

**ABLYNX NV**

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

(the “**Company**”)

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**SPECIAL REPORT BY THE BOARD OF DIRECTORS**  
**IN ACCORDANCE WITH ARTICLES 596 AND 598 OF THE BELGIAN COMPANY CODE (“BCC”)**  
**REGARDING (I) THE ISSUE OF WARRANTS FOR THE BENEFIT OF CERTAIN EMPLOYEES AND (II) THE ISSUE**  
**OF WARRANTS FOR THE BENEFIT OF CERTAIN CONSULTANTS AND A STILL TO BE APPOINTED MEMBER OF**  
**THE MANAGEMENT OF THE COMPANY**

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The board of directors of the Company (the “**Board**”) proposes to issue a maximum of seven hundred twenty-five thousand (725,000) warrants, of which (i) two hundred seventy-five thousand (275,000) warrants for the benefit of certain employees (hereafter, the “**Employees SOP**”), free of charge, and (ii) a maximum of four hundred fifty thousand (450,000) warrants for the benefit of certain consultants and a still to be appointed member of the Company (hereafter the “**Consultants SOP**”), free of charge, each of such warrants entitling the holder thereof to subscribe for one new common share of the Company against payment of an exercise price (as defined below in Article 3 of this report), per warrant exercised, to be immediately and fully paid up upon exercise of the relevant warrant (the “**Warrants**”). The Warrants will be issued with cancellation of the shareholders’ preferential subscription rights.

In this special report prepared in accordance with Article 596 and, only as regards the Consultants SOP, also pursuant to Article 598 BCC regarding the cancellation of the existing shareholders’ preferential subscription rights in respect of an issue of warrants under the stock option plan, the Board justifies the proposal to cancel the shareholders’ preferential subscription rights for the benefit of certain employees and consultants of the Company, in particular regarding the issue price and the financial consequences of the transaction for the shareholders, and in which in accordance with Article 598 BCC the identities of the beneficiaries under the Consultants SOP (insofar they can be qualified as “certain persons” within the meaning of Article 598 BCC) are set out.

The capitalized words in this report are defined in Section 2 of the report of the Board in accordance with Article 583 BCC.

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

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

- i. creating a long-term incentive for the selected employees and consultants who are able to contribute substantially to the success and growth of the Company;
- ii. providing the Company with the necessary means to recruit and retain competent and experienced staff members; and
- iii. creating a common interest between the Selected Participants on the one hand and the shareholders of the Company on the other, aimed at an increase in the value of the Company's shares.

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

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

The preferential subscription rights of the existing shareholders will be cancelled for the benefit of the Selected Participants (as defined in Article 2 of the report of the Board of Directors in accordance with Article 583 BCC).

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

The Selected Participants under the Consultants SOP are the following persons associated with the Company by way of a Consultancy Agreement and of whom the identity, in accordance with Article 598 BCC is set out:

- Edwin Moses, Chief Executive Officer;
- Dominique Tersago, Chief Medical Officer
- NV Woconsult, Chief Financial Officer, or its permanent representative, Wim Ottevaere
- Antonin Rollet de Fougerolles, Chief Scientific Officer.
- Kim Simonsen, Chief Operations Office
- Guido Gielen, VP Human Resources
- Frank Landolt, VP IP & Legal

In addition, warrants will be offered under the Consultants SOP to the following category of persons (other than "certain persons" within the meaning of Article 596 BCC): a still to be appointed member of the management of the Company,

### **3. Justification of the Issue Price and Exercise Price**

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

The price will be determined as follows:

#### **3.1 Price determination for Employees SOP**

In view of the law of March 26, 1999, the Exercise Price of the Warrants will equal the lowest of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate prior to the Date of the Offer, as to be determined in the Offer.

#### **3.2 Price determination for Consultants SOP**

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

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

This Issue Price is justified by the price discovery process on Euronext Brussels, as linked to the applicable legislation.

### **4. Consequences for the existing shareholders and warrant holders**

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

In case the maximum number of Warrants to be issued (725,000 Warrants), would be subscribed for and in case such Warrants would all be exercised, the dilution that would result from such exercise (in terms of relative shareholding, *i.e.* pro rata participation in the voting rights in, and the profits of, the Company) for the existing shareholders (currently 48,998,229 common shares) and warrant holders (currently warrants giving right to an aggregate of 2,836,204 shares) amounts to, on a non-diluted basis (*i.e.* without taking into account the impact on the existing warrant holders), as well as on a fully diluted basis, as set out in the table hereunder:

	<b>% in relation to the existing shares (= on a non-diluted basis)</b>	<b>% on a fully diluted basis</b>
<b>725,000 Warrants to be issued</b>	1.48%	1.38%

Ablynx NV has an aggregate of 3,302,641 outstanding warrants, 932,874 warrants of which entitle the holder thereof to an aggregate of 466,437 shares (where two warrants entitle to subscribe for one share) and 2,369,767 warrants entitling the holder thereof to an aggregate of 2,369,767 shares (where one warrant entitles to subscribe for one share). The total number of voting rights that can be acquired upon the exercise of the outstanding warrants amounts to 2,836,204.

The total number of outstanding warrants currently amounts to 5.47% of the total number of outstanding shares (on fully diluted basis) (*i.e.* 51,834,433 shares).

The Board believes that the percentage of outstanding Warrants (also after the proposed issue) is not unusual compared to companies similar to the Company, in the same sector.

The issue of the Warrants may in addition cause an economic shift from the shareholders to the Warrantheolders at the occasion of the exercise of the Warrants, if the value of the common shares would be higher than the Exercise Price of the Warrants at the time of the issue of common shares further to the exercise of Warrants. This is an inherent trait of the Warrants to be issued, and the Board believes that this potential economic shift is acceptable in the light of the benefits for the Company linked to the issue of the Warrants, and even desirable, given the purpose of the issue of the Warrants, as set out in Section 1 of this report.

The net intrinsic value of the existing shares on the date of the annual accounts of the Company ending on 30 June 2013 amounted to EUR 2.80 per share (existing at that time). On the basis of the current stock price of the Company, the Board expects that the exercise price of the Warrants shall exceed the net intrinsic value. The Board points out that the final dilution that the net intrinsic value of the existing shares shall undergo, shall depend upon the final exercise price of the warrants (and the negative difference between that exercise price and the net intrinsic value per share prevailing at that time). However, on the basis of the current share price, the exercise price shall largely exceed the fractional value of the share as included in the annual accounts (EUR 1.87).

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

*Unofficial translation of Dutch original  
In the event of any discrepancy between the English translation and the original Dutch version,  
the latter shall prevail.*

The costs with respect to the services, performed in consideration for the grant of these Warrants will under IFRS be booked as a cost in the consolidated accounts of the Company. The aggregate amount of these costs will be spread out over the vesting period and determined on the basis of the actual value of the Warrants on the date of the grant by applying the Black & Scholes model.

Zwijnaarde, 26 February 2014

For the Board,

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Edwin Moses, CEO

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

<b>Simulation impact intrinsic value</b>		
Number of shares	31/12/2013	48.992.646
Exercise	jan/14	5.583
<b># Shares</b>	<b>31/01/2014</b>	<b>48.998.229</b>
<b>Equity</b>	<b>31/12/2013</b>	<b>46.189.000</b>
Number of warrants	31/12/2013	2.845.098
Granted	jan/14	72.062
Lapsed	jan/14	75.373
Exercise	jan/14	5.583
<b># Warrants</b>	<b>31/01/2014</b>	<b>2.836.204</b>
<b><u>A. Current situation, before issuance of the new warrants -</u></b>		
<b><u>Basic</u></b>		
		<u>Equity in €</u>
<u>Amount represented by 1 share</u>		0,94
<u>Total</u>		46.189.000
<b><u>B. Situation before issuance of the new warrants - Fully</u></b>		
<b><u>Diluted</u></b>		
		<u>Equity in €</u>
<u>Amount represented by 1 share</u>		1,18
<u>Total</u>		61.302.820,36
<b><u>C. Situation after issuance of the new warrants with an exercise price of</u></b>		
<b><u>€8</u></b>		
<u>number of warrants to be issued</u>		-
<u>exercise price</u>	€ 8	725.000,00
		<u>Equity in €</u>
<u>Amount represented by 1 share</u>		1,28
<u>Total</u>		67.102.820,36
<b><u>D. Situation after issuance of the new warrants with an exercise price of</u></b>		
<b><u>€9</u></b>		
<u>number of warrants to be issued</u>		-
<u>exercise price</u>	€ 9	725.000,00
		<u>Equity in €</u>
<u>Amount represented by 1 share</u>		1,29

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<u>Total</u>		67.827.820,36
<b><u>E. Situation after issuance of the new warrants with an exercise price of €10</u></b>		
<u>number of warrants to be issued</u>		- 725.000,00
<u>exercise price</u>	€ 10	
		<u>Equity in €</u>
<u>Amount represented by 1 share</u>		1,30
<u>Total</u>		68.552.820,36