>
<tr>
<td>Interest income on financial assets</td>
<td>(49)</td>
</tr>
<tr>
<td>Net (gain)/loss arising on the Convertible Bond designated as at fair value through profit and loss</td>
<td>46,642</td>
</tr>
<tr>
<td>Finance expense recognised in respect of the Convertible Bond</td>
<td>7,427</td>
</tr>
<tr>
<td>Movements in working capital:</td>
<td></td>
</tr>
<tr>
<td>(Increase)/Decrease in trade and other receivables</td>
<td>(4,479)</td>
</tr>
<tr>
<td>Increase/(Decrease) in trade and other payables</td>
<td>(4,537)</td>
</tr>
<tr>
<td><strong>Cash used in operating activities</strong></td>
<td><strong>(57,889)</strong></td>
</tr>
<tr>
<td>Interests paid</td>
<td>(0)</td>
</tr>
<tr>
<td>Interests received</td>
<td>49</td>
</tr>
<tr>
<td><strong>Net cash flows used in operating activities</strong></td>
<td><strong>(57,840)</strong></td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>(490)</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(2,323)</td>
</tr>
<tr>
<td>Sale of current financial assets</td>
<td>130,489</td>
</tr>
<tr>
<td>Purchase of current and non-current financial assets</td>
<td>(287,718)</td>
</tr>
<tr>
<td><strong>Net cash (used in)/provided by investing activities</strong></td>
<td><strong>(160,042)</strong></td>
</tr>
<tr>
<td>Proceeds from issuance of ordinary shares (net of share issue costs)</td>
<td>179,256</td>
</tr>
<tr>
<td>Proceeds from exercise of warrants</td>
<td>3,471</td>
</tr>
<tr>
<td>Proceeds from issuance of convertible bond (net of transaction costs)</td>
<td></td>
</tr>
<tr>
<td>Interests paid on convertible bond</td>
<td>(3,250)</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td><strong>179,477</strong></td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td><strong>(38,405)</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>53,356</td>
</tr>
<tr>
<td>Exchange gains/(losses) in cash and cash equivalents</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td><strong>14,951</strong></td>
</tr>
</tbody>
</table>

The notes 8.1 to 8.28 are an integral part of these financial statements.
### 7. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY

<table>
<thead>
<tr>
<th>(£’000)</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Share-based compensations</th>
<th>Retained loss</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 31 December 2015</strong></td>
<td>96,287</td>
<td>187,316</td>
<td>6,611</td>
<td>(262,305)</td>
<td>27,909</td>
</tr>
<tr>
<td>Total comprehensive loss for the period</td>
<td></td>
<td></td>
<td>(1,087)</td>
<td>(1,087)</td>
<td></td>
</tr>
<tr>
<td>Issue of shares</td>
<td>10,348</td>
<td>63,804</td>
<td></td>
<td></td>
<td>74,152</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>(2,710)</td>
<td></td>
<td></td>
<td>(2,710)</td>
<td></td>
</tr>
<tr>
<td>Share-based compensations</td>
<td></td>
<td></td>
<td>2,572</td>
<td></td>
<td>2,572</td>
</tr>
<tr>
<td>Exercise of warrants</td>
<td>2,132</td>
<td>1,177</td>
<td>(1,089)</td>
<td></td>
<td>2,220</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2016</strong></td>
<td>106,058</td>
<td>252,297</td>
<td>8,093</td>
<td>(263,391)</td>
<td>103,056</td>
</tr>
<tr>
<td>Total comprehensive loss for the period</td>
<td></td>
<td></td>
<td></td>
<td>(108,532)</td>
<td>(108,532)</td>
</tr>
<tr>
<td>Issue of shares</td>
<td>24,580</td>
<td>170,747</td>
<td></td>
<td></td>
<td>195,327</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>(16,071)</td>
<td></td>
<td></td>
<td>(16,071)</td>
<td></td>
</tr>
<tr>
<td>Share-based compensations</td>
<td></td>
<td></td>
<td>2,605</td>
<td></td>
<td>2,605</td>
</tr>
<tr>
<td>Exercise of warrants</td>
<td>3,254</td>
<td>2,247</td>
<td>(2,030)</td>
<td></td>
<td>3,471</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2017</strong></td>
<td>117,821</td>
<td>425,291</td>
<td>8,668</td>
<td>(371,924)</td>
<td>179,856</td>
</tr>
</tbody>
</table>

The notes from point 8.1 to point 8.28 are an integral part of these financial statements.
8. NOTES TO THE FINANCIAL STATEMENTS

8.1. GENERAL INFORMATION

The Company was incorporated on 4 July 2001 under the name “MatchX”. It changed its name to “Ablynx” on 12 June 2002. Ablynx is a public limited liability company ("naamloze vennootschap" or “nv”) organised and existing under the laws of Belgium with registered offices at Technologiepark 21, 9052 Zwijnaarde, Belgium (company number 0475.295.446 (RPR Ghent).

As of December 31, 2017, we had 438 staff on the payroll comprising 381 permanent employees (Msl’s abroad and Ablynx Inc. included), 50 employees with a temporary contract (i.e., individuals on the payroll with a fixed-term contract), 7 Executive Committee members, all of whom are “self-employed” according to Belgian law and on the payroll, and 28 consultants (who work at least 50% of the time for us but are not on the payroll and are not working exclusively for us).

Ablynx is a late-stage biopharmaceutical company utilizing its proprietary Nanobody platform (a novel class of therapeutic proteins based on single-domain antibody fragments) to develop treatments for a broad range of therapeutic indications with an unmet medical need. Ablynx believes that Nanobodies represent a leading next generation protein therapeutic technology.

The Company has more than 45 proprietary and partnered Nanobody programmes across a range of therapeutic indications including: inflammation, hematology, immuno-oncology, oncology and respiratory diseases. Ablynx’s lead, wholly owned product candidate, caplacizumab, for the treatment of acquired thrombotic thrombocytopenic purpura, or aTTP, is currently undergoing regulatory review in Europe. Submission of a Biologics License Application, or BLA, for caplacizumab in the United States is planned in the first half of 2018 and the company received Fast Track Designation for caplacizumab in July 2017.

The wholly owned and partnered product pipeline includes three other Nanobody-based product candidates at the Phase II stage of development and four at the Phase I stage of development. Plans are currently being made to initiate Phase I trials for multiple other product candidates over the next few years.

8.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

8.2.1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and Belgian legal requirements applicable to the Company. The financial statements are presented in thousands of euro (unless stated otherwise). The financial statements for the financial year ended 31 December 2017 have been approved for issue by the Board of Directors on 23 March 2018.
The financial statements have been prepared under the assumption that the Company is a going concern and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

**Convertible bond**

For the Company’s convertible bond, the significant judgment relates to the determination of the fair value of the embedded, not-closely-related, share conversion derivative, which also includes the early redemption optionality, both at inception and subsequently at each reporting date.

The measurement approach taken for the fair value of the embedded derivative is based on the difference between the fair value of the total convertible bond as a whole and the fair value of the host debt (non-prepayable non-convertible debt).

An estimate of the fair value of the convertible bond is obtained from a reputable data provider. At inception and subsequently, this fair value was based on indicative (i.e. non-executable) quotes provided by market participants resulting in indicative prices that were given a high reliability score by the data provider.

The estimate of the fair value of the host debt was based on credit spread data for debt issued by comparable companies, provided by a third party.

The embedded derivative amounts to €66.5 million at closing 2017 (2016: €19.8 million; 2015: €54.1 million).

Consequently, the fair value of the combined embedded derivative thus obtained is a “level 3” fair value measurement according to the fair value hierarchy of IFRS 13 Fair Value Measurement. Disclosures on this level 3 fair value measurement, including a sensitivity analysis for reasonably possible changes in assumptions are provided in Note 8.4.

**Changes in accounting policy and disclosures without impact for the company:**

*Standards and interpretations applicable for the annual period beginning on 1 January 2017:*

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative;

*Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2017:*

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after January 1, 2018);
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after January 1, 2018);
- IFRS 16 Leases (applicable for annual periods beginning on or after January 1, 2019);
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after January 1, 2018);

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2017, and mainly new IFRS 15 Revenue from contracts with customers (applicable for annual periods beginning on or after 1
January 2018, but not yet endorsed by EU), and IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed by EU), could have an impact on our future financials.

We have considered the possible impact of IFRS15 on revenue recognition and have decided to apply the Modified Retrospective Approach as of 1 January 2018. We will retain prior period figures as reported under the previous standards, recognising the cumulative effect of applying IFRS15 as an adjustment to the opening balance of equity as at 1 January 2018.

Ablynx generally enters into collaboration agreements that include the transfer of a license combined with the delivery of further R&D services. Under IFRS 15, the determination of the concept of ‘single combined performance obligation’ is relevant, as we could consider that the license has no stand-alone value without Ablynx being further involved in the R&D collaboration and that there is interdependence between the license and the R&D services to be provided. For certain arrangements, we could consider that there is a transformational relationship between the license and the R&D services to be delivered. We could estimate that the Ablynx’ activities during the R&D collaboration are going to significantly add to Intellectual Property (IP) and thereby the value of the programs. This aspect of the IFRS15 impact analysis is still subject to further analysis, but we anticipate the impact to be mainly affecting the recognition of milestone payments. Under IFRS 15, our milestone payments will generally have to be recognized pro rata the completion of the delivery of the services under the contract, whereas under IAS18 these were recognized when the milestone was achieved.

We have considered the possible impact of IFRS 9 on the classification and impairment of financial instruments.
- Classification: Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting
- Impairment: The Company estimates that there will not be any impact from the IFRS 9 adoption.

The evaluation of the impact of IFRS 16 Leases is currently under assessment.

The financial statements of Ablynx nv are presented in euro and rounded to the nearest thousand.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company.

Control is achieved when the Company:
- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee
- has the ability to use its power to affect the returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of an subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

8.2.2. SEGMENT REPORTING

The Company operates as a single operating segment.

8.2.3. FOREIGN CURRENCY TRANSLATION

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in euro, which is the functional and presentation currency of the Company.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income (OCI).

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

The following foreign exchange rates have been used for the preparation of the accounts:

<table>
<thead>
<tr>
<th></th>
<th>Closing rate</th>
<th>Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollar</td>
<td>1,1999</td>
<td>1,0522</td>
</tr>
<tr>
<td>GB Pound</td>
<td>0,8886</td>
<td>0,8533</td>
</tr>
</tbody>
</table>
8.2.4. REVENUE RECOGNITION

The Company generates revenue from research collaboration agreements and from government grants.

The Company recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Research collaboration agreements
These research agreements typically contain license fees, non-refundable upfront access fees, research and development service fees and milestone payments. The revenue recognition policy for research projects can be summarised as follows:

- License fees are recognized when the Company has fulfilled all conditions and obligations. The license fee will not be recognized if the amount cannot be reasonably estimated and if the payment is doubtful. As the Company has a continuing involvement during the license period, license fees are recognized rateably over the term of the agreement.
- Non-refundable upfront fees for access to prior research results and databases are recognised when earned, if the Company has no continuing performance obligations and all conditions and obligations are fulfilled (this means after the delivery of the required information). If the Company has continuing performance obligations towards the client, the fee will be recognised pro rata the costs incurred (with adjustment to the actual performance period at the end of the contract or at the actual termination date).
- Research and development service fees are recognised as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of full-time equivalents (FTE) at a specified rate per FTE.
- Commercial collaborations resulting in a reimbursement of research and development (R&D) costs are recognised as revenue as the related costs are incurred. The corresponding research and development expenses are included in research and development expenses in the consolidated financial statements.
- Milestone payments are recognised as revenue upon the achievement of the milestone, when all conditions attached have been fulfilled.
- Deferred revenue represents amounts received prior to revenue being earned.

8.2.5. GOVERNMENT GRANTS

Grants related to research projects received from governmental agencies are recognised at their fair value over the period necessary to match them with the costs that they are intended to compensate, and when there is reasonable assurance the Company will comply with the conditions attached to the grants, but not prior to the formal grant approval. These grants are separately presented in the income statement as and included in the operating income.
8.2.6. INTANGIBLE FIXED ASSETS

Internally generated intangible assets
Research expenses are charged to the profit and loss statement as incurred. Development costs are only capitalised if the following conditions are met:

- the internally developed intangible asset is identifiable and controlled by the entity;
- the asset will generate future economic benefits;
- the development costs can be reliably measured.

At present, the current stage of development activities does not allow any capitalisation of intangible assets. The existing regulatory and clinical risks constitute an important uncertainty with respect to the capitalisation of development costs. The R&D expenses are not capitalised, as long as the criteria under IFRS are not met.

As no internally generated assets are recognised, all costs with respect to the protection of intellectual property are expensed as R&D expenses.

Purchased intangible assets
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of maximum three years.

Acquired knowledge in the form of licenses and patents is recorded at cost less accumulated amortisation and impairment. It is amortised on a straight-line basis over the shorter of the term of the license agreement and its estimated useful life.

The Company does not have intangible fixed assets with an indefinite useful life.

8.2.7. PROPERTY, PLANT AND EQUIPMENT

An item of property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. Costs relating to the day-to-day servicing of the item are recognised in the income statement as incurred. Gains and losses on the disposal of property, plant and equipment are recognised in other income or expense.

A pro rata straight-line depreciation method is used to reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. However, land is not depreciated. The residual value and the useful life of an asset is reviewed each financial year-end for possible impairment.
Depreciation is charged to the income statement on the following basis:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>10 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Hardware</td>
<td>3 years</td>
</tr>
<tr>
<td>Furniture</td>
<td>5 years</td>
</tr>
<tr>
<td>Equipment under leasing</td>
<td>The shorter of the useful life or the minimum leasing term</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>The shorter of the useful life or the minimum leasing term</td>
</tr>
</tbody>
</table>

Property, plant and equipment under construction are not depreciated.

**8.2.8. IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**8.2.9. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

The convertible bond is considered as a financial liability with an embedded derivative liability consistent with IAS 32 based on the cash settlement alternative, accounted for as follows:

- Debt component recognised at amortised cost;
- Embedded derivative accounted for at fair value.

The Company has no other derivative financial instruments, in all material respect, to hedge interest rates and foreign currency risks.

**8.2.10. R&D TAX CREDITS INCENTIVES**

As a company that carries extensive research and development activities, the Company benefits from various grants and R&D incentives from certain governmental agencies. These grants and R&D incentives generally aim to partly reimburse approved expenditures incurred in research and development efforts of the Company and are credited to the income statement, in minus of the related R&D expenses, when the relevant expenditure has been incurred and there is reasonable assurance that the grants or R&D incentives are receivable.

*Research and development incentives receivables*
Non-current research and development incentives receivables are discounted over the period until maturity date according to the appropriate discount rates.

8.2.11. TRADE RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

8.2.12. OTHER FINANCIAL ASSETS

Term deposits with an initial term of more than one month are measured at amortised cost, other financial assets are measured at Fair Value Through Profit and Loss.

8.2.13. CASH ON HAND AND DEMAND DEPOSITS

Cash on hand and demand deposits consists of cash on hand, deposits held at call with banks and cash equivalents.

8.2.14. EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

8.2.15. TRADE PAYABLES

Payables after and within one year are measured at amortised cost, i.e. at the net present value of the payable amount. Unless the impact of discounting is material, the nominal value is taken.

8.2.16. CONVERTIBLE BOND

In May 2015, Ablynx completed the placement of €100 million senior unsecured convertible bonds due May 2020, with a 3.25% coupon rate and a conversion price of €12.93, representing a 26.5% premium above reference price of €10,2219 being the VWAP (“Volume Weighted Average price”) of Ablynx’ ordinary shares on the Brussels Stock Exchange on 20 May 2015. At the initial conversion price, the convertible bonds were convertible into 7.733.952 fully paid up ordinary shares of Ablynx.

As a consequence of the Nasdaq IPO the conversion price of the Bonds has been adjusted from €12,93 to €12,6631 per ordinary share. The conversion price adjustment became effective on 27 October 2017. The Bonds are now convertible into an aggregate of 7.896.960 ordinary shares, at a conversion price of €12,6631 per ordinary share.
The convertible bonds are convertible in Ablynx ordinary shares at the option of the holder. In case of conversion: a cash alternative election (at the option of the issuer) is available including a number of restrictions. Because the issuer has the cash alternative election, it has a choice over how the share conversion option will be settled (i.e. net in cash or by exchanging shares for cash). Therefore the share conversion option is a derivative at Fair Value Through Profit and Loss (“FVTPL”) according to IAS 39, not an own equity instrument (cf. IAS 32.26).

The convertible bond is considered as a financial liability with an embedded derivative liability consistent with IAS 32 based on the cash settlement alternative, accounted for as follows:

- Debt component recognised at amortised cost;
- Embedded derivative accounted for at fair value.

The fair value of the embedded derivative needs to be determined at inception and at each reporting date, and the fair value changes are recognised in profit or loss.

The fair value of the embedded derivative (i.e. the conversion option, a level 3 instrument) is determined as the difference between the fair value of the total convertible bond and the fair value of the host debt.

An estimate of the fair value of the convertible bond is obtained from a reputable data provider. At inception and subsequently, this fair value has been based on indicative (i.e. non-executable) quotes provided by market participants resulting in indicative prices that were given a high reliability score by the data provider. The estimate of the fair value of the host debt was based on credit spread data for debt issued by comparable companies, provided by third parties. As a consequence, the fair value of the combined embedded derivative thus obtained is a “level 3” fair value measurement according to the fair value hierarchy of IFRS 13 "Fair Value Measurement."

8.2.17. INCOME TAXES

Income taxes are accrued for in the same period as the related revenues and expenses. The taxable result can differ from the net profit or loss, because of revenues and expenses which are taxable in another fiscal year or that will never be taxable or deductible.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

As such, a deferred tax asset for the carry forward of unused tax losses will be recognised to the extent that it is probable that future taxable profit will be available.
8.2.18. EMPLOYEE BENEFITS

The Company offers several post-employment, death, disability and healthcare benefit schemes. All employees have access to these schemes. The death, disability and healthcare benefits granted to employees of the Company are covered by external insurance companies, where premiums are paid annually and charged to the income statement as they were incurred.

The post-employment pension plans granted to employees of the Company are based on defined contributions for which the insurance company guarantees a defined interest until retirement (type 'branche 21/tak21').

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75;
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

A provision has to be recognized for the sum of the positive differences per plan participant between the minimum guaranteed reserves and the accumulated reserves.

8.2.19. PROVISIONS

A provision is recognised only when: the Company has a present obligation to transfer economic benefits as a result of past events; it is probable (more likely than not) that such a transfer will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made.

When the impact is likely to be material (for long-term provisions), the amount recognised as a provision is estimated on a net present value basis (discount factor). The increase in provision due to the passage of time is recognised as an interest expense.

A present obligation arises from an obligating event and may take the form of either a legal obligation or a constructive obligation (a constructive obligation exists when the Company has an established pattern of past practice that indicates to other parties that it will accept certain responsibilities and as a result has created a valid expectation on the part of those other parties that it will discharge those responsibilities). An obligating event leaves the Company no realistic alternative to settling the obligation, independently of its future actions.

Provisions for decommissioning costs and restoring sites are recorded as appropriate in application of the above.

Provisions for future operating losses are strictly prohibited.
If the Company has onerous contracts (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), the present obligations under the contract are recognised as a provision.

A provision for restructuring is only recorded if the Company demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

8.2.20. LEASES

A financial lease is a lease that substantially transfers all the risks and rewards incident to ownership of an asset.

The cost of assets acquired by way of a finance lease is measured at the lower of the fair value of the leased asset and the present value of the minimum lease payments, using the interest rate implicit in the lease as the discount rate, both determined at the inception of the lease. Initially incurred costs, directly attributable to the arrangement of the finance lease, are added to the amount recognised as an asset.

Assets acquired under financial leases are depreciated over the shorter of the lease term and their estimated useful life, if it is not reasonably certain that the entity will obtain ownership of the asset by the end of the lease term.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

8.2.21. SHARE-BASED COMPENSATION TRANSACTIONS

The Company has offered equity-settled, share-based compensation plans to its employees, executive management and consultants. The cost with respect to the employee services received in compensation for the grant of these warrants is recognised as an expense.

The total amount of the expense is recognised over the vesting period and determined on the basis of the fair value of the warrants at grant date. The fair value of each warrant is estimated on the date of grant using the Black-Scholes model. The total cost is initially estimated on the basis of the number of warrants that will become exercisable. At each balance date, the Company revises its estimates of the number of warrants that will become exercisable. The impact of the revision is recognised in the income statement over the remaining vesting period with a corresponding adjustment to equity.

8.2.22. EARNINGS PER SHARE

Basic net profit/(loss) per share is computed on the basis of the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.
Diluted net profit/(loss) per share is computed based on the weighted-average number of ordinary shares outstanding including the dilutive effect of warrants and bonds. Warrants and bonds should be treated as dilutive, when and only when their conversion to ordinary shares would decrease the net profit per share from continuing operations.

8.2.23 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company.

Control is achieved when the Company:
- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee
- has the ability to use its power to affect the returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of an subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

8.2.24 SHARE CAPITAL

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability of financial asset. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are presented in equity as a deduction, net of tax, from the proceeds.
8.3. FINANCIAL RISK MANAGEMENT

8.3.1. FINANCIAL RISK FACTORS

Liquidity risk management

The Company makes use of term accounts, treasury notes and equity and credit linked notes. The maturities of the term deposits are limited to a maximum of one year. The maturities of the credit linked notes are limited to a maximum of 2 years.

The Company has €1.6 million restricted cash related to a cash pledge.

No cash credit lines were available.

The maturity of non-current borrowings related to a convertible bond is as follows:

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>2017</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>3,250</td>
</tr>
<tr>
<td>Between 2 and 5 years</td>
<td>104,875</td>
</tr>
<tr>
<td>Over 5 years</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>108,125</td>
</tr>
</tbody>
</table>

Financial instruments

Convertible bond: the potential effect of using reasonable assumptions to the most significant level 3 inputs is as follows:
Assumptions
31 December 2017

<table>
<thead>
<tr>
<th>Share price</th>
<th>Fair value embedded derivative (€’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 20.72</td>
<td>66,454</td>
</tr>
</tbody>
</table>

**Sensitivity analysis**

<table>
<thead>
<tr>
<th>Share price</th>
<th>Fair value embedded derivative (€’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1%</td>
<td>€ 20.93</td>
</tr>
<tr>
<td>-1%</td>
<td>€ 20.51</td>
</tr>
<tr>
<td></td>
<td>68,077</td>
</tr>
<tr>
<td></td>
<td>64,803</td>
</tr>
</tbody>
</table>

The sensitivity is approximated via an intrinsic value calculation, as no direct full option model is used.

**Interest rate risk**
The Company has a significant interest-bearing liability related to the private placement of €100 million senior unsecured convertible bonds with a 3.25% coupon rate and a conversion price of €12.66. However, fixed-rate debt does not create sensitivity to changes in interest rates in P&L or in OCI.

**Credit risk**
The credit risk arises from outstanding transactions with customers. It is the Company’s policy to deal with creditworthy partners to avoid significant risk exposure. The trade receivables relate to a limited number of high-ranked international customers for whom there is no recent history of default. The credit risk is highly concentrated around a limited number of customers.

Available liquidities are placed with several financial institutions.

The financial institutions have credit ratings varying from A+, over A to A-.

**Credit quality of financial assets :**

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Rating (1)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A+</td>
<td>9,465</td>
<td>35,131</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>4,035</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-</td>
<td>1,451</td>
<td>18,225</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,951</td>
<td>53,356</td>
<td></td>
</tr>
</tbody>
</table>

| **Other financial investments** | | | |
| A+                       | 99,996     | 100,003| |
| A                        | 10,000     |       | |
| A-                       | 227,718    | 80,481| |
| **Total**                | 337,714    | 180,484| |
Foreign exchange risk
The Company has sales transactions from research and collaboration agreements denominated in USD and purchase transactions denominated in AUD, BGN, CAD, DKK, CHF, GBP, JPY, NOK, PLN, SEK and USD. The Company did not enter into any currency hedging arrangements in order to cover this risk.

As per 31 December 2017, if the EUR had weakened 10% against the GBP and against the USD with all other variables held constant, the loss for the period would have been €2,437,311 higher (2016: loss €675,710 higher). Conversely, if the EUR had strengthened 10% against the GBP and against the USD with all other variables held constant, the loss of the period would have been €1,994,163 lower (2016: loss €552,854 lower).

The table below provides an indication of the Company’s open net foreign currency position as per year end:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities denominated in USD</td>
<td>180</td>
<td>608</td>
</tr>
<tr>
<td>Liabilities denominated in GBP</td>
<td>182</td>
<td>167</td>
</tr>
<tr>
<td>Assets denominated in USD</td>
<td>105</td>
<td>65</td>
</tr>
</tbody>
</table>

8.3.2. CAPITAL RISK MANAGEMENT
The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Company consists of limited financial debt, cash and cash equivalents, restricted cash and short-term investments and equity attributed to the holders of equity instruments of the Company, such as capital, reserves and results carried forward as mentioned in the statements of changes in equity. The Company makes the necessary adjustments in the light of changes in the economic circumstances, risks associated to the different assets and the projected cash needs of the current and projected research activities. The current cash situation and the anticipated cash generation are the most important parameters in assessing the capital structure. In 2016 and 2017 the Company had a capital structure enabling to finance its activities for at least twelve months and the objective is to maintain this capital structure at a level to be able to finance its activities for at least twelve months. Cash income from existing and new partnerships is taken into account and, if needed and possible, the Company can issue new shares or enter into financing agreements.
8.4. USE OF FINANCIAL INSTRUMENTS

IFRS 13 requires disclosure of fair value measurements by level of the following hierarchy:

<table>
<thead>
<tr>
<th>(€'000)</th>
<th>Carrying amount</th>
<th>Amounts recognised in balance sheet</th>
<th>Fair value</th>
<th>Level of FV hierarchy IFRS13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amortised cost</td>
<td>FVTPL</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>Other financial assets</td>
<td>FLFVTPL 49,718</td>
<td>49,718</td>
<td>49,718</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>Convertible bond</td>
<td>Host debt 88,715</td>
<td>88,715</td>
<td>97,296</td>
</tr>
<tr>
<td></td>
<td>Embedded derivative</td>
<td>FLFVTPL 66,454</td>
<td>66,454</td>
<td>66,454</td>
</tr>
<tr>
<td></td>
<td>Trade payables</td>
<td>FLMaAC 15,565</td>
<td>15,565</td>
<td>15,565</td>
</tr>
<tr>
<td></td>
<td>Other current liabilities</td>
<td>FLMaAC 6,562</td>
<td>6,562</td>
<td>6,562</td>
</tr>
</tbody>
</table>

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the valuation techniques of the Level 3 instruments, see 8.4.1.
The sensitivity of the fair value to significant non-observable inputs:

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit spread</td>
<td>31 bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sensitivity analysis</th>
<th>Credit spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1 bps</td>
<td>32 bps</td>
</tr>
<tr>
<td>-1 bps</td>
<td>30 bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit spread</td>
<td>450 bps</td>
</tr>
<tr>
<td>Share price</td>
<td>€20.72</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sensitivity analysis</th>
<th>Credit spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100 bps</td>
<td>550 bps</td>
</tr>
<tr>
<td>-100 bps</td>
<td>350 bps</td>
</tr>
</tbody>
</table>

The next table lists the different classes of financial assets and liabilities with their carrying amounts in the balance sheet and their respective fair value and analysed by their measurement category in accordance with “IAS 39, Financial Instruments”.

The following categories and abbreviations are used in the table below:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Category in accordance with IAS 39</th>
</tr>
</thead>
<tbody>
<tr>
<td>FLMaAC</td>
<td>Financial Liabilities Measured at Amortised Cost</td>
</tr>
<tr>
<td>FLFVTPL</td>
<td>Financial Liabilities at Fair Value Through Profit or Loss</td>
</tr>
<tr>
<td>FVTPL</td>
<td>Fair Value Through Profit or Loss</td>
</tr>
<tr>
<td></td>
<td>Carrying amount</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td></td>
<td>(€’000)</td>
</tr>
</tbody>
</table>

### At 31 December 2017

**Financial liabilities**

- **Convertible bond**
  - Host debt: FLMaAC 88,715 / 88,715 / 97,296
  - Embedded derivative: FLFVTPL 66,454 / 66,454 / 66,454

**Aggregated by category in accordance with IAS 39**

- Financial liabilities measured at amortised cost: FLMaAC 88,715 / 88,715 / 97,296
- Financial liabilities at fair value through profit or loss: FLFVTPL 66,454 / 66,454 / 66,454

### At 31 December 2016

**Financial liabilities**

- **Convertible bond**
  - Host debt: FLMaAC 84,537 / 84,537 / 88,708
  - Embedded derivative: FLFVTPL 19,812 / 19,812 / 19,812

**Aggregated by category in accordance with IAS 39**

- Financial liabilities measured at amortised cost: FLMaAC 84,537 / 84,537 / 88,708
- Financial liabilities at fair value through profit or loss: FLFVTPL 19,812 / 19,812 / 19,812

---

Reconciliation of fair value measurements categorized within level 3 of the fair value hierarchy

<table>
<thead>
<tr>
<th>At issuance of other financial assets</th>
<th>50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in (profit) or loss</td>
<td>(278)</td>
</tr>
<tr>
<td><strong>Closing Balance 31/12/2017</strong></td>
<td>49,723</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At issuance of the convertible bond</th>
<th>19,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in (profit) or loss</td>
<td>34,646</td>
</tr>
<tr>
<td><strong>Closing Balance 31/12/2015</strong></td>
<td>54,146</td>
</tr>
<tr>
<td>Included in (profit) or loss</td>
<td>(34,334)</td>
</tr>
<tr>
<td><strong>Closing Balance 31/12/2016</strong></td>
<td>19,812</td>
</tr>
<tr>
<td>Included in (profit) or loss</td>
<td>46,642</td>
</tr>
<tr>
<td><strong>Closing Balance 31/12/2017</strong></td>
<td>66,454</td>
</tr>
</tbody>
</table>
8.5. SEGMENT INFORMATION

The Company does not distinguish different operating segments.

The income was derived from five pharmaceutical partners, namely AbbVie, Merck KGaA, Merck & Co., Inc., Sanofi and Novo Nordisk. Moreover, in 2017, more than 80% of the income originated from three parties, one party was responsible for 29% of the income, two other parties represented 27% each.

In 2016, more than 85% of the income originated from three parties, one party was responsible for more than 40% of the income, two other parties represented between 19% and 25% each.

8.6. GOING CONCERN

For the further successful expansion of the research and development activities, Ablynx is, among others, dependent on sufficient financial funding, the results obtained from research and Ablynx capacity to obtain and maintain adequate protection of its intellectual property. In addition, further progress of the clinical tests is planned in the next years, which will increase the operational costs.

On the other hand, commercial deals were closed which have already generated and which will generate important revenues as milestones are earned.

Going concern is assured as no liquidity problems are expected because the convertible bonds are convertible in Ablynx ordinary shares at the option of the issuer. In case of conversion, a cash alternative election is available at the option of the issuer, including a number of restrictions. Because the issuer has the cash alternative election, it has a choice over how the share conversion option will be settled (i.e. net in cash or by exchanging shares for cash).

The Company has not identified at reporting date any sources of estimation uncertainty, which involve a significant risk of material adjustment to the financial statements in the following year.

The current cash position of €354.3 million including cash, other investments, restricted cash and deposits will allow the Company to keep up with the financial obligations for at least the following 12 months.

Consequently, the annual accounts have been prepared on the assumption that the Company is a going concern.

8.7. RESTRICTED CASH

Restricted cash is related to a cash pledge the Company has provided in respect of the service agreement with nv Bio-Versneller (see point 8.27.3).

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash</td>
<td>1,601</td>
<td>1,600</td>
</tr>
</tbody>
</table>
8.8. R&D TAX INCENTIVE RECEIVABLES

The Company has accounted for a total tax receivable of €24.5 million following an R&D incentive scheme in Belgium under which the tax can be refunded after five years if not offset against taxable basis over that period. The R&D incentives are recorded net against the relating R&D expenses in the statement of comprehensive income.

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Fiscal year</th>
<th>Year amount can be claimed</th>
<th>Year amount should be reimbursed</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2017</td>
<td>2018</td>
<td>2,449</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>2018</td>
<td>2019</td>
<td>2,954</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2019</td>
<td>2020</td>
<td>3,342</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2020</td>
<td>2021</td>
<td>3,873</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>2021</td>
<td>2022</td>
<td>5,273</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2022</td>
<td>2023</td>
<td>6,639</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td>24,529</td>
</tr>
</tbody>
</table>

In 2017 €1.9 million has been refunded. We expect a refund of €2.4 million in 2018, the remaining amount of €22 million is expected in the following years.

The collection of the outstanding non-current R&D tax credit receivable remains dependent upon the completeness of the necessary formalities and the quality of the documentation available to support tax credit claimed.

8.9. OTHER FINANCIAL ASSETS

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Term deposits in Euro</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Term deposits &gt; 1 month &lt; 1 year</td>
<td>287,996</td>
<td>180,477</td>
</tr>
<tr>
<td></td>
<td>Term deposits &gt; 1 year</td>
<td>49,718</td>
<td>0</td>
</tr>
</tbody>
</table>

These are term deposits with banks with an initial term between 1 and 24 months.
8.10. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and on hand</td>
<td>14,951</td>
<td>53,356</td>
</tr>
<tr>
<td>Cash at bank and on hand in Euro</td>
<td>14,843</td>
<td>53,291</td>
</tr>
<tr>
<td>Cash at bank and on hand in foreign currency</td>
<td>108</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,951</strong></td>
<td><strong>53,356</strong></td>
</tr>
</tbody>
</table>

The cash and cash equivalents heading consists of cash, deposits held at call with banks and short-term deposits with an initial term not exceeding one month.

8.11. FINANCIAL INSTRUMENTS BY CATEGORY

<table>
<thead>
<tr>
<th>(€ '000)</th>
<th>2017</th>
<th>Loans and Receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash</td>
<td>1,601</td>
<td>1,601</td>
<td></td>
</tr>
<tr>
<td>Non-current other financial assets</td>
<td>49,718</td>
<td>49,718</td>
<td></td>
</tr>
<tr>
<td>Trade receivables - other current assets</td>
<td>2,111</td>
<td>2,111</td>
<td></td>
</tr>
<tr>
<td>Other short-term deposits</td>
<td>287,996</td>
<td>287,996</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14,951</td>
<td>14,951</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(€ '000)</th>
<th>2016</th>
<th>Loans and Receivables</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted cash</td>
<td>1,600</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>Trade receivables - other current assets</td>
<td>3,512</td>
<td>3,512</td>
<td></td>
</tr>
<tr>
<td>Other short-term deposits</td>
<td>180,484</td>
<td>180,484</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>53,356</td>
<td>53,356</td>
<td></td>
</tr>
</tbody>
</table>

8.12. SHARE CAPITAL

8.12.1. CAPITAL TRANSACTIONS DURING THE YEAR

The following capital increases took place in 2017:

On January 17, 2017, the Company issued 154,342 new shares in exchange for €1,011,939.05 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €288,619.54 and €723,319.51 respectively.

On April 19, 2017, the Company issued 57,125 new shares in exchange for €398,801.77 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €106,823.75 and €291,978.02 respectively.
On July 18, 2017, the Company issued 19,833 new shares in exchange for €121,444.25 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €37,087.71 and €84,356.54 respectively.

On August 8, 2017, the Company issued 16,700 new shares in exchange for €80,683.50 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €31,229.00 and €49,454.50 respectively.

On September 13, 2017, the Company issued 249,563 new shares in exchange for €878,950.09 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €466,682.81 and €412,267.28 respectively.

On October 19, 2017, the Company issued 156,849 new shares in exchange for €978,878.73 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €293,307.63 and €685,571.1 respectively.

On October 27, 2017, the Company raised €169.8 million through an initial public offering on Nasdaq. The Company placed 11,430,000 new shares in exchange for €169,849,800. The par value and share premium amounted to €21,374,100 and €148,475,700 respectively.

On October 30, 2017, the Company raised €25.5 million through an initial public offering on Nasdaq. The Company placed 1,714,500 new shares in exchange for €25,477,470. The par value and share premium amounted to €3,206,115 and €22,271,355 respectively.

On 31 December 2017 the share capital of Ablynx NV amounted to EUR 139,674,249.57 represented by 74,720,644 fully paid up shares. Each share has a par value of €1.87.

<p>| Number of shares on 31 December 2016 | 60,921,732 |
| Number of new shares (exercise of warrants) | 654,412 |
| Number of new shares (US IPO) | 13,144,500 |
| Number of shares on 31 December 2017 | 74,720,644 |</p>
<table>
<thead>
<tr>
<th>Investor</th>
<th>Address</th>
<th>% of total</th>
<th># shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baker Bros</td>
<td>860, Washington Street, 3rd Floor New York, NY 1014 USA</td>
<td>5.35%</td>
<td>4,000,665</td>
</tr>
<tr>
<td>Bank of America Corporation(US)</td>
<td>Wilmington, DE USA</td>
<td>4.22%</td>
<td>3,151,686</td>
</tr>
<tr>
<td>Consonance CapMan GP LLP</td>
<td>1370, Avenue of the Americas 33rd Floor New York, NY 10019 USA</td>
<td>4.14%</td>
<td>3,096,059</td>
</tr>
<tr>
<td>Farallon Capital Management</td>
<td>251, Little Falls Drive Wilmington, DE 19808 USA</td>
<td>4.25%</td>
<td>3,175,000</td>
</tr>
<tr>
<td>Fidelity Management Research (US)</td>
<td>245, Summer Street Boston, MA 02210 USA</td>
<td>7.78%</td>
<td>5,813,507</td>
</tr>
<tr>
<td>Gam International (UK)</td>
<td>20, King Street London, SW1Y 6QY UK</td>
<td>3.22%</td>
<td>2,408,585</td>
</tr>
<tr>
<td>Perceptive Advisors (US)</td>
<td>51, Astor Place 10th floor New York, NY 10003 USA</td>
<td>4.55%</td>
<td>3,400,628</td>
</tr>
<tr>
<td>Van Herk Investments (NL)</td>
<td>Lichtenauerlaan 30 Rotterdam, 3062ME The Netherlands</td>
<td>8.21%</td>
<td>6,136,386</td>
</tr>
<tr>
<td>Other shareholders</td>
<td></td>
<td>58.28%</td>
<td>43,538,128</td>
</tr>
</tbody>
</table>

### 8.12.2. AUTHORISED CAPITAL

In January 2013, the Board of Directors issued a new warrant plan with a total number of 467,500 warrants and 391,330 warrants were granted at an exercise price of €6.43 and €6.44 per warrant.

In February 2013, the Company raised €31.5 million through a private placement of 4,377,919 new shares via an accelerated book building procedure.

The Extraordinary General Meeting of Shareholders of 18 July 2013, authorised the Board of Directors to increase the share capital, including by way of the issue of warrants and convertible bonds, in one or more transactions with a total amount equal to the total share capital of the Company, i.e., ninety million six hundred ninety-five thousand four hundred and six euro, twelve cents (€90,695,406.12).

In July 2014, the Company raised again €41.7 million through a private placement of 4,908,332 new shares via an accelerated book building procedure.
In May 2015, Ablynx completed the placement of €100 million senior unsecured convertible bonds due May 2020, with a 3.25% coupon rate and a conversion price of €12.93, representing a 26.5% premium above reference price of €10,2219 being the VWAP (“Volume Weighted Average price”) of Ablynx’ ordinary shares on the Brussels Stock Exchange on 20 May 2015. At the initial conversion price, the convertible bonds were convertible into 7,733,952 fully paid up ordinary shares of Ablynx.

As a consequence of the Nasdaq IPO the conversion price of the Bonds has been adjusted from €12.93 to €12.6631 per ordinary share. The conversion price adjustment became effective on 27 October 2017. The Bonds are now convertible into an aggregate of 7,896,960 ordinary shares, at a conversion price of €12.6631 per ordinary share.

During the Board Meeting of 14 September 2015, the issuance of a maximum number of 290,000 warrants was approved and 257,500 warrants have subsequently been granted, of which 233,000 have been accepted on 7 December 2015 and on 18 January 2016 (68,000 warrants at €12.29/warrant, 15,000 warrants at €11.67/warrant for employees and 150,000 warrants at €12.10/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the lower of the following two values (a) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (b) the last closing rate prior to the Date of the Offer. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The duration of the warrants is 7 years as of the issue date of the warrants. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered (thus starting as of 1 January 2019 until 15 April 2022). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director’s Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement.

Warrants that have not been exercised within 7 years of their creation become null and void.

During the Board Meeting of 24 February 2016 the issuance of a maximum number of 590,000 warrants was approved and 556,365 warrants have subsequently been granted, of which 429,479 have been accepted on 20 May 2016, on 19 July 2016 and 9 September 2016 (326,521 warrants at €12.02/warrant, 14,000 warrants at €13.31/warrant for employees and 215,844 warrants at €12.02/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the highest of the following two values: (i) the average closing rate of the shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lower 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. The warrants vest over 3 years, 899s: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).
The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were granted (thus starting as of 1 January 2020 until 15 January 2023). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director’s Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement. Warrants that have not been exercised within 7 years of their creation become null and void.

On 1 June 2016, the Company raised again €74.2 million through a private placement of 5,533,720 new shares via an accelerated book building procedure.

During the Board Meeting of 9 September 2016, the issuance of a maximum number of 320,000 warrants was approved and 42,500 warrants have subsequently been granted. All granted warrants had been refused on 31 December 2016.

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (b) the last closing rate prior to the Date of the Offer. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered (thus starting as of 1 January 2020 until 15 April 2023). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director’s Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement.

Warrants that have not been exercised within 7 years of their creation become null and void.

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants was approved and 734,958 warrants have subsequently been granted, of which 527,061 have been accepted on 31 May 2017 and on 18 July 2017 (219,155 warrants at €12.33/warrant for employees and 307,906 warrants at €12.33/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the highest of the following two values: (i) the average closing rate of the shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision,
and (ii) the lower 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. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were granted (thus starting as of 1 January 2021 until 15 January 2024). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement. Warrants that have not been exercised within 7 years of their creation become null and void.

During the Board Meeting of 20 September 2017, the issuance of a maximum number of 670,000 warrants was approved and 662,500 warrants have subsequently been granted, of which 629,000 have been accepted on 17 January 2018 and on 26 February 2018 (89,000 warrants at €12.26/warrant; 42,500 warrants at €12.96/warrant; 150,000 warrants at €13.32/warrant; 10,000 warrants at €17.84/warrant and 37,500 warrants at €19.78/warrant for employees and 150,000 warrants at €14.53/warrant and 150,000 warrants at 23.36/warrant for consultants).

Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the lower of the following two values: (i) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (ii) the last closing rate prior to the Date of the Offer. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered (thus starting as of 1 January 2021 until 15 April 2024). In the case of a normal termination of the Employee Contract or the Consulting Agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the end of the Employment Agreement, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement. Warrants that have not been exercised within 7 years of their creation become null and void.

In October 2017 the Company raised another €176.2 million after successfully completing an Initial Public Offering on Nasdaq whereby 13,144,500 new shares were issued.

As per 31 December 2017, the authorised capital amounts to €27,253,082.30.
8.12.3. VOTING RIGHTS

Each share gives right to one vote. If the share is encumbered by usufruct, the voting rights attached to the share shall be exercised by the usufructuary. The voting rights attached to pledged shares shall be exercised by the owner-pledgor.

8.12.4. DIVIDENDS AND MINIMUM SHARE CAPITAL

The Company has never distributed any dividends to its shareholders. According to Belgian company law, the Company is required to deduct at least 5% from its profit to constitute the legal reserve until it reaches one-tenth of the Company’s statutory share capital. As of 31 December 2017, no profits were available for distribution. In accordance with Belgian company law, the minimum share capital of a public limited liability company is €61,500.

8.13. SHARE-BASED COMPENSATIONS

The Company used the Black & Scholes model for share-based payment calculation purposes and based the volatility parameter on the volatility of the Ablynx share.

Rotation of employees as a parameter for share-based payment calculations is considered to be limited.

8.13.1. WARRANTS ISSUED ON 24 FEBRUARY 2016 FOR CERTAIN EMPLOYEES AND CONSULTANTS

During the Board Meeting of 24 February 2016 the issuance of a maximum number of 590,000 warrants was approved and 556,365 warrants have subsequently been granted, of which 429,479 have been accepted on 20 May 2016, on 19 July 2016 and 9 September 2016 (326,521 warrants at €12.02/warrant, 14,000 warrants at €13.31/warrant for employees and 215,844 warrants at €12.02/warrant for consultants).
For an extensive description of the terms and conditions of the warrant plan please see 8.12.2. “Authorised capital”.

8.13.2. WARRANTS ISSUED ON 9 SEPTEMBER 2016 FOR CERTAIN EMPLOYEES AND CONSULTANTS

During the Board Meeting of 9 September 2016, the issuance of a maximum number of 320,000 warrants was approved and 42,500 warrants have subsequently been granted. All granted warrants had been refused on 31 December 2016.

For an extensive description of the terms and conditions of the warrant plan please see 8.12.2. “Authorised capital”.

8.13.3. WARRANTS ISSUED ON 22 FEBRUARY 2017 FOR CERTAIN EMPLOYEES AND CONSULTANTS

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants was approved and 734,958 warrants have subsequently been granted, of which 527,061 have been accepted on 31 May 2017 and on 18 July 2017 (219,155 warrants at €12.33/warrant for employees and 307,906 warrants at €12.33/warrant for consultants).

For an extensive description of the terms and conditions of the warrant plan please see 8.12.2. “Authorised capital”.

8.13.4 WARRANTS ISSUED ON 20 SEPTEMBER 2017 FOR CERTAIN EMPLOYEES AND CONSULTANTS

During the Board Meeting of 20 September 2017, the issuance of a maximum number of 670,000 warrants was approved and 662,500 warrants have subsequently been granted, of which 629,000 have been accepted on 17 January 2018 and on 26 February 2018 (89,000 warrants at €12.26/warrant; 42,500 warrants at €12.96/warrant; 150,000 warrants at €13.32/warrant; 10,000 warrants at €17.84/warrant and 37,500 warrants at €19.78/warrant for employees and 150,000 warrants at €14.53/warrant and 150,000 warrants at 23.36/warrant for consultants).

For an extensive description of the terms and conditions of the warrant plan please see 8.12.2. “Authorised capital”.

8.13.5. EXTENSION OF CERTAIN WARRANT PLANS

The General Shareholders Meeting of 30 April 2009 and the Board of Directors meeting of 22 June 2009 approved the five-year extension of certain warrant plans in accordance with Art. 583 of the Belgian Company Code and in accordance with Art. 21 of the “Economische Herstelwet”.

Because of this extension, the fair value of the warrants has changed. The incremental fair value was calculated as the difference between the fair value with and without extension at the date of extension.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>1,523,223</td>
<td>295,469</td>
<td>439,936</td>
<td>68,300</td>
<td>150,000</td>
<td>416,952</td>
<td>2,893,880</td>
<td>7.28</td>
<td></td>
</tr>
<tr>
<td>Non-vested</td>
<td>36,401</td>
<td>90,728</td>
<td>246,517</td>
<td>43,740</td>
<td>108,000</td>
<td>416,952</td>
<td>942,338</td>
<td>11.00</td>
<td></td>
</tr>
<tr>
<td>Exercisable</td>
<td>1,486,822</td>
<td>204,741</td>
<td>193,419</td>
<td>24,560</td>
<td>42,000</td>
<td>1,951,542</td>
<td></td>
<td>5.49</td>
<td></td>
</tr>
<tr>
<td><strong>Granted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>818,561</td>
<td>818,561</td>
<td>12.33</td>
<td></td>
</tr>
<tr>
<td><strong>Forfeited</strong></td>
<td>350</td>
<td>7,737</td>
<td>14,917</td>
<td></td>
<td></td>
<td>17,907</td>
<td>27,316</td>
<td>68,227</td>
<td>11.31</td>
</tr>
<tr>
<td><strong>Exercised</strong></td>
<td>822,199</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,463</td>
<td>831,662</td>
<td>4.16</td>
<td></td>
</tr>
<tr>
<td><strong>Expired</strong></td>
<td>11</td>
<td>2,800</td>
<td></td>
<td></td>
<td></td>
<td>11,683</td>
<td>14,494</td>
<td>12.07</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>700,663</td>
<td>287,732</td>
<td>425,019</td>
<td>65,500</td>
<td>150,000</td>
<td>377,899</td>
<td>791,245</td>
<td>2,798,058</td>
<td>9.56</td>
</tr>
<tr>
<td>Non-vested</td>
<td>19,239</td>
<td>125,503</td>
<td>20,160</td>
<td>54,000</td>
<td></td>
<td>172,314</td>
<td>791,245</td>
<td>1,182,461</td>
<td>11.97</td>
</tr>
<tr>
<td>Exercisable</td>
<td>700,663</td>
<td>268,493</td>
<td>299,516</td>
<td>45,340</td>
<td>96,000</td>
<td>205,585</td>
<td>1,615,597</td>
<td>7.80</td>
<td></td>
</tr>
</tbody>
</table>

The weighted average price at the date of exercise of warrants during 2016 was €3.81 per share and for warrants exercised during 2017 was €5.30 per share.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of warrants granted</td>
<td>327,224</td>
<td>442,801</td>
<td>83,000</td>
<td>150,000</td>
<td>429,479</td>
<td>818,561</td>
</tr>
<tr>
<td>Number of warrants not vested at 31/12/2017</td>
<td>19,239</td>
<td>125,503</td>
<td>20,160</td>
<td>54,000</td>
<td>172,314</td>
<td>791,245</td>
</tr>
<tr>
<td>Exercise price (in Euro)(^{(1)})</td>
<td>8.81</td>
<td>9.98</td>
<td>12.29</td>
<td>12.10</td>
<td>12.02</td>
<td>12.33</td>
</tr>
</tbody>
</table>

Expected dividend yield

<table>
<thead>
<tr>
<th>Expected stock price volatility</th>
<th>40.9%</th>
<th>40.6%</th>
<th>40.9%</th>
<th>40.9%</th>
<th>42.6%</th>
<th>37.7%-39.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>0.91%-1.50%</td>
<td>0.22%</td>
<td>0.57%</td>
<td>0.57%</td>
<td>0.20%</td>
<td>0.08%-0.21%</td>
</tr>
<tr>
<td>Expected duration</td>
<td>5.00-7.00</td>
<td>7.00</td>
<td>7.00</td>
<td>7.00</td>
<td>7.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Fair value (in Euro) at grant date</td>
<td>3.06-3.80</td>
<td>3.71-3.92</td>
<td>5.20</td>
<td>5.20</td>
<td>4.92</td>
<td>4.77-5.11</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Equals the fair market value of the underlying shares on the grant date
8.14. BORROWINGS

The convertible bond is considered as a financial liability with an embedded derivative liability consistent with IAS 32 based on the cash settlement alternative, accounted for as follows:

- Debt component recognised at amortised cost;
- Embedded derivative accounted for at fair value.

The fair value of the embedded derivative needs to be determined at inception and at each reporting date, and the fair value changes are recognised in profit or loss.

The fair value of the embedded derivative (i.e. the conversion option, a level 3 instrument) is determined as the difference between the fair value of the total convertible bond and the fair value of the host debt.

### BORROWINGS AT FAIR VALUE

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>0</td>
</tr>
<tr>
<td>Non-secured</td>
<td>108,125</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>108,125</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
</tr>
<tr>
<td>Secured</td>
<td>0</td>
</tr>
<tr>
<td>Non-secured</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing Balance 31/12/2016</td>
<td>104,349</td>
</tr>
<tr>
<td>Financing cash flows</td>
<td>(3,250)</td>
</tr>
<tr>
<td>Payment of interests</td>
<td>(3,250)</td>
</tr>
<tr>
<td>Non cash exchange</td>
<td>54,070</td>
</tr>
<tr>
<td>Effective Interest Rate</td>
<td>7,427</td>
</tr>
<tr>
<td>Changes in fair value of derivative</td>
<td>46,642</td>
</tr>
<tr>
<td><strong>Closing Balance 31/12/2017</strong></td>
<td><strong>155,169</strong></td>
</tr>
</tbody>
</table>
8.15. TRADE PAYABLES, OTHER CURRENT LIABILITIES AND DEFERRED INCOME

<table>
<thead>
<tr>
<th>Trade payables and other current liabilities (€’000)</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>4,761</td>
</tr>
<tr>
<td>Accruals for invoices to be received</td>
<td>10,804</td>
</tr>
<tr>
<td><strong>Total trade payables</strong></td>
<td><strong>15,565</strong></td>
</tr>
<tr>
<td>Social security</td>
<td>852</td>
</tr>
<tr>
<td>Payroll accruals</td>
<td>5,706</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total other payables</strong></td>
<td><strong>6,562</strong></td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td><strong>22,127</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred income * (€’000)</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>21,905</td>
</tr>
<tr>
<td>In the second to the fifth year</td>
<td>10,791</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,696</strong></td>
</tr>
</tbody>
</table>

* The consolidated balance sheet has been restated to present deferred income in current and non-current deferred income. In previously published financial statements, deferred income was presented solely under current liabilities. Deferred income mainly relates to cash received from research collaboration agreements prior to completion of the earnings process.

8.16. DEFERRED INCOME TAX

Sources of temporary differences (assets)/liabilities

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax losses carried forward</td>
<td>(226,058)</td>
</tr>
<tr>
<td>Notional interest deduction to carry forward(1)</td>
<td>(5,655)</td>
</tr>
<tr>
<td>Intangible assets (capitalized R&amp;D costs for tax purposes)</td>
<td>(62,899)</td>
</tr>
<tr>
<td>Other temporary differences</td>
<td>1,613</td>
</tr>
<tr>
<td><strong>Total sources of deferred taxes</strong></td>
<td><strong>(292,999)</strong></td>
</tr>
<tr>
<td>Of which recognized as deferred tax assets</td>
<td>0</td>
</tr>
<tr>
<td>Of which unrecognized as deferred tax assets</td>
<td>(86,669)</td>
</tr>
</tbody>
</table>

(2017 29.58% - up to 2016 33.99%)

(1) The application of Notional Interest Deduction is restricted as it has an expiry term of 7 years
The total deductible temporary differences, amount to €293 million which may result in a potential deferred tax asset of €86.7 million.

The Company has unused tax losses carry forward, without expiry date. This, combined with the other temporary differences, results in a net deferred tax asset position.

The corporate income tax rate has decreased from 33.99% to 29.58% as from fiscal year 2019 (income 2018). As from fiscal year 2021 (income year 2020) the corporate income tax rate will decrease to 25%. The deferred tax position as at December 31, 2017 has been calculated with the decreased tax rate for fiscal years 2019 and 2020.

Due to the uncertainty surrounding the Company’s ability to realise taxable profits in the near future, the Company did not recognise any deferred tax assets.

### 8.17. POST-EMPLOYMENT BENEFITS

A provision of €846,260 has been recognised, in line with the sum of the positive differences per plan participant between the minimum guaranteed reserves (€9,284,958) and the accumulated reserves (€8,441,614) as of 31 December 2017.

### 8.18. REVENUE RECOGNITION

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront fees</td>
<td></td>
<td>24,752</td>
<td>52,311</td>
</tr>
<tr>
<td>R&amp;D Service Fees</td>
<td></td>
<td>13,255</td>
<td>13,875</td>
</tr>
<tr>
<td>Milestone payments</td>
<td></td>
<td>17,500</td>
<td>18,400</td>
</tr>
<tr>
<td>License Fees &amp; other</td>
<td></td>
<td>55</td>
<td>187</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>55,562</strong></td>
<td><strong>84,773</strong></td>
</tr>
</tbody>
</table>

Our revenue and grant income decreased by €29.7 million for the year ended December 31, 2017 to €55.5 million, compared to €85.2 million for the year ended December 31, 2016. The decrease in revenue was primarily related to a decrease of €27.5 million in recognized upfront fees for the year ended December 31, 2017. Upfront fees recognized in the year ended December 31, 2017 were primarily related to payments from AbbVie and Sanofi for an amount of €16 million and €4.3 million, respectively.
8.19. RESEARCH AND DEVELOPMENT EXPENSES

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Consumables</td>
<td>5,821</td>
</tr>
<tr>
<td>Outsourcing</td>
<td>52,655</td>
</tr>
<tr>
<td>Patent costs</td>
<td>2,868</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>30,426</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>867</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>6,746</td>
</tr>
<tr>
<td>Reduction withholding tax for scientists</td>
<td>(4,119)</td>
</tr>
<tr>
<td>R&amp;D incentives</td>
<td>(6,916)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>88,348</strong></td>
</tr>
<tr>
<td>Depreciation and amortisation expenses</td>
<td>2,573</td>
</tr>
<tr>
<td><strong>Total research and development expenses</strong></td>
<td><strong>90,920</strong></td>
</tr>
</tbody>
</table>

This decrease in outsourcing was primarily related to the lower clinical trials expenditure for vobarilizumab.

8.20. GENERAL AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Period ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>4,217</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>1,739</td>
</tr>
<tr>
<td>Executive Committee(^{(1)})\ compensation</td>
<td>3,787</td>
</tr>
<tr>
<td>Consultancy</td>
<td>5,904</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>2,859</td>
</tr>
<tr>
<td>Reduction withholding tax for scientists</td>
<td>(162)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>18,344</strong></td>
</tr>
<tr>
<td>Depreciation and amortisation expenses</td>
<td>461</td>
</tr>
<tr>
<td><strong>Total general and administrative expenses</strong></td>
<td><strong>18,805</strong></td>
</tr>
</tbody>
</table>

\(^{(1)}\) The Executive Committee consists of key management members and entities controlled by them
8.21. EMPLOYEE BENEFIT EXPENSE

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Salaries, wages and bonuses</td>
<td>24,416</td>
</tr>
<tr>
<td>Social security</td>
<td>6,336</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>1,839</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>2,606</td>
</tr>
<tr>
<td>Other employment costs</td>
<td>2,089</td>
</tr>
<tr>
<td>Executive Committee compensation((^1))</td>
<td>3,750</td>
</tr>
<tr>
<td>Reduction withholding tax for scientists</td>
<td>(4,282)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,755</strong></td>
</tr>
</tbody>
</table>

Average full-time equivalents (FTE)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Committee((^1))</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>R&amp;D personnel</td>
<td>363</td>
<td>321</td>
</tr>
<tr>
<td>General and administrative staff</td>
<td>49</td>
<td>36</td>
</tr>
<tr>
<td><strong>Average FTE</strong></td>
<td><strong>419</strong></td>
<td><strong>364</strong></td>
</tr>
</tbody>
</table>

\(^1\) The Executive Committee consists of key management members and entities controlled by them

8.22. OPERATING LEASES

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Current lease cost</td>
<td>3,681</td>
</tr>
</tbody>
</table>

Future lease cost

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>3,902</td>
<td>3,853</td>
</tr>
<tr>
<td>In the second to the fifth year</td>
<td>9,557</td>
<td>12,598</td>
</tr>
<tr>
<td>After five years</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The Company has signed contracts with Bio-Versneller NV, who has provided the Company with 8,000 m² of laboratory and office facilities within the Technologiepark since June 2010.

The initial term of the contract was an extendable period of eight years. Bio-Versneller NV was granted a pledge of €1.7 million in the framework of additional investments which it made in the Bio-Accelerator building at the request of the Company. The pledge has been reduced every year over a period of five years as from January 2012 and as at December 31, 2016 the outstanding amount was reduced to 0 euro.

In 2016, the Company and Bio-Versneller NV ended the existing service agreement and negotiated a new agreement starting from October 1, 2016. The new service agreement provides the Company with 8,800 m² of laboratory and office
facilities. After an initial fixed period of three years both parties will be entitled to terminate the agreement with a notice period of minimum two years. The addendum signed in the first quarter of 2018 provides for an additional 700 m² of laboratory and office space.

The Company was granted by KBC Bank NV a credit commitment of €1.6 million for the guarantee clause, which is mentioned in the contract.

The Company has also signed a contract with Devgen NV, who has provided the Company with 970.68 m² of laboratory facilities within the Technologiepark 30 as from May 2016, with an initial term of five years which can be extended.

In 2017, the Company also extended its lease agreement with Incubatie- en Innovatiecentrum Universiteit Gent NV, or IIC UGent, for a storage space of 42 square meters also in Ghent/Zwijnaarde, Belgium. This lease agreement is for a period of three years, commencing on March 1, 2017.

We formed our U.S. subsidiary, Ablynx, Inc., in October 2017. Ablynx, Inc. leases approximately 4,200 square feet of office space in Philadelphia, Pennsylvania, pursuant to a sublease that expires in June 2021.

The Company further owns 25,322 m² of land on which the Company developed facilities for the housing of llamas.

8.23. FINANCE INCOME AND EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
</tr>
<tr>
<td>Interest income on financial assets</td>
<td>49</td>
</tr>
<tr>
<td>Finance income convertible bond:</td>
<td></td>
</tr>
<tr>
<td>Changes fair value derivative</td>
<td>34,334</td>
</tr>
<tr>
<td>Other finance income</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>449</td>
</tr>
<tr>
<td>Finance expenses</td>
<td></td>
</tr>
<tr>
<td>Interest charges on financial liabilities</td>
<td>0</td>
</tr>
<tr>
<td>Finance cost convertible bond:</td>
<td></td>
</tr>
<tr>
<td>Changes fair value derivative</td>
<td>46,642</td>
</tr>
<tr>
<td>Interest expense convertible bond</td>
<td>7,427</td>
</tr>
<tr>
<td>Financing charges</td>
<td></td>
</tr>
<tr>
<td>Other finance expenses</td>
<td>717</td>
</tr>
<tr>
<td>Total</td>
<td>54,787</td>
</tr>
</tbody>
</table>

In 2017, the line ‘Finance cost convertible bond’ includes non-cash cost result of the higher share price at year-end compared to the share price at the end of 2016.
The line ‘Interest expense’ within ‘Finance cost convertible bond’ includes the accrual of the interest coupon of the host debt component of the convertible bond and the amortisation of the difference between the initial carrying value of that host debt and its redemption amount.

The changes in fair value, amortisation and interest expense related to the convertible bond have an impact on borrowings on the balance sheet.

In 2017, other financial expenses include unrealized foreign exchange losses of €19 thousands (2016: €50) and realized foreign exchange losses of €331 thousands (2016: €92 thousands).

In 2017, other financial income include realized foreign exchange gains of €373 thousands (2016: €164 thousands), there were no unrealized foreign exchange gains (2016: €0).

### 8.24. INCOME TAX EXPENSES

<table>
<thead>
<tr>
<th>(€’000)</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Loss of the year</td>
<td>(108,532)</td>
</tr>
<tr>
<td>Income taxes calculated at 33.99%</td>
<td>36,890</td>
</tr>
<tr>
<td>Effect of income that is exempt from taxation</td>
<td>368</td>
</tr>
<tr>
<td>Effect of expenses that are not deductible in determining taxable profit</td>
<td>(248)</td>
</tr>
<tr>
<td>Effect of unused tax losses and tax offsets not recognised as deferred tax assets</td>
<td>(37,010)</td>
</tr>
<tr>
<td>Effective income taxes</td>
<td>(0)</td>
</tr>
</tbody>
</table>
8.25. LOSS PER SHARE

Earnings/losses per share are calculated by dividing the net result attributable to shareholders by the weighted average numbers of shares during the year.

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Basic loss per share (in €)</td>
<td>(1.74)</td>
</tr>
<tr>
<td>Diluted loss per share (in €)</td>
<td>(1.74)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic loss per share</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of the year (In thousands of €)</td>
<td>(108,532)</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>62,322,875</td>
</tr>
<tr>
<td>Basic loss per share (in €)</td>
<td>(1.74)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diluted loss per share</th>
<th>Year ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of the year as used for basic loss per share (In thousands of €)</td>
<td>(108,532)</td>
</tr>
<tr>
<td>Adjustments to earnings relating to convertible bond</td>
<td>0</td>
</tr>
<tr>
<td><strong>Loss of the year (In thousands of €) for diluted earnings per share</strong></td>
<td><strong>(108,532)</strong></td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>62,322,875</td>
</tr>
<tr>
<td>Adjustments to number of shares relating to convertible bond</td>
<td>0</td>
</tr>
<tr>
<td><strong>Weighted average number of shares outstanding after dilution effect</strong></td>
<td><strong>62,322,875</strong></td>
</tr>
<tr>
<td>Diluted loss per share (in €)</td>
<td>(1.74)</td>
</tr>
</tbody>
</table>

As the Company is suffering operating losses, warrants have an anti-dilutive effect. As such, there is no difference between basic and diluted earnings per share.

8.26. CONTINGENCIES AND ARBITRATIONS

At present there are no contingencies and arbitrations.

8.27. COMMITMENTS

8.27.1. COLLABORATIVE RESEARCH AGREEMENTS AND CLINICAL RESEARCH AGREEMENTS

Significant Collaborations

Below is a summary of our significant collaboration agreements. As discussed below, we are eligible to receive up to a maximum amount of approximately €1.5 billion in development milestones, €1.0 billion in regulatory milestones and €8.0 billion in commercial milestones pursuant to the terms of the agreements summarized below, in addition to sales royalties on commercialized products.
8.27.1.1. BOEHRINGER INGELHEIM

In September 2007, we entered into a strategic alliance with Boehringer Ingelheim International GmbH, or B.I., to discover, develop and commercialize up to 10 different Nanobody therapeutics across multiple therapeutic areas through targeted collaborative research programmes, or discovery programmes. Under the agreement, we granted B.I. an exclusive, worldwide license under certain of our intellectual property rights to research certain specified target proteins, or B.I. target proteins, in accordance with applicable work plans and to commercialize licensed products that relate to the B.I. target proteins. B.I. granted us a non-exclusive license under certain of B.I.’s intellectual property to research such B.I. target proteins, in accordance with such work plan.

We received €42.9 million in upfront payments, license fees and FTE payments during the research term of the agreement. Additionally, in 2011, we received a €5.0 million milestone payment when B.I. selected the first Nanobody from this alliance for development. In 2012, we received a second €5.0 million milestone payment under the agreement when B.I. selected a second Nanobody for development. In 2016, two €8.0 million milestone payments were received under the agreement as a result of a Phase I trial initiation by B.I. of both a bi-specific anti-VEGF/Ang2 Nanobody in patients with solid tumors and a Phase I trial initiation in healthy volunteers with an anti-CX3CR1 Nanobody. B.I. is responsible for the development, manufacture and commercialization of any products arising from the collaboration.

For each licensed product or compound which is developed, we can receive up to €125.0 million in the aggregate in potential development and regulatory milestone payments plus tiered percentage royalties, ranging from high single digits to mid teens, on net sales of licensed products worldwide.

The royalty term expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to B.I. with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction. Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. B.I. may terminate the agreement for convenience upon written notice (i) in its entirety on any anniversary of the date of the agreement and (ii) as to a particular panel of licensed compounds at any time. We may terminate the agreement if B.I. challenges the licensed intellectual property under the agreement and may terminate on a jurisdiction-by-jurisdiction basis with respect to a particular panel of licensed compounds for an uncured breach by B.I. of its diligence obligations in such jurisdiction with respect to such panel. Each party may terminate the agreement upon an uncured material breach of the other party or in whole or in part upon an insolvency or similar event of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

8.27.1.2. MERCK KGAA

In September 2008, we entered into an agreement with Merck Serono, a division of Merck KGaA, to co-discover and co-develop Nanobodies, including ALX-0761, against two therapeutic targets through joint research and development programmes, or JRDPs. Under the agreement, we were jointly responsible with Merck KGaA for research activities related to the discovery of Nanobodies.

In 2013, we announced that Merck Serono had initiated a Phase I trial with an anti-Il-17A/F Nanobody arising from the agreement. We opted out in full of the corresponding JRDP, and, as a result, Merck Serono paid us a milestone payment of €2.5 million, received an exclusive worldwide license to ALX-0761 and became solely responsible for the development and commercialization of this molecule. We are eligible for further development, regulatory and commercial milestone payments of up to €122.5 million in the aggregate, subject to achieving the milestones specified
in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of the licensed products. In 2017, Merck Serono announced encouraging data from a Phase Ib trial with the anti-IL-17A/F Nanobody in psoriasis patients and confirmed that they had partnered the programme with Avillion LLP to take the product into Phase II trials in plaque psoriasis.

The royalty term under the agreement expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck KGaA with respect to such licensed product in such jurisdiction and (ii) ten years after the first commercial sale of such licensed product in such jurisdiction.

The agreement will expire upon the expiration of the last applicable royalty term. Merck KGaA may terminate the agreement for convenience in its entirety upon 90 days’ prior written notice to us and may also discontinue the commercialization for convenience on upon 90 days’ prior written notice to us. There are no other JRDPs active under this 2008 agreement with Merck Serono.

In November 2011, we entered into another agreement with Merck KGaA, to co-discover and develop Nanobodies against two targets in osteoarthritis through JRDPs. We received a €20.0 million upfront payment and are responsible for the delivery of pre-clinical packages that are intended to form the basis of Investigational New Drug (IND) filings. Depending on when, and if, we opt out of the co-development of each selected programme, we will be eligible for development, regulatory and commercial milestones plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of licensed products upon successful development and regulatory approval of the product. If we do not opt out of the co-development of the programme, we and Merck KGaA will share equally the co-development costs and the resulting profits. In May 2017, we announced that Merck KGaA had accepted the pre-clinical package for the first Nanobody under this agreement and this triggered the payment of a €15.0 million milestone payment to us. Pursuant to the terms of the agreement, we have opted out of the co-development of this programme, giving Merck KGaA an exclusive, worldwide license. Merck KGaA is now responsible for the development and commercialization of this Nanobody. Under this first programme, we are eligible to receive up to approximately €120.0 million in the aggregate of development, regulatory and commercial milestones plus tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales of licensed products. The royalty term under the agreement expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck KGaA with respect to such licensed product in such jurisdiction and (ii) ten years after the first commercial sale of such licensed product in such jurisdiction.

Unless earlier terminated, each JRDP under the agreement expires upon the earlier of (i) our full opt-out from such JRDP or (ii) the start of commercialization of licensed products resulting from such JRDP. Each party may terminate a JRDP upon an uncured material breach of the other party (including such party’s breach of its diligence requirements) in respect of such JRDP. Such termination will not affect other JRDPs under the agreement. Upon a material uncured breach by us, among other consequences, Merck KGaA may elect to reduce milestone payments and royalties payable to us under such JRDP by 50%. If Merck KGaA terminates a JRDP for an uncured material breach by us, neither party will have the right to continue development of any candidates resulting from such JRDP.

Unless earlier terminated, the agreement will expire, with respect to each JRDP for which we have not opted out either in full or in part, on licensed product-by-licensed product and jurisdiction-by-jurisdiction basis on the date that commercialization of such licensed products from such JRDP ceases in such jurisdiction. If we have opted out in full of all JRDPs, the agreement will expire upon the expiration of the last applicable royalty term. Merck KGaA may terminate the agreement for convenience in its entirety or on a JRDP-by-JRDP basis upon 90 days’ prior written notice to us and may also discontinue the commercialization for convenience on a licensed product-by-licensed product basis.
upon 90 days’ prior written notice to us. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

8.27.1.3 MERCK & CO., INC.

In October 2012, we entered into a collaboration agreement with Essex Chemie AG, a subsidiary of Merck & Co., Inc., or Essex, to develop and commercialize Nanobody candidates directed towards a voltage gated ion channel with the option to develop and commercialize a Nanobody directed towards a second target. Under the terms of the agreement, we granted Essex an exclusive, worldwide license under certain of our intellectual property to develop and commercialize Nanobody-based products against the selected target, with an option for similar rights to a second target. Upon signing, Essex paid us a €6.5 million upfront payment and a €2.0 million fee for research funding. In addition, subject to achieving the milestones specified in the agreement, we are eligible to receive up to €429.0 million in the aggregate for regulatory and commercial milestone payments associated with the progress of multiple candidates as well as tiered percentage royalties, ranging from mid-single digits to low-teens, on net sales above a one-time aggregate specified threshold of any products derived from the collaboration. We are responsible for the discovery of Nanobody candidates and Essex will be responsible for the research, development, manufacturing and commercialization. In 2015 and then again in 2016, we announced extensions of this research collaboration, increasing funding obligations by Essex, with the latter extension also being accompanied by a €1.0 million milestone payment to us.

Essex’s royalty obligations expire on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Essex with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction.

Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Essex may terminate the agreement, in whole or in part, for convenience upon written notice. Each party may terminate the agreement, in whole or in part, upon an uncured material breach by the other party. If Essex terminates for a material uncured breach by us, among other consequences, the licenses we granted to Essex under the agreement will become perpetual and irrevocable, and royalties payable to us thereafter will be reduced as specified in the agreement. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

In January 2014, we entered into a separate research collaboration and licensing agreement with Merck. This collaboration and licensing agreement is focused on the discovery and development of Nanobodies (including bi- and tri-specifics) against up to five targets or target combinations. The Nanobody candidates are directed toward so called “immune checkpoint modulators,” which are proteins believed to be important potential targets for the development of cancer immunotherapies, a rapidly emerging approach to the treatment of a wide range of tumor types. Under the terms of the agreement, we granted Merck an exclusive, worldwide license under certain of our intellectual property to develop and commercialize Nanobody-based products against such targets.

Pursuant to the agreement, we received an upfront payment of €20.0 million and were eligible to receive research funding during the initial three year research term of the collaboration. In addition, subject to achieving the milestones specified in the agreement, for each of the first two product candidates generated against the five targets or target combinations we are eligible to receive milestone and royalty payments when pre-agreed milestones are achieved. Specifically, we are eligible to receive up to €186.0 million in development milestone payments and €1.49 billion in commercial milestone payments for the five programmes in the aggregate, plus tiered percentage royalties, ranging from mid-single digits to low teens, on annual net sales above a one-time aggregate specified threshold of licensed products. Merck will be responsible for the development, manufacturing and commercialization of any
products resulting from the collaboration. In 2015, we received a one-time €3.5 million proof-of-concept payment under this agreement.

In July 2015, we amended the 2014 agreement to expand this immuno-oncology collaboration with Merck to address an increased number of immune checkpoint modulator targets. As part of this expansion, we are responsible for the discovery and development of Nanobodies (mono-specific and multi-specific) against up to 12 additional individual targets or target combinations through to the in vivo pre-clinical proof-of-concept stage, after which Merck will have the option to advance specified lead candidates. Under the terms of this expansion, which provides for a programme-by-programme research term of 36 months from finalization of the applicable work plan, we received a €13.0 million upfront payment comprising exclusivity fees and FTE payments and are eligible to receive further research funding over the term of the collaboration. In addition, we will be eligible to receive additional exclusivity fees, depending on the number of programmes for which Merck decides to exercise its licensing option, plus tiered percentage royalties, ranging from mid-single digits to low teens, on annual net sales above a one-time aggregate specified threshold upon commercialization of any licensed Nanobody products. Subject to achieving the milestones specified in the agreement, for each of the first two product candidates generated against the 12 targets or target combinations we are eligible to receive milestone and royalty payments when pre-agreed milestones are achieved. Specifically, we are eligible to receive up to €338.5 million in development and commercial payments per each programme, totaling up to €486.0 million in development milestones and €3.57 billion in commercial milestones in the aggregate, for all the programmes covered by this expansion of the original agreement. Merck will be responsible for clinical development, manufacturing and commercialization of any products resulting from the collaboration.

Merck’s obligation to pay royalties under the 2014 agreement, including the 2015 expansion, expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to Merck with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction. Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Merck may terminate the agreement, in whole or in part, for convenience upon written notice. Each party may terminate the agreement, in whole or in part, upon an uncured material breach by the other party. If Merck terminates for a material uncured breach by us, among other consequences, the licenses we grant to Merck under the agreement will become perpetual and irrevocable, and royalties payable to us thereafter will be reduced as specified in the agreement.

The agreements do not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

We anticipate that Merck will commence a Phase I clinical trial for the first of these programmes in the first half of 2018.

8.27.1.4. ABBVIE

In September 2013, we entered into a global license agreement with AbbVie relating to the development and commercialization of the anti-IL-6R Nanobody, vobarilizumab, in both RA and SLE. As part of the agreement, we assumed responsibility for the execution of Phase II clinical development for vobarilizumab in both RA and SLE. Additionally, we granted AbbVie exclusive opt-in rights to obtain an exclusive, worldwide license under certain of our intellectual property to develop and commercialize any product containing vobarilizumab, or licensed product, in any indication. AbbVie’s opt-in rights become effective upon our delivery of results from Phase II trials of vobarilizumab conducted by us in RA and SLE, respectively, and expire within a certain specified period. If AbbVie exercises its opt-in rights, AbbVie assumes complete responsibility for the further development and commercialization of the licensed products. If AbbVie does not exercise its opt-in rights, the agreement will terminate immediately upon the expiry of such opt-in rights.
In July 2016, we communicated results from a Phase IIb monotherapy trial with vobarilizumab in 251 RA patients and in August 2016 we communicated results from a Phase IIb combination trial with methotrexate in 345 patients with RA. In October 2016, AbbVie decided not to exercise its right to opt-in and exclusively license vobarilizumab at that time. The Phase II trial of vobarilizumab in patients with SLE is ongoing. Recruitment of 312 patients has been achieved ahead of schedule and top line results are expected in the first half of 2018, at which time AbbVie again has the right to opt-in and exclusively license vobarilizumab.

We received a $175 million upfront payment under the agreement. If AbbVie exercises its opt-in right under the agreement with respect to vobarilizumab, we are eligible to receive, subject to achieving the milestones specified in the agreement, up to an aggregate of $415.0 million in regulatory milestones and $150.0 million in commercial and tiered percentage royalties, ranging from low teens to mid-teens, on net sales of licensed products. The royalty term expires on a licensed product-by-licensed product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed to AbbVie covering such licensed product in such jurisdiction, (ii) ten years after the first commercial sale of such licensed product in such jurisdiction or (iii) expiration of regulatory exclusivity for such licensed product in such jurisdiction.

Unless earlier terminated, if AbbVie exercises its opt-in rights, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. If AbbVie does not exercise its opt-in rights, the agreement will terminate immediately upon the expiry of such opt-in rights. AbbVie may terminate the agreement immediately in the event of a failure or serious safety issue resulting from the licensed product. We may terminate if AbbVie challenges the licensed intellectual property under the agreement. Each party may terminate the agreement upon an uncured material breach of the other party or in whole or in part upon an insolvency or similar event of the other party. However, if AbbVie breaches its diligence obligations with respect to a particular jurisdiction, our right to terminate is limited to such jurisdiction. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

8.27.1.5. EDDINGPHARM

In October 2013, we entered into a collaboration agreement with Eddingpharm, pursuant to which we grant Eddingpharm an exclusive, royalty-bearing license, to develop and commercialize our anti-RANKL Nanobody, ALX-0141, in the People’s Republic of China, Hong Kong, Macao and Taiwan, which we refer to as Greater China, for the treatment of a range of diseases, including osteoporosis and bone metastases. We received an upfront payment from Eddingpharm of €2.0 million. We are also eligible to receive commercial milestone payments of up to €11.0 million in the aggregate, subject to achieving the milestones specified in the agreement, as well as tiered double-digit royalties of up to 20% on annual net sales of licensed products in Greater China. Under the terms of the collaboration, Eddingpharm is responsible for the clinical development, registration and commercialization of anti-RANKL Nanobody therapeutics in Greater China. We will have access to the data generated by Eddingpharm to support potential licensing discussions in other geographic regions.

Unless earlier terminated, the agreement will expire upon the later of (i) the expiration in Greater China of the last-to-expire patent licensed under the agreement or (ii) ten years after the first authorised commercial sale in Greater China of a licensed product. Eddingpharm may terminate the agreement for convenience upon three months’ prior written notice. We may terminate upon an insolvency or similar event of Eddingpharm or if Eddingpharm challenges our intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.
In September 2014, we expanded our relationship with Eddingpharm and granted them an exclusive, royalty-bearing license to develop and commercialize our anti-TNF alpha Nanobody, ozoralizumab, and certain other anti-TNF alpha Nanobodies in Greater China for all indications, including RA. Under the terms of the agreement, Eddingpharm will be responsible for the registration and commercialisation in Greater China of licensed products. We received an upfront payment of €2.0 million and we are entitled to receive development and commercial milestone payments of up to €16.0 million plus tiered, double-digit percentage royalties, ranging from low teens to up to 20%, on annual net product sales in Greater China. We will have access to the clinical data generated by Eddingpharm to support potential licensing discussions in other geographic regions.

The term and termination provisions under the 2014 agreement are substantially similar to the analogous provisions under our 2013 agreement with Eddingpharm, described above.

8.27.1.6. TAISHO PHARMACEUTICAL CO., LTD.

In June 2015, we entered into an exclusive license agreement with Taisho Pharmaceutical Co., Ltd., or Taisho, for the development and commercialization of our anti-TNF alpha Nanobody, ozoralizumab, for the treatment of RA in Japan. Taisho will be responsible for the development, registration and commercialization of ozoralizumab. Under the terms of the agreement, we received an upfront payment of $3.0 million and are eligible for development and commercial milestone payments of up to $19.0 million in the aggregate, subject to achieving the milestones specified in the agreement, and tiered percentage royalties, ranging from low-teens up to 20%, on annual net sales of licensed products in Japan.

Unless earlier terminated, the agreement will expire upon the later of (i) the expiration in Japan of the last-to-expire patent or patent application licensed under the agreement and (ii) ten years after the first authorised commercial sale in Japan of a licensed product. We may terminate upon an insolvency or similar event of Taisho or if Taisho challenges our intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

8.27.1.7. NOVO NORDISK

In November 2015, we entered into a global exclusive collaboration and licensing agreement with Novo Nordisk A/S, or Novo Nordisk, under which we will work together to discover and develop novel multi-specific Nanobody drug candidates for use in an undisclosed disease area, with the option to expand to a second Nanobody programme. We received an upfront licensing payment of €5.0 million and may receive up to €4.0 million in research funding during the initial three year research term. We will additionally be entitled to a €4.0 million exercise fee should Novo Nordisk decide to exercise its option to the second programme. We are eligible to receive development, regulatory and commercial milestone payments of up to €181.8 million in the aggregate per programme, subject to achieving the milestones specified in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens on the annual net sales of any products resulting from this agreement. The royalty term expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed with respect to such product in such jurisdiction and (ii) ten years after the first commercial sale of such product in such jurisdiction. In November 2016, we achieved an initial discovery milestone with a multi-specific Nanobody construct as part of this collaboration, triggering a €1.0 million milestone payment to us. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.
Unless earlier terminated, the agreement will expire upon the expiration of the last royalty term for a licensed product under the agreement. Novo Nordisk may terminate the agreement for convenience upon prior written notice. We may terminate upon an insolvency or similar event of Novo Nordisk or if Novo Nordisk challenges our intellectual property licensed under the agreement. Each party may also terminate the agreement upon an uncured material breach of the other party.

8.27.1.8. SANOFI S.A.

In July 2017, we entered into a research collaboration and global exclusive licensing agreement with Sanofi initially focused on developing and commercializing Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases. This collaboration gives Sanofi access to certain Nanobodies in our existing portfolio as well as to our scientists and proprietary Nanobody platform. Under the terms of the agreement, Sanofi gains exclusive global rights to certain multi-specific Nanobodies against selected targets, with options for similar rights to additional targets, for a total of eight potential Nanobody product candidates. The financial terms include an upfront payment of €23.0 million to us, comprised of license and option fees. In addition, we will receive research funding, estimated to amount to €8.0 million for the initially selected targets. Upon exercise of options to additional targets, Sanofi will pay us further option exercise fees and research funding. Sanofi will be responsible for the development, manufacturing and commercialization of any products resulting from this agreement. We will be eligible to receive up to €440.0 million in development milestone payments, €200.0 million in regulatory milestone payments and €1.76 billion in commercial milestone payments in the aggregate, subject to achieving the milestones specified in the agreement, plus tiered percentage royalties, ranging from mid-single digits to low-teens, on the net sales of any products originating from the collaboration.

The royalty term expires on a product-by-product and jurisdiction-by-jurisdiction basis upon the later of (i) the expiration of the last-to-expire patent claim licensed with respect to such product in such jurisdiction and (ii) the expiration of regulatory exclusivity to distribute, market or sell such product in such jurisdiction.

Unless earlier terminated, the agreement will expire upon (i) the expiration of the last royalty term for a licensed product under the agreement or (ii) if no licensed products have been developed, the date where Sanofi is no longer eligible to select a Nanobody-based compound after the conclusion of all research programmes under the agreement. Sanofi may terminate the agreement (i) for convenience upon written notice, (ii) if we undergo a change in control or (iii) in the event of safety concerns with respect to any research programme, selected target or Nanobody product. We may terminate the agreement if Sanofi challenges the licensed intellectual property under the agreement. Each party may terminate the agreement upon an uncured material breach of the other party or upon an insolvency or similar event of the other party. The agreement does not provide for specific damages in the event of a material breach, but the parties will retain remedies under applicable law.

8.27.1.9. OTHER COLLABORATIVE RESEARCH AGREEMENTS

Ablynx has entered into numerous agreements with universities, medical centers and external researchers for research and development work and for the validation of the Company’s technology and products. These agreements typically have durations of one to three years. Ablynx must pay fixed and variable fees to the collaborators and in exchange receives access and rights to the results of the work.
8.27.2. PRINCIPAL GOVERNMENT GRANTS AND INCENTIVES

8.27.2.1. GRANTS

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<thead>
<tr>
<th>Grant</th>
<th>Assigned</th>
<th>Received at 31/12/2016</th>
<th>Received at 31/12/2017</th>
<th>Recognized as income 2016</th>
<th>Recognized as income 2017</th>
<th>Still to receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>IWT 18</td>
<td>885,597</td>
<td>885,597</td>
<td>885,597</td>
<td>885,597</td>
<td>177,597</td>
<td>0</td>
</tr>
<tr>
<td>IWT 19</td>
<td>1,112,926</td>
<td>1,112,926</td>
<td>1,674,000</td>
<td>1,112,926</td>
<td>120,466</td>
<td>(75,866)</td>
</tr>
<tr>
<td>IWT 20</td>
<td>445,027</td>
<td>445,027</td>
<td>356,000</td>
<td>445,027</td>
<td>89,000</td>
<td>89,027</td>
</tr>
<tr>
<td>IWT 21</td>
<td>243,489</td>
<td>243,489</td>
<td>368,000</td>
<td>243,489</td>
<td>27,313</td>
<td>(44,083)</td>
</tr>
</tbody>
</table>

Altogether, the Company received a fixed percentage of the expenses incurred in the following R&D projects:

**IWT 18: T-cell recruiting Nanobodies for targeted delivery**
- Grantor: IWT
- Start date: June 1, 2013
- End date: May 31, 2015
- Amount granted: €885,597
- Amount recognized: €885,597
- Amount received: €885,597

**IWT 19: Development of a novel Nanobody-based therapeutic platform for treatment of ocular diseases**
- Grantor: IWT
- Start date: April 1, 2014
- End date: March 31, 2017
- Amount granted: €1,112,926
- Amount recognized: €1,112,926
- Amount received: €1,112,926

**IWT 20: Bispecific Nanobodies with enhanced specificity**
- Grantor: IWT
- Start date: June 1, 2014
- End date: May 31, 2016
- Amount granted: €445,027
- Amount recognized: €445,027
- Amount received: €445,027

**IWT 21: Development of Nanobody-based immunotoxins**
- Grantor: IWT
- Start date: June 1, 2014
- End date: May 31, 2016
- Amount granted: €243,489
- Amount recognized: €243,489
- Amount received: €243,489
8.27.3. PRINCIPAL LEASE AND BORROWINGS CONTRACTS

The Company has signed contracts with Bio-Versneller NV, who has provided the Company with 8,000 m² of laboratory and office facilities within the Technologiepark since June 2010.

The initial term of the contract was an extendable period of eight years. Bio-Versneller NV was granted a pledge of €1.7 million in the framework of additional investments which it made in the Bio-Accelerator building at the request of the Company. The pledge has been reduced every year over a period of five years as from January 2012 and as at December 31, 2016 the outstanding amount was reduced to 0 euro.

In 2016, the Company and Bio-Versneller NV ended the existing service agreement and negotiated a new agreement starting from October 1, 2016. The new service agreement provides the Company with 8,800 m² of laboratory and office facilities. After an initial fixed period of three years both parties will be entitled to terminate the agreement with a notice period of minimum two years. The addendum signed in the first quarter of 2018 provides for an additional 700 m² of laboratory and office space.

The Company was granted by KBC Bank NV a credit commitment of €1.6 million for the guarantee clause, which is mentioned in the contract.

The Company has also signed a contract with Devgen nv, who has provided the Company with 970.68 m² of laboratory facilities within the Technologiepark 30 as from May 2016, with an initial term of five years which can be extended.

In 2017, the Company also extended its lease agreement with Incubatie- en Innovatiecentrum Universiteit Gent NV, or IIC UGent, for a storage space of 42 square meters also in Ghent/Zwijnaarde, Belgium. This lease agreement is for a period of three years, commencing on March 1, 2017.

We formed our U.S. subsidiary, Ablynx, Inc., in October 2017. Ablynx, Inc. leases approximately 4,200 square feet of office space in Philadelphia, Pennsylvania, pursuant to a sublease that expires in June 2021.

The Company further owns 25,322 m² of land on which the Company developed facilities for the housing of llamas.
8.28. RELATED PARTY TRANSACTIONS

8.28.1. REMUNERATION KEY MANAGEMENT AND NON-EXECUTIVE DIRECTORS

Key management consists of the members of the Executive Committee and the non-executive Directors and the entities controlled by any of them.

Remuneration key management:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of management members</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Short-term employee benefits (salaries, social</td>
<td>2,580</td>
<td>2,394</td>
</tr>
<tr>
<td>security bonuses, lunch vouchers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-employment benefits (group insurance)</td>
<td>284</td>
<td>183</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>1,512</td>
<td>1,547</td>
</tr>
<tr>
<td>Other employee costs</td>
<td>129</td>
<td>130</td>
</tr>
<tr>
<td>Management fees</td>
<td>398</td>
<td>338</td>
</tr>
<tr>
<td>Retribution</td>
<td>(27)</td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,875</strong></td>
<td><strong>4,560</strong></td>
</tr>
<tr>
<td>Number of warrants granted (in units)</td>
<td>433,440</td>
<td>365,844</td>
</tr>
<tr>
<td>Cumulative outstanding warrants (in units)</td>
<td>1,507,149</td>
<td>1,824,259</td>
</tr>
<tr>
<td>Shares owned (in units)</td>
<td>577,805</td>
<td>402,805</td>
</tr>
</tbody>
</table>

Transactions non-executive Directors:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share-based compensation</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Management fees</td>
<td>360</td>
<td>363</td>
</tr>
<tr>
<td><strong>Total benefits</strong></td>
<td><strong>361</strong></td>
<td><strong>376</strong></td>
</tr>
<tr>
<td>Number of warrants offered or granted (in units)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative outstanding warrants (in units)</td>
<td>64,590</td>
<td>68,430</td>
</tr>
<tr>
<td>Non-vested warrants</td>
<td></td>
<td>2,432</td>
</tr>
<tr>
<td>Shares owned (in units)</td>
<td>31,434</td>
<td>31,165</td>
</tr>
</tbody>
</table>

8.29. EVENTS AFTER THE BALANCE SHEET DATE

On 8 January 2018, Ablynx announced that it received an unsolicited conditional proposal from Novo Nordisk A/S to acquire all of the outstanding shares of Ablynx for €28.00 (or approximately $33.66) per share in cash and one
Contingent Value Right (CVR) linked to two upcoming material events with total potential cash payments over time of up to €2.50 (or approximately $3.01) per share. The company announced that it was of the opinion that the proposal fundamentally undervalued the Company and its future prospects.

On 8 January 2018, Ablynx further announced that Dr Peter Fellner, who had served as Chairperson since 2013, had decided to resign from the Board with immediate effect. He was succeeded by Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, who had been a Non-executive Director of Ablynx since November 2013, and had been unanimously elected by the Ablynx Board as the new Chairperson.

During the Board Meeting of 17 January 2018, the issuance of a maximum number of 800,000 warrants for the benefit of certain employees and consultants was approved. The duration of the warrants is 7 years as of the issue date of the warrants. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were offered.

On 22 January 2018, Ablynx announced that an additional 218,998 new shares had been issued by the Company in exchange for €1,689,981.62 as the result of the exercise of warrants.

Ablynx also announced that in relation to the €100,000,000, 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 (ISIN: BE6278650344) issued by the Company in the denomination of €100,000 each (the “Bonds”), an additional 126,348 new shares were issued following the conversion of 16 Bonds. As a result of these transactions the company now 75,065,990 shares outstanding.

On 24 January 2018, Ablynx announced the appointment of Robert Friesen, PhD, as Chief Scientific Officer (CSO), effective 1 March 2018. Dr Friesen will lead the Company’s scientific, research and technology activities and become a member of the Executive Committee. He succeeds Dr Antonin de Fougerolles, Ablynx’s previous CSO, who left the Company last year to become Chief Executive Officer (CEO) at Evox Therapeutics.

On 29 January 2018, Ablynx announced that it had entered into a definitive agreement under which Sanofi will offer to acquire all of the outstanding ordinary shares, including shares represented by American Depositary Shares (ADSs), warrants and convertible bonds of Ablynx at a price per Ablynx share of €45 in cash, which represents an aggregate equity value of approximately €3.9 billion. The transaction was unanimously approved by both the Sanofi and Ablynx Boards of Directors.

On 7 February 2018, Ablynx announced that Dr Bo Jesper Hansen, acting as permanent representative of Orfacare Consulting GmbH, had decided to resign from the Board of Directors with immediate effect for personal reasons. Having contributed to Ablynx’s recent M&A activities, and served on the Board since 2013, Dr Hansen will now focus on other opportunities. He was succeeded by Dr Russell G. Greig, acting as a permanent representative of Greig Biotechnology Global Consulting Inc., who had been a non-executive Director of Ablynx since 2012, and had been unanimously elected by the Ablynx Board as the new Chairperson.

On 16 February 2018, Ablynx announced that Sanofi had exercised its option to license two additional target combinations as part of the research collaboration signed in July 2017, focussed on developing and commercialising Nanobody-based therapeutics for the treatment of various immune-mediated inflammatory diseases and in return will pay Ablynx exercise fees totalling €13 million plus additional research funding.

On 28 February 2018, Ablynx announced that in relation to the €100,000,000, 3.25% Senior Unsecured Convertible Bonds due on 27 May 2020 (ISIN: BE6278650344) issued by the Company in the denomination of €100,000 each (the “Bonds”),
an additional 7,896 new shares were issued following the conversion of 1 Bond. As a result of this transaction, Ablynx now has a total number of 75,073,886 shares.

On 1 March 2018, Piet Houwen joined Ablynx as Chief Operating Officer. Mr Houwen will be responsible for the support of Ablynx’s business and R&D processes and become a member of the Executive Committee.

On 2 March 2018, Ablynx announced that the first patient had been dosed in the Japanese Phase II study of ALX-0171, the Company’s wholly-owned inhaled Nanobody to treat respiratory syncytial virus (RSV) infections.

On 15 March 2018, Ablynx announced that an additional 179,781 common shares had been issued by the Company in exchange for €782,096.92 as the result of the exercise of warrants.
9. DISCLOSURE AUDIT FEES

Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA has served as our independent registered public accounting firm for 2017. Our accountants billed or gave notice of the following fees to us for professional services during this fiscal year:

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Amount (€'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>171</td>
</tr>
<tr>
<td>Audit related fees</td>
<td>563</td>
</tr>
<tr>
<td>Tax fees</td>
<td>33</td>
</tr>
<tr>
<td>All other fees</td>
<td>30</td>
</tr>
</tbody>
</table>

- Audit Fees: are the aggregate fees billed for the audit of our annual financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.
- Audit-Related Fees: are the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit and are not reported under Audit Fees. In 2017, “Audit Related Fees” also include fees billed for assurance and audit-related services regarding our global offering.
- Tax Fees: are the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning related services.
- All Other Fees: are any additional amounts billed for products and services provided by the principal accountant.
10. CONDENSED STATUTORY FINANCIAL STATEMENTS OF ABLYNX

As of, and for the Year ended 31 December 2017

In accordance with Art. 105 of the Belgian Companies’ Code, the condensed statutory standalone financial statements of Ablynx are presented. These condensed statements have been drawn up using the same accounting principles for preparing the complete set of statutory financial statements of Ablynx at and for the year ending 31 December 2017 in Belgian GAAP.

The management report, the statutory financial statements of Ablynx and the report of the statutory auditor will be filed with the appropriate authorities and are available at the Company’s registered offices.

The statutory auditor has issued an unqualified report on the statutory financial statements of Ablynx. The complete set of the statutory financial statements of Ablynx is also available on the Company’s website www.ablynx.com.

| SUMMARY BALANCE SHEET OF ABLYNX nv |
|-----------------------------------|--------|--------|
| **Assets as at (€'000)**          | 2017   | 2016   |
| Fixed assets                      | 117,656| 110,990|
| Intangible fixed assets           | 64,061 | 107,244|
| Tangible fixed assets             | 3,876  | 3,746  |
| Financial fixed assets            | 49,718 |        |
| Affiliated enterprises             | 1      |        |
| Current assets                    | 335,045| 261,433|
| Amounts receivable                | 28,220 | 24,352 |
| Current investments               | 289,605| 182,084|
| Cash at bank and in hand          | 14,943 | 53,356 |
| Deferred charges and accrued income| 2,277  | 1,641  |
| **Total Assets**                  | 452,701| 372,423|

<table>
<thead>
<tr>
<th>Liabilities as at (€'000)</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>267,242</td>
<td>166,640</td>
</tr>
<tr>
<td>Capital</td>
<td>139,674</td>
<td>113,870</td>
</tr>
<tr>
<td>Share premium account</td>
<td>425,291</td>
<td>252,297</td>
</tr>
<tr>
<td>Accumulated profits (losses)</td>
<td>(297,722)</td>
<td>(199,527)</td>
</tr>
<tr>
<td>Amounts payable after more than one year</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>85,459</td>
<td>105,783</td>
</tr>
<tr>
<td>Amounts payable within one year</td>
<td>22,128</td>
<td>25,739</td>
</tr>
<tr>
<td>Deferred charges and accrued income</td>
<td>63,331</td>
<td>80,044</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>452,701</td>
<td>372,423</td>
</tr>
</tbody>
</table>

Current investments include €1,601,106 restricted cash in 2017 (€1,600,190 in 2016)
### SUMMARY INCOME STATEMENT OF ABLYNX N.V.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income</strong></td>
<td>184,326</td>
<td>223,116</td>
</tr>
<tr>
<td>Turnover</td>
<td>70,266</td>
<td>99,844</td>
</tr>
<tr>
<td>Own construction capitalised</td>
<td>101,010</td>
<td>108,448</td>
</tr>
<tr>
<td>Other operating income</td>
<td>13,050</td>
<td>14,824</td>
</tr>
<tr>
<td><strong>Operating charges</strong></td>
<td>262,945</td>
<td>286,514</td>
</tr>
<tr>
<td>Services and other goods</td>
<td>82,021</td>
<td>90,567</td>
</tr>
<tr>
<td>Remuneration, social security costs and pensions</td>
<td>36,231</td>
<td>31,415</td>
</tr>
<tr>
<td>Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets</td>
<td>144,683</td>
<td>164,520</td>
</tr>
<tr>
<td>Other operating charges</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td><strong>Operating Profit/(Loss)</strong></td>
<td>(78,619)</td>
<td>(63,398)</td>
</tr>
<tr>
<td><strong>Financial result</strong></td>
<td>(17,340)</td>
<td>(5,713)</td>
</tr>
<tr>
<td>Financial income</td>
<td>430</td>
<td>426</td>
</tr>
<tr>
<td>Financial charges</td>
<td>(17,771)</td>
<td>(6,139)</td>
</tr>
<tr>
<td>Profit (loss) on ordinary activities before taxes</td>
<td>(95,960)</td>
<td>(69,111)</td>
</tr>
<tr>
<td><strong>Extraordinary result</strong></td>
<td>(2,223)</td>
<td>(5,422)</td>
</tr>
<tr>
<td>Extraordinary cost</td>
<td>(2,223)</td>
<td>(5,490)</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>0</td>
<td>68</td>
</tr>
<tr>
<td><strong>Profit (loss) for the year before taxes</strong></td>
<td>(98,183)</td>
<td>(74,533)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(13)</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Profit (loss) for the period available for appropriation</strong></td>
<td>(98,196)</td>
<td>(74,545)</td>
</tr>
</tbody>
</table>

### APPROPRIATION ACCOUNT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) to be appropriated</td>
<td>(297,722)</td>
<td>(199,527)</td>
</tr>
<tr>
<td>Profit (loss) to be appropriated</td>
<td>(98,196)</td>
<td>(74,545)</td>
</tr>
<tr>
<td>Profit (loss) to be carried forward</td>
<td>(199,527)</td>
<td>(124,982)</td>
</tr>
<tr>
<td>Profit (loss) to be carried forward</td>
<td>(297,722)</td>
<td>(199,527)</td>
</tr>
</tbody>
</table>
CAPITAL STATEMENT (position as at 31 December 2017)

<table>
<thead>
<tr>
<th>(€'000)</th>
<th>Amounts</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Issued capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- At the end of the previous year</td>
<td>113,870</td>
<td></td>
</tr>
<tr>
<td>- Changes during the year</td>
<td>25,804</td>
<td></td>
</tr>
<tr>
<td>- At the end of this year</td>
<td>139,674</td>
<td></td>
</tr>
<tr>
<td>2. Capital representation</td>
<td></td>
<td>74,720,644</td>
</tr>
<tr>
<td>2.1. Shares without par value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2. Registered or bearer shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Registered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bearer and dematerialised</td>
<td></td>
<td>74,720,644</td>
</tr>
<tr>
<td><strong>B. Own shares held by</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. Commitments to issue shares(1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>D. Authorised capital not issued</strong></td>
<td></td>
<td>27,253</td>
</tr>
</tbody>
</table>

(1) See chapter 11, Additional information, the number of outstanding warrants amounts to 2,798,058
11. SUMMARY OF VALUATION RULES

11.1. PRINCIPLES

The valuation rules have been prepared in agreement with the requirements of the Royal Decree of 30 January 2001 concerning the enforcement of the Commercial Code.

11.2. SPECIFIC RULES

Company Formation Expenses

Formation expenses are charged directly to the profit and loss account.

Intangible Fixed Assets

Concessions, patents, licenses, know-how, trademarks.

Software licenses and implementation costs are capitalised at their acquisition prices, and amortised straight-line at a rate of 33.33% per year. Other licences are valued at their acquisition prices and depreciated straight-line over the economic life of the patent to which they relate. The maximum depreciation period for other licenses is five years.

Research and Development

Research costs have also been capitalised at cost price, insofar as the cost price does not exceed the value in use or the future return of these assets for the Company. Until the end of 2015 they were amortised straight-line over a period of five years. As from accounting year 2016, research and development expenses that do not qualify as being part of a development phase are being capitalised and fully amortised in the year itself (as per CBN advise 2016/16 and 2016/27).

Other intangible fixed assets

Other intangible fixed assets are capitalised at their cost price and to their probable useful life for the Company. These other intangible fixed assets include contributed technology. The contribution value of this technology is depreciated linearly over five years.

Tangible Fixed Assets

Tangible fixed assets are capitalised at their acquisition price, including all subsequent direct costs required to make such assets operational.
The following depreciation percentages are used:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Method</th>
<th>Basis</th>
<th>Depreciation %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>L-D-O</td>
<td>NR</td>
<td>Principle Costs (min-max)</td>
</tr>
<tr>
<td>1. Formation cost</td>
<td>L</td>
<td>NR</td>
<td>20-100%</td>
</tr>
<tr>
<td>2. Intangible fixed assets</td>
<td>L</td>
<td>NR</td>
<td>10%</td>
</tr>
<tr>
<td>3. Buildings</td>
<td>L</td>
<td>NR</td>
<td>33.30%</td>
</tr>
<tr>
<td>4. Installations, machinery and equipment</td>
<td>L</td>
<td>NR</td>
<td>20%</td>
</tr>
<tr>
<td>5. Office equipment and furniture</td>
<td>L</td>
<td>NR</td>
<td>33.30%</td>
</tr>
<tr>
<td>6. Other tangible fixed assets</td>
<td>L</td>
<td>NR</td>
<td>33.30%</td>
</tr>
<tr>
<td>7. Leasehold improvements: the shorter of the useful life or the minimum leasing term</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

L = lineair, D = degressive, O = other, NR = not revalued, R = revalued

Financial Fixed Assets

Guarantees are measured at their acquisition price.

**Amounts receivable of more than one year**

The receivables are measured at their nominal value, no discount factor has been taken into account.

**Amounts Receivable within one Year**

The receivables are measured at their nominal value. Each receivable is individually valued. Devaluation of receivables is recorded, if the actual value is lower than their nominal value.

Cash

Cash is measured at its nominal value.

Grants, Government Incentives, upfront payments and FTE income

Grants and government incentives are recognised in the income statement when all the conditions of the grants and government incentives are fulfilled and costs are incurred.

Grants, government incentives, upfront payments and FTE income (as from 2009) related to capitalised research cost are recognised in the income statement in accordance with the depreciation rhythm of the asset to which they relate.

In accordance with the CBN recommendation issued in 2010, the reduction in withholding tax has been directly recorded in other operating income.

**Amounts Payable after One Year**

In accordance with the CBN recommendation issued in 1995, a convertible bond, convertible at the discretion of the bondholder, is valued at issue price. Related interest expenses are included in P&L over the respective periods.
Amounts Payable within One Year
Amounts payable are measured at their nominal value.

Foreign Currencies
Transactions in foreign currencies during the year are booked at the current exchange rate. All outstanding payables and receivables at year end are recorded at the exchange rate on the balance sheet date. Exchange rate gains and losses are recognised in the results under the heading ‘Other Financial Charges and Income’.

Turnover
Turnover from research contracts is recognised over the duration of the contract in accordance with the progress of the work and contractual terms.
ADDRESSES

Ablynx’s registered office

ABLYNX nv
Technologiepark 21
9052 Zwijnaarde
Belgium

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