ABLYNX HALF YEAR REPORT 2009

1. REPORT OF THE BOARD OF DIRECTORS

The Company had €101.8 million in cash, cash equivalents and financial assets at 30 June 2009 and achieved a 93% increase in revenues to €11.9 million. Ablynx received a €3 million milestone from Boehringer Ingelheim as part of the strategic alliance for the development and commercialization of Nanobodies® and both Novartis and Wyeth have extended their research collaborations with the Company for a further 12 months.

During the first six months of 2009, Ablynx reported positive Phase Ib results in patients for its novel anti-thrombotic Nanobody®, ALX-0081 and progressed to an extended Phase Ib study.

The vWF Nanobody® programme for the treatment of thrombotic thrombocytopenic purpura (TTP) was granted orphan drug designation in both Europe and the USA.

ALX-0061, a Nanobody® binding to IL6R for the treatment of autoimmune and inflammatory diseases, is now in preclinical development. Furthermore, there were also important technology developments in pulmonary delivery and novel proprietary half-life extension of Nanobodies®.

Ablynx has strengthened its senior team with the appointment of Dr Debbie Law as Chief Scientific Officer. At the end of June, the Company had over 220 employees. The preparations for the move to the new 7,000m² facility in mid-2010 are progressing well.

ANALYSIS OF RESULTS OF OPERATIONS

The tables hereafter include the balance sheet, the cash flow statement and information relating to the Company’s results for the six month periods ended on 30 June 2008 and 2009.

Revenue increased 93% from €6.2 million to €11.9 million. This revenue is attributable to research and development revenues, resulting mainly from the collaborative agreements with Novartis, Wyeth, Boehringer Ingelheim and Merck Serono. The increase in revenue is mainly related to milestones obtained from these collaborations.

Research and development expenses increased by 55% to €20.0 million (2008: €12.9 million). This increase was primarily attributable to a €1.4 million increase in personnel costs as research and development staff increased to 190 at the end of June 2009. An increase of €4.2 million in external development costs was essentially related to clinical trials.

General and administrative expenses increased €0.7 million to €4.2 million (2008: €3.4 million). This increase primarily resulted from a €0.5 million increase in personnel costs, including share based payment costs.

Finance income primarily comprises interest from deposits, floating and fixed rate notes. Finance income decreased to €1.8 million (2008: €2.7 million). The decrease was principally due to lower interest rates and a lower cash position.

As a result of the foregoing, the Company's loss increased to €10.5 million (2008: €7.5 million).

BALANCE SHEET ANALYSIS

The Company's intangible assets of €0.7 million include a portfolio of patents which are being depreciated over approximately 12 years and a technical license that is depreciated over 18 years. The Company has not capitalized any other patents and it expenses all of its research and development activities. The intangible assets also include software licenses acquired primarily over the last two years.

The Company’s non current tangible assets of €3.7 million include the Company's laboratory and office equipment. The Company does not own any real estate property.

The Company's current assets of €107.3 million essentially consist of available-for-sale financial assets and cash and cash equivalents. The decrease in 2009 primarily relates to a decrease in cash and cash equivalents and trade receivables.

The Company's current liabilities of €27.1 million primarily relate to deferred income from collaborative arrangements and trade payables. The decrease is related to a decrease in deferred income and lower outstanding trade payables.

CASH FLOW ANALYSIS

Cash flow from operating activities represented a net outflow of €9.7 million in the first half of 2008 and a net outflow of €11.6 million in the first half of 2009. The increase is related to the increase of the loss over the period.

Cash flow from investing activities represented a net outflow of €0.7 million in 2009 (2008: €1.6 million). This change primarily reflected decreased investments in laboratory and office equipment.

Cash flow from financing activities was a net inflow of €0.5 million in the first half of 2009 (2008: €0.2 million) and is related to the proceeds from exercised warrants.

RISKS AND PROSPECTS FOR THE REMAINING SIX MONTHS

The Company is on track to initiate an open-label, randomized Phase II study in patients undergoing percutaneous coronary intervention (PCI) for its anti-thrombotic Nanobody® ALX-0081 during Q3 2009. Ablynx also plans to initiate a Phase I study for ALX-0141 (anti-RANKL) by the end of 2009. In line with its stated strategy, Ablynx will continue to develop its product pipeline by advancing other Nanobodies® towards the clinic, either alone or with partners.

Ablynx believes Wyeth may initiate a Phase II proof-of-concept study in patients with rheumatoid arthritis with its licensed anti-TNF-alpha Nanobody®, which will trigger a milestone for the Company.

The Company anticipates that it will receive additional milestones from existing partnerships and may expand existing agreements or enter into new collaborations with others.

Ablynx also plans to further develop its own technology platform and exploit the key advantages of Nanobodies® in areas such as alternative routes of administration. It will also explore the opportunities for collaborations with companies to access new technologies which can further exploit the full value of the Ablynx Nanobody® platform.

During the period the arbitration process with Domantis may conclude. Ablynx is confident that it has a strong case and that the action taken by Domantis is unfounded. However, the Company believes if Domantis's reasoning were to be accepted in any arbitration proceedings, any damages awarded to Domantis would, in all probability, not exceed the financial terms that are customary in the industry for licensing intellectual property relating to the use of expression libraries.

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 2009 which has been prepared in accordance with the IAS 34 ”Interim Financial Reporting” as adopted by the European Union, gives 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 Chairman & CEO	Wim Ottevaere, on behalf of NV Woconsult CFO

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2009

3.1 CONDENSED CONSOLIDATED BALANCE SHEET

(€'000)	As at 30 June 2009	As at 31 December 2008
Non-current assets	4,378	5,001
Intangible assets	706	801
Property, plant & equipment	3,672	4,200
Current assets	107,269	121,522
Trade receivables	1,943	4,167
Other current assets	1,496	1,901
Accrued income and deferred charges	2,110	1,920
Available-for-sale financial assets	35,926	35,901
Cash and cash equivalents	65,794	77,633
Total assets	**111,647**	**126,523**
Equity attributable to equity holders	84,560	93,870
Share capital	63,143	62,485
Share premium account	88,851	88,851
Share-based payments	2,521	2,053
Fair value reserves	(74)	(99)
Retained loss	(69,881)	(59,420)
Non-current liabilities	-	3
Borrowings	-	3
Current liabilities	27,087	32,650
Borrowings	30	57
Trade payables	4,997	6,626
Other current liabilities	2,365	2,068
Deferred income	19,695	23,899
Total liabilities	27,087	32,653
Total equity and liabilities	**111,647**	**126,523**

The notes on pages 9 to 14 are an integral part of these condensed consolidated financial statements.

3.2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30 June	
(€ '000)	**2009**	**2008**
Revenue:		
Research and development	11,218	5,828
Grants	732	352
Total revenue	**11,950**	**6,180**
Research & development expense *(Note 3.5.3)*	(20,031)	(12,947)
General & administrative expense *(Note 3.5.4)*	(4,159)	(3,439)
Total operating expenses	**(24,190)**	**(16,386)**
Other operating income/(expense)	-	-
Operating result	(12,240)	(10,206)
Finance income (net)	1,778	2,706
Loss before taxes	(10,462)	(7,500)
Income taxes	-	-
Loss for the period	(10,462)	(7,500)
Other comprehensive income:		
Fair value gains on available-for-sale financial assets, net of tax	25	-
Total comprehensive loss for the period	(10,437)	(7,500)
Loss attributable to equity holders	(10,462)	(7,500)
Total comprehensive loss attributable to equity holders	(10,437)	(7,500)
Basic and diluted loss per share	(0.28)	(0.21)

The notes on pages 9 to 14 are an integral part of these condensed consolidated financial statements.

3.3 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(€'000)	Share capital	Share premium	Share-based payments	Retained loss	Fair Value Reserve	Total equity
Balance at 31 December 2007	**61,970**	**88,851**	**1,551**	**(44,197)**	**-**	**108,175**
Issuance costs	(14)					
Exercise of warrants	465		(135)			
Share-based payments			255			
Loss of the period				(7,501)		
Balance at 30 june 2008	**62,421**	**88,851**	**1,671**	**(51,698)**	**-**	**101,245**
Exercise of warrants	64		(6)			
Share-based payments			389			
Loss of the period				(7,722)		
Fair value reserve					(99)	
Balance at 31 December 2008	**62,485**	**88,851**	**2,054**	**(59,420)**	**(99)**	**93,871**
Exercise of warrants	658		(160)			
Share-based payments			628			
Loss of the period				(10,462)		
Fair value reserve					25	
Balance at 30 June 2009	**63,143**	**88,851**	**2,522**	**(69,882)**	**(74)**	**84,560**

The notes on pages 9 to 14 are an integral part of these condensed consolidated financial statements.

3.4 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Period ended 30 June	
(€'000)	**2009**	**2008**
Cash flows from operating activities		
Loss before income tax	(10,462)	(7,500)
Adjustments for:		
Amortization	94	59
Depreciation	1,211	876
(Profit)/loss on disposal of property, plant and equipment	-	-
Share-based payment expense	629	255
Finance income – net	(1,761)	(2,702)
Net movement in trade and other receivables	2,439	(315)
Net movement in trade and other payables	(5,536)	(3,115)
Cash used in operations	**(13,386)**	**(12,442)**
Interest paid	(2)	(3)
Interest received	1,763	2,704
Net cash used in operating activities	**(11,625)**	**(9,741)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(682)	(1,470)
Purchases of intangible assets	-	(174)
Net cash used in investing activities	**(682)**	**(1,644)**
Cash flows from financing activities		
Proceeds from exercise of warrants	498	315
Repayments of borrowings	(30)	(84)
Net cash generated from financing activities	**468**	**231**
Net (decrease)/increase in cash and cash equivalents	**(11,839)**	**(11,154)**
Cash and cash equivalents at beginning of the period	*77,633*	*126,489*
Cash and cash equivalents at end of the period	**65,794**	**115,335**

The notes on pages 9 to 14 are an integral part of these condensed consolidated financial statements.

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 2009 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 full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2008. The condensed consolidated financial statements are presented in thousands of Euro (unless stated otherwise). The condensed consolidated financial statements have been approved for issue by the Board of Directors on 26 August 2009.

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 2008. New standards or interpretations applicable from 1 January 2009 that have an impact on the condensed consolidated financial statements are limited to IAS 1 revised ("Presentation of financial statements"). Ablynx has elected to present one statement : a statement of comprehensive income. The condensed consolidated financial statements have been prepared under the revised disclosure requirements.

The Ablynx group of companies has its parent company, headquarters, main facility and laboratory in Belgium and has a fully consolidated subsidiary SA Ablynx in Portugal.

3.5.2 SHARE-BASED PAYMENTS

Warrants	2009
Number of warrants granted	135,000
Number of warrants not vested at 30/06/09	135,000
Exercise price (in Euro)	4.52
Expected dividend yield	0
Expected stock price volatility	60%
Risk-free interest rate	3.79%
Expected duration	5.00
Fair value (in Euro)	2.06

Warrants	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**	**2007**	**2008**	**2009**	**Total number**	**Average Exercise price (in Euro)**
Outstanding at 31 December 2008	**477,311**	**41,000**	**293,814**	**373,040**	**1,705,937**	**122,416**	**404,947**	**10,713**	**375,000**	**0**	**3,804,178**	**1.37**
Granted	0	0	0	0	0	0	0	0	0	135,000	135,000	**4.52**
Forfeited	1	0	0	1	0	12,918	0	0	11,666	0	24,586	**-**
Exercised	477,310	0	20,750	267,289	0	0	0	0	0	0	765,349	**0.65**
Expired	0	0	0	0	0	0	0	0	0	0	0	**0.00**
At 30 June 2009												
Outstanding	0	41,000	273,064	105,750	1,705,937	109,498	404,947	10,713	363,334	135,000	3,149,243	**1.67**
Non-vested	0	0	0	17,438	450,938	33,563	190,469	0	363,334	135,000	1,190,742	**2.66**
Exercisable	0	41,000	273,064	88,312	1,254,999	75,935	214,478	10,713	0	0	1,958,501	**1.07**

Extension of certain warrantplans

The General Shareholders' Meeting of 30 April 2009 and the Board of Directors of 22 June 2009 approved the 5 year extension of certain warrant plans in accordance with article 583 of the Belgian Company Code, in accordance with article 21 of the "Economische Herstelwet".

Due to 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.

The incremental fair value granted had a €0.2 million impact on the share based cost for the first half of 2009.

Date of issuance	Duration (years)	Extension (years)	Total Incremental fair value (€'000)	Impact P&L 30 June 2009 (€'000)
2/07/2003	7	5	10	10
28/12/2004	7	5	78	78
15/12/2005	7	5	27	9
13/07/2006	7	5	445	83
29/12/2006	7	5	34	5
14/06/2007	7	5	120	14
12/10/2007	4.78	5	12	12
Total			**726**	**211**

Warrants issued in January 2009 for employees and members of the Executive Committee

During the Extraordinary Shareholders meeting of 23 January 2009, abovementioned warrant plan was approved. The Extraordinary Shareholders meeting was allowed to issue a total number of 135,000 warrants to members of the Executive Committee and consultants.

Each warrant gives the beneficiaries 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 average closing rate of the share over a period of 30 days before the date of the grant (€4.52 per warrant). The warrants vest ratably 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 have been granted (thus starting as from the 1st of January 2012 until 15 January 2014). In 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 on the moment of termination of the agreement. The duration of the warrants is five years as of the issue date of the warrants. Any warrants that have not been exercised within 5 years of their creation become null and void.

3.5.3 RESEARCH AND DEVELOPMENT EXPENSES

	Period ended 30 June	
(€'000)	**2009**	**2008**
Consumables	2,635	2,252
Outsourcing	7,843	3,680
Patent costs	1,088	549
Personnel costs	5,684	4,265
Share based payments	165	32
Other operating expenses	1,435	1,289
Subtotal	**18,850**	**12,067**
Depreciation and amortization	1,181	881
Total research and development expenses	**20,031**	**12,948**

3.5.4 GENERAL AND ADMINISTRATIVE EXPENSES

	Period ended 30 June	
(€'000)	**2009**	**2008**
Personnel costs	1,180	941
Share-based payments	465	223
Executive Committee compensation	899	818
Consultancy	834	755
Other operating expenses	657	647
Subtotal	**4,035**	**3,384**
Depreciation and amortization	124	55
Total general and administrative expenses	**4,159**	**3,439**

3.5.5 RELATED-PARTY TRANSACTIONS

a. Remuneration of key management personnel

Key management consists of the members of the executive committee and the entities controlled by any of them.

	As at 30 June	
	2009	**2008**
Number of management members	5	5
(€'000)	**2009**	**2008**
Short term employee benefits (salaries, social security bonuses, lunch vouchers)	496	497
Post employee benefits (group insurance)	57	15
Share-based compensation	258	204
Other employee costs	152	51
Management fees	162	255
Total	**1,125**	**1,022**
Number of warrants granted (in units)	70,000	
Cumulative outstanding warrants (in units)	2,332,500	2,425,000
Exercised warrants (in units)		
Outstanding payables	29	36
Shares owned (in units)	2,605	65,659

b. Transactions with non-executive directors

	As at 30 June	
(€'000)	**2009**	**2008**
Share-based compensation	-	21
Management fees	33	35
Total benefits	**33**	**56**
Cumulative outstanding warrants (in units)	10,713	25,713
Non-vested warrants	-	10,713
Warrants excercised	-	45,000
Weighted average exercise price		0.90
Shares owned	5,947,287	5,931,487

3.5.6 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 reporting date any sources of estimation uncertainty, which involve a significant risk of material adjustment to the financial statements in the following year.

3.5.7 EFFECTS OF ECONOMIC TURBULENCE AND MARKET CONDITIONS

Although global market conditions (the ‘credit crunch’) have affected market confidence, Ablynx remains to have sufficient working capital to service its operating activities.

3.5.8 CONTINGENCIES

On 5 February 2008, Ablynx has been informed that Domantis Limited has filed a Request for Arbitration against Ablynx claiming a dispute exists in relation to the interpretation of certain provisions of a settlement agreement which Ablynx and Domantis entered into on 3 June 2005.
Ablynx denies these claims in their entirety and will respond to the filing by seeking an affirmative declaration that Ablynx is fully entitled to pursue its current activities and that it has not defaulted on any material obligation under the settlement agreement. Ablynx will also assert various counterclaims against Domantis in connection with its conduct and will pursue all other remedies available to it under the law.

3.5.9 EVENTS AFTER THE BALANCE SHEET DATE

On 9 July 2009, the Board of Directors of Ablynx NV approved the issue of a new warrant plan for personnel and members of the Executive Committee. Under the new warrant plan, a total of 190,000 warrants can be issued at an exercise price of €5.79 per warrant.

4. AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2009

We have reviewed the condensed consolidated balance sheet of Ablynx NV and its subsidiary, as of 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended, as well as the explanatory notes, and set forth on pages 5 to 14. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

We conducted our review in accordance with the recommendation of the Belgian Institute of Company Auditors related to the performance of reviews. Accordingly, it involved principally analysis, comparison and discussion of the condensed consolidated financial information and, accordingly, was less extensive in scope than an audit of that information.

Our review did not reveal any matters requiring correction of the condensed consolidated financial information for it to have been prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

26 August 2009

PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Raf Vander Stichele
Bedrijfsrevisor