# ABLYNX INTERIM FINANCIAL REPORT HALF-YEAR 2014

## 1. REPORT OF THE BOARD OF DIRECTORS

Revenues in the first six months of 2014 increased by 72% to €22.2 million as compared to €12.9 million in the first six months of 2013. Net loss for the period decreased 40% to €6.3 million as compared to €10.5 million in 2013. The Company ended the first six months of 2014 with €196.0 million in cash, cash equivalents, restricted cash and short-term investments. On 30 June 2014, the Company announced that it had successfully raised €41.7 million through a private placement of new shares (accelerated book building procedure, ABO); a total of 4,908,332 new shares were issued. Cash from the ABO was received on 3 July, and hence did not contribute to the cash position for the first six months ending 30 June 2014.

### OPERATIONAL REVIEW

During the past six months, Ablynx continued to make progress in developing its product pipeline with both its proprietary and collaborative programmes.

Ablynx reported encouraging clinical proof-of-concept Phase II results with the anti-vWF Nanobody, caplacizumab, in patients with acquired TTP. Preparations to start a Phase III clinical study in 2015 have been initiated. With caplacizumab, Ablynx delivered its third clinical proof-of-concept for Nanobodies.

Ablynx announced positive results from two Phase I clinical inhalation studies with the anti-RSV Nanobody, ALX-0171, in healthy volunteers and subjects with hyper-reactive airways. In addition, *in vivo* proof-of-concept results in an RSV animal model were published in February 2014. Ablynx continued with the preparations to allow the initiation of a first-in-infant study with ALX-0171 in Q4 2014 for which results are expected in 2015.

The Phase I bioavailability study with the subcutaneous formulation of the anti-IL-6R Nanobody, ALX-0061, partnered with AbbVie, has been initiated with results expected in Q4 2014. In addition, Ablynx continued with the preparations to start Phase II studies in RA and SLE early 2015.

Ablynx's partner Merck Serono initiated a Phase Ib study with the bi-specific anti-IL-17A/F Nanobody, ALX-0761, in subjects with moderate to severe psoriasis.

Ablynx exercised an opt-out option for to the co-development project ALX-0751, a Nanobody in pre-clinical development against an undisclosed target in oncology. Merck Serono is now solely responsible for the research and development strategy, and costs relating to this programme while Ablynx has the potential to receive milestones and royalties.

After completing pre-clinical studies with the anti-IgE Nanobody, ALX-0962, for use in severe allergic asthma, a decision was made not to progress this programme into Phase I studies because of insufficient differentiation from the competition.

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

In addition to the progress in the product pipeline, Ablynx signed a major discovery collaboration and licensing agreement in the field of onco-immunology with Merck & Co, with an upfront payment of €20 million, €10.7 million in research funding and up to €1.7 billion in potential milestone payments plus royalties. This is the second agreement that Ablynx signed with Merck & Co and expands the companies' relationship beyond the collaboration signed in 2012.

At present, Ablynx has more than 30 programmes in its R&D pipeline, including partnered programmes, and there are six Nanobodies in clinical development.

**ANALYSIS OF THE INCOME STATEMENT**

During the first six months of 2014, revenues increased by 72% to €22.2 million (2013: €12.9 million), driven by FTE funding and recognised income from the upfront payments received from AbbVie, Merck Serono, Merck & Co and Eddingpharm.

During the first half of 2014, research and development expenses increased by 27% to €24.5 million (2013: €19.3 million). This increase was mainly attributable to higher external development costs which are largely related to clinical trials spending. General and administrative expenses were €5.3 million (2013: €4.5 million).

As a result of the foregoing, the loss from continuing operations, before tax and net financial result, decreased to €7.6 million during the first half of 2014 (2013: €10.9 million).

Net financial result (€1.3 million) primarily comprises €0.7 million interest income from bank deposits and floating and fixed rate notes, the positive impact of discounting the tax credit (€0.3 million) and €0.3 million net realised and unrealised exchange gains.

The net loss decreased to €6.3 million during the first six months ending 30 June 2014 (2013: €10.5 million).

**ANALYSIS OF THE BALANCE SHEET**

The Company's intangible assets include a portfolio of acquired patents which are being amortised over approximately 12 years, and technology licenses that are being amortised over 5, 18 and 20 years. The Company has not capitalised any other patents and it expenses all its research and development activities. The intangible assets also include software licenses.

The Company's non-current tangible assets include the Company's laboratory and office equipment, the investments in its facilities, tax receivables and €2.0 million restricted cash, which is related to a cash pledge that the Company has provided in respect of the service agreement with its landlord, NV Bio-Versneller. The Company does not own any real estate, but continues to invest in equipment for its research activities. Tax receivables include a tax credit of € 9.9 million, which increased with €1.9 million compared with 2013 as a result of continued R&D expenditures.

The Company's current assets consist mainly of other short-term investments, and cash and cash equivalents.

The Company's equity decreased from €46.2 million to €41.2 million mainly as a result of the incorporation of the loss for the period.

The Company's current liabilities primarily relate to deferred income from collaborative agreements and trade payables.

**ANALYSIS OF THE CASH FLOW STATEMENT**

Cash flow from operating activities represented a net outflow of €3.9 million as compared to a net outflow of €21.6 million during the first six months ending 30 June 2013. The difference primarily relates to the lower net loss and the cash upfront of €20 million received from Merck & Co.

Cash flow from investing activities represented a net inflow of €4.9 million as compared to a net outflow of €7.4 million during the first six months ending 30 June 2013. The variance relates to net movements in the sale of short-term financial investments (monies placed on term deposits with banks with an initial term between 3 and 12 months).

Cash flow from financing activities represented a net inflow of €0.1 million compared to a net inflow of €31 million during the first six months of 2013. The difference is a result of the proceeds from the private placement on 28 February 2013, which raised €31.5 million, and the exercise of warrants.

At 30 June 2014, the Company had €196.0 million in cash, cash equivalents, restricted cash and short-term investments.

**RISKS AND PROSPECTS FOR THE REMAINING SIX MONTHS**

A bioavailability study with the anti-IL-6R Nanobody, ALX-0061, partnered with AbbVie, is currently on-going with the results expected in Q4 2014.

The preparations to start a first-in-infant study with the anti-RSV Nanobody, ALX-0171, are progressing well, with the start of paediatric development expected in Q4 2014.

A Phase I bioequivalence study with the anti-vWF Nanobody, caplacizumab, is currently on-going and results are expected in Q4 2014. Subject to acceptance of the abstract, the complete data set from the TITAN Phase II study with caplacizumab in patients with acquired TTP will be presented at the American Society of Hematology (ASH) Annual Conference, taking place from 6-9 December 2014 in San Francisco, USA.

Commercial discussions with potential partners will continue on a number of topics as part of the normal course of business.

Good cash management will remain a key priority for the Company and guidance for the net cash burn for the full year, excluding the proceeds of the private placement, remains €30-35 million.

**EVENTS AND UPDATES AFTER 30 JUNE 2014**

The proceeds from the private placement of new shares announced on 30 June were received on 3 July.

On 15 July, Ablynx announced the launch of Spotlight Options on its shares (option trading symbol: ABY). The options are available on the derivatives market of Euronext Brussels.

During the Extraordinary General Shareholders' Meeting of 24 April 2014, the issuance of a maximum number of 725,000 warrants was approved and 286,724 warrants have subsequently been issued on 17 July 2014 (133,556 warrants at €8.85/warrant for employees and 153,168 warrants at €9.09/warrant for consultants).

On 18 July, Ablynx announced the issuance of an additional 10,000 common shares in exchange for €64,197.57 as the result of the exercise of warrants by some employees and consultants of the Company. As a result of this transaction, Ablynx now has 54,001,659 shares outstanding.

On 13 August, Ablynx announced that it was awarded a €2.1 million grant by the Flemish Agency for Innovation by Science and Technology (IWT) to help advance a wholly-owned programme, which will explore a novel approach to the treatment of diseases of the eye by utilising some of the unique characteristics of Nanobodies. The grant is available over a period of three years and will allow the development and subsequent testing of Nanobody leads in relevant pre-clinical disease models.

**IMPORTANT TRANSACTIONS WITH RELATED PARTIES**

There were no important transactions with related parties.

## 2. RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2014, which have been prepared in accordance with IAS 34 "Interim Financial reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors

Edwin Moses
CEO

Wim Ottevaere, on behalf of NV Woconsult
CFO

## 3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2014

### 3.1 CONDENSED CONSOLIDATED BALANCE SHEET

| (€'000) | As at 30 June 2014 | As at 31 December 2013 |
|---|---|---|
| **Non-current assets** | **14,412** | **13,068** |
| Intangible fixed assets | 371 | 328 |
| Property, plant and equipment | 2,171 | 2,394 |
| Restricted cash | 1,980 | 2,320 |
| Tax receivables | 9,890 | 8,026 |
| **Current assets** | **197,274** | **200,492** |
| Trade receivables | 45 | 515 |
| Other current assets | 1,118 | 502 |
| Tax receivables | 535 | 448 |
| Accrued income and deferred charges | 1,581 | 977 |
| Other short-term financial investments | 182,395 | 187,519 |
| Cash and cash equivalents | 11,600 | 10,531 |
| **Total assets** | **211,686** | **213,560** |
| **Equity attributable to equity holders** | **41,179** | **46,173** |
| Share capital | 84,486 | 84,004 |
| Share premium account | 151,058 | 150,747 |
| Share-based payment reserve | 6,973 | 6,736 |
| Retained earnings | (201,338) | (195,314) |
| **Non-current liabilities** | **0** | **141** |
| Borrowings | 0 | 141 |
| **Current liabilities** | **170,507** | **167,246** |
| Borrowings | 507 | 786 |
| Trade payables | 9,493 | 11,336 |
| Other current liabilities | 4,139 | 3,299 |
| Deferred income | 156,368 | 151,825 |
| **Total liabilities** | **170,507** | **167,387** |
| **Total equity and liabilities** | **211,686** | **213,560** |

### 3.2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Period ended 30 June | |
|---|---|---|
| **(€ '000)** | **2014** | **2013** |
| Revenue: | | |
| Research and development | 21,830 | 12,022 |
| Grants | 406 | 848 |
| **Total revenue** | **22,236** | **12,870** |
| Research and development expenses | (24,522) | (19,315) |
| General and administrative expenses | (5,297) | (4,541) |
| **Total operating expenses** | **(29,819)** | **(23,856)** |
| Other operating income | 7 | 46 |
| Other operating expenses | 0 | (7) |
| **Operating result** | **(7,576)** | **(10,947)** |
| **Financial result (net)** | **1,269** | **408** |
| Finance income | 2,156 | 459 |
| Finance cost | (887) | (51) |
| **Loss before taxes** | **(6,307)** | **(10,539)** |
| | | |
| **Loss for the period** | **(6,307)** | **(10,539)** |
| | | |
| **Total comprehensive income for the period** | **(6,307)** | **(10,539)** |
| | | |
| Loss attributable to equity holders | (6,307) | (10,539) |
| Total comprehensive loss attributable to equity holders | (6,307) | (10,539) |
| Basic and diluted loss per share | (0.13) | (0.22) |

### 3.3 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

| (€'000) | Share capital | Share premium | Share-based payments | Retained loss | Total Equity |
|---|---|---|---|---|---|
| **Balance at 31 December 2012** | **73,465** | **126,466** | **8,078** | **(176,287)** | **31,722** |
| **Loss of the period** | | | | (10,539) | |
| Other comprehensive income | | | | | |
| Available-for-sale financial assets | | | | | |
| **Total Comprehensive Income** | | | | | |
| **Warrant plans** | | | | | |
| Share-Based Payments | | | 393 | | |
| **Transactions with owners** | | | | | |
| Capital increase | 8,187 | 23,334 | | | |
| Issuance costs | (1,366) | | | | |
| Exercise of warrants | 1,728 | 454 | (920) | | |
| **Balance at 30 June 2013** | **82,014** | **150,254** | **7,551** | **(186,826)** | **52,993** |
| **Balance at 31 December 2013** | **84,004** | **150,747** | **6,736** | **(195,314)** | **46,173** |
| **Loss of the period** | | | | (6,307) | |
| Other comprehensive income | 0 | | | | |
| Available-for-sale financial assets | | | | | |
| **Total Comprehensive Income** | | | | | |
| **Warrant plans** | | | | | |
| Share-Based Payments | | | 550 | 283 | |
| **Transactions with owners** | | | | | |
| Capital increase | | | | | |
| Issuance costs | | | | | |
| Exercise of warrants | 482 | 311 | (313) | | |
| **Balance at 30 June 2014** | **84,486** | **151,058** | **6,973** | **(201,338)** | **41,179** |

### 3.4 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Period ended 30 June | |
|---|---|---|
| **(€'000)** | **2014** | **2013** |
| **Cash flows from operating activities** | | |
| Loss before income tax | (6,307) | (10,539) |
| Adjustments for: | | |
| Amortisation | 86 | 288 |
| Depreciation | 689 | 841 |
| Share-based payment expense | 833 | 393 |
| Finance income – net | (1,269) | (408) |
| Net movement in trade and other receivables | 3,540 | (3,888) |
| Net movement in trade and other payables | (2,700) | (8,711) |
| **Cash used in/provided by operations** | **(5,128)** | **(22,024)** |
| Interest paid | (887) | (51) |
| Interest received | 2,156 | 459 |
| **Net cash used in/provided by operating activities** | **(3,859)** | **(21,616)** |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | (466) | (148) |
| Purchases of intangible assets | (129) | (80) |
| Sale of short-term financial investments | 5,464 | (7,192) |
| **Net cash used in/provided by investing activities** | **4,869** | **(7,420)** |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of ordinary shares | | 30,174 |
| Proceeds from exercise of warrants | 479 | 1,263 |
| Repayments of borrowings | (420) | (410) |
| **Net cash generated from financing activities** | **59** | **31,027** |
| **Net (decrease)/increase in cash and cash equivalents** | **1,069** | **1,991** |
| Cash and cash equivalents at beginning of the period | 10,531 | 4,297 |
| **Cash and cash equivalents at end of the period** | **11,600** | **6,288** |

## 3.5 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3.5.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2013. The condensed consolidated financial statements are presented in thousands of Euro (unless stated otherwise). The condensed consolidated financial statements were approved for issue by the Board of Directors on 27 August 2014.

The condensed consolidated interim financial information has been reviewed, not audited, by the statutory auditor.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2013.

**Standards and interpretations applicable for the annual period beginning on 1 January 2014**

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual periods beginning on or after 1 January 2014)

There was no impact on the financial performance and position of the entity in applying these standards.

**Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2014**

- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)

### 3.5.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

At each reporting date, the Company makes assumptions and estimates with respect to the impact of past events on the future, resulting in a number of accounting estimates, which at present have a very limited impact.

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

### 3.5.3 RESEARCH AND DEVELOPMENT EXPENSES

| | Period ended 30 June | |
|---|---|---|
| **(€'000)** | **2014** | **2013** |
| Consumables | 1,972 | 1,382 |
| Outsourcing | 10,846 | 6,830 |
| Patent costs | 732 | 665 |
| Personnel costs | 10,537 | 8,914 |
| Share-based payments | 241 | 176 |
| Other operating expenses | 2,658 | 2,479 |
| Retribution | (1,487) | (1,266) |
| R&D tax credit | (1,563) | (939) |
| **Subtotal** | **23,936** | **18,241** |
| Depreciation and amortisation | 586 | 1,074 |
| **Total research and development expenses** | **24,522** | **19,315** |

### 3.5.4 GENERAL ADMINISTRATIVE EXPENSES

| | Period ended 30 June | |
|---|---|---|
| **(€'000)** | **2014** | **2013** |
| Personnel costs | 1,411 | 1,618 |
| Share-based payments | 592 | 217 |
| Executive Committee compensation | 1,368 | 1,249 |
| Consultancy | 574 | 541 |
| Other operating expenses | 850 | 816 |
| Retribution | 312 | (173) |
| **Subtotal** | **5,107** | **4,268** |
| Depreciation and amortisation | 190 | 273 |
| **Total general and administrative expenses** | **5,297** | **4,541** |

### 3.5.5 RELATED-PARTY TRANSACTIONS

#### a. Remuneration of key management personnel

| | Period ended 30 June | |
|---|---|---|
| | **2014** | **2013** |
| Number of management members | 7 | 6 |
| | | |
| **(€'000)** | | |
| Short-term employee benefits (salaries, social security bonuses, lunch vouchers) | 913 | 911 |
| Post-employment benefits (group insurance) | 79 | 74 |
| Share-based compensation | 510 | 217 |
| Other employee costs | 84 | 35 |
| Management fees | 175 | 168 |
| Retribution | 408 | (89) |
| **Total** | **2,169** | **1,316** |
| | | |
| Number of warrants granted (in units) | 153,168 | 212,500 |
| Cumulative outstanding warrants (in units) | 2,231,918 | 2,680,624 |
| Exercised warrants (in units) | 15,374 | 562,500 |
| Outstanding payables | | |
| Shares owned (in units) | 100,805 | 39,805 |

Key management consists of the members of the Executive Committee and the entities controlled by any of them.

#### b. Transactions with non-executive directors

| | Period ended 30 June | |
|---|---|---|
| **(€'000)** | **2014** | **2013** |
| Share-based compensation | 70 | 0 |
| Management fees | 117 | 61 |
| **Total benefits** | **187** | **61** |
| | | |
| Number of warrants offered or granted (in units) | 0 | 0 |
| Cumulative outstanding warrants (in units) | 74,595 | 13,576 |
| Non-vested warrants | 68,477 | 0 |
| Shares owned (in units) | 25,000 | 4,716,587 |

### 3.5.6 EFFECTS OF ECONOMIC TURBULENCE AND MARKET CONDITIONS

Although global market conditions have affected market confidence, Ablynx maintains sufficient working capital to service its operating activities.

### 3.5.7 COMMITMENTS

No changes compared to the situation already disclosed in the annual report 2013 have been noted.

### 3.5.8 EVENTS AND UPDATES AFTER BALANCE SHEET DATE

The proceeds from the private placement of new shares announced on 30 June were received on 3 July.

On 15 July, Ablynx announced the launch of Spotlight Options on its shares (option trading symbol: ABY). The options are available on the derivatives market of Euronext Brussels.

During the Extraordinary General Shareholders' Meeting of 24 April 2014, the issuance of a maximum number of 725,000 warrants was approved and 286,724 warrants have subsequently been issued on 17 July 2014 (133,556 warrants at €8.85/warrant for employees and 153,168 warrants at €9.09/warrant for consultants).

On 18 July, Ablynx announced the issuance of an additional 10,000 common shares in exchange for €64,197.57 as the result of the exercise of warrants by some employees and consultants of the Company. As a result of this transaction, Ablynx now has 54,001,659 shares outstanding.

On 13 August, Ablynx announced that it was awarded a €2.1 million grant by the Flemish Agency for Innovation by Science and Technology (IWT) to help advance a wholly-owned programme, which will explore a novel approach to the treatment of diseases of the eye by utilising some of the unique characteristics of Nanobodies. The grant is available over a period of three years and will allow the development and subsequent testing of Nanobody leads in relevant pre-clinical disease models.

### 3.5.9 SHARE-BASED PAYMENTS

| **Warrants** | **2012** | **2012** | **2012** | **2012** | **2012** | **2012** | **2013** | **2013** | **2013** | **2014** | **2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of warrants granted | 350,000 | 398,750 | 150,000 | 12,500 | 12,868 | 5,000 | 391,330 | 324,840 | 50,000 | 153,168 | 197,129 |
| Number of warrants not vested at 30/06/2014 | 83,333 | 153,125 | 0 | 0 | 3,887 | 3,021 | 197,192 | 324,840 | 50,000 | 153,168 | 197,129 |
| Exercise price (in €) | 3.21 | 3.21 | 3.23 | 3.23 | 5.44 | 5.44 | 6.46 | 6.83 | 7.27 | 9.09 | 8.85 |
| | | | | | | | | | | | |
| Expected dividend yield | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Expected stock price volatility | 55% | 55% | 55% | 55% | 49% | 56% | 53.4% - 54.0% | 52.7%-53.8% | 43% | 41% | 41% |
| Risk-free interest rate | 2.35% | 2.84% | 3.65% | 2.83% | 1.09% | 1.78% | 1.54% - 1.88% | 1.56%-2.08% | 1.02% | 0.91% | 1.50% |
| Expected duration | 5.00 | 7.00 | 5.00 | 7.00 | 5.00 | 7.00 | 6.60-7.00 | 6.70-7.00 | 5.00 | 5.00 | 7.00 |
| Fair value (in Euro) at grant date | 1.38 | 1.64 | 1.47 | 1.74 | 2.15 | 2.89 | 3.18-4.04 | 3.86-4.07 | 2.48 | 3.06 | 3.80 |

| **Warrants** | **Prior to 2012** | **2012** | **2012** | **2012** | **2012** | **2012** | **2012** | **2013** | **2013** | **2013** | **2014** | **2014** | **Total number** | **Average Exercise price (in Euro)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2011** | | | | | | | | | | | | | | |
| Outstanding | 3,886,479 | | | | | | | | | | | | 3,886,479 | **3.44** |
| Non-vested | 836,878 | | | | | | | | | | | | 836,878 | **7.82** |
| Exercisable | 3,049,601 | | | | | | | | | | | | 3,049,601 | **2.24** |
| | | | | | | | | | | | | | | |
| Granted | 0 | 350,000 | 398,750 | 150,000 | 12,500 | | | | | | | | 911,250 | **3.21** |
| Forfeited | 111,456 | | 13,500 | | 12,500 | | | | | | | | 137,456 | **4.77** |
| Exercised | 54,147 | | | | | | | | | | | | 54,147 | **1.07** |
| Expired | 0 | | | | | | | | | | | | 0 | - |
| | | | | | | | | | | | | | | |
| **At 31 December 2012** | | | | | | | | | | | | | | |
| Outstanding | 3,720,876 | 350,000 | 385,250 | 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,606,126 | **3.38** |
| Non-vested | 399,994 | 350,000 | 385,250 | 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,285,244 | **4.77** |
| Exercisable | 3,320,882 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,320,882 | **2.85** |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Granted | 0 | | | | | 12,868 | 5,000 | 391,330 | 302,778 | | | | 711,976 | **6.59** |
| Forfeited | 73,774 | 103,125 | 4,464 | 103,125 | | 6,434 | | 79,000 | | | | | 369,922 | **4.94** |
| Exercised | 1,556,655 | | | | | | | | | | | | 1,556,655 | **1.69** |
| Expired | 78,990 | | | | | | | | | | | | 78,990 | **8.01** |
| **At 31 December 2013** | | | | | | | | | | | | | | |
| Outstanding | 2,011,457 | 246,875 | 380,786 | 46,875 | 0 | 6,434 | 5,000 | 312,330 | 302,778 | | | | 3,312,535 | **4.59** |
| Non-vested | 130,258 | 108,333 | 207,756 | 0 | 0 | 4,691 | 3,646 | 312,330 | 302,778 | | | | 1,069,792 | **5.84** |
| Exercisable | 1,881,199 | 138,542 | 173,030 | 46,875 | 0 | 1,743 | 1,354 | 0 | 0 | | | | 2,242,743 | **3.99** |
| Granted | 0 | | | | | | | | 22,062 | 50,000 | 153,168 | 197,129 | 422,359 | **8.64** |
| Forfeited | 3,595 | | 7,906 | | | | | 5,178 | | | | | 16,679 | **5.34** |
| Exercised | 106,118 | | | | | | | | | | | | 106,118 | **4.51** |
| Expired | 83,289 | | | | | | | | | | | | 83,289 | **7.67** |
| **At 30 June 2014** | | | | | | | | | | | | | | |
| Outstanding | 1,818,455 | 246,875 | 372,880 | 46,875 | 0 | 6,434 | 5,000 | 307,152 | 324,840 | 50,000 | 153,168 | 197,129 | 3,528,808 | **5.00** |
| Non-vested | 67,302 | 83,333 | 153,125 | 0 | 0 | 3,887 | 3,021 | 197,192 | 324,840 | 50,000 | 153,168 | 197,129 | 1,232,997 | **6.79** |
| Exercisable | 1,751,153 | 163,542 | 219,755 | 46,875 | 0 | 2,547 | 1,979 | 109,960 | 0 | 0 | 0 | 0 | 2,295,811 | **4.04** |

**Warrants issued in April 2014 for employees and members of the Executive Committee**

During the Extraordinary General Shareholders' Meeting of 24 April 2014, the issuance of a maximum number of 725,000 warrants was approved and 286,724 warrants have subsequently been issued on 17 July 2014 (133,556 warrants at €8.85/warrant for employees and 153,168 warrants at €9.09/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 lowest of the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer and the last closing rate prior to the Date of the Offer for employees and for consultants 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 to be 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. The warrants vest over 4 years: 25% of the warrants vest after one year; after that date the remaining 75% become vested on a monthly basis (2.083% per month).

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 from the 1st of January 2018 until 15 January 2019 for consultants and as from 1 January 2018 until 15 January 2021 for employees). 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 current or next exercise period. 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. The duration of the warrants is 5 years for consultants and 7 years for employees as of the issue date of the warrants. Warrants that have not been exercised within 5 or 7 years of their creation become null and void.

## 4. LIMITED REVIEW REPORT

**LIMITED REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

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To the board of directors

We have performed a limited review of the accompanying consolidated condensed balance sheet, condensed income statement, condensed statement of comprehensive income, condensed cash flow statement, condensed statement of changes in equity and selective notes (jointly the “interim financial information”) of Ablynx NV (“the company”) and its subsidiaries (jointly “the group”) for the six-month period ended 30 June 2014.

The board of directors of the company is responsible for the preparation and fair presentation of this interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

The interim financial information has been prepared in accordance with international financial reporting standard IAS 34 – Interim Financial Reporting as adopted by the European Union.

Our limited review of the interim financial information was conducted in accordance with international standard ISRE 2410 – Review of interim financial information performed by the independent auditor of the entity. A limited review consists of making inquiries of group management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on the interim financial information.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 27 August 2014
**The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Reviseurs d’Entreprises**
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees