This prospectus (the "Prospectus") relates to a secondary public offering (the "Offering") to subscribe for up to €**[●]** million in new common shares in Ablynx NV (the "Company" or "Ablynx"), with VVPR strips (the "VVPR Strips"). This amount in new shares with VVPR strips may be increased by up to 15%, to an amount of €**[●]** million (the "Increase Option", the new shares initially offered and the shares offered, if any, as a result of the possible exercise of the Increase Option jointly being referred to as the "New Shares"). Any decision to exercise the Increase Option will be announced, at the latest, on the date the Offer Price is announced. The Offering will start as of the first day of the Offering Period, which will begin on or about 8 March 2010. The applicable price range and the size of the Offering will be published as an addendum to this Prospectus in the Belgian financial press and on the website of the Company at the start of the Offering Period. The New Shares will be offered with cancellation of the preferential subscription rights (*voorkeurrecht*) of the existing shareholders of the Company. UBS Limited and KBC Securities (the "Joint Global Coordinators") will be granted an over-allotment option by certain shareholders of the Company (the "Lending Shareholders") (the "Over-allotment Option"), exercisable as of the closing date of the Offering (the "Closing Date") and until 30 calendar days thereafter, corresponding to up to 15% of the New Shares (but limited to a maximum of 1,959,286 Company shares) for the sole purpose of allowing the Joint Global Coordinators to cover over-allotments, if any. The shares covered by the Over-allotment Option (the "Over-allotment Shares" and, together with the New Shares, the "Offered Shares") will be existing Company shares that will be lent by the Lending Shareholders to the Joint Global Coordinators and these Over-allotment Shares will not have a separate VVPR Strip.

The Offered Shares are offered to the public in Belgium and, pursuant to a private placement, to Institutional Investors (as defined further on) both within and outside Belgium.

The Company has applied to have the New Shares admitted to trading on Euronext Brussels under the trading symbol "ABLX". The Company has applied to have the VVPR Strips admitted to trading on Euronext Brussels under the trading symbol "ABLXS".

Each of UBS Limited and KBC Securities NV, acting as Joint Global Coordinators and Joint Bookrunners to the Offering, and Piper Jaffray, Ltd., acting as Co-Manager to the Offering, is acting exclusively for the Company and for no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients, nor for providing advice in connection with the Offering or any other matters referred to in this Prospectus.

**See "1 Risk Factors" beginning on page 1 for a discussion of certain risks that you should consider in connection with an investment in the Offered Shares. The Company has never been profitable, its research programmes are at an early stage of development, none of its drug candidates have reached the stage of submission or evaluation for regulatory approval and it has not yet commercialised any products.**

**Neither the Offered Shares nor the VVPR Strips have been and they will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and they may not be offered, sold, pledged, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Offered Shares and VVPR Strips are being offered and sold outside the United States to investors in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") and within the United States to "qualified institutional buyers" ("QIBs") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") in transactions exempt from the registration requirements of the Securities Act. Prospective investors are hereby notified that sellers of the Offered Shares may be relying on an exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.**

The Offered Shares are expected to be delivered through the book-entry facilities of Euroclear Belgium on or about 18 March 2010.

**Joint Global Coordinators and Joint Bookrunners**

KBC Securities

UBS Investment Bank

**Co-Manager**

PiperJaffray

**Selling Agent**

KBC

Prospectus dated 23 February 2010

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## SUMMARY

*The summary information contained in this section is only an introduction to this Prospectus. It contains selected information about Ablynx and the Offering. Any decision to invest in the Offered Shares pursuant to the Offering should be based on consideration of this Prospectus as a whole by the investor and not just this summary. Prospective investors should carefully review this entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the Offered Shares in light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Offered Shares.*

*Under the Prospectus Directive (Directive 2003/71/EEC), in each member state of the European Economic Area, civil liability for this summary, including any translation thereof, attaches to those persons responsible for the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. If any claim is brought before a court of an European Economic Area state relating to the information contained in this Prospectus, the investor who brings such a claim might, under the national legislation of such European Economic Area state, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

## SUMMARY RISK FACTORS

An investment in the Offered Shares and/or the VVPR Strips involves a high degree of risk. "1 Risk Factors" includes a list of risks relating to the Company's business and this Offering. Below is a summary of the most relevant risks relating to the Company's business, the Offering and/or the Company's shares.

**Risks related to the Company's Business**

- Nanobody based drug candidates must undergo rigorous pre-clinical and clinical testing, the results of which are uncertain and could substantially delay or prevent the drug candidates from reaching the market.
- Delays in clinical trials are common and may have many causes. Such delays could result in increased costs and jeopardise or delay the Company's ability to achieve regulatory approval and commence product sales as currently contemplated.
- The Company's drug candidates may not obtain regulatory approval when expected, if at all, and even after obtaining approval, the drugs will be subject to ongoing regulation. To date, none of the Company's drug candidates have reached the stage of submission or evaluation for regulatory approval.
- The Company has a history of operating losses and an accumulated deficit. The Company may never become profitable or may not be able to sustain profitability in subsequent periods.
- The Company is reliant on collaborative partners for the development and commercialisation of most of its existing and future drug candidates.
- The Company's patents and other intellectual property rights may not adequately protect its products and drug candidates, which may impede the Company's ability to compete effectively.
- The Company may infringe the patents or other intellectual property rights of others and may face patent or other intellectual property litigation which may be costly and time consuming.
- The Company faces, and will continue to face, significant competition and rapid technological change which could limit or eliminate the market opportunity for its products and drug candidates.
- The Company relies on outsourcing arrangements with third parties for some of its activities including manufacturing and clinical trials management.
- The Company may not have adequate insurance cover, particularly in connection with product liability risk.
- The commercial success of the Company will depend upon attaining significant market acceptance of its drug candidates among physicians, patients, healthcare payers and the medical community. The Company has not yet commercialised any product.

- If the Company fails to attract and retain qualified personnel, it may be unable to successfully develop its technologies, conduct its clinical trials and commercialise drug candidates.
- The Company may need additional funding, which may not be available on acceptable terms when required, if at all.
- The Company may become a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. investors (notice for non-Belgian resident investors).

**Risks related to the Company's shares and the Offering**

- The Offer Price will be determined by the Company in common agreement with the Joint Global Coordinators on the basis of a book-building procedure.
- Shareholders will be likely to experience significant future dilution.
- There is no minimum amount for the Offering.
- There may not be an active public market for the Company's shares (and the Offering may not substantially improve such activity), which may cause the shares to trade at a discount to the Offer Price and/or make it difficult to sell the shares.
- Certain significant shareholders of the Company after the Offering may have different interests from the Company and may be able to control the Company, including the outcome of shareholder votes.
- The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future.
- The market price of the Company's shares could be negatively affected by sales of substantial numbers of shares in the public markets.
- The Company does not intend to pay dividends for the foreseeable future.
- Holders of the shares outside Belgium may not be able to exercise preferential subscription rights (notice for non-Belgian resident investors).

## SUMMARY OF ABLYNX ACTIVITIES

### Overview

Ablynx is a biopharmaceutical company focused on the discovery and development of Nanobodies® (Nanobodies), a new class of novel therapeutic proteins that are derived from naturally occurring antibodies. Nanobodies are based on the smallest functional fragments of "heavy chain only" antibodies, which occur naturally in the *Camelidae* family, including camels and llamas. These stable "heavy chain only" antibodies have not been found in any other mammals to date.

### The Nanobody solution

The Company believes that Nanobody based drug candidates will have a competitive advantage as they combine the benefits of conventional monoclonal antibodies (mAbs) with some of the well-known features of small molecule drugs. Ablynx can rapidly identify and produce Nanobodies with both high affinity and specificity against a wide range of biological targets, often taking advantage of the relative ease with which multi-valent and multi-specific formats may be generated. The Company believes that, coupled with their high affinities and specificities, the additional attributes of Nanobodies, including their small size, formatting flexibility, potential for extended half-life, high stability and ease of manufacture, make them attractive drug candidates with potential applications in major therapeutic areas, including cardiovascular disease, inflammation, musculoskeletal, oncology and neurology. The inherent stability of Nanobodies offers the opportunity for alternative routes of administration which do not involve needle-based injection, including oral, inhalation and transdermal, thus broadening their potential application and market opportunity.

To date, Nanobodies have been generated against more than 190 protein targets, including some complex targets and classes of targets (such as G-Protein Coupled Receptors (GPCRs), ion channels and viruses)[(i)], many of which are very difficult to access with mAbs. In addition, positive *in vivo* efficacy data have currently been demonstrated in 28 animal disease models. The Company believes that its technology platform is well-validated, as it has also been the subject of more than 210 peer-reviewed scientific papers. Ablynx 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.

**Nanobody product portfolio**

There are four Nanobody programmes currently in the clinic - three wholly owned by Ablynx and the fourth partnered with Pfizer. The Company's two most advanced development programmes (ALX-0081 and ALX-0681) both target a blood protein called von Willebrand Factor (vWF), which is important in the thrombotic cascade. The lead Nanobody-product is ALX-0081, which is administered intravenously and which recently commenced Phase II clinical trials. Ablynx believes that ALX-0081 may be valuable in several therapeutic indications, including acute coronary syndrome (ACS), requiring percutaneous coronary intervention (PCI), and stroke. The current Phase II trial for ALX-0081 is a direct head-to-head comparison with ReoPro® in patients undergoing a PCI procedure. Patient recruitment is expected to be complete by the fourth quarter of 2010 and data on the primary endpoint of clinical bleeding risk are expected in the fourth quarter of 2010 or the first quarter of 2011. It is probable that the Company will not develop ALX-0081 beyond Phase II clinical trials on its own because of the size and cost of the Phase III trials which are likely to be required (see also the criteria set out in Summary — Ablynx Strategy). It is currently in early stage discussions with various potential collaborators. The Company is also evaluating the potential impact of partnering ALX-0081 on its strategy for ALX-0681, which utilises the same Nanobody as ALX-0081, but is administered subcutaneously. ALX-0681 is being developed initially to treat the orphan disease[(ii)] thrombotic thrombocytopenic purpura (TTP) which the Company believes represents a significant unmet medical need. A Phase I trial of ALX-0681 was successfully completed in 2009 and, following special protocol assistance discussions with both the European and U.S. regulatory authorities and providing regulatory approval is given, a Phase II trial is expected to begin in the second or third quarter of 2010. If the Phase II data for ALX-0681 present a compelling case for the potential clinical benefit of ALX-0681, the Company believes that those data could be used to immediately apply for registration and, in such a case, ALX-0681 could be commercialised by 2014. Ablynx's third clinical programme (ALX-0141) is based on a Nanobody-product targeting Receptor Activator of Nuclear Factor kappa B ligand (RANKL). This is an important potential target in the control of bone loss and erosion in diseases such as osteoporosis, cancer and rheumatoid arthritis. ALX-0141 entered Phase I trials in post-menopausal women in late 2009 and initial data on the primary endpoints of safety and tolerance, together with bone biomarker data, are expected in the third quarter of 2010. Due to the anticipated size and cost of Phase III trials, the Company is currently intending to seek to partner the programme after Phase II. This is an exciting market with the first mAb targeting RANKL (denosumab (Prolia®) developed by Amgen[(2)]) (Source: Amgen Press Release, dated 18 December 2009, "Amgen Receives CHMP Positive Opinion for Prolia (TM) (Denosumab) in the European Union")[(2)] expected to be approved in 2010 and with some analysts forecasting more than U.S.$4 billion peak sales of this product (Source: Deutsche Bank "Amgen" May 15, 2009).[(3)]

The Company is currently at the pre-clinical stage of developing a Nanobody (ALX-0061) for the treatment of auto-immune and inflammatory disease. The investigational medical product dossier ("IMPD") for ALX-0061 is expected to be filed by the end of 2010 and a first Phase I/II clinical trial is planned for early 2011. Due to the eventual anticipated size and cost of Phase III trials, the Company currently expects that it will seek a partner before reaching that stage of clinical development.

The Company is also currently at the pre-clinical stage of developing a Nanobody (ALX-0651) for mobilization of stem cells in the treatment of malignancies. The IMPD for ALX-0651 is expected to be filed in the second half of 2011 and a first Phase I/II clinical trial is anticipated to start thereafter. At this stage, the Company has not determined how long it will retain full ownership of this programme.

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(i) Currently there are no approved antibody drugs which target GPCRs and ion channels, while there are more than 400 approved small molecule drugs which target GPCRs (of which the top 20 best selling drugs generated more than U.S.$69.0 billion sales in 2008) and more than 50 approved small molecule drugs which target ion channels (of which the top 20 best selling drugs generated more than U.S.$16.5 billion sales in 2008) (Source: Thomson Pharma, www.thomson-pharma.com)[(1)].

(ii) An orphan disease is a rare medical condition.

**Collaborations and partnerships**

Ablynx has entered into collaborations at both an early research phase and later in pre-clinical development. Going forward, the Company will partner the majority of its retained in-house programmes when large and expensive clinical trials would be required.

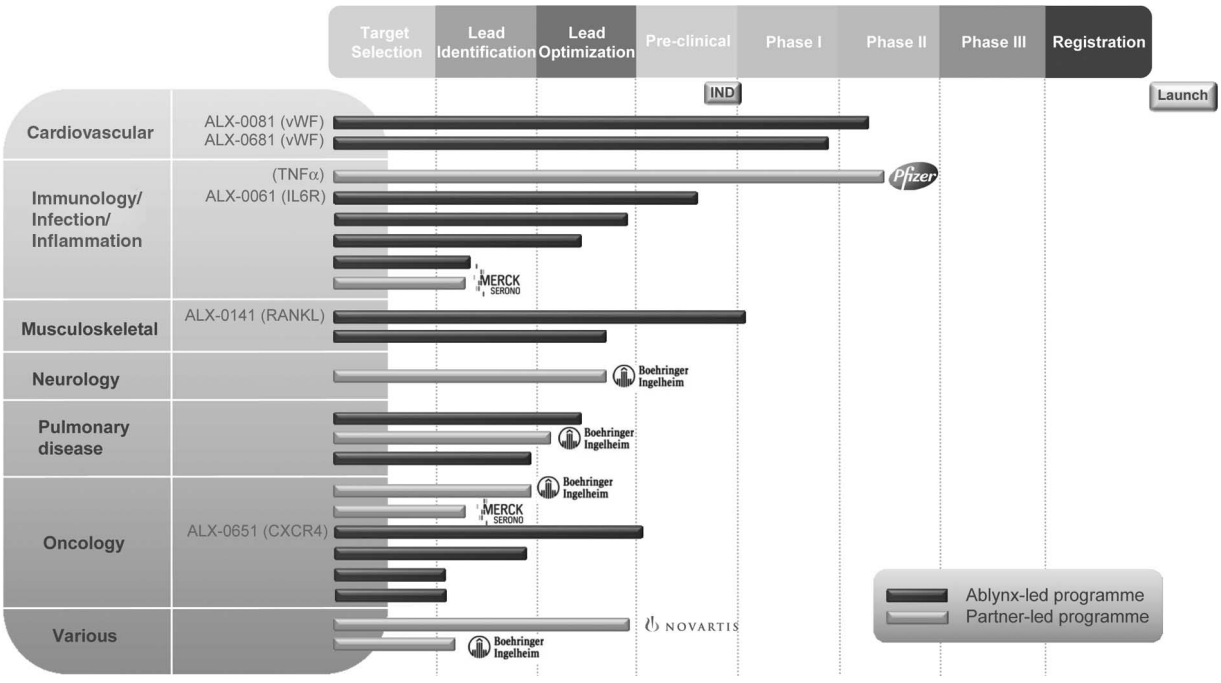
Ablynx's current important scientific and commercial collaborations include those with Boehringer Ingelheim (BI), Pfizer (formerly Wyeth Pharmaceuticals), Merck Serono and Novartis. The theoretical deal value agreed between the parties (i.e., estimated maximum), excluding royalties, of the main collaboration agreements is as follows: BI Alzheimer's Agreement (€206 million); BI Strategic Alliance Agreement (€1.3 billion); Pfizer Agreement (US$212.5 million); Merck Serono Agreement (€325 million: assuming conversion into a classic royalty and milestone deal at the latest option point). For more information see "11.7 Business — Collaborations and Partnerships". With the exception of Merck Serono, such deals involve Ablynx receiving over a period of years, one or a combination of the following: up-front payments; full-time equivalents related payments ("FTE payments"); payments for the achievement of technical milestones (e.g. on initiation of Phase I, Phase II and Phase III trials or market approval) and royalty payments on future product sales. In return, Ablynx licenses or transfers certain intellectual property rights to its collaborators, and usually also provides scientific support, resources and expertise.

The Merck Serono deal, which was entered into in 2008, is different. After receiving an initial €10 million up-front payment from Merck Serono, Ablynx is sharing equally in the research and development costs for the two programmes and so will share equally in any resulting profits, though it does have options to convert this into a classic milestone and royalty deal if Ablynx no longer wishes to bear any costs. Ablynx will continue to explore the potential for new collaborations, generally with a preference for working with existing partners and with an increased determination to retain programmes until they are clinically validated and can command more favourable commercial terms should Ablynx decide to partner them. Ablynx will even consider commercialising certain Nanobody based products itself where it believes the costs and resources required to do this are within its capabilities.

Ablynx's lead partnered programme, focussed on Nanobodies to anti-tumour necrosis factor alpha (anti-TNFα), was licensed to Pfizer in 2006 at the pre-clinical stage in a deal potentially worth approximately U.S.$212.5 million in milestones plus royalties. Pfizer completed Phase I trials for this programme in the summer of 2009 and commenced Phase II trials in rheumatoid arthritis (RA) patients in September 2009, with the trials expected to be completed in the third or fourth quarter of 2010. The Company believes that the earliest that this product could receive marketing authorisation would be 2013 and thereby could be the first Nanobody therapeutic product on the market. The market for anti-TNFα biologics was U.S.$16.9 billion in 2008 (Source: Thomson Pharma, Company Annual Reports).[4] With Pfizer currently sharing in the U.S.$6.4 billion sales for the commercially available anti-TNFα biologic etanercept (Enbrel®)[5], also marketed by Amgen and Takeda, which will start losing patent protection in 2012, the Company believes it has a partner with the expertise, resources and motivation to rapidly drive this programme successfully to market.

**Nanobody product pipeline**

The Company's current research and development pipeline includes Nanobody based products at a range of different stages of progression for the following disease indications:




**Intellectual property**

The Company has an extensive patent position in the field of Nanobodies for healthcare applications. It has exclusive rights to more than 450 patent applications and granted patents in more than 130 patent families worldwide, including the Hamers patents covering the basic structure, composition, preparation and uses of Nanobodies. The Hamers patents have been granted or are pending in major territories including the United States, Europe and Japan. As a result of its exclusive patent rights, Ablynx is the only company in the world which has the intellectual property rights required for the worldwide commercialisation of healthcare products based on Nanobodies. Since 2006, the Company has been filing patent applications for targets and classes of targets and as a result, the Company currently holds more than 20 patent families which broadly cover Nanobodies and other single domain binding proteins directed against such classes of targets. These patent applications extend the original concept from the Hamers patents for these particular targets and target classes well beyond the expected expiry dates (the expiry dates begin in 2013 in Europe and 2015 in the United States) for the original Hamers patents. The Company's patents also cover all of its internal and partnered development programmes. In addition, Ablynx files patent applications on things such as novel routes of administration and formulations and protects know-how, such as immunisation strategies, through confidentiality procedures.

**Financing, facilities and people**

To date, the Company has raised €156.4 million in equity financing including exercise of warrants. It has research and development facilities in Ghent, Belgium, and Porto, Portugal and as of 31 December 2009, it had more than 230 employees, 37% of whom hold Ph.D. degrees.

**Progress since IPO**

Since its initial public offering ("IPO") in November 2007, Ablynx's management team has been complemented by the arrival of a new Chief Scientific Officer, Debbie Law, and the management team's overall experience, expertise and commitment have been illustrated by the achievement of all key milestones. The product pipeline has been strengthened in breadth and depth and with four Nanobody programmes now in the clinic, the Company believes that the risk of serious generic Nanobody related safety issues has been reduced. The Company has continued to invest in the development of the Nanobody platform and has demonstrated the unique nature of the technology by delivering Nanobodies through alternative routes of administration (e.g. pulmonary and needle-free), by generating Nanobodies with

functional activity for "difficult" targets such as GPCRs and ion channels and by quick and efficient scale-up to produce materials for clinical trials. As the Company now has more than 25 programmes in the pipeline (compared to 13 at the IPO), including four products in the clinic (compared to one at the IPO), the Company believes that it has evolved from an early stage platform company to a more risk-balanced, clinical development stage organisation with multiple shots on goal in both clinically validated and novel target classes across a range of indications.

**Ablynx strategy**

Ablynx seeks to discover, develop and commercialise Nanobody based drugs for a range of important human diseases. The key elements of the Company's strategy are set out below.

- ***Continue to leverage the advantages of the Company's Nanobody technology to rapidly identify potential drug candidates across a range of therapeutic areas.*** The Company's technology allows for the rapid discovery of a large number of new lead candidates, thereby improving the probability of discovering successful drug products and minimising the effects of natural pipeline attrition. The Company is not planning to focus on a specific therapeutic area in the short to medium-term. Its selection of programmes is primarily based on: an assessment of the specific advantages of Nanobodies for an indication compared to other approaches; the level of clinical validation for a particular target; the intellectual property positions; the competitive landscape, and the overall commercial opportunity. Ablynx seeks to develop a risk balanced portfolio of Nanobodies to both clinically validated and novel targets.
- ***Rapidly demonstrate proof of concept in the clinic for Ablynx's Nanobody based products both on its own and with partners.*** There are currently four Nanobody programmes in clinical trials. The Company's two most advanced clinical programmes both target vWF, with applications in the cardiovascular/ thrombosis therapeutic area, and both are still 100% owned by Ablynx. The lead candidate, ALX-0081, entered a Phase II clinical trial in September 2009 for patients undergoing a PCI procedure. Data on the primary endpoint are expected in the fourth quarter of 2010 or the first quarter of 2011. The Company's second anti-vWF product, ALX-0681, is the same Nanobody as ALX-0081, but is administered subcutaneously rather than intravenously and is targeted at a rare disease called TTP. A Phase II trial of ALX-0681 is expected to commence in the second or third quarter of 2010. Pfizer (formerly Wyeth Pharmaceuticals) has rapidly progressed the anti-TNFα Nanobody programme that it licensed from Ablynx at the pre-clinical development stage in 2006. This programme started Phase II trials for rheumatoid arthritis in September 2009 and data on the primary endpoint should be generated by the third or fourth quarter of 2010. A Phase I trial of an anti-RANKL Nanobody product (ALX-0141) for osteoporosis, which is also still 100% owned by Ablynx, began in December 2009 and the Company expects to report results in the third quarter of 2010.
- ***Maximise the Company's market opportunity for its Nanobody programmes with partners or on its own.*** The Company will partner the majority of its retained in-house programmes when large and expensive clinical trials would be required. However, for some products against orphan diseases, certain niche products and in selected geographical markets, where possible, Ablynx intends to retain rights to some or all indications if it believes it can develop and/or selectively commercialise products using its own resources. An example is the development and commercialisation of ALX-0681 for the orphan disease TTP. The Company currently believes a fully integrated strategy from development through to commercialisation offers the greatest potential for returns in this particular case. Conversely, with the extremely large and complex market opportunity represented by the anti-TNFα Nanobodies (worldwide sales of anti-TNFα biologicals were U.S.$16.9 billion in 2008 (Source: Thomson Pharma, Company Annual Reports)[(4)], the Company decided to license its pre-clinical programme to Pfizer (formerly Wyeth Pharmaceuticals) in 2006. The Company believes that the progress made by Pfizer since 2006 has confirmed this as a good example of where the partnering route has the potential to be the most valuable strategy for Ablynx. The Company believes that having a small number of select, committed partners will continue to be its preferred approach going forward. For its in-house programmes, the Company will, on a case-by-case basis, evaluate whether, and at which point in the clinical development process, to seek to partner such programmes. The Company will take into account such factors as the expected further cost and complexity of the clinical development programme and the expected nature and size of the sales and marketing forces required to access the relevant market opportunity.

Ablynx carefully manages the number of collaborative programmes in which it is engaged at any one time. It has also limited the scope of its collaborations by providing rights to specific biological targets rather than broad indications. The Company seeks to maximise the benefits from its partnerships while retaining the ability to properly resource and focus on its own in-house discovery and development activities.

- ***Rapidly explore and develop the potential of Nanobodies in areas where they have specific advantages and invest in further advancing the technology platform in terms of performance, applicability and scale.*** The exceptional stability and solubility of Nanobodies allows them to be formulated and delivered through routes of administration other than injection, such as pulmonary, needle-free, oral-to-topical and potentially other routes. The Company is committed to rapidly advancing Nanobody products towards the clinic using alternative delivery technologies, with the first IMPD for such a product expected in 2011. In addition, the ability of Nanobodies to bind to less accessible epitopes broadens the classes of proteins that they can target. The first Nanobody product directed towards a GPCR could also be in the clinic in 2011. Ablynx has its own proprietary half-life extension technology called NExpedite™ and it will continue to invest in this to broaden the technology's applicability and performance. Additionally, the Company will explore new areas to increase the productivity of the Nanobody discovery process as well as the concept of next generation Nanobodies. Based on the currently (and potentially future) demonstrated advantages of Nanobodies, the Company believes that the Nanobody platform could be the technology of choice for a wide range of therapeutic indications.
- ***Maintain and expand Ablynx's proprietary Nanobody technology and intellectual property position.*** Ablynx has rights in the field of healthcare applications to patents and patent applications in the United States, Europe, Japan and other territories which describe the basic structure, composition, preparation and uses of Nanobodies. The Company also has extensive intellectual property around its development programmes and the resulting products. Ablynx intends to actively protect its proprietary position and will continue to file additional patents on products, targets and technology whenever appropriate. Ablynx has filed numerous patent applications covering target classes as well as individual targets. These include complex targets such as GPCRs, ion channels and viruses, many of which are difficult to target with classical mAbs. The Company has also filed several patent applications on alternative routes of administration of Nanobodies (i.e. routes other than injection). To help develop its technology platform and expand its intellectual property portfolio, the Company maintains collaboration and outsourcing arrangements with several academic laboratories and retains rights to all of the intellectual property developed under these arrangements. For a description of the Company's intellectual property, see "11.9 Business — Intellectual Property". For a description of pending or threatened litigation in this respect, including oppositions filed by the Company against a number of patents granted to Domantis Ltd. (including the potential material adverse effect that this may have on the timelines that are currently foreseen by the Company for certain development programmes), a successful opposition in February 2010 against the European patent EP 1 517 921, which was originally granted to Domantis Ltd. in 2006 and which related to one specific technique for the half-life extension of immunoglobulin single variable domains and the low single-digit royalties to be paid by the Company to Domantis Ltd. on the first five Nanobody products which are commercialised, see "11.13 Business — Litigation" and "11.9 Business — Intellectual Property — Technologies for generating Nanobody leads."

**SUMMARY OF THE OFFERING**

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| **Ablynx or the Company** | Ablynx NV, a public limited liability company (*naamloze vennootschap*) incorporated under Belgian law, having its registered office at Technologiepark 4, B-9052 Zwijnaarde and registered with the Belgian register for legal entities under the number 0475.295.446 (RPR Gent). Ablynx qualifies as a listed company (*genoteerde vennootschap*) within the meaning of Article 4 of the Belgian Companies Code and as a company having made a public call on savings (*vennootschap die een openbaar beroep op het spaarwezen heeft gedaan*) within the meaning of Article 438 of the Belgian Companies Code. |
| **Joint Global Coordinators** | KBC Securities NV and UBS Limited |
| **Underwriters** | The Joint Global Coordinators and Piper Jaffray, Ltd. |
| **Selling agent** | KBC Bank NV |
| **Financial service** | KBC Bank NV |
| **Offered Shares** | The Offering, which will start as of the first day of the Offering Period which will begin on or about 8 March 2010, is for:<br>(i) up to €[●]million in new common shares, which amount may be increased by up to 15% to an amount of €[●] million (the "Increase Option", the new shares initially offered and the shares offered, if any, as a result of the possible exercise of the Increase Option jointly being referred to as the "New Shares"). Any decision to exercise the Increase Option will be announced, at the latest, on the date that the Offer Price is announced, and<br>(ii) up to a maximum of 15% of the number of New Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Company shares), in existing Company shares covered by the Over-allotment Option (the "Over-allotment Shares", and, together with the New Shares, the "Offered Shares").<br>The size of the Offering will be published as an addendum to this Prospectus in the Belgian financial press and on the website of the Company at the start of the Offering Period, which will begin on or about 8 March 2010.<br>All Offered Shares were or will be issued in accordance with Belgian law. Subject to what is set out below, all Offered Shares will have the same rights attached to them as the Company's existing shares, taking into account, however, that only the New Shares will have VVPR Strips attached. The Offered Shares will be entitled to share in the profits of the Company, if any, as of 1 January 2010 and are therefore entitled to the dividend, if any, for the financial year ending on 31 December 2010 and the following financial years. To that effect, on the Closing Date, coupon no. 1 (representing the right to share in the profits of the Company, if any, as of 1 January 2009 and to be entitled to the dividend, if any, for the financial year ending on 31 December 2009) will be detached from all existing Company shares (including the Over-allotment Shares). After the Closing Date, both the New Shares and the existing Company shares (including the Over-allotment Shares) will have coupons no. 2 and following attached. |

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|---|---|
| **Increase Option** | Depending on the volume of demand, the amount in new common shares initially offered in the Offering may be increased by up to 15% to an amount of €[●] million. Any decision to exercise the Increase Option will be announced at the latest on the date the Offer Price is announced, which is currently expected to be on or about 16 March 2010. |
| **Offering** | The Offering comprises:<br>• a public offering in Belgium to Retail Investors (meaning (i) individual persons resident in Belgium or (ii) the legal entities in Belgium that apply for shares in an amount of €250,000 or less);<br>• a private placement to Qualified Institutional Buyers ("QIBs") in the United States in accordance with Rule 144A and<br>• a private placement to Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction and, in respect of Belgium, investors, other than Retail Investors, that meet the definition of "qualified investors", as defined in article 10 of the law of 16 June 2006 regarding the public offering of investment instruments and the authorisation of investment instruments to trade on a regulated market (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt),* and as extended by the Belgian Royal Decree of 26 September 2006 regarding the extension of the term qualified investor and the term institutional or professional investor (*Koninklijk besluit van 26 september 2006 tot uitbreiding van het begrip gekwalificeerde belegger en het begrip institutionele of professionele belegger*) (save for QIBs) in Belgium and elsewhere outside the United States in reliance on Regulation S. |
| **VVPR Strips** | The New Shares will be issued together with VVPR Strips, which entitle certain of their holders to a reduced rate of Belgian withholding tax (15% rather than 25%) on dividends. The VVPR Strips will be separately tradable. In allocating the Offered Shares, reasonable efforts will be used to deliver the New Shares (with VVPR Strips) to individual persons residing in Belgium and to investors subject to Belgian tax on legal entities (*rechtspersonenbelasting*), in this order of priority. |
| **Over-allotment Option** | The Joint Global Coordinators will be granted an Over-allotment Option by the Lending Shareholders, exercisable as of the Closing Date and until 30 calendar days thereafter, at the final Offer Price, corresponding to a maximum of 15% of the New Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Over-allotment Shares), for the sole purpose of allowing the Joint Global Coordinators to cover over-allotments, if any. The possibility to over-allot shares in the Offering and to exercise the Over-allotment Option will exist whether or not the Offering is fully subscribed. Over-allotment Shares covered by the Over-allotment Option will be existing Company shares that will be lent by the Lending Shareholders to the Joint Global Coordinators. The existing Company shares covered by the Over-allotment Option will not have a separate VVPR Strip. |
| **Allocation** | It is expected that no less than 10% of the Offered Shares effectively allocated will be allocated to Retail Investors in Belgium |

| | |
|---|---|
| | (subject, however, to sufficient retail demand). However, the proportion of Offered Shares allocated to Retail Investors may be increased, possibly substantially, if applications received from them exceed 10% of the Offered Shares effectively allocated.<br><br>For more information see "4.3 Information on the Offering — Application Procedure — Allocation of the Offered Shares and VVPR Strips". |
| **Business Day** | A business day ("Business Day") is any day, other than a Saturday or Sunday, on which banks are open for general business in Brussels. |
| **Offering Period** | The Offering Period will begin on or about 8 March 2010 and is expected to close on 12 March 2010 at 4.00 p.m. Brussels time, subject to early closure. The Company, in consultation with the Joint Global Coordinators, reserves the right to close the Offering Period at an earlier date and time, provided that the Offering Period will in any event be open for at least three Business Days[(i)]. Any early closure of the Offering Period will be announced in the Belgian financial press. In the event that the Offering Period is extended, an addendum to the Prospectus will be published in the Belgian financial press. The Offering Period for Retail and Institutional Investors will be the same. |
| **Offer Price** | The Offer Price will be a single price in Euro that will apply to all investors, including Retail and Institutional Investors. The Offer Price will be determined within a price range. The applicable price range will be published as an addendum to this Prospectus in the Belgian financial press and on the website of the Company at the start of the Offering Period, which will begin on or about 8 March 2010. The Company will determine the Offer Price, within the price range, in common agreement with the Joint Global Coordinators on the basis of a book-building procedure during the Offering Period, in which only Institutional Investors can participate. The Offer Price will be determined as soon as possible after the end of the Offering Period on the Pricing and Allocation Date. The applicable Offer Price will in no event exceed the upper end of the price range, although it may be set below the lower end of the price range.<br><br>The Offer Price will be published in the Belgian financial press on the first publishing day following its determination, which is expected to be 16 March 2010. |
| **Lending Shareholders** | ACP IV, LP (in respect of a maximum of 300,000 Company shares), KBC Private Equity NV (in respect of a maximum of 1,589,286 Company shares) and VIB VZW (in respect of a maximum of 70,000 Company shares). |
| **Pricing and Allocation Date** | The date on which the Offer Price will be determined (the "Pricing and Allocation Date") is expected to be 15 March 2010, subject to early closure. |
| **Payment, settlement and delivery** | Payment for and delivery of the Offered Shares and VVPR Strips is expected to take place in book-entry form against full payment in immediately available funds on the Closing Date. All Offered Shares and VVPR Strips will be delivered in book-entry form |

(i) The Prospectus will be available as of 26 February 2010 at the registered office of the Company, from KBC Telecentre at +32 3 283 29 70 or, subject to certain conditions, on the following websites: www.ablynx.com, www.kbcsecurities.com, www.kbc.be, www.bolero.be and on the website of Euronext.

| | |
|---|---|
| | through the facilities of Euroclear Belgium, in accordance with its normal settlement procedures applicable to equity securities. |
| **Closing Date** | The Closing Date is the date on which the capital increase associated with the Offering will be established by two directors of the Company acting jointly before a notary in Belgium. The Closing Date is expected to be on or about 18 March being the third Business Day following the Pricing and Allocation Date, subject to early closure. This date will be published in the Belgian financial press together with the announcement of the Offer Price and the results of the Offering.<br><br>An application has been made for the listing and admission to trading on Euronext Brussels of all New Shares and the VVPR Strips. Subject to and as of closing, listing and trading of the New Shares and VVPR Strips is expected to take effect on the Closing Date. |
| **Use of proceeds** | The principal purposes of this Offering are: to increase the flexibility to retain and resource programmes until they are clinically validated; to co-invest in development alongside pharmaceutical partners (where appropriate) and/or to commercialise itself certain products against orphan diseases, certain niche products and in selected geographic markets to the extent that the Company believes that it has the required funds and resources to do so; to broaden the investor base of the Company and; to obtain additional working capital.<br><br>The Company will receive the net proceeds from the issue of the New Shares. The Company intends to use such net proceeds (in order of importance) to: continue the clinical development of ALX-0081, ALX-0681 and ALX-0141; initiate the clinical development of ALX-0061 and ALX-0651; initiate, advance and/or accelerate the pre-clinical development for wholly-owned programmes with a broad range of risk profiles; further increase the number of important biological targets against which Nanobodies have been generated, further invest in new proprietary technologies and further develop its technology platform; for additional working capital and for general corporate purposes.<br><br>The Company is currently not aware that the anticipated net proceeds from the issue of New Shares would not be sufficient to fund the above proposed uses.<br><br>The Company has the right to proceed with a capital increase in a reduced amount, with no minimum amount set for the Offering. In the case that the Company would proceed with the capital increase in a reduced amount, the Company might have to reduce its level of investment or look for further external funding in order to fund the above proposed uses.<br><br>These uses are further described in "6 Use of Proceeds". |
| **Warrants** | All Warrants issued by the Company in relation to stock option plans granted by the Company as described more fully in "15 Description of Share capital and Corporate Structure — Warrants". |
| **Costs of remuneration and intermediaries** | The aggregate costs of the Offering are estimated to be approximately [●]% of the gross proceeds to the Company of the Offering (assuming the Increase Option is exercised in full). These costs include legal, consulting, administrative, audit and other costs (€772,000), remuneration of the Belgian Banking, Finance and Insurance Commission (€15,690), legal publications, printing of this |

| | | |
|---|---|---|
| | Prospectus (€114,000), cost of advisors, management, underwriting and selling fees (3.25% or €[●] million, not including a size fee granted if demand covers the base amount and greenshoe and a discretionary fee of up to 2.175% in the aggregate) and the fees payable to Euronext Brussels (€[●]).<br><br>All costs will be borne by the Company. | |
| **Security codes - shares** | ISIN: | **BE0003877942** |
| | Security Code: | **3877.94** |
| | Euronext Symbol: | "**ABLX**" |
| **Security codes - VVPR Strips** | ISIN: | **BE0005620910** |
| | Security Code: | **5620.91** |
| | Euronext Symbol: | "**ABLXS**" |

**Envisaged timetable**

| Date | Event |
|---|---|
| 26 February 2010 | The Prospectus will be made available at the registered office of the Company, from KBC telecenter at +32 3 283 29 70 or, subject to certain conditions, on the following websites: www.ablynx.com, www.kbcsecurities.com, www.kbc.be, www.bolero.be and on the website of Euronext. |
| 8 March 2010 | Expected publication date of the price range of the Offering and the size of the Offering |
| 8 March 2010 | Expected start of the Offering Period |
| 12 March 2010 (T − 1) | Expected closure of the Offering Period |
| 15 March 2010 (T) | Expected Pricing and Allocation Date |
| 16 March 2010 (T+1) | Expected publication date of the Offer Price and results of the Offering |
| 18 March 2010 (T+3) | Expected Closing Date (payment, settlement, delivery and listing) |

**General timetable (in the event of an early closure of the Offering Period)**

Any early closure of the Offering Period will be announced in the Belgian financial press (together with any related revision of the expected dates of pricing, allocation, listing and closing) at the latest on the first publishing day after such early closure.

In the event of an early closure of the Offering Period, the revised expected dates of pricing, allocation, listing and closing would be as follows:

| Date | Event |
|---|---|
| (T − 1) | Expected closure of the Offering Period |
| (T) | Revised Pricing and Allocation Date |
| (T+1) | Revised expected publication date of the Offer Price and results of the Offering |
| (T+3) | Revised expected Closing Date (payment, settlement, delivery and listing) |

## SUMMARY FINANCIAL INFORMATION

Set forth below is the summary statement of comprehensive income, balance sheet and cash flow statement financial data of the Company as of and for the years ended 31 December 2007, 2008 and 2009, derived from the Company's audited, consolidated financial statements, prepared in accordance with IFRS, as adopted by the EU, which are included elsewhere in this Prospectus.

Investors should read this section together with the information contained in "10 Management's discussion and analysis", the consolidated financial statements of the Company prepared in accordance with IFRS (as adopted by the EU) and the statutory financial statements of the Company prepared in accordance with Belgium GAAP[(i)] and the related notes thereto, each of which is incorporated by reference or included elsewhere in this Prospectus.

**(Prepared in accordance with IFRS)**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| | | **(€'000) (audited)** | |
| **Consolidated statement of comprehensive income:** | | | |
| Revenue: | | | |
| Research and development | 28,068 | 15,557 | 8,785 |
| Grants | 1,615 | 1,198 | 1,135 |
| **Total revenue** | **29,683** | **16,755** | **9,920** |
| Research and development expense | (42,800) | (29,889) | (18,750) |
| General and administrative expense | (9,044) | (7,447) | (5,482) |
| **Total operating expenses** | **(51,844)** | **(37,336)** | **(24,232)** |
| Other operating income/(expense) | 1 | 6 | 5 |
| **Operating result** | **(22,160)** | **(20,575)** | **(14,307)** |
| Financial income (net) | 2,165 | 5,352 | 1,785 |
| Finance income | 2,487 | 5,769 | 1,824 |
| Finance cost | (322) | (417) | (39) |
| **Loss before taxes** | **(19,995)** | **(15,223)** | **(12,522)** |
| Income tax expense | — | — | — |
| **Loss for the year** | **(19,995)** | **(15,223)** | **(12,522)** |

(i) For the statutory financial statements prepared in accordance with Belgium GAAP for the years ended 31 December 2007, 2008 and 2009, reference is made to the Company's website: www.ablynx.com.

**(Prepared in accordance with IFRS)**

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| **Consolidated balance sheet data (as at period end):** | | | |
| **Non-current assets** | **4,277** | **5,001** | **3,505** |
| Intangible fixed assets | 799 | 801 | 751 |
| Property, plant & equipment | 3,478 | 4,200 | 2,754 |
| **Current assets:** | **97,645** | **121,522** | **130,831** |
| Trade receivables | 1,697 | 4,167 | 2,082 |
| Other current assets | 1,500 | 1,901 | 1,037 |
| Accrued income and deferred charges | 2,127 | 1,920 | 1,223 |
| Available-for-sale financial assets | 20,012 | 35,901 | — |
| Other short term investments | 28,000 | 29,500 | — |
| Cash and cash equivalents | 44,309 | 48,133 | 126,489 |
| **Total assets** | **101,922** | **126,523** | **134,336** |
| **Equity:** | | | |
| Share capital | 63,189 | 62,485 | 61,970 |
| Share premium account | 88,851 | 88,851 | 88,851 |
| Share-based payments | 3,489 | 2,053 | 1,551 |
| Fair value reserves | 12 | (99) | — |
| Retained earnings | (79,415) | (59,420) | (44,197) |
| **Non-current liabilities:** | — | 3 | 61 |
| Borrowings | — | 3 | 61 |
| **Current liabilities:** | **25,796** | **32,650** | **26,100** |
| Borrowings | 3 | 57 | 112 |
| Trade payables | 7,200 | 6,626 | 5,223 |
| Other current liabilities | 2,647 | 2,068 | 1,689 |
| Deferred income | 15,946 | 23,899 | 19,076 |
| **Total liabilities** | **25,796** | **32,653** | **26,161** |
| **Total equity and liabilities** | **101,922** | **126,523** | **134,336** |
| **Cash Flow Statement Data:** | | | |
| Net cash generated from (used in) operating activities | (19,911) | (9,583) | 3,000 |
| Net cash generated from (used in) investing activities | 15,617 | (69,013) | (2,005) |
| Net cash generated from (used in) financing activities | 470 | 258 | 99,695 |

## SUMMARY MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview

Through 31 December 2009, the Company has funded its operations through:

- proceeds of €85.2 million from the Company's IPO;
- proceeds of €71.2 million from private placements and exercise of Warrants; and
- cash receipts of €6.1 million from Flemish government grants (IWT), €69.7 million from licence fees, research and development funding and milestone payments from its collaborators and €11 million net from interest.

Since its incorporation, the Company spent approximately €119.7 million of its cash receipts on research and development, approximately €31.1 million on general and administrative expenses and had €92.3 million of cash, cash equivalents, available-for-sale financial assets and other short-term investments left at 31 December 2009.

### Revenue

Most of the Company's revenue to date has been generated from its collaborative agreements, including upfront fees (which may be recognised over the initial years of an agreement), research and development support and milestone payments, and grant support primarily from the Flemish government. Since its inception through 31 December 2009, Ablynx has recognised total revenue of €56.5 million from its collaboration agreements, and it has been awarded grant support totalling approximately €9.2 million, which includes €3.0 million payable through 2011. In the future, the Company will seek to generate revenue from a combination of upfront fees, research and development support, milestone payments from collaborations, royalties from the licensing of intellectual property, grants and product sales. Ablynx expects that future revenue will continue to fluctuate from period-to-period as a result of the terms of its collaboration agreements and, to the extent that any products are successfully commercialised, the volume and timing of product sales.

The Company will continue to seek new research and development collaborations but on a very selective basis and with a clear preference for expanding existing relationships. The Company continues to apply for grant support from the Flemish government and other sources including the Portuguese Government and the European Union. The Company has not received any indication as to whether these current submissions will be approved.

### Research and development expenses

The Company's research and development expenses reflect costs incurred for research and development projects, including the salaries of research personnel, the costs of rental of laboratory facilities, laboratory supplies and the costs of outsourced research and development services. It also includes the costs of maintaining and overseeing the Company's intellectual property portfolio, including the costs of legal counsel and associated filing and maintenance fees. With the exception of the patents contributed to the Company in 2001 and acquired in 2002, which have been capitalised and are being amortised over time, Ablynx expenses all costs associated with its research and development as they are incurred. The move to these new facilities is expected to increase general and administrative expenses and research and development expenses.

The Company expects that research and development expenditures for the discovery, development and commercialisation of drug candidates and enhancements will continue to increase as the Company progresses its clinical and pre-clinical programmes into the next phase. In addition, Ablynx intends to initiate new discovery programmes.

### Results of Operations

The loss from continuing operations after tax and net finance costs increased from approximately €12.5 million in 2007 to approximately €15.2 million in 2008 and approximately €20.0 million in 2009.

## SUMMARY ADDITIONAL INFORMATION

### Share capital

At the date of this Prospectus, the Company's statutory capital amounts to €157,870,043.15 (€69,005,369.11 subscribed capital and €88,864,674.04 issuance premium) represented by 36,923,506 shares without nominal value. The share capital is fully paid up.

### Articles of Association

At the date of this Prospectus, the restated articles of association of the Company are dated 20 January 2010. They provide, amongst other things, for specific rules relating to the management of the Company, its shareholders meetings (including provisions in respect of the right to attend and to vote at such meetings) and the Company's liquidation. On the Closing Date and subject to the completion of the capital increase in connection with the Offering, the Company's articles of association will be restated to reflect the increase of the Company's share capital. A copy of the most recently restated articles of association and the Company's corporate governance charter is available on the Company's website.

### Information available to the public

Documents disclosed in accordance with applicable laws are available for consultation at the Company's registered office, the clerk's office of the commercial court of Ghent, the National Bank of Belgium and/or on www.ablynx.com.

The Company's accounts for the financial years ended 31 December 2007, 2008 and 2009 are and will continue to be made available on www.ablynx.com.

# 1 RISK FACTORS

*An investment in the Offered Shares involves substantial risks. You should carefully consider the following information about certain of these risks, together with the information contained in this Prospectus, before deciding to subscribe for Offered Shares. If any of the following risks actually occurs, the Company's business, results of operations, financial condition and prospects could be adversely affected. In that case, the trading price of the Company's shares could decline and subscribers for the Offered Shares could lose all or part of their investment. An investment in the Offered Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. A potential investor who is in any doubt about the action it should take, should consult a professional advisor who specialises in advising on the acquisition of shares and other securities.*

*The risks and uncertainties that the Company believes are material are described below. However, these risks and uncertainties may not be the only ones faced by the Company and are not intended to be presented in any assumed order of priority. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.*

## 1.1 Risks related to the Company's business

***Nanobody based drug candidates must undergo rigorous pre-clinical and clinical testing, the results of which are uncertain and could substantially delay or prevent the drug candidates from reaching the market.***

All Nanobody based products will be subject to extensive pre-clinical and clinical trials to demonstrate safety and efficacy in humans before they can receive the necessary regulatory approval to enter the market, see further "12 Regulation". Clinical studies are expensive and time consuming and their results are highly uncertain. The Company, its licensees or other third parties may not successfully complete their pre-clinical and clinical studies of Nanobodies. Failure to do so may significantly delay or prevent the commercialisation of drug candidates or may potentially invalidate the concept of Nanobodies as a new therapeutic class.

The Company cannot guarantee that its drug candidates will demonstrate sufficient safety or efficacy in its studies to obtain marketing approval, and the results from earlier pre-clinical and clinical trials may not accurately predict the results of later-stage trials. The clinical trials may not reach the primary endpoints and may not demonstrate the required clinical benefit for approval of the drug in the prospective indication. The Company's current and future clinical trials involve and will involve testing in larger patient populations, which could reveal a higher prevalence of certain side-effects compared to previous smaller scale trials. The clinical trials may be suspended or terminated if participating subjects are exposed to unacceptable health risks or if the drug candidates cause undesired side-effects. Clinical trials may be discontinued or the development of the drug candidates may be abandoned if the clinical trials fail to meet primary and/or secondary endpoints.

At any stage of development, based on review of available pre-clinical and clinical data, the estimated costs of continued development, market considerations and other factors, including the risks detailed in this Prospectus, development of any of the Company's drug candidates may be discontinued.

***Delays in clinical trials are common and may have many causes. Such delays could result in increased costs and jeopardise or delay the Company's ability to achieve regulatory approval and commence product sales as currently contemplated.***

The Company may experience delays in clinical trials of its drug candidates. The Company does not know whether future clinical trials will begin on time, will need to be redesigned or will be completed on schedule, if at all. Clinical trials can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a trial, in reaching agreement on acceptable terms with prospective contract research organisations, or CROs, and prospective contract manufacturing organisations, or CMOs, and clinical investigational sites, in obtaining institutional review board approval at each site, in recruiting suitable patients to participate in a trial, in having patients complete a trial or return for follow-up, in adding new sites or in obtaining sufficient supplies of clinical trial materials or clinical sites dropping out of a trial. Many factors affect patient enrolment, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is investigating and whether the clinical trial design involves

comparison to placebo. If the Company experiences lower than expected enrolment in the trials, the trials may not be completed as currently scheduled. Furthermore, with respect to the clinical trials conducted by third parties, the Company will have no control over their timing or outcome.

***The Company's drug candidates may not obtain regulatory approval when expected, if at all, and even after obtaining approval, the drugs will be subject to ongoing regulation. To date, none of the Company's drug candidates have reached the stage of submission or evaluation for regulatory approval.***

The Company's products must obtain marketing approval from the European Agency for the Evaluation of Medicinal Products (EMEA), the US Food and Drug Administration (FDA) or competent regulatory authorities in other jurisdictions before the drug candidates can be commercialised in a given market, see further "12 Regulation". Each regulatory agency may impose its own requirements and may refuse to grant or may require additional data before granting marketing approval even if marketing approval has been granted by other agencies. Changes in regulatory approval policies or enactment of additional regulatory approval requirements may delay or prevent the drug candidates from obtaining marketing approval.

Marketing approval by EMEA is, once obtained, subject to a one-time renewal after five years, meaning that the marketing authorisation holder needs to submit a renewal application, which submission is then reviewed by the competent health authorities. If renewed on the basis of a re-evaluation of the risk-benefit balance of the product, the marketing authorisation remains in effect for as long as the product is being commercialised and as long as the product meets the regulatory requirements (there are certain exceptions to this rule, requiring additional five year renewals) (for further information, see "12.4 Regulation — Phase III clinical studies").

The regulatory approval process is expensive and time consuming and the timing of marketing approval is difficult to predict. The Company has not yet applied for marketing approval for any of its drug candidates and may lack the necessary experience to efficiently and successfully conduct such proceedings. Delay or failure to obtain marketing approval for the drug candidates could adversely impact the ability to commercialise the drug candidates and could substantially impair the Company's ability to generate revenues. Even after regulatory approval, drugs may be subject to post marketing or vigilance studies or may be subject to limitations on their indicated uses and may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective.

In addition to the regulatory approval process, the Company and its existing and potential partners are, or may be, subject to numerous ongoing regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. The costs of compliance with applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing approval of its drug candidates, delays, suspension or withdrawal of approvals, licence revocation, seizures or recalls of drugs, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's or its partners' costs, delay the development and commercialisation of its drug candidates and substantially impair its ability to generate revenues and achieve profitability.

***The Company has a history of operating losses and an accumulated deficit. The Company may never become profitable or may not be able to sustain profitability in subsequent periods.***

The Company has incurred significant operating losses since it was founded in 2001. According to IFRS, as adopted by the EU, it experienced net losses of approximately €20.0 million in 2009 and had €79.4 million accumulated losses at the end of 2009. These losses have resulted principally from costs incurred in research and development, market research and business development, clinical development and from general and administrative costs associated with the Company's operations, see further "10.3 Management's Discussion and Analysis — Analysis of results of operations". In the future, the Company will be required to conduct significant research and development, market research and business development, clinical testing and regulatory compliance activities. Such activities, together with anticipated general and administrative expenses and the anticipated increase of costs and expenses associated with the expected growth of the Company, could result in the Company sustaining significant losses for the foreseeable future.

There can be no assurance that the Company will ever earn significant revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. Even if the Company does achieve profitability in the future, it may not be able to sustain profitability in subsequent periods.

In addition, it is likely that the Company will continue to experience uneven cash flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance. Any future deviations in results of operations from the results expected by securities analysts or investors could have a material adverse effect on the market price of the Company's shares.

***The Company is reliant on collaborative partners for the development and commercialisation of most of its existing and future drug candidates.***

The Company is, and expects to be, dependent on current and future licence, collaboration and other agreements with experienced partners relating to the development of most of its existing and future drug candidates and to the successful commercialisation thereof. These collaborative arrangements currently and may in the future place the development and commercialisation of most of its drug candidates outside of the Company's control and may require the Company to relinquish important rights, see "11.7 Business — Collaborations and partnerships" for further details. In particular, due to the anticipated size and cost of Phase III trials; (i) it is probable that the Company will not develop ALX-0081 beyond Phase II clinical trials on its own (see "11.5.1 Business — The Nanobody product portfolio — Anti-von Willebrand Factor (vWF) programmes: ALX-0081 and ALX-0681" for further details); (ii) the Company is currently intending to seek to partner the ALX-0141 programme prior to Phase III (see "11.5.3 Business — The Nanobody product portfolio — Osteoporosis and skeletal disorders: ALX-0141 (anti-RANKL) programme" for further details); and (iii) the Company expects that it will seek a partner prior to Phase III trials for ALX-0061 (see "11.5.4 Business — The Nanobody Product Portfolio — Inflammation: ALX-0061 anti-IL-6R programme" for further details). If the Company fails to enter into collaborations on favourable terms or at all, or if the Company does not provide such partners with suitable drug candidates for development and/or commercialisation, the Company's ability to develop and commercialise its existing or future drug candidates could be delayed and its costs of development and commercialisation could increase.

The Company's dependence on collaborative arrangements with experienced partners subjects it to a number of risks, including the following:

- the Company may not be able to control the amount or timing of resources that its collaborative partners devote to its drug candidates;
- the Company may incur additional costs and delays which are beyond its control;
- the Company may be required to relinquish important rights, including intellectual property, marketing and distribution rights;
- the Company may not receive any future milestone payments or royalties if a collaborator fails to develop or commercialise one of its drug candidates;
- a collaborator may develop a competing drug candidate either by itself or in collaboration with others, including one or more of the Company's competitors;
- the Company's collaborators' willingness or ability to complete its obligations under the Company's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborator's business strategy; and/or
- the Company may experience delays in, or increases in the costs of, the development of the Company's drug candidates due to the termination of collaborative research and development arrangements, or, in the event such termination is due to Ablynx's breach or insolvency, may need to provide a perpetual royalty-free licence to its collaborator.

If any of these risks were to materialise, the Company's ability to develop and commercialise one or more of its drug candidates could be impaired and its operational results, financial condition and cash flows could be adversely affected.

***The Company's patents and other intellectual property rights may not adequately protect its products and drug candidates, which may impede the Company's ability to compete effectively.***

The success of the Company depends in part on its ability and that of its collaborators to obtain, maintain and enforce patent protection in Europe, the United States and elsewhere for technologies and products, and to maintain other intellectual property rights. The Company directly holds more than 450 patents and

patent applications and licenses the rights to other patents, including the Hamers Patents, the first of which expire in Europe in 2013 and in the United States in 2015. For more information see "11.9 Business — Intellectual Property". The patent positions of technology based enterprises, including the Company and its collaborators, are subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and priority of a particular patent. Moreover, the Company may have no or limited control over the effectiveness of its licensors in preventing the misappropriation of their patents and other intellectual property. There can be no assurance that the Company will develop products that are patentable, that patents will be granted under pending or future applications, that patents will be of sufficient breadth to provide adequate protection against competitors with similar technologies or products, or that patents granted to the Company or its collaborators will not be successfully challenged. If the Company does not obtain patents in respect of its technologies or if its patents are cancelled (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company, if they possess the necessary know-how. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology.

Specifically, the first of the Hamers Patents, which family of patents describes the basic structure, composition, preparation and uses of Nanobodies, expires in Europe in 2013 and in the United States in 2015. The expiration of these patents would allow third parties to use such technologies to enter the market for Nanobody based therapeutics. However, the Company believes that the more than 450 patents and patent applications covering specific technologies, targets and indications of a later date to which it has obtained rights and in the future would obtain rights, combined with the know-how developed by the Company, would allow the Company to continue to retain a significant competitive advantage in this market. Some of the most important of these patent applications and patents are mentioned in "11.9 Business — Intellectual Property" and for example include patent applications that the Company has filed around its specific product leads, around targets and classes of targets, around its novel and proprietary half-life extension techniques, and around its proprietary techniques for generating, optimising, formatting and administering Nanobodies.

The Company has developed substantial know-how, which it seeks to protect through confidentiality agreements with its employees, consultants, advisers and existing and potential collaborators. However, there can be no assurance that obligations to maintain the confidentiality of the Company's or its collaborators' trade secrets or know-how will not be breached, would be enforced by courts or that such trade secrets or know-how will not otherwise become known in circumstances in which the Company has no practical means of redress.

The Company cannot guarantee that it will be successful in preventing the misappropriation of its patents, trade secrets, know-how and other intellectual property rights and those of its licensors, and failure to do so could significantly impair the ability of the Company to effectively compete.

***The Company may infringe the patents or other intellectual property rights of others and may face patent or other intellectual property litigation which may be costly and time consuming.***

Ablynx has an extensive patent position in the field of Nanobodies for healthcare applications. The Company has exclusive rights to more than 130 families of granted patents and pending patent applications, including the Hamers patents. The Hamers patents have been granted or are pending in major territories including the United States, Europe and Japan. As a result of these exclusive patent rights, Ablynx is the only company in the world that has the intellectual property rights required for the worldwide commercialisation of healthcare products based on Nanobodies. For a description of the Company's intellectual property, see "11.9 Business — Intellectual Property". For a description of pending or threatened litigation in this respect, including oppositions filed by the Company against a number of patents granted to Domantis Ltd. (including the potential material adverse effect that this may have on the timelines that are currently foreseen by the Company for certain development programmes), a successful opposition in February 2010 against the European patent EP 1 517 921, which was originally granted to Domantis Ltd. in 2006 and which related to one specific technique for the half-life extension of immunoglobulin single variable domains and the low single-digit royalties to be paid by the Company to Domantis Ltd. on the first five Nanobody products which are commercialised, see "11.13 Business — Litigation" and "11.9 Business — Intellectual Property — Technologies for generating Nanobody leads."

Nevertheless, the Company's success will depend in part on its ability to operate without infringing or misappropriating the proprietary rights of others. As the biotechnology industry expands and more patents

are granted, the risk increases that any technology or product developed by the Company may give rise to third party claims of patent infringement. The Company may expend significant time and effort and may incur substantial costs if required to defend such claims or to assert its proprietary rights against third parties.

There can be no assurance that the Company's efforts to search for existing proprietary rights before embarking on a research and development programme with respect to a particular technology or product, will uncover all relevant third party rights relating to such technology or product (for example, half-life extension, phage display or expression systems). As a result, competitors of the Company may have obtained or may in the future obtain patents in respect of technologies or products similar to or competitive with those of the Company. If this occurs, the Company may have to obtain appropriate licences under such patents or cease and/or alter certain of its activities or processes, initiate proceedings to have these patents revoked or declared invalid, or develop or otherwise obtain alternative technology. The Company's inability to secure such licences on commercially reasonable terms, or at all, have such patents revoked or declared invalid, or to develop or otherwise obtain alternative technology may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Company routinely performs freedom-to-operate analyses with respect to its research and development programmes. As part of this, Ablynx has performed freedom-to-operate analyses with respect to its current development candidates ALX-0081 and ALX-0681 (both directed against von Willebrand Factor (vWF)), ALX-0141 (directed against RANKL) and ALX-0061 (directed against IL-6R).

The Company believes that its Nanobodies do not fall within the scope of patent claims that are only directed to full sized conventional monoclonal antibodies, and that consequently, patent applications and patents with claims that are solely directed to full sized monoclonal antibodies (mAbs), should not block the Company from developing or commercialising Nanobodies against the relevant target(s). Patents with claims that are worded in such a way that they could potentially be interpreted as extending in scope beyond full sized conventional antibodies *per se*, must be considered on a case by case basis to ascertain whether the wording used in the claims could potentially also extend to Nanobodies and Nanobody constructs. The Company believes that in a lot of these cases, in view of the specific wording used in the claims and/or in view of the description in the patent that supports this wording, good arguments are available to demonstrate that such claims should not extend to Nanobodies or Nanobody constructs. However, there can be no assurance that these interpretations would be upheld by the relevant (judicial and/or administrative) authorities.

For example, with respect to its most advanced clinical programmes, which focus on Nanobodies against vWF and on the Nanobody lead products ALX-0081 and ALX-0681, Ablynx has identified one granted European and United States patent owned by Ajinomoto that contains claims that relate to a mAb against vWF. However, the Company believes that, because of their structure/format and properties, ALX-0081 and ALX-0681 do not constitute a mAb as defined in the claims of this third party patent. In addition, ALX-0081 and ALX-0681 do not involve the use of any half-life extension technologies.

The Company believes that due to the differences in structure between Nanobody constructs and conventional antibodies, the production of Nanobody constructs do not fall within the scope of some of the well-known intellectual property on the production of conventional antibodies, such as the so called "Boss" patents and "Cabilly" patents.

There can be no assurance that the Company's freedom-to-operate analyses have disclosed all possible intellectual property issues relating to its activities. Generally, for Ablynx's partnered programmes (such as the anti-TNFα programme, which was partnered with Wyeth Pharmaceuticals, which is now Pfizer), it is usually agreed as part of the contractual arrangements with the partner that the partner will, where necessary, be responsible for securing freedom-to-operate around the relevant target. There can be no assurance that the Company's partners' freedom-to-operate analyses have disclosed all possible intellectual property issues.

***The Company faces, and will continue to face, significant competition and rapid technological change which could limit or eliminate the market opportunity for its products and drug candidates.***

The market for pharmaceutical products is highly competitive. The Company's competitors include many established pharmaceutical, biotechnology and chemical companies, universities and other research institutions, many of which have substantially greater financial, research and development, sales, marketing and personnel resources than the Company and some of which have significantly more experience in

developing, manufacturing, marketing and supporting new technologies and products. See: "11.5 Business — The Nanobody product portfolio" for information on markets and competition within each product section.

The fields in which the Company operates are characterised by rapid technological change and innovation. There can be no assurance that competitors of the Company are not currently developing, or will not in the future develop, technologies and products that are equally or more effective, that have better side-effect profiles and/or are more economical in comparison with any current or future technology or product of the Company. Competing drugs may gain faster or greater market acceptance than the Company's drugs and medical advances or rapid technological development by competitors may result in the Company's drug candidates becoming non competitive or obsolete before the Company is able to recover its research and development and commercialisation expenses. If the Company or its drug candidates do not compete effectively, the Company's business would be materially adversely affected.

The Company's main competitors in terms of "next-generation" protein-based products can (broadly) be classified into three main categories: those with technologies based on antibodies with optimised Fc regions; those with antibody scaffold/fragment-based technologies; and those with alternative scaffold-based technologies.

Technologies based on engineering the Fc region of antibodies in order to optimise half-life or influence Fc functions such as antibody dependent cellular cytotoxicity or complement activation are employed by, amongst others, KaloBios, Macrogenics, Facet Biotech, Vaccinex and Xencor. These technologies retain the basic structure (and therefore size) of the original antibody and therefore are faced with many of the same problems as traditional antibody based therapeutics. These include, limitations in routes of administration due to their large size and relative instability and the relatively expensive manufacturing processes required for such molecules.

An alternative to full length antibodies is provided by antibody scaffolds/fragment based technologies. These include using fragments of classical antibodies such as Fab's (as developed by Genentech/Roche and UCB Pharma), single domain antibodies of human origin (dAbs as developed by Domantis Ltd. (acquired by GlaxoSmithKline)), single domain antibodies of shark origin (as developed by Haptogen (acquired by Pfizer)) and engineered antibody scaffolds (for example, SMIP's, as developed by Trubion).

Additionally, alternative scaffold therapeutics are being developed by, amongst others, Adnexus (acquired by Bristol-Myers Squibb), Molecular Partners AG, Pieris AG, Affibody AB and Dyax Corporation (all using protein based scaffolds), Archemix and Noxxon Pharma AG (both using oligonucleotides). These novel, non-antibody based scaffolds offer opportunities to develop either therapeutics with a profile comparable to that of traditional antibodies, or therapeutics that combine certain advantages of antibodies and small molecule drugs and even include certain additional beneficial properties.

Within the current technological competitive landscape, antibody based fragment technologies represent the closest analogue to the Company's Nanobody technology in terms of size and antibody based source of origin. However, in terms of stability, robustness and (potential) beneficial properties, certain of the newer alternative scaffold technologies have the potential to compete directly against the Company's technology.

***The Company relies on outsourcing arrangements with third parties for some of its activities.***

The Company relies on outsourcing arrangements with third parties for some of its activities, including pharmacology, toxicology, manufacturing, clinical trials management, data collection and analysis and market research. While the Company seeks to outsource activities only to reputable firms with relevant specialist expertise, it may have no or limited control over these third parties and the Company cannot guarantee that they will perform their obligations in an effective and timely manner. Any failure by such third parties to meet their obligations could have a material adverse effect on Ablynx's business.

Specifically with respect to manufacturing, the Company is reliant on specialist organisations in the field of microbial expression. The Company has experienced these organisations both changing their business model away from the provision of services, and being acquired and no longer providing services to third parties. In both cases, it has meant the Company has had to transfer its processes to another party, incurring significant cost and delays. There can be no guarantee that the Company will not face similar disruption and additional costs in the future.

***The Company may not have adequate insurance cover, particularly in connection with product liability risk.***

The Company is exposed to potential product liability claims that are inherent in clinical testing and could potentially be exposed to product liability claims relating to the sale and marketing of drugs and drug candidates. The Company faces the risk of substantial liability for damages if its drugs or drug candidates were to cause adverse side-effects in clinical studies or once they are on the market. The Company may not be able to accurately predict the possible side-effects that may result from use of its drugs or drug candidates.

As the Company does not yet have a commercialised product, it only maintains product liability insurance for its clinical trials. In the future, the Company will maintain additional product liability insurance when it is economical to do so, given the level of premiums and the risk and magnitude of potential liability. If, on this basis, it is determined that product liability insurance is necessary in respect of one or more of the Company's products, the Company, like its competitors, may have difficulties in obtaining full liability coverage, as insurance coverage in the pharmaceutical industry is becoming more expensive. Hence, the Company might have to face liabilities for a claim that may not be covered by its insurance or its liabilities could exceed the limits of its insurance, which may harm the Company's financial position. Moreover, product liability claims may require significant financial and managerial resources, may cause harm to the Company's reputation if the market perceives its drug candidates to be unsafe or ineffective due to unforeseen side-effects, and may limit or prevent the further development or commercialisation of the Company's drug candidates.

***The commercial success of the Company will depend upon attaining significant market acceptance of its drug candidates among physicians, patients, healthcare payers and the medical community. The Company has not yet commercialised any product.***

To date, none of the Company's drug candidates have been commercialised. Even if the Company's drug candidates are approved by the appropriate regulatory authorities for marketing and sale, physicians may not prescribe the Company's drug candidates, which would prevent the Company from generating revenues or becoming profitable. Market acceptance of the Company's future drug candidates by physicians, patients and healthcare payers will depend on a number of factors, many of which are beyond the Company's control, including:

- the clinical indications for which the product candidate is approved;
- acceptance by physicians, patients and healthcare payers of each product candidate as a safe and effective treatment;
- relative convenience, ease of administration and other perceived advantages over competing treatments;
- prevalence and severity of adverse side-effects;
- the cost of treatment in relation to alternative treatments;
- the extent to which the product candidate is approved for inclusion on formularies of hospitals and managed care organisations;
- whether the product candidate is designated under physician treatment guidelines as initial or first-line therapy or as therapy in relapsing/recurrent disease;
- the availability of adequate reimbursement by third parties, such as insurance companies and other healthcare payers; and
- limitations or warnings contained in a product candidate's approved labelling.

***If the Company fails to attract and retain qualified personnel, it may be unable to successfully develop its technologies, conduct its clinical trials and commercialise drug candidates.***

The Company's success depends in part on its continued ability to attract, retain and motivate highly qualified clinical and scientific personnel and on its ability to develop and maintain important relationships with leading academic institutions, clinicians and scientists. In addition, the Company needs to hire additional personnel as it expands its clinical development activities. The Company may not be able to attract or retain qualified personnel on acceptable terms in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses. If the Company is not able

to attract and retain the necessary personnel to accomplish its business objectives, it may experience constraints that will impede significantly the achievement of its research and development objectives, its ability to raise additional capital and its ability to implement its business strategy.

***The Company may need additional funding, which may not be available on acceptable terms when required, if at all.***

The amount and timing of any expenditure needed to implement the Company's development and commercialisation programmes will depend on numerous factors, including the progress, costs, timing and results of its research and development activities (including clinical trials), the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of obtaining or maintaining manufacturing for its drugs and drug candidates, the costs and timing of establishing sales and marketing capabilities, whether or not the Company enters into strategic collaborations or partnerships and the terms and timing of establishing such collaborations, licence agreements and other partnerships. Some of these factors are outside the Company's control. The Company does not expect its existing capital resources and the net proceeds from the offering of New Shares to be sufficient to enable the Company to fund the completion of all its current clinical development programmes through to commercial introduction.

The Company may seek additional funding through collaboration agreements and public or private financings. Additional funding may not be available to the Company on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of the Company's security holders. For example, if the Company raises additional funds by issuing equity securities, further dilution to then existing security holders may result. If the Company is unable to obtain funding on a timely basis, it may be required to significantly curtail one or more of its research or development programmes. The Company could also be required to seek funds through arrangements with collaborators or others that may require the Company to relinquish rights to some of its technologies or drug candidates which the Company would otherwise pursue on its own.

***The Company may become a passive foreign investment company, which could result in adverse US federal income tax consequences to US investors (notice for non-Belgian resident investors).***

The Company believes that it is not a passive foreign investment company (a "PFIC") for US federal income tax purposes. However, because the Company's status as a PFIC must be determined annually and depends upon the nature of the Company's income, the composition and quarterly average value of the Company's assets and the market price of the shares, there is no assurance that the Company will not be a PFIC for the current taxable year or any future taxable year. If the Company were treated as a PFIC for any taxable year during which a US investor held the shares, certain adverse US federal tax consequences could apply to such US investor. Further information about the PFIC rules is set out in "18 Certain U.S. federal income tax considerations — Passive foreign investment company."

### 1.2 Risks related to the Company's shares and the Offering

***The Offer Price will be determined by the Company in common agreement with the Joint Global Coordinators on the basis of a book-building procedure.***

The Offer Price will be determined by the Company in common agreement with the Joint Global Coordinators on the basis of a book-building procedure in which only Institutional Investors can participate, see "4.1 Information on the Offering — Information related to the capital increase". There can be no assurance that the Offer Price will correspond to the market price of the shares following the Offering or that an active trading market for the shares will continue after the Offering. A number of factors may significantly affect the market price of the shares including, the number of shares held by the public, changes in the operating results of the Company and its competitors, changes in the general conditions in the biotechnology and pharmaceutical industries and general economic and business conditions in the countries in which the Company operates. Furthermore, securities markets have experienced significant price and volume fluctuations in recent years. Such fluctuations in the future could have a material adverse effect on the market price of the shares regardless of the operating results or financial condition of the Company.

***Shareholders will be likely to experience significant future dilution.***

The dilution resulting from the exercise of outstanding Warrants could adversely affect the price of the shares. See "15.5 Description of share capital and corporate structure — Warrants" for further details of

the Company's outstanding Warrants. The Company may decide to raise capital in the future through public or private convertible debt or equity securities, or rights to acquire these securities, and exclude or limit the preferential subscription rights (*voorkeurrecht*) pertaining to the then outstanding securities. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the holders of its securities.

***There is no minimum amount for the Offering.***

The Company has the right to proceed with a capital increase in a reduced amount. No minimum amount has been set for the Offering. The actual number of Offered Shares subscribed for or sold will be confirmed in the Belgian financial press together with the Offer Price. Therefore: (i) only a reduced additional number of the Company's shares could be made available for trade on the market which could increase the free-float of the Company's shares to a lesser extent than expected; and (ii) the Company's financial means in view of the uses of proceeds as described in "6 Use of Proceeds" might be reduced. The Company might therefore reduce its level of investment or have to look for further external funding.

***There may not be an active public market for the Company's shares (and the Offering may not substantially improve such activity), which may cause the shares to trade at a discount to the Offer Price and/or make it difficult to sell the shares.***

Prior to the Offering, the public market for the Company's shares and the VVPR Strips showed signs of limited liquidity (velocity of the shares of 53.9% over 2009). See "16 Market Information" for historic share price and liquidity information for the Company. A more active public market may not develop or be sustained after the Offering. The Offer Price will be determined on the basis of a book-building procedure in which only Institutional Investors can participate. There can be no assurance that the Offer Price will correspond to the market price of the shares following the Offering or that the price of the shares available in the public market will reflect the Company's actual financial performance, or that the Offering will result in improved liquidity and/or free float of the Company's shares.

***Certain significant shareholders of the Company after the Offering may have different interests from the Company and may be able to control the Company, including the outcome of shareholder votes.***

The Company will continue to have a number of significant shareholders. For an overview of the Company's current significant shareholders before and after closure of the Offering, reference is made to "8 Dilution".

Currently, the Company is not aware that any of its current shareholders have entered into a shareholders' agreement with respect to the exercise of their voting rights in the Company. Nevertheless, to the extent that shareholders were to combine their voting rights, they could have the ability to elect or dismiss directors, and, depending on how broadly the Company's other shares are held, take certain other shareholders' decisions that require, or require more than, 50% or 75% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Alternatively, to the extent that these shareholders have insufficient votes to impose certain shareholders' resolutions, they could have the ability to block proposed shareholders' resolutions that require, or require more than, 50% or 75% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Any such voting by these shareholders may not be in accordance with the interests of the Company or the other shareholders of the Company.

***The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future.***

The following factors, in addition to other risk factors described in this Prospectus, may have a significant impact on the market price and volatility of the Company's shares:

- announcements of technological innovations or new commercial products or collaborations by the Company's competitors or the Company itself;
- developments concerning proprietary rights, including patents;
- public information regarding actual or potential results relating to products under development by the Company's competitors or the Company itself;
- regulatory and reimbursement developments in Europe, the United States and other countries;
- litigation; or
- economic, monetary and other external factors.

***The market price of the Company's shares could be negatively affected by sales of substantial numbers of shares in the public markets.***

Sales by the Company or its shareholders of a substantial number of shares in the public markets following the Offering, or the perception that such sales might occur, could cause the market price of the shares to decline. Furthermore, there is no commitment on the part of any of the existing shareholders to remain a shareholder or to retain a minimum interest in the Company after the expiry of the respective lock-up periods to be provided for in the Underwriting Agreement for the securities held by certain existing shareholders other than executive management of the Company on the one hand, and for the securities held by executive management on the other hand, each time subject to certain exceptions. For more information regarding these lock-up arrangements, see "4.10 Information on the Offering — Lock-Up and Standstill Arrangements". As a result, no investment decision should be made on the basis that any of the existing shareholders will retain any interest in the Company following the expiration of the lock-up period.

***The Company does not intend to pay dividends for the foreseeable future.***

The Company does not anticipate paying dividends for the foreseeable future. Payment of future dividends to shareholders will be subject to a decision of the competent corporate body of the Company and subject to legal restrictions contained in Belgian company law (see "5 Dividends and Dividend policy"). Furthermore, financial restrictions and other limitations may be contained in future credit agreements.

***Holders of the shares outside Belgium may not be able to exercise preferential subscription rights (notice for non-Belgian resident investors).***

In the event of an increase in the Company's share capital in cash, holders of shares are generally entitled to full preferential subscription rights (*voorkeurrechten*) unless these rights are cancelled or limited either by a resolution of the Shareholders Meeting, or by a resolution of the Board of Directors (provided that the Board of Directors has been authorised by the Shareholders in a general meeting, or by the articles of association to increase the share capital in that manner, which is the case at the date of this Prospectus). Certain holders of shares outside Belgium may not be able to exercise preferential subscription rights unless local securities laws have been complied with. In particular, U.S. holders of the shares may not be able to exercise preferential subscription rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. The Company does not intend to obtain a registration statement in the United States or to fulfil any requirement in other jurisdictions (other than Belgium) in order to allow shareholders in such jurisdictions to exercise their preferential subscription rights (to the extent not excluded or limited). As a result, in the future the Company may sell shares or other securities to persons other than its existing shareholders at a lower price than the Offered Shares and, as a result, U.S. holders may experience substantial dilution of their interest in the Company.

## 2 DISCLAIMERS AND NOTICES

The Offering is conducted as a public offering in Belgium to Retail Investors and a private placement to certain Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction and, in respect of Belgium, investors, other than Retail Investors, that meet the definition of "qualified investors", as defined in article 10 of the law of 16 June 2006 regarding the public offering of investment instruments and the authorisation of investment instruments to trade on a regulated market (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt*), and as extended by the Belgian Royal Decree of 26 September 2006 regarding the extension of the term qualified investor and the term institutional or professional investor (*Koninklijk besluit van 26 september 2006 tot uitbreiding van het begrip gekwalificeerde belegger en het begrip institutionele of professionele belegger*) (save for QIBs) in certain jurisdictions outside the United States in reliance on Regulation S and, within the United States, to QIBs in accordance with Rule 144A.

The Offering and this Prospectus have not been and will not be submitted for approval to any supervisory authority outside Belgium. Therefore, no steps may be taken that would constitute or result in a public offering of the Offered Shares outside Belgium.

Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other documents related to the Offering may be distributed or published in any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Investors must inform themselves about, and observe, any such restrictions and neither the Company nor the Joint Global Coordinators assume any responsibility in respect thereof.

Investors must comply with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer or sell the Offered Shares or possess or distribute this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale of the Offered Shares under the laws and regulations in force in any jurisdiction in which any purchase, offer or sale is made. Neither the Company nor the Joint Global Coordinators are making an offer to sell the Offered Shares or soliciting an offer to purchase any of the Offered Shares to any person in any jurisdiction where such an offer or solicitation is not permitted.

The Company and the Joint Global Coordinators reserve the right to reject any offer to purchase the Offered Shares in whole or in part and to sell to any prospective investor less than the full amount of the Offered Shares sought by such investor. See "4.3 Information on the Offering — Application procedure — Allocation of the Offered Shares and VVPR Strips".

### 2.1 Decision to invest

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved as described in this Prospectus. Investors should rely only on the information contained in this Prospectus. Neither the Company nor the Joint Global Coordinators have authorised any other person to provide investors with different information. If anyone provides different or inconsistent information, it should not be relied upon. The information appearing in this Prospectus should be assumed to be accurate as of the date on the front cover of this Prospectus only. The Company's business, financial condition, results of operations and the information set forth in this Prospectus may have changed since that date. In accordance with Belgian law, if a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offered Shares and which arises or is noted between the time when this Prospectus is approved and the final closure of the Offering, or as the case may be, the time when trading of the New Shares on the relevant market begins, such will be set out in a supplement to this Prospectus. Investors who have already agreed to purchase or subscribe for the Offered Shares before any supplement is published will have the right, exercisable within two Business Days after the publication of the supplement to this Prospectus, to withdraw their acceptances. Any supplement is subject to approval by the Belgian Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen*, "CBFA"), in the same manner as this Prospectus and must be made public, in the same manner as this Prospectus.

The Joint Global Coordinators and their affiliates are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their client or for providing advice in relation to the Offering.

None of the information in this Prospectus should be considered investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Offered Shares. Neither the Company nor the Joint Global Coordinators make any representation to any offeree or purchaser regarding the legality of an investment in the Offered Shares by such offeree or purchaser under applicable investment or similar laws.

## 2.2 Notice for non-Belgian resident investors

***Limitation on enforcement of civil liabilities***

With the exception of Geert Cauwenbergh, Edwin Moses, Stephen Bunting, Eva Lotta Allan, Deborah Law and Mats Pettersson, all of the members of the Board of Directors of the Company and other senior managers named in this Prospectus reside outside the United States and the United Kingdom. All or a substantial portion of their assets are located outside the United States and the United Kingdom. As a result, it may not be possible to:

- effect service of process within the United States or the United Kingdom upon any of the members of the management of the Company; or
- enforce, in the United States or the United Kingdom, court judgments obtained in courts of the United States or the United Kingdom, as the case may be, against the Company or any of the members of the management of the Company named in this Prospectus in any action, including actions under the civil liability provisions of federal securities laws of the United States.

It may be difficult to enforce actions brought in courts in jurisdictions located outside the United States or the United Kingdom or liabilities predicated upon U.S. or UK securities laws.

***Available information***

For so long as any of the shares of the Company are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or Section 15(d) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such shares or to any prospective purchaser of such shares designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act.

***Notice to investors in the EEA***

This Prospectus has been prepared on the basis that all offers of Offered Shares (other than offers contemplated in this Prospectus in Belgium once this Prospectus has been approved by the CBFA and published in accordance with the Prospectus Directive (2003/71/EC), as implemented in Belgium) will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of securities.

Accordingly, any person making or intending to make any offer within the EEA of Offered Shares (outside Belgium), should only do so in circumstances in which no obligation arises for the Company or the Joint Global Coordinators to produce a prospectus for such offer. None of the Company or the Joint Global Coordinators has authorised or does authorise the making of any offer of the Offered Shares through any financial intermediary, other than offers made through the Joint Global Coordinators which constitute the final placement of Offered Shares contemplated herein.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of Offered Shares contemplated by this Prospectus may not be made in that Relevant Member State unless this Prospectus has been approved by the competent authority in such Relevant Member State and published in accordance with the Prospectus Directive as implemented in such Relevant Member State (which approval and publication is only obtained and performed in relation to the Offering in Belgium), unless such offer in such Relevant Member State of any Offered Shares is made under the following exemptions under the Prospectus Directive, if and to the

extent such exemptions under the Prospectus Directive have been implemented in that Relevant Member State:

- to qualified investors within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators to any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in such Relevant Member State (other than Belgium) to whom an offering is made who receives any communication in respect of, or who acquires any of the Offered Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Joint Global Coordinators and the Company (unless such investor has been explicitly exempted thereof by the Joint Global Coordinators and the Company) that:

- it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- in the case of any Offered Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the Offered Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators has been given to the offer or resale; or where Offered Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offered Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer to the public" in relation to any Offered Shares and/or VVPR Strips in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offered Shares and/or VVPR Strips so as to enable an investor to decide to purchase or subscribe for the Offered Shares and/or VVPR Strips, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

***Notice to investors in the United Kingdom***

This Prospectus is only being distributed to and is only directed at:

- Persons who are outside the United Kingdom; or
- Qualified Investors who are:
  - Investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"); or
  - high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order;

(such persons collectively being referred to as "relevant persons"). The Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offered Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

***Notice to prospective investors in the United States***

The Offered Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Any representation to the contrary is a criminal offence in the United States. Prospective investors are hereby notified that sellers of

the Offered Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. The Offered Shares are not transferable except in accordance with the restrictions described under "20 Transfer Restrictions".

*Notice to New Hampshire Residents*

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

See "20 Transfer Restrictions" for further details of restrictions affecting the Offered Shares.

### 2.3 Presentation of financial and other information

The Company has prepared two sets of audited financial statements as of and for the years ended 31 December 2009, 2008 and 2007. One set of audited statutory financial statements has been prepared in accordance with Belgian GAAP, as required by Belgian company law. The other set of financial statements incorporates the audited statutory financial statements for the year ended 31 December 2007 which have, on a voluntary basis (for purposes of transparency and comparability) been restated under IFRS, as adopted by the EU (which restatements have also been audited by the Company's Statutory Auditor) and the Company's consolidated financial statements as of and for the years ended 31 December 2008 and 31 December 2009 which have been prepared, as required by Belgian company law, in accordance with IFRS (as adopted by the EU) and have also been audited by the Company's Statutory Auditor.

This Prospectus includes the audited financial statements of the Company as of and for the years ended 31 December 2009, 2008 and 2007 prepared or restated under IFRS, as adopted by the EU. The Company's audited statutory financial statements as of and for the years ended 31 December 2009, 2008 and 2007 prepared in accordance with Belgian GAAP are incorporated into this Prospectus by reference (see "22 Index to Financial Statement under IFRS").

It should be noted that in 2008 the Company has spun-off its Portuguese branch into a separate legal entity and that the Company therefore for the 2008 financial year for the first time prepared consolidated financial statements. Hence, for the financial years before the 2008 financial year, the results of the Portuguese branch are part of the statutory financial statements of the Company (as the Portuguese branch did not have separate legal personality at that time). As of the 2008 financial year, the results of the separate Portuguese legal entity are no longer part of the Company's statutory financial statements as prepared in accordance with Belgian GAAP, but are an integral part of the Company's consolidated financial statements as prepared in accordance with IFRS, as adopted by the EU. The Company, in this Prospectus and in the context of its ongoing reporting requirements, will focus discussion on the financial statements prepared or restated in accordance with IFRS, as adopted by the EU.

The audited statutory financial statements of the Company as of and for the year ended 31 December 2009 have been drawn up by the Company's Board of Directors and have been audited by the Company's Statutory Auditor, but have not yet been approved by the Company's Annual Shareholders Meeting, which will be held on 29 April 2010.

The financial statements prepared or restated in accordance with IFRS, as adopted by the EU, have not been reconciled to U.S. GAAP and this Prospectus does not attempt to identify any differences between IFRS and U.S. GAAP. It is possible that the net effect of differences between the application of IFRS and U.S. GAAP may be, individually or in the aggregate, material. If any such reconciliation were performed or an attempt were made to identify relevant differences between IFRS and U.S. GAAP as they apply to the Company, particular financial statement items as presented under U.S. GAAP could vary materially and adversely from the corresponding items as presented under IFRS.

In making an investment decision, potential investors must rely upon their own examination of the Company, the terms of the Offering and the financial information included in this Prospectus, and should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how these differences might affect the financial information in this Prospectus.

The statutory financial statements for the financial year 2007 (both as prepared under Belgian GAAP and as restated under IFRS, as adopted by the EU) were audited by the Company's Statutory Auditor. The statutory financial statements for the financial years 2008 and 2009 (as prepared under Belgian GAAP) and the consolidated financial statements for the financial years 2008 and 2009 (as prepared under IFRS, as adopted by the EU) were also audited by the Company's Statutory Auditor. The Company's Statutory Auditor's report on the Company's financial statements prepared or restated under IFRS, as adopted by the EU, is set out under "22 Index to Financial Statements under IFRS — Independent Auditor's Report on the Consolidated Financial Statements as per 31 December 2009, 2008 and 2007 under IFRS" contained elsewhere herein. The Company's Statutory Auditor's report on the Company's financial statements prepared under Belgian GAAP, is incorporated into this Prospectus by reference (see "22 Index to Financial Statement under IFRS").

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

### 2.4 Foreign currency information

In this Prospectus, references to "Euro" or "€"' are to the currency of the Member States of the European Union participating in the European Monetary Union and references to "U.S. dollars" or "$" or "U.S.$" are to the currency of the United States.

### 2.5 Third party information

Information relating to markets and other industry data pertaining to the Company's business contained in this Prospectus has been obtained from internal surveys, industry sources and/or publicly available information. The main sources for industry information were industry publications, and other publicly available sources (such sources are indicated in endnotes to this Prospectus). The Company accepts responsibility for having correctly reproduced information obtained from publications or public sources, and, so far as the Company is aware and has been able to ascertain from information published by those industry publications or public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Company has not independently verified information obtained from industry and government sources. Certain other information in this Prospectus regarding the industry reflect the Company's best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industry. Information from the Company's internal estimates and surveys has not been verified by any independent sources.

### 2.6 Forward-looking statements

Certain statements in this Prospectus are not historical facts and are forward-looking statements. Forward-looking statements appear in various locations, including, without limitation, under the headings "Summary", "1 Risk Factors", "10 Management's discussion and analysis" and "11 Business". From time to time, the Company may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, business strategy and the trends the Company anticipates in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will, "plan" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "1 Risk Factors", as well as those included elsewhere in this Prospectus. Investors should be aware

that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social, industry and legal environment in which the Company operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws, rules or regulations. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

## 3 GENERAL INFORMATION AND INFORMATION CONCERNING RESPONSIBILITY FOR THE PROSPECTUS AND FOR AUDITING THE ACCOUNTS

### 3.1 Responsibility for the content of the Prospectus

The Company, having its registered offices at Technologiepark 4, B-9052 Zwijnaarde, Belgium, represented by its Board of Directors, assumes responsibility for the content of this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to its knowledge, in accordance with the facts and contains no omission which would affect its import.

Neither of the Joint Global Coordinators, nor their affiliates, nor any person acting on their behalf, is responsible for, nor are they making any representation or warranty, express or implied, concerning the Company's future performance or the accuracy or completeness of this Prospectus.

This Prospectus is intended to provide information to potential investors in the context of and for the sole purpose of evaluating a possible investment in the Offered Shares in the Offering. It does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied to anyone other than a potential investor. It cannot be used except in connection with the Offering.

### 3.2 Statutory auditor

PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, a civil company having the form of a co-operative company with limited liability (*burgerlijke coöperatieve vennootschap met beperkte aansprakelijkheid*) organised and existing under the laws of Belgium, with registered office at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium, represented by Raf Vander Stichele BVBA, itself represented by Mr. Raf Vander Stichele, has been re-appointed as Statutory Auditor of Ablynx on 24 April 2008 for a term of three years ending immediately after the closing of the Shareholders Meeting to be held in 2011 that will have deliberated and resolved on the statutory financial statements for the financial year ended on 31 December 2010. PricewaterhouseCoopers Bedrijfsrevisoren BCVBA is a member of the Belgian Institute of Certified Auditors (*Instituut der Bedrijfsrevisoren*) (membership number B00009).

The statutory financial statements of the Company as per 31 December 2007, 31 December 2008 and 31 December 2009, in each case for the financial years then ended, were prepared in accordance with generally accepted accounting principles in Belgium ("Belgian GAAP"). All of the annual statutory financial statements in accordance with Belgian GAAP have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Raf Vander Stichele BVBA, itself represented by Mr. Raf Vander Stichele, who delivered unqualified opinions.

The statutory financial statements of the Company as at 31 December 2007 for the financial year then ended also have been restated on a voluntary basis (for purposes of transparency and comparability) in accordance with IFRS, as adopted by the EU. The consolidated financial statements of the Company as at 31 December 2008 and 31 December 2009, each time for the financial years then ended, have been prepared in accordance with IFRS, as adopted by the EU. Reference is also made to what is set out in "2.3 Disclaimers and notices — Presentation of financial and other information". All of the financial statements restated under, or as the case may be, prepared in accordance with, IFRS, as adopted by the EU, have been audited by PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Raf Vander Stichele BVBA, itself represented by Mr. Raf Vander Stichele, who delivered unqualified opinions.

### 3.3 Consents

Infusion Pharma Consulting LLC, an independent firm serving the healthcare products industry on matters of strategic pricing, corporate and brand strategy and business development, was commissioned by the Company to produce two reports, "ALX-0681 Pricing Strategy - Preliminary Report" dated December 2009 and "ALX-0681 Pricing Strategy - Final Report" dated 19 February 2010. Infusion Pharma Consulting LLC has given and not withdrawn its consent to the inclusion in this Prospectus of and has authorised for the purpose of item 23.1 of Annex I of the Commission Regulation (EC) 809/2004 (i) references to its reports, "ALX-0681 Pricing Strategy - Preliminary Report" dated December 2009 and "ALX-0681 Pricing Strategy - Final Report" dated 19 February 2010, and (ii) statements and information extracted from its reports, "ALX-0681 Pricing Strategy - Preliminary Report" dated December 2009 and "ALX-0681 Pricing Strategy - Final Report" dated 19 February 2010 and included in this Prospectus in the form and context in which they appear. Infusion Pharma Consulting LLC's business address is

89 Headquarters Plaza North Tower, 12th Floor, Morristown, NJ 07960, USA. Infusion Pharma Consulting LLC has no material interest in the Company.

SDG Life Sciences (Unit of IMS Health®), an independent firm renowned for its expertise in strategic decision-making, risk management, and value-based leadership, was commissioned by the Company to produce a report, "ALX-0081 and ALX 0681 Asset Valuation" dated April 2009. SDG Life Sciences has given and not withdrawn its consent to the inclusion in this Prospectus of and has authorised for the purpose of item 23.1 of Annex I of the Commission Regulation (EC) 809/2004: (i) references to its report, "ALX-0081 and ALX0681 Asset Valuation" dated April 2009; and (ii) statement and information extracted from its report, "ALX-0081 and ALX0681 Asset Valuation" dated April 2009 and included in this Prospectus in the form and context in which they appear. SDG Life Science's business address is IMS Health®, 7 Harewood Avenue, London NW1 6JB, England. SDG Life Sciences has no material interest in the Company.

### 3.4 Approval of the Prospectus

On 23 February 2010, the CBFA approved the English version of this Prospectus for the purposes of the public offering in Belgium and the listing of the Offered Shares and VVPR Strips on Euronext Brussels in accordance with Article 23 of the Belgian Act of 16 June 2006 on the public offerings of investment instruments and the admission of investment instruments to trading on a regulated market (*Wet betreffende de openbare aanbiedingen van beleggingsinstrumenten en de toelating* van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt). However, the CBFA's approval does not extend to the paragraphs or sections of the Prospectus preceded by the disclaimer "Notice for non-Belgian resident investors". The CBFA's approval does not imply any judgment on the merits or the quality of the Offering, the Offered Shares, the VVPR Strips or the Company.

The Offering will start as of the first day of the Offering Period, which will begin on or about 8 March 2010. The applicable price range and the size of the Offering will be published as an addendum to this Prospectus, which is subject to approval by the CBFA, in the Belgian financial press and on the website of the Company at the start of the Offering Period.

This Prospectus has only been prepared in Dutch and in English. The Company is responsible for verifying the consistency between the Dutch and the English versions of this Prospectus. In connection with the public offering in Belgium, both the English and Dutch versions of this Prospectus are legally binding. Without prejudice to the foregoing, in connection with the public offering in Belgium, in case of inconsistencies between the various language versions, the English version shall prevail.

The Offering and this Prospectus have not been submitted for approval to any supervisory body or governmental authority outside Belgium.

### 3.5 Available information

***Prospectus***

This Prospectus is only available in Dutch and in English. This Prospectus will be made available to investors at no cost at the registered office of the Company, at Technologiepark 4, B-9052 Zwijnaarde, Belgium and can be obtained upon request from KBC Telecentre at +32 3 283 29 70. Subject to certain conditions, this Prospectus is also available, on the internet at the following websites: www.ablynx.com, www.kbcsecurities.com, www.kbc.be, www.bolero.be and on the website of Euronext.

Posting this Prospectus and the summary on the internet does not constitute an offer to sell or a solicitation of an offer to purchase, and there shall not be a sale of, any of the Offered Shares in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to its registration or qualification under the laws of such jurisdiction or to or for the benefit of any person to whom it is unlawful to make such offer, solicitation or sale. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Company or any other website does not form part of this Prospectus.

***Company documents and other information***

The Company must file its (amended and restated) articles of association and all other deeds that are to be published in the Annexes to the Belgian Official Gazette with the clerk's office of the Commercial Court of

Ghent (Belgium), where they are available to the public. A copy of the most recently restated articles of association and the Company's corporate governance charter is also available on the Company's website.

In accordance with Belgian law, the Company must prepare annual audited statutory financial statements in accordance with Belgian GAAP and annual audited consolidated financial statements in accordance with IFRS, as adopted by the EU. The statutory and consolidated financial statements and the reports of the Board of Directors and of the Statutory Auditor relating thereto are filed with the Belgian National Bank, where they are available to the public.

Furthermore, as a listed company, the Company must publish summaries of its annual and semi-annual consolidated financial statements prepared under IFRS, as adopted by the EU as well as its condensed annual statutory financial statements prepared under Belgian GAAP. The Company in the context of its ongoing reporting requirements after the Offering will continue focusing discussion on the consolidated financial statements prepared in accordance with IFRS, as adopted by the EU. These summaries will generally be made publicly available in the financial press in Belgium in the form of a press release. Copies thereof will also be available on the Company's website. The Company also has to disclose price sensitive information, information about its shareholders' structure, and certain other information to the public. In accordance with the Belgian Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (as amended from time to time) (*Koninklijk besluit betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een Belgische gereglementeerde markt*), such information and documentation will be made available through press releases, the financial press in Belgium, the Company's website, the communication channels of Euronext Brussels or a combination of these media.

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, *inter alia*, the Belgian Act of 2 May 2007 on the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market (*Wet van 2 mei 2007 op de openbaarmaking van belangrijke deelnemingen in emittenten waarvan aandelen zijn toegelaten tot de verhandeling op een gereglementeerde markt en houdende diverse bepalingen*) and the Belgian Royal Decree of 14 February 2008 on the disclosure of large shareholdings (*Koninklijk Besluit van 14 februari 2008 op de openbaarmaking van belangrijke deelnemingen*).

Pursuant to Article 66 of the Belgian Act of 16 June 2006 on the public offerings of investment instruments and the admission of investment instruments to trading on a regulated market, each year, at the latest 20 Business Days after the Company has made public its annual statutory financial statements, it will also make public a document containing all information or referring to all information which the Company has published or otherwise made available to the public in the preceding 12 months in the EEA or in other countries pursuant to supra-national and national legislation relating to the rules governing securities, corporate law, the rules governing issuers and security markets. If such document refers to information which has been made public, it will indicate where such information may be obtained.

The Company's website address is www.ablynx.com.

## 4 INFORMATION ON THE OFFERING

*The following table summarises certain key dates in connection with the Offering. These are all anticipated dates, which are subject to any unforeseen circumstances and to early closure of the Offering Period.*

| Date | Event |
|---|---|
| 26 February 2010 | The Prospectus will be made available at the registered office of the Company, from KBC telecenter at +32 3 283 29 70 or, subject to certain conditions, on the following websites: www.ablynx.com, www.kbcsecurities.com, www.kbc.be, www.bolero.be and on the website of Euronext. |
| 8 March | Expected publication date of the price range of the Offering and the size of the Offering |
| 8 March | Expected start of the Offering Period |
| 12 March (T − 1) | Expected closure of the Offering Period |
| 15 March (T) | Expected Pricing and Allocation Date |
| 16 March (T+1) | Expected publication date of the Offer Price and results of the Offering |
| 18 March (T+3) | Expected Closing Date (payment, settlement, delivery and listing) |

### 4.1 Information related to the capital increase

The Board of Directors of the Company is expected to decide on 25 February 2010 to increase, within the framework of the authorised capital, the capital, after cancellation of the preferential subscription rights (*voorkeurrecht*) of the existing shareholders.

In the framework of the Offering, the Board of Directors is expected to approve the cancellation of the preferential subscription rights of the existing shareholders in respect of the contemplated capital increase in order to allow the financial institutions that are engaged in the conduct of the Offering, acting for the account of the investors in the Offering, to subscribe for the capital increase.

An Over-allotment Option will be granted by the Lending Shareholders to the Joint Global Coordinators corresponding to up to 15% of the New Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Over-allotment Shares). The Over-allotment Option will be exercisable for a period of 30 calendar days from the Closing Date. The Over-allotment Option is granted for the sole purpose of allowing the Joint Global Coordinators to cover over-allotments, if any. The Over-allotment Shares covered by the Over-allotment Option will be existing Company shares that will be lent by the Lending Shareholders to the Joint Global Coordinators and will not have a separate VVPR Strip.

The final issue price (including share premium) of the New Shares and the price of the existing Company shares covered by the Over-allotment Option (the "Offer Price") will be determined by the Company, in common agreement with the Joint Global Coordinators on the basis of a book-building procedure during the Offering Period, in which only Institutional Investors can participate. The number of New Shares to be issued in the Offering will be determined by dividing the amount of the capital increase (including share premium) by the Offer Price. All New Shares will be offered within the framework of the present Offering.

Whether or not the Offering is fully subscribed, the Joint Global Coordinators may proceed with over-allotments, covered by the Over-allotment Option, with a view to permitting stabilisation after the start of the trading of the Offered Shares. See also "4 Information on the Offering — Over-allotment and stabilisation".

### 4.2 Terms and conditions of the Offering

***Conditions and nature of the Offering***

The Offering will start as of the first day of the Offering Period, which will begin on or about 8 March 2010, and comprises (i) a public offering in Belgium to Retail Investors, (ii) a private placement to QIBs in the United States as defined in and in accordance with Rule 144A, and (iii) a private placement to Institutional Investors (save for QIBs) in Belgium and elsewhere outside the United States in reliance on Regulation S.

The capital increase consists of new common shares for a maximum amount of up to €**[●]** million. However, depending on the volume of demand, this amount may be increased by up to 15%, to an amount

of €**[●]** million (the "Increase Option", the new shares initially offered and the shares offered, if any, as a result of the possible exercise of the Increase Option jointly being referred to as the "New Shares"). Any decision to exercise the Increase Option will be announced at the latest on the date the Offer Price is announced, which is currently expected to be on or about 16 March 2010.

All New Shares offered will benefit from the right, for certain holders, to reduced Belgian withholding tax (*Verminderde Voorheffing*/*Précompte Réduit*, "VVPR"). A separate VVPR Strip will represent this right. Each New Share will have one VVPR Strip, which will be separately listed. For further information about applicable taxes, see "17 Taxation in Belgium" and "18 Certain U.S. federal income tax considerations".

The Joint Global Coordinators will be granted an Over-allotment Option by the Lending Shareholders, exercisable as of the Closing Date and for 30 calendar days thereafter, at the final Offer Price, corresponding to a maximum of 15% of the New Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Over-allotment Shares) for the sole purpose of allowing the Joint Global Coordinators to cover over-allotments, if any.

It is expected that no less than 10% of the Offered Shares effectively allocated will be allocated to Retail Investors in Belgium (subject, however, to sufficient retail demand). However, the proportion of Offered Shares allocated to Retail Investors may be increased, possibly substantially, if applications received from them exceed 10% of the Offered Shares effectively allocated.

A Retail Investor means (i) an individual person resident in Belgium or (ii) the legal entities in Belgium that apply for shares in an amount of €250,000 or less.

In allocating the Offered Shares, reasonable efforts will be used to deliver the New Shares (with VVPR Strips) to individual persons resident in Belgium and to investors subject to Belgian tax on legal entities (*rechtspersonenbelasting*), in this order of priority.

The Offer Price will be the same for Institutional Investors and Retail Investors. See also the subsection entitled "*Offer Price*" below.

The Offering is subject to (i) the Board of Directors concluding that the quantity and quality of the subscriptions received is such that the Offering can be closed in the interest of the Company, and (ii) the Company and the Joint Global Coordinators reaching a final agreement on the terms of the Underwriting Agreement. For more information see "19 Underwriting Agreement".

***Offer Price***

The Offer Price will be a single price in Euro that will apply to all investors, whether Retail or Institutional.

The Company will determine the Offer Price, within the price range, in common agreement with the Joint Global Coordinators on the basis of a book-building procedure during the Offering Period, in which only Institutional Investors can participate, and taking into account various relevant qualitative and quantitative elements, including but not limited to the Company's shares' stock price, the number of shares applied for, the size of orders received, the quality of the investors submitting such orders and the prices at which the orders were made, as well as the market conditions at that time.

The applicable price range together with the size of the Offering will be published as an addendum to this Prospectus in the Belgian financial press and on the website of the Company at the start of the Offering Period, which will begin on or about 8 March 2010. The Offer Price will be determined as soon as possible after the end of the Offering Period on the Pricing and Allocation Date, which is expected to take place on 15 March 2010 and will be published in the Belgian financial press and on the website of the Company on the first publishing day following its determination, which is expected to be 16 March 2010. Both dates are subject to early closure of the Offering Period.

Retail investors in Belgium can only acquire the Offered Shares at the Offer Price and are legally bound to purchase the number of shares indicated in their share application at the Offer Price. The applicable Offer Price will in no event exceed the upper end of the price range, although it may be set below the lower end of the price range.

***Offering Period***

The Prospectus will be made available as of 26 February 2010 at the registered office of the Company, from KBC telecenter at +32 3 283 29 70 or, subject to certain conditions, on the following websites: www.ablynx.com, www.kbcsecurities.com, www.kbc.be, www.bolero.be and on the website of Euronext.

The Offering will start on the first day of the Offering Period which will begin on or about 8 March 2010 and is expected to close on 12 March 2010 at 4.00 p.m. Brussels time, unless it is closed earlier provided that the Offering Period will in any event be three Business Days. Any early closure of the Offering Period will be announced in the Belgian financial press and on the website of the Company, and the dates for pricing, allocation, publication of the Offer Price and results of the Offering, trading and closing of the Offering will be adjusted accordingly. The Offering Period for Retail and Institutional Investors will be the same. In the event the Offering Period is extended, an addendum to the Prospectus will be published in the Belgian financial press and on the website of the Company.

Prospective investors can submit their orders during the Offering Period. As the Offering Period may be closed early, investors willing to participate are invited to submit their applications as promptly as possible.

### 4.3 Application procedure

***General***

Share applications may be submitted, during the Offering Period, at the counters of the Underwriters and the Selling Agent at no cost to the investor. Applications are not binding upon the Company or the Underwriters as long as they have not been accepted in accordance with the allocation rules as described below in the section "*Allocation of the Offered Shares and VVPR Strips*".

Investors wishing to apply for the Offered Shares through intermediaries other than the Underwriters and the Selling Agent should request details of the costs which these intermediaries may charge and which they will have to pay themselves.

To be valid, share applications must be submitted, at the earliest on the first day of the Offering Period, which will begin on or about 8 March 2010, and at the latest, by 4.00 p.m. Brussels time on the final day of the Offering Period, unless the Offering Period is closed earlier.

***Retail Investors***

Retail Investors must indicate on their orders the number of Offered Shares they are committing to subscribe for. Only one application per Retail Investor will be accepted. If the Underwriters and the Selling Agent determine, or have reason to believe, that a single Retail Investor has submitted several orders, through one or more intermediaries, they may disregard such orders. There is no minimum or maximum amount that may be subscribed for in any given order.

Retail Investors willing to participate in the Offering are invited to submit their orders, after the beginning of the Offering Period, as soon as possible in Belgium, at the counters of KBC Bank and KBC Securities or, at their own cost, at the counters of any other financial intermediary in Belgium.

In the event that an addendum to the Prospectus is published prior to the Closing Date (other than, for the avoidance of doubt, the publication of the price range and the size of the Offering prior to the Offering Period), and in that event only, Retail Investors shall have the right to withdraw their applications made prior to the publication of the addendum within the time limits set forth in the addendum (which shall not be shorter than two Business Days after publication of the addendum).

***Institutional Investors***

Institutional Investors must indicate on their orders the number of Offered Shares they are committing to subscribe for, and the prices at which they are making such orders during the book-building period.

Only Institutional Investors can participate in the book-building procedure during the Offering Period.

Institutional Investors willing to participate in the Offering are invited to submit their orders, after the beginning of the Offering Period, as soon as possible to the Underwriters.

***Allocation of the Offered Shares and VVPR Strips***

The exact number of Offered Shares allotted to the investors will be determined at the end of the Offering Period by the Company in common agreement with the Joint Global Coordinators on the basis of the respective demand from both Retail and Institutional Investors and on the quantitative and, for Institutional Investors only, the qualitative analysis of the order book, and in accordance with Belgian regulations relating to allocation to Retail and Institutional Investors as described in the section "*Conditions and nature of the Offering*" above, but without prejudice to the rules set forth below.

In the event of over-subscription of the Offered Shares reserved for Retail Investors, the allocation to Retail Investors will be made on the basis of objective allocation criteria (such as the use of a relative or absolute number of Offered Shares with respect to each order) and preferential treatment may be given to subscriptions submitted via KBC Bank and KBC Securities. This preferential treatment could lead to no shares being allocated to investors who submitted their orders through intermediaries other than KBC Bank and KBC Securities.

The results of the Offering, the allocation key for the Retail Investors and the Offer Price will be published in the Belgian financial press and on the website of the Company, which is expected to occur on or about 16 March 2010, subject to any early closure of the Offering Period.

The acquisition of Over-allotment Shares (which are existing Company shares) will, unless an exemption applies, give rise to a tax on stock exchange transactions (*taks op de beursverrichtingen*) at a rate of 0.17% per transaction and per party, subject to a cap of €500 per transaction and per party. The subscription for New Shares will not give rise to a tax on stock exchange transactions. See also "17 Taxation in Belgium".

In allocating the Offered Shares, reasonable efforts will be used to deliver the New Shares (with VVPR Strips) to individual persons residing in Belgium and to investors subject to Belgian tax on legal entities (*rechtspersonenbelasting*), in this order of priority. Should the total number of shares allocated to Retail Investors exceed the number of New Shares (with VVPR Strips) effectively allocated in the Offering, then the New Shares (with VVPR Strips) will be allocated among the Retail Investors on a pro rata basis.

***VVPR Strips***

The New Shares will be issued together with VVPR Strips, which entitle certain of their holders to a reduced rate of Belgian withholding tax (15% rather than 25%) on dividends. See also "17 Taxation in Belgium".

The VVPR Strips will be separately tradable on Euronext Brussels from the Closing Date, and investors who do not receive VVPR Strips in the Offering may be able to purchase such instruments on Euronext Brussels.

Except for the reasonable efforts to be used regarding the allocation of VVPR Strips, all investors may receive either New Shares or Over-allotment Shares (which are existing Company shares) or a combination of both. While it is expected that Retail Investors will be allotted only New Shares with a separate VVPR Strip, neither the Company nor the Underwriters will have any liability to investors in connection with the allocation of shares with or without a separate VVPR Strip. See "17 Taxation in Belgium".

***Payment, settlement and delivery of the Offered Shares and VVPR Strips***

The Offer Price must be paid in full, in Euro, together with any applicable stock exchange tax. For further information about applicable taxes, see "17 Taxation in Belgium".

The payment date will be the third Business Day after the Pricing and Allocation Date and is expected to occur on or about 18 March 2010 (which is also the Closing Date), unless the Offering Period is closed earlier. The Offer Price must be paid by investors upon submission of the share applications or, alternatively, by authorising their financial institutions to debit their bank account with such amount for value on the Closing Date.

It is expected that the Offered Shares and VVPR Strips will be delivered to the investors on or about 18 March 2010, which is also the Closing Date.

All Offered Shares and VVPR Strips will be delivered against payment in book-entry form, represented by one or more registrations in the share register (or, respectively, the register of VVPR strips) of the Company in the name of Euroclear Belgium, the Belgian central securities depository.

***Form of the Offered Shares and VVPR Strips***

Subject to what is set out below, all Offered Shares will have the same rights attached to them as the Company's other shares that are already trading, taking into account, however, that only the New Shares will have VVPR Strips attached. The Offered Shares will be entitled to share in the profits of the Company, if any, as of 1 January 2010 and are therefore entitled to the dividend, if any, for the financial year ended on 31 December 2010 and the following financial years. To that effect, on the Closing Date, coupon no. 1 (representing the right to share in the profits of the Company, if any, as of 1 January 2009

and to be entitled to the dividend, if any, for the financial year ended on 31 December 2009) will be detached from all existing Company shares (including the Over-allotment Shares). After the Closing Date, both the New Shares and the existing Company shares (including the Over-allotment Shares) will have coupons no. 2 and following attached. For a further description of the Company's shares and the rights and benefits attached thereto, see "15 Description of share capital and corporate structure".

As described above, all Offered Shares and VVPR Strips will be delivered in book-entry form only, represented by one or more registrations in the share register (or, respectively, register of VVPR Strips) of the Company in the name of Euroclear Belgium, the Belgian central securities depository.

Investors who, after delivery, wish to have their shares registered, should direct such a request to the Company who will then record the shares in the Company's share register.

Holders of registered shares may request that their registered shares be converted into dematerialised shares and *vice versa*. Any costs incurred in connection with the conversion of shares into another form will be borne by the shareholder.

All of the Offered Shares will be fully paid up upon their delivery, and freely transferable, subject to what is set forth under the sections "4.10 Information on the Offering — Lock-up and standstill arrangements" and "20 Transfer Restrictions".

### 4.4 Listing and trading

The 36,923,506 existing Company shares and the 10,714,285 existing VVPR strips are already listed on Euronext Brussels (symbol ABLX and international code number BE0003877942 for the Company shares and symbol ABLXS and international code number BE0005620910 for the VVPR strips). An application has been submitted for the New Shares and the VVPR Strips to be listed on Euronext Brussels. Subject to and as of closing, listing and trading of the New Shares and VVPR Strips is expected to take effect on the Closing Date.

The Company has appointed KBC Securities as liquidity provider for the Company shares.

### 4.5 Over-allotment and stabilisation

In connection with the Offering, the Joint Global Coordinators may, as of the Closing Date and until 30 calendar days thereafter (the "Stabilisation Period") effect transactions that stabilise or maintain the market price of the Company's shares at levels above those that might otherwise prevail in the open market. For this purpose, KBC Securities NV will act as stabilisation agent for the Joint Global Coordinators. Such transactions, if any, will be performed in compliance with the applicable laws and regulations, including Chapter III of Commission Regulation (EC) No 2273/2003 and the Belgian Royal Decree of 17 May 2007 on primary market practices, and may be effected on Euronext Brussels, on the over-the-counter market, or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may be discontinued at any time and will, in any event, be discontinued 30 calendar days after the Closing Date.

If the Joint Global Coordinators create a short position in the shares in connection with the Offering, they may reduce that short position by purchasing shares or, as referred to below, by exercising all or part of the Over-allotment Option. Purchases of shares to stabilise the trading price or to reduce a short position may cause the price of the shares to be higher than it might be in the absence of such purchases. Neither the Company nor the Joint Global Coordinators make any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the shares.

The stabilisation, if any, will not occur at a price higher than the Offer Price.

Within five Business Days of the end of the Stabilisation Period, the following information will be published on the website of the Company in accordance with Article 5, § 2 of the Belgian Royal Decree of 17 May 2007 on primary markets practices: (i) whether or not stabilisation was undertaken, (ii) the date at which stabilisation started, (iii) the date on which stabilisation last occurred, (iv) the price range within which stabilisation was carried out, for each of the dates on which stabilisation transactions were carried out, and (v) the final size of the Offering, including the result of the stabilisation and the exercise of the Over-allotment Option, if any.

The Over-allotment Option will be exercisable as of the Closing Date and until 30 calendar days thereafter. The Over-allotment Option consists of an option corresponding to up to a maximum of 15% of the New

Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Over-allotment Shares), granted to the Joint Global Coordinators (see below) that will be exercisable in whole or in part, and in one or in several times, only to cover over-allotments, if any. The possibility to over-allot shares in the Offering and to exercise the Over-allotment Option will exist whether or not the Offering is fully subscribed.

The Over-allotment Option will apply to existing Company shares only: certain of the Company's existing shareholders, being ACP IV, LP (in respect of a maximum of 300,000 Company shares), KBC Private Equity NV (in respect of a maximum of 1,589,286 Company shares) and VIB VZW (in respect of a maximum of 70,000 Company shares) (the "Lending Shareholders") have granted the Joint Global Coordinators the right to purchase existing Company shares equal to an additional 15% of the New Shares subscribed for in the Offering (but limited to a maximum of 1,959,286 Over-allotment Shares). These shares will not have a separate VVPR Strip.

In order to cover any over-allotments prior to the exercise of the Over-allotment Option, it is expected that the Joint Global Coordinators will enter into a stock lending agreement with existing shareholders.

### 4.6 Interest of natural and legal persons involved in the Offering

KBC Securities NV is one of the Joint Global Coordinators, and one of the Underwriters in the Offering. KBC Bank NV is the Selling Agent in the Offering. KBC Securities NV and KBC Private Equity NV are affiliated to KBC Bank NV (as defined in Article 11 of the Belgian Companies Code). KBC Private Equity NV, which is a Lending Shareholder (in respect of a maximum of 1,589,286 Company shares), holds 1,589,286 Company shares, representing 4.30% of all of the existing Company shares prior to the Closing Date (see "8 Dilution"). The shares held by KBC Private Equity NV will not be subject to the lock-up arrangement, discussed in section "4.10 Information on the Offering — Lock-up and standstill arrangements".

### 4.7 Intentions of the shareholders

To the extent known to the Company, no existing shareholders or members of the Company's management, supervisory or administrative bodies have indicated that they intend to subscribe for certain of the Offered Shares in the Offering.

### 4.8 Costs and remuneration of intermediaries

The aggregate costs of the Offering are estimated to be approximately **[●]**% of the gross proceeds to the Company of the Offering (assuming the Increase Option is exercised in full). These costs include legal, consulting, administrative, audit and other costs (€772,000), remuneration of the Belgian Banking, Finance and Insurance Commission (€15,690), legal publications, printing of this Prospectus (€114,000), cost of advisors, management, underwriting and selling fees (3.25% or €**[●]** million, not including a size fee granted if demand covers the base amount and greenshoe and a discretionary fee of up to 2.175% in the aggregate) and the fees payable to Euronext Brussels (€**[●]**).

All costs will be borne by the Company.

### 4.9 Financial service

The financial service for the shares of the Company will be provided in Belgium by KBC Bank NV. Should the Company alter its policy in this matter, this will be announced in accordance with applicable law.

### 4.10 Lock-up and standstill arrangements

***Lock-up***

A number of shares in the Company that are held by members of the Company's Executive Committee (see "13 Management and governance — Executive Management — The Executive Committee") or by certain shareholders of the Company will be subject to several transfer restrictions. These are summarised below.

The members of the Company's Executive Committee are expected to enter into a lock-up arrangement with the Joint Global Coordinators.

Pursuant to the lock-up arrangement with the Joint Global Coordinators, none of the financial instruments held or acquired through the Offering by such executive managers may be transferred during the period starting on the Pricing and Allocation Date and ending six calendar months thereafter.

However, this restriction shall not apply to: (i) transfers to legal successors or other transfers pursuant to death, merger, liquidation, concursus, (partial) de-merger, transfer or contribution of a branch of activity or transfer or contribution of a universality (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments); (ii) intra-group transfers (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments); (iii) any acceptance of a public tender offer or merger proposal; (iv) an order from a court or as otherwise mandatorily required under any applicable laws; and (v) any transfer for which the prior consent of the Joint Global Coordinators has been obtained.

In addition, the Company's shareholders having filed (individually or jointly) on or before 18 February 2010 a transparency notification with respect to 8% or more of the shares in the Company (except Abingworth LLP, a public fund that has purchased Company shares after the Company's IPO, in respect of 285,644 Company shares) are expected to enter into a lock-up and sale coordination arrangement with the Joint Global Coordinators. Reference is made to section "8.1 Dilution — Shareholders prior to the completion of the Offering and listing of the New Shares".

Pursuant to the lock-up arrangement with the Joint Global Coordinators, none of the financial instruments held prior to the Offering by the relevant shareholders may be transferred during the period starting on the Pricing and Allocation Date and ending three calendar months thereafter.

However, this restriction shall not apply to: (i) the transfer of Over-allotment Shares borrowed under the stock lending arrangement (provided that the shares that at the expiry of the stock lending arrangement are delivered to the Lending Shareholders shall become subject to the restriction); (ii) the transfer of Over-allotment Shares under the Over-allotment Option; (iii) the transfer, whether before or after the Pricing and Allocation Date, of shares in the Company under any stock lending arrangement in the context of a liquidity providing agreement (provided that the shares that at the expiry of the stock lending arrangement are redelivered to lenders shall become subject to the transfer restriction); (iv) transfers to legal successors or other transfers pursuant to merger, liquidation, concursus, (partial) de-merger, transfer or contribution of a branch of activity or transfer or contribution of a universality (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments); (v) intra-group transfers (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments); (vi) any acceptance of a public tender offer or merger proposal; (vii) private and bilateral transfers by a shareholder subject to the lock-up arrangement to a third party (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments), including a transfer among shareholders subject to the lock-up arrangement or among such shareholders and affiliates of other such shareholders (provided that the transferee assumes the relevant transfer restriction obligations as applicable to the original holder in respect of such financial instruments); (viii) any transfer of shares in the Company (other than shares acquired as a reimbursement of the stock lending arrangement) subscribed for through or acquired after the Offering (unless, in the latter case, the relevant transfer restriction obligations had been assumed upon such acquisition); (ix) an order from a court or as otherwise mandatorily required under any applicable laws; and (x) any transfer for which the prior consent of (i) the Joint Global Coordinators and (ii) the shareholders subject to the lock-up arrangement holding 50% of all locked shares in the Company at that time has been obtained.

In addition to the exemptions provided for above, the restriction also does not apply to a co-ordinated sale of shares by the shareholders (subject to the lock-up arrangement) that is initiated by such shareholders and to which the Joint Global Coordinators consent and for which the Joint Global Coordinators will act as bookrunners.

***Standstill***

The Company agreed not, without the prior written consent of the Joint Global Coordinators (which shall not be unreasonably withheld, conditioned or delayed), during the period of six months after the Pricing and Allocation Date, to issue or announce the issue of any new financial instruments or enter into or announce the entering into of any transaction or commitment with like effect, of whatever kind, which leads to an issue of new financial instruments, except for: (i) the issue of the New Shares and VVPR Strips,

(ii) the issue of new shares following the exercise of existing warrants described in the Prospectus, (iii) any issue or similar transaction in the context of a merger, (partial) de-merger, transfer or contribution of a universality, transfer or contribution of a branch of activity or other corporate restructuring or acquisition or any issue or similar transaction in the context of a strategic partnership agreement (provided that, in the case of such other corporate restructuring, acquisition or strategic partnership, that any shares issued do not represent more than 10% of the Company's capital and that the acquirer of the relevant shares accepts to be subject to lock-up and sale coordination arrangements for the remaining period of the standstill) and (iv) the issue of up to 500,000 warrants (and the issue of new shares following the exercise of such warrants) to be granted to new or existing employees, consultants, directors and other service providers of the Company in the context of a hiring, retention and/or incentive scheme.

## 5 DIVIDENDS AND DIVIDEND POLICY

### 5.1 Entitlement to dividends

The Offered Shares will be entitled to a share in the profits as of 1 January 2010 and are therefore entitled to dividends, if and when declared, for the financial year ended on 31 December 2010 and the following financial years.

### 5.2 Dividend policy

The Company has never declared or paid any dividends on its shares. The Company's dividend policy is determined by, and may change from time to time by determination of, the Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors. The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out by Article 617 of the Belgian Companies Code, i.e., no dividend may be issued when the net assets as established in the annual accounts, at the close of the last financial year, pursuant to such distribution, are lower than or would fall below the amount of the paid-up capital or, if this amount is higher, of the called capital, increased with all reserves which may not be distributed in accordance with the law or the Company's articles of association.

Belgian law and the Company's articles of association do not require the Company to declare dividends. Currently, the Board of Directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to its shareholders in the near future.

## 6 USE OF PROCEEDS

If the Offering is fully subscribed, the gross proceeds from the issue of New Shares are estimated to be approximately €**[●]** million. For estimates on the costs and expenses of the Offering see "4 Information on the Offering — Costs and remuneration of intermediaries". The principal purposes of this Offering are to increase the flexibility to retain and resource programmes until they are clinically validated, to co-invest in development alongside pharmaceutical partners (where appropriate) and/or to commercialise itself certain products against orphan diseases, certain niche products and in selected geographic markets to the extent that the Company believes that it has the required funds and resources to do so, to broaden the investor base of the Company, and to obtain additional working capital. The Company intends to use the net proceeds from the issue of New Shares (i.e. after commissions and offering expenses payable by the Company have been deducted) to (in order of importance):

- continue the clinical development of the anti-vWF programmes (specifically ALX-0081 and ALX-0681) in the indications of arterial thrombosis and thrombotic thrombocytopenic purpura (TTP), respectively. In addition, the Company may pursue other indications such as ischemic stroke, peripheral arterial occlusive disease and carotid endarterectomy and, ultimately, may commercially launch ALX-0681 itself in selected geographic markets;
- continue the clinical development of the anti-RANKL programme (ALX-0141) in the indications of osteoporosis, rheumatoid arthritis and/or cancer treatment-induced bone loss (in breast cancer and prostate cancer patients), as well as exploring its potential to delay bone metastases and inhibit and treat bone destruction across many stages of cancer;
- initiate the clinical development of the anti-IL-6R programme (ALX-0061) for rheumatoid arthritis with a possible expansion into juvenile rheumatoid arthritis, ankylosing spondylitis, psoriatic arthritis and/or inflammatory bowel disease; initiate the clinical development of the anti-CXCR4 programme (ALX-0651) for mobilization of stem cells in the treatment of cancer;
- initiate, advance and/or accelerate pre-clinical development for wholly-owned programmes with a broad range of risk profiles, in areas where Nanobodies can have a significant advantage (for example, target specificity, multi-specificity, method of delivery, pharmacological profile or safety) over traditional small molecules or biologics to ensure the full exploitation of the platform and the potential of a healthy and growing pipeline of clinical candidates for the future;
- increase the number of important biological targets against which Nanobodies have been generated; further invest in new proprietary technologies such as the half-life extension technology NExpedite and next generation Nanobodies and; further develop its technology platform in such areas as automation and industrialisation; and
- apply funds for general corporate purposes, such as general and administrative expenses, capital expenditures, working capital needs, the broadening, maintenance and defence of the Company's intellectual property, and the potential acquisition of, or investment in, biological targets, technologies, products, or companies that complement its business.

The Company is currently not aware that the anticipated net proceeds from the issue of New Shares would not be sufficient to fund the above proposed uses.

However, as of the date of this Prospectus, the Company cannot predict with certainty all of the particular uses for the proceeds from the issue of New Shares, or the amounts that it will actually spend on the uses set forth above. The amounts and timing of the Company's actual expenditures will depend upon numerous factors, including the progress, costs, timing and results of its research, development (including clinical trials), and commercialisation efforts, (which are highly uncertain and subject to substantial risks), whether or not the Company enters into strategic collaborations or partnerships, the Company's manufacturing requirements, regulatory or competitive developments, the net proceeds actually raised from the issue of New Shares, any amounts received by way of grants and the Company's operating costs and expenditures. Accordingly, the Company's management will have significant flexibility in applying the net proceeds from the issue of the New Shares and may change the allocation of these proceeds as a result of these and other contingencies.

The Company has the right to proceed with a capital increase in a reduced amount, with no minimum amount set for the Offering. In the case that the Company would proceed with the capital increase in a reduced amount, the Company might have to reduce its level of investment or look for further external funding in order to fund the above proposed uses.

In addition, assuming the current clinical programmes proceed further to the next stage of clinical development and they are not partnered (in arrangements where the Company bears no further cost), then the Company may not have sufficient capital resources even with the net proceeds from the issue of New Shares to enable the Company to fund the completion of all such clinical development programmes through (and including) commercialisation. Accordingly, the Company expects that it may need to raise additional funds in the future.

The Company may seek additional funding through collaboration agreements and public or private financings. Additional funding may not be available to the Company on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of the Company's security holders. For example, if the Company raises additional funds by issuing equity securities, further dilution to existing security holders may result. If the Company is unable to obtain funding on a timely basis, it may be required to significantly curtail one or more of its research or development programmes. The Company could also be required to seek funds through arrangements with collaborators or others that may require the Company to relinquish rights to some of its technologies or drug candidates which the Company would otherwise pursue on its own.

Pending use of the proceeds from the issue of New Shares as described above or otherwise, the Company intends to invest the net proceeds in short and medium term interest-bearing, investment grade securities.

## 7 CAPITALISATION AND INDEBTEDNESS - WORKING CAPITAL STATEMENT

### 7.1 Capitalisation and indebtedness

The following table sets forth the capitalisation and indebtedness of the Company as at 31 December 2007, 2008 and 2009.

The figures for capitalisation and indebtedness have been extracted, without material adjustment, from the Company's audited consolidated financial statements prepared in accordance with IFRS, as adopted by the EU, for the period ended 31 December 2007, 2008 and 2009.

This information should be read in conjunction with the Financial Statements and the related notes thereto.

**Capitalisation table**

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Total Current debt** | **3** | **57** | **112** |
| — Secured | 3 | 15 | 68 |
| — Unsecured | — | 42 | 44 |
| **Total Non-Current debt** | **—** | **3** | **61** |
| — Secured | — | 3 | 19 |
| — Unsecured | — | — | 42 |
| **Shareholder's equity** | 76,126 | 93,870 | 108,175 |
| — Share capital | 63,189 | 62,485 | 61,970 |
| — Share premium | 88,851 | 88,851 | 88,851 |
| — Share-based payments | 3,489 | 2,053 | 1,551 |
| — Fair Value Reserves | 12 | (99) | — |
| — Retained earnings | (59,420) | (44,197) | (31,675) |
| — Result of the period | (19,995) | (15,223) | (12,522) |
| **TOTAL** | **76,129** | **93,930** | **108,348** |
| Cash and equivalents* | 92,321 | 113,534 | 126,489 |
| Current financial debt | **3** | **57** | **112** |
| **Net Current Financial Indebtedness (Cash)** | **(92,318)** | **(113,477)** | **(126,377)** |
| Non current financial indebtedness | — | 3 | 61 |
| **Net Financial Indebtedness (Cash)** | **(92,318)** | **(113,474)** | **(126,316)** |

* Cash and equivalents include cash and cash equivalents, other short term investments and available-for-sale financial assets.

There has been no material change in total capitalisation and indebtedness (including in respect of contingent liabilities and guarantees) of the Company since 31 December 2009.

### 7.2 Working capital statement

On the date of this Prospectus, the Company is of the opinion that, taking into account its available cash and equivalents, it has sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of the Prospectus.

## 8 DILUTION

### 8.1 Shareholders prior to the completion of the Offering and listing of the New Shares

The table below provides an overview of the shareholders of the Company prior to the completion of the Offering and listing of the New Shares. The overview must be read together with the notes referred to below.

| | Shares | | Warrants[i] | | Total shares and Warrants | |
|---|---|---|---|---|---|---|
| | Number | % | In number of Shares | % | Number | % |
| **A. Executive Management[ii][iii]** | | | | | | |
| Edwin Moses (CEO) | 9,200 | **0.02%** | 762,500 | 1.94% | 771,700 | 1.97% |
| Other members of the executive management | 2,605 | **0.01%** | 892,500 | 2.27% | 895,105 | 2.28% |
| **Subtotal** | **11,805** | **0.03%** | **1,655,000** | **4.22%** | **1,666,805** | **4.25%** |
| **B. (Independent) Directors[ii][iii]** | | | | | | |
| **Subtotal** | **18,657** | **0.05%** | **10,713** | **0.03%** | **29,370** | **0.07%** |
| **C. Institutional shareholders[ii][iv]** | | | | | | |
| Abingworth Management Limited and Abingworth LLP | 4,102,952 | **11.11%** | 0 | 0.00% | 4,102,952 | 10.45% |
| Alta California Partners IV, LP | 3,135,583 | **8.49%** | 0 | 0.00% | 3,135,583 | 7.99% |
| C.H. Boehringer Sohn AG & Co. KG | 2,142,857 | **5.80%** | | 0.00% | 2,142,857 | 5.46% |
| Gimv NV, Adviesbeheer Gimv Life Sciences NV and Biotech Fonds Vlaanderen | 6,924,764 | **18.75%** | 0 | 0.00% | 6,924,764 | 17.64% |
| Gilde Europe Food and Agribusiness Fund BV | 2,941,772 | **7.97%** | 0 | 0.00% | 2,941,772 | 7.49% |
| KBC Private Equity NV | 1,589,286 | **4.30%** | 0 | 0.00% | 1,589,286 | 4.05% |
| Multifund B.V., Nederlandia Investments B.V. and Stichting Avivia | 1,900,000 | **5.15%** | 0 | 0.00% | 1,900,000 | 4.84% |
| Sofinnova Partners SAS | 5,927,830 | **16.05%** | 0 | 0.00% | 5,927,830 | 15.10% |
| VIB VZW | 1,375,000 | **3.72%** | 0 | 0.00% | 1,375,000 | 3.50% |
| **Subtotal** | **30,040,044** | **81.36%** | **0** | **0.00%** | **30,040,044** | **76.52%** |
| **D. Free float** | | | | | | |
| **Subtotal** | **6,853,000** | **18.56%** | **670,645** | **1.71%** | **7,523,645** | **19.16%** |
| **Total (A)+(B)+(C)** | **30,070,506** | **81.44%** | **1,665,713** | **4.24%** | **31,736,219** | **80.84%** |
| **Total (A)+(B)+(C)+(D)** | **36,923,506** | **100.00%** | **2,336,358** | **5.95%** | **39,259,864** | **100.00%** |

(i) The number of shares for which the existing Warrants give a right to subscribe takes into account the modification (at the time of the Company's initial public offering) of the exercise ratio of the then existing Warrants (one share for the exercise of two existing Warrants, for such Warrants that were in existence at the time of the Company's initial public offering). For an overview of all Warrants issued by the Company, reference is made to section "15.5 Description of Share capital and Corporate Structure — Warrants".

(ii) Certain shareholders and holders of Warrants as referred to in this table have entered into separate arrangements as regards the non-transferability of their securities.

(iii) For a detailed overview of the shares and Warrants held by the members of the Board of Directors and by the members of the Executive Committee, reference is made to section "13.7 Management and governance — Shares and Warrants held by directors and executive management".

(iv) "Institutional shareholders" includes only those shareholders for which the Company has received a transparency notification, and reflects the information included in the most recent transparency notifications received by the Company.

### 8.2 Shareholders after completion of the Offering and listing of the New Shares

The table below provides an overview of the shareholders of the Company after the completion of the Offering and listing of the New Shares. The number of outstanding shares and Warrants after the completion of the Offering and listing of the New Shares assumes that the Increase Option has been fully exercised and that the Over-allotment Option has been exercised to the fullest extent possible (which results in an Offering of €**[●]** million and the sale by the Lending Shareholders to the Joint Global Coordinators of the shares lent by the Lending Shareholders to enable over-allotments) and assuming an Offer price of €**[●]** per share.

The simulation is merely for information purposes. The hypothetical offering price is no indication and does not express an expectation as to the final Offer Price of the Offered Shares. Prospective investors should note that the final Offer Price could be different from the hypothetical price set out in the overview below.

The overview must be read together with the notes referred to below.

| | Shares | | Warrants[(i)] | | Total shares and Warrants | |
|---|---|---|---|---|---|---|
| | Number | % | In number of Shares | % | Number | % |
| **A. Executive Management[(ii)(iii)]** | | | | | | |
| Edwin Moses (CEO) | 9,200 | **[●]%** | 762,500 | 1.94% | 771,700 | [●]% |
| Other members of the executive management | 2,605 | **[●]%** | 892,500 | 2.27% | 895,105 | [●]% |
| **Subtotal** | **11,805** | **[●]%** | **1,655,000** | **4.22%** | **1,666,805** | **[●]%** |
| **B. (Independent) Directors[(ii)(iii)]** | | | | | | |
| **Subtotal** | **18,657** | **[●]%** | **10,713** | **0.03%** | **29,370** | **[●]%** |
| **C. Institutional shareholders[(ii)(iv)]** | | | | | | |
| Abingworth Management Limited and Abingworth LLP | 4,102,952 | **[●]%** | 0 | 0.00% | 4,102,952 | [●]% |
| Alta California Partners IV, LP | [●] | **[●]%** | 0 | 0.00% | [●] | [●]% |
| C.H. Boehringer Sohn AG & Co. KG | 2,142,857 | **[●]%** | | 0.00% | 2,142,857 | [●]% |
| Gimv NV, Adviesbeheer Gimv Life Sciences NV and Biotech Fonds Vlaanderen | 6,924,764 | **[●]%** | 0 | 0.00% | 6,924,764 | [●]% |
| Gilde Europe Food and Agribusiness Fund BV | 2,941,772 | **[●]%** | 0 | 0.00% | 2,941,772 | [●]% |
| KBC Private Equity NV | [●] | **[●]%** | 0 | 0.00% | [●] | [●]% |
| Multifund B.V., Nederlandia Investments B.V. and Stichting Avivia | 1,900,000 | **[●]%** | 0 | 0.00% | 1,900,000 | [●]% |
| Sofinnova Partners SAS | 5,927,830 | **[●]%** | 0 | 0.00% | 5,927,830 | [●]% |
| VIB VZW | [●] | **[●]%** | 0 | 0.00% | [●] | [●]% |
| **Subtotal** | **[●]** | **[●]%** | **0** | **0.00%** | **[●]** | **[●]%** |
| **D. Free float** | | | | | | |
| Free float before Offering | [●] | **[●]%** | 0 | 0.00% | [●] | [●]% |
| New Shares as result of Offering | [●] | **[●]%** | 0 | 0.00% | [●] | [●]% |
| Over-allotment Shares | [●] | **[●]%** | 0 | 0% | [●] | [●]% |
| **Subtotal** | **[●]** | **[●]%** | **670,645** | **1.71%** | **[●]** | **[●]%** |
| **Total (A)+(B)+(C)** | **[●]** | **[●]%** | **1,665,713** | **4.24%** | **[●]** | **[●]%** |
| **Total (A)+(B)+(C)+(D)** | **[●]** | **[●]%** | **2,336,358** | **5.95%** | **[●]** | **[●]%** |

(i) The number of shares for which the existing Warrants give a right to subscribe takes into account the modification (at the time of the Company's initial public offering) of the exercise ratio of the then existing Warrants (one share for the exercise of two existing Warrants, for such Warrants that were in existence at the time of the Company's initial public offering). For an overview

of all Warrants issued by the Company, reference is made to section "15.5 Description of Share capital and Corporate Structure — Warrants".

(ii) Certain shareholders and holders of Warrants as referred to in this table have entered into separate arrangements as regards the non-transferability of their securities.

(iii) For a detailed overview of the shares and Warrants held by the members of the Board of Directors and by the members of the Executive Committee, reference is made to section "13.7 Management and governance — Shares and Warrants held by directors and executive management".

(iv) "Institutional shareholders" includes only those shareholders for which the Company has received a transparency notification, and reflects the information included in the most recent transparency notifications received by the Company (except in respect of the Lending Shareholders, where the assumed exercise in full of the Over-allotment Option has been reflected).

## 9 SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

Set forth below is the selected statement of comprehensive income, balance sheet and cash flow statement financial data of the Company as of and for the years ended 31 December 2007, 2008 and 2009, derived from the Company's audited, consolidated financial statements, prepared in accordance with IFRS, as adopted by the EU, which are included elsewhere in this Prospectus.

Investors should read this section together with the information contained in "10 Management's discussion and analysis", the consolidated financial statements of the Company, prepared in accordance with IFRS, as adopted by the EU, the statutory financial statements of the Company prepared in accordance with Belgium GAAP, and the related notes thereto included elsewhere in this prospectus.

As required by Belgian company law, the Company both prepares statutory financial statements in accordance with Belgian GAAP and consolidated financial statements in accordance with IFRS, as adopted by the EU. The Company, in this Prospectus and in the context of its ongoing reporting requirements, will focus discussion on the consolidated financial statements prepared in accordance with IFRS, as adopted by the EU.

| | Year ended 31 December | | |
|---|---|---|---|
| **(Prepared in accordance with IFRS)** | **2009** | **2008** | **2007** |
| | | **(€'000) (audited)** | |
| **Consolidated statement of comprehensive income:** | | | |
| Revenue: | | | |
| Research and development | 28,068 | 15,557 | 8,785 |
| Grants | 1,615 | 1,198 | 1,135 |
| **Total revenue** | **29,683** | **16,755** | **9,920** |
| Research and development expense | (42,800) | (29,889) | (18,750) |
| General and administrative expense | (9,044) | (7,447) | (5,482) |
| **Total operating expenses** | **(51,844)** | **(37,336)** | **(24,232)** |
| Other operating income/(expense) | 1 | 6 | 5 |
| **Operating result** | **(22,160)** | **(20,575)** | **(14,307)** |
| Financial income (net) | 2,165 | 5,352 | 1,785 |
| Finance income | 2,487 | 5,769 | 1,824 |
| Finance cost | (322) | (417) | (39) |
| **Loss before taxes** | **(19,995)** | **(15,223)** | **(12,522)** |
| Income tax expense | — | — | — |
| **Loss for the year** | **(19,995)** | **(15,223)** | **(12,522)** |

| (Prepared in accordance with IFRS) | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| **Consolidated Balance Sheet Data (as at period end):** | | | |
| **Non-current assets** | **4,277** | **5,001** | **3,505** |
| Intangible fixed assets | 799 | 801 | 751 |
| Property, plant & equipment | 3,478 | 4,200 | 2,754 |
| **Current assets:** | **97,645** | **121,522** | **130,831** |
| Trade receivables | 1,697 | 4,167 | 2,082 |
| Other current assets | 1,500 | 1,901 | 1,037 |
| Accrued income and deferred charges | 2,127 | 1,920 | 1,223 |
| Available-for-sale financial assets | 20,012 | 35,901 | — |
| Other short term investments | 28,000 | 29,500 | — |
| Cash and cash equivalents | 44,309 | 48,133 | 126,489 |
| **Total assets** | **101,922** | **126,523** | **134,336** |
| **Equity:** | | | |
| Share capital | 63,189 | 62,485 | 61,970 |
| Share premium account | 88,851 | 88,851 | 88,851 |
| Share-based payments | 3,489 | 2,053 | 1,551 |
| Fair value reserves | 12 | (99) | — |
| Retained earnings | (79,415) | (59,420) | (44,197) |
| **Non-current liabilities:** | **—** | **3** | **61** |
| Borrowings | — | 3 | 61 |
| **Current liabilities:** | **25,796** | **32,650** | **26,100** |
| Borrowings | 3 | 57 | 112 |
| Trade payables | 7,200 | 6,626 | 5,223 |
| Other current liabilities | 2,647 | 2,068 | 1,689 |
| Deferred income | 15,946 | 23,899 | 19,076 |
| **Total liabilities** | **25,796** | **32,653** | **26,161** |
| **Total equity and liabilities** | **101,922** | **126,523** | **134,336** |
| **Cash Flow Statement Data:** | | | |
| Net cash generated from (used in) operating activities | (19,911) | (9,583) | 3,000 |
| Net cash generated from (used in) investing activities | 15,617 | (69,013) | (2,005) |
| Net cash generated from (used in) financing activities | 470 | 258 | 99,695 |

## 10 MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion and analysis should be read in conjunction with (i) the section entitled "selected historical financial and operating data" and (ii) Ablynx's audited financial statements, including the notes to those financial statements, included in this Prospectus. Certain statements in this section are "forward-looking" statements and should be read in conjunction with the disclaimer "Forward-looking information". Ablynx's financial statements have been prepared in accordance with IFRS and Belgian GAAP. The figures used in this section refer to the financial statements which have been prepared in accordance with IFRS, as adopted by the EU.*

### 10.1 Overview

Ablynx is a biopharmaceutical company focused on the discovery and development of Nanobodies® (Nanobodies), a new class of novel therapeutic proteins that are derived from naturally occurring antibodies. Nanobodies are based on the smallest functional fragments of "heavy chain only" antibodies, which occur naturally in the *Camelidae* family, including camels and llamas. These stable "heavy chain only" antibodies have not been found in any other mammals to date.

Ablynx has ongoing research collaborations and significant partnerships with several major pharmaceutical companies, including Boehringer Ingelheim (BI), Merck Serono, Novartis and Pfizer (formerly Wyeth Pharmaceuticals). Ablynx is building a diverse and broad portfolio of therapeutic Nanobodies through these collaborations as well as through its own internal discovery programmes.

Through 31 December 2009, the Company has funded its operations through:

- proceeds of €85.2 million from the Company's initial public offering ("IPO");
- proceeds of €71.2 million from private placements and exercise of Warrants; and
- cash receipts of €6.1 million from Flemish government grants (IWT), €69.7 million from licence fees, research and development funding and milestone payments from its collaborators and €11 million net from interest.

Since its incorporation, the Company spent approximately €119.7 million of its cash receipts on research and development, approximately €31.1 million on general and administrative expenses and had €92.3 million of cash and liquid short-term investments left at 31 December 2009.

The Company began operations in 2001 and since that time it has devoted substantially all of its efforts to the research and development of its Nanobody platform and drug candidates, several of which have entered into clinical trials and obtaining or maintaining patents relating to its intellectual property. Since 2004, Ablynx has entered into a number of scientific and commercial collaborations. The Company intends to continue, when appropriate, to enter into selective collaborations with biopharmaceutical partners as a means of generating revenue and sharing risks as well as increasing the likelihood of both development and commercial success.

### 10.2 Factors affecting results of operations

The successful development of drug candidates is highly uncertain, and the Company expects to continue to incur operating losses for the foreseeable future as it develops its drug candidates. At this time, the Company cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these drug candidates. The Company is also unable to predict when, if ever, material cash inflows will commence from sales of Nanobody based drugs.

Set forth below is a discussion of material factors that the Company believes will materially impact the Company's results in future periods.

***Revenue***

Most of the Company's revenue to date has been generated from its collaborative agreements, including upfront fees (which may be recognised over the initial years of an agreement), research and development support and milestone payments, and grant support primarily from the Flemish government. Since its inception through 31 December 2009, Ablynx has recognised total revenue of €56.5 million from its collaboration agreements, and it has been awarded grant support totalling approximately €9.2 million, which includes €3.0 million payable through 2011. In the future, the Company will seek to generate revenue from a combination of upfront fees, research and development support, milestone payments from

collaborations, royalties from the licensing of intellectual property, grants and product sales. Ablynx expects that future revenue will continue to fluctuate from period-to-period as a result of the terms of its collaboration agreements and, to the extent that any products are successfully commercialised, the volume and timing of product sales.

The Company will continue to seek new research and development collaborations but on a very selective basis and with a clear preference for expanding existing relationships. The Company continues to apply for grant support from the Flemish government and other sources including the Portuguese Government and the European Union. The Company has not received any indication as to whether these current applications will be approved.

***Research and development expenses***

The Company's research and development expense reflects costs incurred for research and development projects, including the salaries of research personnel, rental of laboratory facilities, laboratory supplies and the costs of outsourced research and development services. It also includes the costs of maintaining and overseeing the Company's intellectual property portfolio, including the costs of legal counsel and associated filing and maintenance fees. With the exception of the patents contributed to the Company in 2001 and acquired in 2002, which have been capitalised and are being amortised over time, Ablynx expenses all costs associated with its research and development as they are incurred.

The Company expects that research and development expenditures for the discovery, development and commercialisation of drug candidates and enhancements will continue to increase as the Company progresses its pre-clinical and clinical programmes into their next phases. In addition, Ablynx intends to initiate new discovery programmes.

The expected increase will primarily relate to higher personnel costs and additional outsourcing costs. The Company intends to further increase its staff to approximately 280 by the end of 2010; and it expects to outsource additional clinical development work. In addition, from mid-2010 the Company will relocate to a 7,000 square metre facility within the Technologiepark in Zwijnaarde, Ghent, Belgium. The move to these new facilities is expected to increase general and administrative expenses and research and development expenses.

***General and administrative expenses***

The Company's general and administrative expenses consist primarily of salaries and other related costs for personnel in executive, finance, accounting, business development, quality, IT, legal and human resources functions. General and administrative expenses have increased since the Company became a public entity in 2007 with the expansion of the Company's management, Board of Directors and supporting service departments.

***Taxation***

Since its inception, the Company has not made profits and, as a result, has not paid corporate taxes, with the exception of €2,000 paid in 2005. Its accumulated tax losses totalled approximately €73.4 million as at 31 December 2009. These losses can be used to offset future profits, if and when they are made. However, no deferred tax assets have been recorded to date because of the development stage of the Company and the lack of certainty that the Company will generate taxable profits in the future.

On 27 April 2007, a law was approved in Belgium which allows Belgian companies to exempt 80% of their patent income from corporate income tax starting from the 2008 tax assessment year if such income is deemed to result from a patent which is the result of internal research and development or which has been improved internally. The tax deduction will only apply to "new" patent income (i.e. income from patents that have not given rise to sales of products or services covered by these patents to third parties by the relevant Belgian company, a licensee or an affiliated company, prior to 1 January 2007). In the case of patents acquired from third parties, the patent income that will be eligible for tax reduction will be reduced by the relevant depreciation of the acquisition price. As a result, to the extent that Ablynx becomes profitable and generates income that qualifies under the applicable provisions, Ablynx's upfront fees, milestones and royalties generated by qualifying patents, which will possibly be reduced if they relate to acquired patents, will be subject to a tax rate of a maximum of 6.8% instead of the nominal rate of 33.99%.

### 10.3 Analysis of results of operations

The following table includes information relating to the Company's results for the years ended 31 December 2007, 2008 and 2009:

**Income Statement Data:**

| | Year Ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| Revenue: | | | |
| Research and development | 28,068 | 15,557 | 8,785 |
| Grants | 1,615 | 1,198 | 1,135 |
| **Total revenue** | **29,683** | **16,755** | **9,920** |
| Research & development expense | (42,800) | (29,889) | (18,750) |
| General & administrative expense | (9,044) | (7,447) | (5,482) |
| **Total operating expenses** | **(51,844)** | **(37,336)** | **(24,232)** |
| Other operating income/(expense) | 1 | 6 | 5 |
| **Operating result** | **(22,160)** | **(20,575)** | **(14,307)** |
| Finance income (net) | 2,165 | 5,352 | 1,785 |
| Finance income | 2,487 | 5,769 | 1,824 |
| Finance expenses | (322) | (417) | (39) |
| **Loss before taxes** | **(19,995)** | **(15,223)** | **(12,522)** |
| Income tax expense | — | — | — |
| **Loss for the year** | **(19,995)** | **(15,223)** | **(12,522)** |

***Revenue***

Total revenue increased €6.8 million from €9.9 million in 2007 to €16.8 million in 2008. This increase was primarily attributable to a €6.8 million increase in research and development revenue, resulting mainly from the collaborative agreements with Novartis, Pfizer, BI and Merck Serono. In addition, Ablynx had an €63,000 increase in grant revenues due to two new grants from the Flemish government from which the Company will receive €2.3 million funding between 2008 and 2011.

Total revenue increased by €12.9 million from €16.8 million in 2008 to €29.7 million in 2009. This increase was primarily attributable to milestone payments received under the collaborative agreements with Novartis, Wyeth Pharmaceuticals, BI and Merck Serono.

***Research and development expenses***

Research and development expenses increased by €11.1 million from €18.8 million in 2007 to €29.9 million in 2008. This increase was primarily attributable to a €4.6 million increase in external development costs and a €3.7 million increase in personnel costs as research and development staff increased to 176 as at 31 December 2008. It also reflects a €3.3 million increase in laboratory expenses, depreciations and other operating expenses. Patent costs, however, decreased to €1.2 million from €1.6 million in 2007.

Research and development expenses increased by €12.9 million from €29.9 million in 2008 to €42.8 million in 2009. This increase was primarily attributable to a €2.3 million increase in personnel costs as research and development staff increased to 195 at the end of 2009. It was also attributable to a €9.2 million increase in external development costs, which were primarily related to clinical trials.

***General and administrative expenses***

General and administrative expenses increased by €2 million from €5.5 million in 2007 to €7.4 million in 2008. This increase primarily resulted from a €1.3 million increase in consultancy costs, including lawyers, and from a €0.2 million increase in personnel costs, including share based payments.

General and administrative expenses increased by €1.6 million from €7.4 million in 2008 to €9.0 million in 2009. This increase was primarily attributable to a €1.1 million increase in personnel costs, including share based payments.

***Other operating income and expenses***

Other operating income and expenses are those that are ancillary to the Company's primary business. This is primarily revenue from the sale of surplus equipment (other operating income) and llamas and cross charging of expenses.

Other operating income increased by €1,000 from €5,000 in 2007 to €6,000 in 2008.

Other operating income and expenses decreased €5,000 from €6,000 in 2008 to €1,000 in 2009.

***Operational result***

As a result of the foregoing, the loss from continuing operations before tax and net finance income increased from €14.3 million in 2007 to €20.6 million in 2008 to approximately €22.2 million in 2009.

***Finance income (net)***

Finance income (net) primarily comprises interest from deposits and floating and fixed rate notes. Finance income (net) increased by €3.6 million from €1.8 million in 2007 to €5.4 million in 2008. The increase was principally due to increased income from deposit of the proceeds of the Company's IPO in November 2007. Finance income (net) decreased by €3.2 million from €5.4 million in 2008 to €2.2 million in 2009. This decrease was primarily attributable to lower interest rates and a lower cash position.

***Loss before tax***

As a result of the foregoing, loss before tax increased from €12.5 million in 2007 to €15.2 million in 2008 and €20.0 million in 2009.

***Income tax expense***

As the Company incurred losses in all of the relevant periods it had no taxable income and, therefore, it paid no taxes.

***Loss for the period***

As a result of the foregoing, the loss incurred by the Company increased from €12.5 million in 2007 to €15.2 million in 2008 and €20.0 million in 2009.

### 10.4 Balance sheet analysis

The following table sets forth selected balance sheet data of the Company as at 31 December 2007, 2008 and 2009.

**Balance Sheet Data:**

| | As at 31 December | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| | | **(€'000) (audited)** | |
| Non-current assets | 4,277 | 5,001 | 3,505 |
| Current assets | 97,645 | 121,522 | 130,831 |
| **Total assets** | **101,922** | **126,523** | **134,336** |
| Equity | 76,126 | 93,870 | 108,175 |
| Non-current liabilities | — | 3 | 61 |
| Current liabilities | 25,796 | 32,650 | 26,100 |
| **Total equity and liabilities** | **101,922** | **126,523** | **134,336** |

*Assets*

The Company's assets comprise the following:

| | Year Ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| Intangible assets | 799 | 801 | 751 |
| Non-current tangible assets | 3,478 | 4,200 | 2,754 |
| Current assets | 97,645 | 121,522 | 130,831 |
| **Total assets** | **101,922** | **126,523** | **134,336** |

The Company's intangible assets include a portfolio of patents which are being depreciated over approximately 12 years and a technology licence that is being depreciated over 18 years. The Company has not capitalised any other patents and it expenses all of its research and development activities. The intangible assets also include software licences acquired over recent years.

The Company's non-current tangible assets include the Company's laboratory and office equipment. The Company does not own any real estate. The increase in non-current assets during the past three years primarily relates to the increase in equipment as the Company has increased the scope of its research activities.

The Company's current tangible assets consist mainly of trade receivables, available-for-sale financial assets, cash and cash equivalents and other short term investments. The €9.3 million decrease from 2007 to 2008 and the €23.8 million decrease from 2008 to 2009 were primarily related to the decrease in cash and cash equivalents and available-for-sale financial assets resulting from the Company's ordinary burn rate.

*Liabilities*

The Company's current liabilities primarily relate to deferred income from collaborative arrangements and trade payables. The variances in deferred income over the three years relate to the deals with partners.

### 10.5 Impact Of Inflation

The results of the Company's operations for the periods discussed have not been materially affected by inflation.

### 10.6 Liquidity and capital resources

*General*

The Company's liquidity requirements primarily relate to the funding of research and development expenses, general and administration expenses, capital expenditures, licensing payments and working capital requirements. Historically, the Company was funded from equity capital, including private equity investments and the proceeds from the Company's IPO, research and development contracts with pharmaceutical companies and grants. Following the Offering, and the application of the proceeds as described in "6 Use of Proceeds", the Company's principal sources of funds are expected to continue to be cash on hand and cash from operations.

*Cash flows*

The following table sets forth the Company's cash flows for the years ended 31 December 2007, 2008 and 2009.

| | Year Ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| Net cash generated from (used in) operating activities | (19,911) | (9,583) | 3,000 |
| Net cash generated from (used in) investing activities | 15,617 | (69,031) | (2,005) |
| Net cash generated from (used in) financing activities | 470 | 258 | 99,695 |

**Cash flow from operating activities** represented a net inflow of €3.0 million in 2007 and a net outflow of €9.6 million in 2008. Unlike 2007, increased operating expenses in 2008 were only partially offset by the positive impact of new collaborative agreements on revenue and working capital. Cash flow from operating activities was a net outflow of €19.9 million in 2009, which was primarily attributable to higher costs of operations and, to a lesser extent, normal variances in working capital.

**Cash flow from investing activities** represented a net outflow of €2.0 million in 2007 compared to a net outflow of €69.0 million in 2008 and a net inflow of €15.6 million in 2009. The changes primarily reflected increased investments in laboratory and office equipment during the periods and valuations in Available-for-Sale investments. The net inflow of €15.6 million is largely related to the expiration of €16 million floating and fixed rate notes. Available-for-sale financial assets include €20 million investments in floating rate notes.

**Cash flow from financing activities** was a net inflow of €99.7 million in 2007 and €0.3 million in 2008. The decrease is primarily a result of €85 million raised as part of the IPO in 2007. Cash flow from financing activities in 2008 and the net inflow of €0.5 million in 2009 were related to the proceeds from exercised Warrants.

***Indebtedness***

The Company currently has no indebtedness.

***Capital expenditures***

The following table sets forth the Company's capital expenditures for the years ended 31 December 2007, 2008 and 2009:

| | Year Ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) (audited) | |
| Intangible assets | 198 | 229 | 11 |
| Tangible assets | 1,684 | 3,305 | 1,994 |

The Company expects that its capital expenditures will increase in 2010 as a result of investments in laboratory and office equipment in its new facilities in Ghent.

### 10.7 Contractual obligations and commitments

The following table summarises the Company's commitments for future expenditures related to long-term debt as of 31 December 2009:

| | Repayments due within | | | |
|---|---|---|---|---|
| | 1 Year | 2-5 Years | 5 or more Years | Total |
| | (€'000) | | | |
| Loan | — | — | — | — |
| Financial leases | 3 | — | — | 3 |
| Operating leases | 1,606 | 762 | — | 2,368 |
| **Total** | **1,609** | **762** | **—** | **2,371** |

### 10.8 Disclosures about interest rate, credit and currency risk

The Company has limited interest rate risk as it has no borrowings and only a small amount of lease indebtedness. The Company also believes that its credit risk, relating to receivables, is limited because its receivables are with very large and creditworthy organisations.

Foreign currency risk relates to the risk that the Company will incur economic losses due to adverse changes in foreign currency exchange rates. The Company may be subject to currency risk as certain of its research agreements may be in foreign currencies, (currently only the Pfizer agreement is denominated in U.S. dollars) and it purchases some of its laboratory equipment in foreign currencies. The Company has not entered into any currency hedging arrangements in order to cover its currency exposure.

### 10.9 Critical accounting policies and estimates

The preparation of the Company's financial statements requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities as reflected in its financial statements at the reporting date, as well as the disclosure of amounts of revenue and expenses for the period being reported on. These estimates are made mainly in respect of fair values of financial instruments, impairment losses, deferred income tax and allowances for bad debts, provisions for employees' vacation leave payments, as well as the useful life and residual values of equipment. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these financial statements.

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.

***Carrying values of property, plant and equipment ("PP&E")***

The Company monitors internal and external indicators of impairment relating to its PP&E. Management has concluded that no impairment has arisen in respect of assets during 2007 to 2009 and since 31 December 2009.

## 11 BUSINESS

### 11.1 Overview

Ablynx is a biopharmaceutical company focused on the discovery and development of Nanobodies, a new class of novel therapeutic proteins that are derived from naturally occurring antibodies. Nanobodies are based on the smallest functional fragments of "heavy chain only" antibodies, which occur naturally in the *Camelidae* family, including camels and llamas. These stable "heavy chain only" antibodies have not been found in any other mammals to date.

**The Nanobody solution**

The Company believes that Nanobody based drug candidates will have a competitive advantage, as they combine the benefits of conventional mAbs with some of the well-known features of small molecule drugs. Ablynx can rapidly identify and produce Nanobodies with both high affinity and specificity against a wide range of biological targets, often taking advantage of the relative ease with which multi-valent and multi-specific formats may be generated. The Company believes that, coupled with their high affinities and specificities, the additional attributes of Nanobodies, including their small size, formatting flexibility, potential for extended half-life, high stability and ease of manufacture, make them attractive drug candidates with potential applications in major therapeutic areas, including cardiovascular disease, inflammation, musculoskeletal, oncology and neurology. The inherent stability of Nanobodies offers the opportunity for alternative routes of administration which do not involve needle-based injection, including oral, inhalation and transdermal, thus broadening their potential application and market opportunity.

To date, Nanobodies have been generated against more than 190 protein targets, including some complex targets and classes of targets (such as GPCRs, ion channels and viruses)[(i)], many of which are very difficult to access with mAbs. In addition, positive *in vivo* efficacy data have currently been demonstrated in 28 animal disease models. The Company believes that its technology platform is well-validated, as it has been the subject of more than 210 peer-reviewed scientific papers. Ablynx 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.

**Nanobody product portfolio**

There are four Nanobody programmes currently in the clinic - three wholly owned by Ablynx and the fourth partnered with Pfizer. The Company's two most advanced development programmes (ALX-0081 and ALX-0681) both target a blood protein called vWF which is important in the thrombotic cascade. The lead Nanobody-product is ALX-0081, which is administered intravenously and which recently commenced Phase II clinical trials. Ablynx believes that ALX-0081 may be valuable in several therapeutic indications, including acute coronary syndrome (ACS), requiring percutaneous coronary intervention (PCI), and stroke. The current Phase II trial for ALX-0081 is a direct head-to-head comparison with ReoPro in patients undergoing a PCI procedure. Patient recruitment is expected to be complete by the fourth quarter of 2010 and data on the primary endpoint of clinical bleeding risk are expected in the fourth quarter of 2010 or the first quarter of 2011. It is probable that the Company will not develop ALX-0081 beyond Phase II clinical trials on its own because of the size and cost of the Phase III trials which are likely to be required (see also the criteria set out in "11.2 Business — Ablynx strategy"). It is currently in early stage discussions with various potential collaborators. The Company is also evaluating the potential impact of partnering ALX-0081 on its strategy for ALX-0681, which utilises the same Nanobody as ALX-0081, but is administered subcutaneously. ALX-0681 is being developed initially to treat the orphan disease[(ii)] TTP which the Company believes represents a significant unmet medical need. A Phase I trial of ALX-0681 was successfully completed in 2009 and, following special protocol assistance discussions with both the European and U.S. regulatory authorities, and providing regulatory approval is given, a Phase II trial is expected to begin in the second or third quarter of 2010. If the Phase II data for ALX-0681 present a compelling case for the potential clinical benefit of ALX-0681, the Company believes that those data could be used to immediately apply for registration and, in such a case, ALX-0681 could be commercialised by 2014. Ablynx's third clinical programme (ALX-0141) is based on a Nanobody-product targeting Receptor

(i) Currently there are no approved antibody drugs which target GPCRs and ion channels, while there are more than 400 approved small molecule drugs which target GPCRs (of which the top 20 best selling drugs generated more than U.S.$69.0 billion sales in 2008) and more than 50 approved small molecule drugs which target ion channels (of which the top 20 best selling drugs generated more than U.S.$16.5 billion sales in 2008) (Source: Thomson Pharma, *www.thomson-pharma.com*)[(1)].

(ii) An orphan disease is a rare medical condition.

Activator of Nuclear Factor kappa B ligand (RANKL). This is an important potential target in the control of bone loss and erosion in diseases such as osteoporosis, cancer and rheumatoid arthritis (RA). ALX-0141 entered Phase I trials in post-menopausal women in late 2009 and initial data on the primary endpoints of safety and tolerance together with bone biomarker data, are expected in the third quarter of 2010. Due to the anticipated size and cost of Phase III trials, the Company is currently intending to seek to partner the programme after Phase II. This is an exciting market, with the first mAb targeting RANKL denosumab (Prolia®) developed by Amgen[(2)] expected to be approved in 2010 and with some analysts forecasting more than U.S.$4 billion peak sales of this product.[(3)]

The Company is currently at the pre-clinical stage of developing a Nanobody (ALX-0061) for the treatment of auto-immune and inflammatory disease. The Investigational Medicinal Product Dossier (IMPD) for ALX-0061 is expected to be filed by the end of 2010 and a first Phase I/II clinical trial is planned for early 2011. Due to the eventual anticipated size and cost of Phase III trials, the Company currently expects that it will seek a partner before reaching that stage of clinical development.

The Company is also currently at the pre-clinical stage of developing a Nanobody (ALX-0651) for mobilization of stem cells in the treatment of malignancies. The IMPD for ALX-0651 is expected to be filed in the second half of 2011 and a first Phase I/II clinical trial is anticipated to start thereafter. At this stage, the Company has not determined how long it will retain full ownership of this programme.

**Collaborations and partnerships**

Ablynx has entered into collaborations at both an early research phase and later in pre-clinical development. Going forward, the Company will partner the majority of its retained in-house programmes when large and expensive clinical trials would be required.

Ablynx's current important scientific and commercial collaborations include those with BI, Pfizer (formerly Wyeth Pharmaceuticals), Merck Serono and Novartis. The theoretical deal value agreed between the parties (i.e., estimated maximum), excluding royalties, of the main collaboration agreements are as follows: BI Alzheimer's Agreement (€206 million); BI Strategic Alliance Agreement (€1.3 billion); Pfizer Agreement (U.S.$212.5 million); Merck Serono Agreement (€325 million: assuming conversion into a classic royalty and milestone deal at the latest option point). For more information see "11.7 Business — Collaborations and Partnerships".

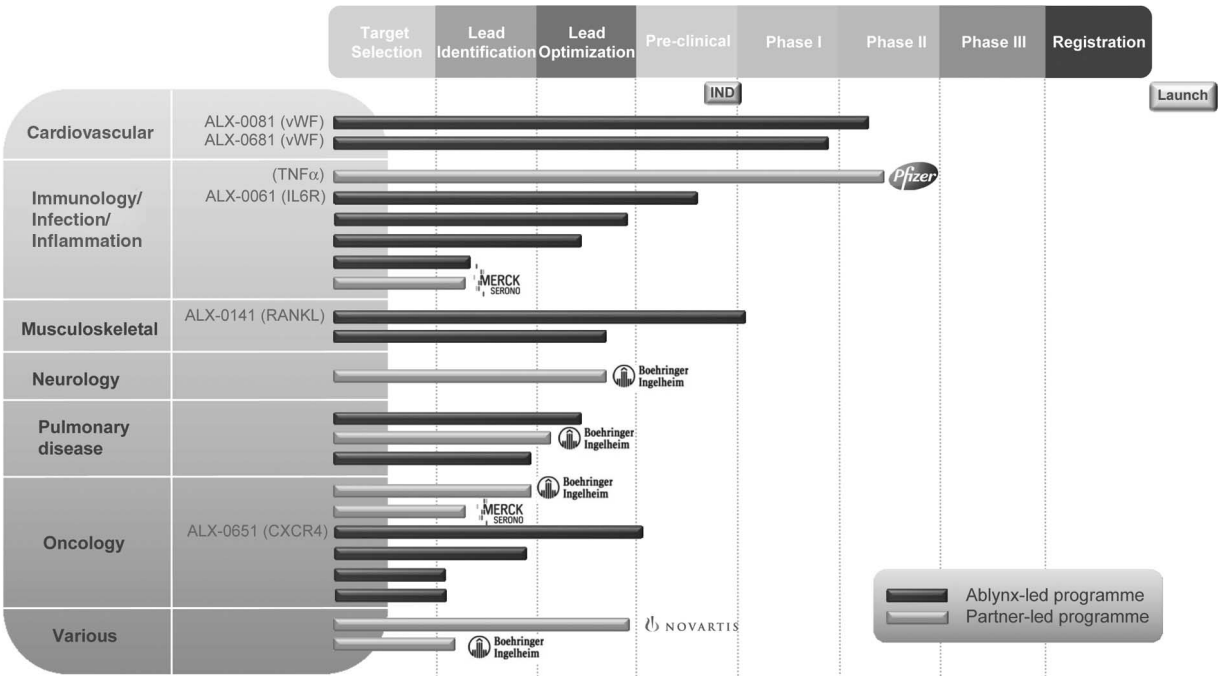
With the exception of Merck Serono, such deals involve Ablynx receiving over a period of years, one or a combination of the following: up-front payments; FTE related payments; payments for the achievement of technical milestones (e.g. on initiation of Phase I, Phase II and Phase III trials or market approval) and royalty payments on future product sales. In return, Ablynx licenses or transfers certain intellectual property rights to its collaborators, and usually also provides scientific support, resources and expertise.

The Merck Serono deal, which was entered into in 2008, is different. After receiving an initial €10 million up-front payment from Merck Serono, Ablynx is sharing equally in the research and development costs for the two programmes and so will share equally in any resulting profits, though it does have options to convert this into a classic milestone and royalty deal if Ablynx no longer wishes to bear any costs. Ablynx will continue to explore the potential for new collaborations, generally with a preference for working with existing partners and with an increased determination to retain programmes until they are clinically validated and can command more favourable commercial terms, should Ablynx decide to partner them. Ablynx will even consider commercialising certain Nanobody based products itself where it believes the costs and resources required to do this are within its capabilities.

Ablynx's lead partnered programme, focussed on Nanobodies to TNFα, was licensed to Pfizer in 2006 at the pre-clinical stage in a deal potentially worth approximately U.S.$212.5 million in milestones plus royalties. Pfizer completed Phase I trials for this programme in the summer of 2009, and commenced Phase II trials in rheumatoid arthritis patients in September 2009, with the trials expected to be completed in the third or fourth quarter of 2010. The Company believes that the earliest that this product could receive market authorisation would be 2013 and thereby could be the first Nanobody therapeutic product on the market. The market for anti-TNFα biologics was U.S.$16.9 billion in 2008.[(4)] With Pfizer currently sharing in the U.S.$6.4 billion sales for the commercially available anti-TNFα biologic etanercept (Enbrel®)[(5)], also marketed by Amgen and Takeda, which will start losing patent protection in 2012, the Company believes it has a partner with the expertise, resources and motivation to rapidly drive this programme successfully to market.

**Nanobody product pipeline**

The Company's current research and development pipeline includes Nanobody based products at a range of different stages of progression for the following disease indications:




**Intellectual property**

The Company has an extensive patent position in the field of Nanobodies for healthcare applications. It has exclusive rights to more than 450 patent applications and granted patents in more than 130 patent families worldwide, including the Hamers patents covering the basic structure, composition, preparation and uses of Nanobodies. The Hamers patents have been granted or are pending in major territories including the United States, Europe and Japan. As a result of its exclusive patent rights, Ablynx is the only company in the world which has the intellectual property rights required for the worldwide commercialisation of healthcare products based on Nanobodies. Since 2006, the Company has been filing patent applications for targets and classes of targets and as a result, the Company currently holds more than 20 patent families which broadly cover Nanobodies and other single domain binding proteins directed against such classes of targets. These patent applications extend the original concept from the Hamers patents for these particular targets and target classes well beyond the expected expiry dates (the expiry dates begin in 2013 in Europe and 2015 in the United States) for the original Hamers patents. The Company's patents also cover all of its internal and partnered development programmes. In addition, Ablynx files patent applications on things such as novel routes of administration and formulations and protects know-how, such as immunisation strategies, through confidentiality procedures.

**Financing, facilities and people**

To date, the Company has raised €156.4 million in equity financing including exercise of warrants. It has research and development facilities in Ghent, Belgium, and Porto, Portugal and as of 31 December 2009, it had more than 230 employees, 37% of whom hold Ph.D. degrees.

**Progress since IPO**

Since its IPO in November 2007, Ablynx's management team has been complemented by the arrival of a new Chief Scientific Officer, Debbie Law, and the management team's overall experience, expertise and commitment have been illustrated by the achievement of all key milestones. The product pipeline has been strengthened in breadth and depth and with four Nanobody programmes now in the clinic, the Company believes that the risk of serious generic Nanobody related safety issues has been reduced. The Company has continued to invest in the development of the Nanobody platform and has demonstrated the unique nature of the technology by delivering Nanobodies through alternative routes of administration (e.g. pulmonary and needle-free), by generating Nanobodies with functional activity for "difficult" targets

such as GPCRs and ion channels and quick and efficient scale-up to produce materials for clinical trials. As the Company now has more than 25 programmes in the pipeline (compared to 13 at the IPO), including four products in the clinic (compared to one at the IPO), the Company believes that it has evolved from an early stage platform company to a more risk-balanced, clinical development stage organisation with multiple shots on goal in both clinically validated and novel target classes across a range of indications.

### 11.2 Ablynx strategy

Ablynx seeks to discover, develop and commercialise Nanobody based drugs for a range of important human diseases. The key elements of the Company's strategy are set out below.

- ***Continue to leverage the advantages of the Company's Nanobody technology to rapidly identify potential drug candidates across a range of therapeutic areas.*** The Company's technology allows for the rapid discovery of a large number of new lead candidates, thereby improving the probability of discovering successful drug products and minimising the effects of natural pipeline attrition. The Company is not planning to focus on a specific therapeutic area in the short to medium-term. Its selection of programmes is primarily based on: an assessment of the specific advantages of Nanobodies for an indication compared to other approaches; the level of clinical validation for a particular target; the intellectual property positions; the competitive landscape, and the overall commercial opportunity. Ablynx seeks to develop a risk balanced portfolio of Nanobodies to both clinically validated and novel targets.

- ***Rapidly demonstrate proof-of-concept in the clinic for Ablynx's Nanobody based products both on its own and with partners.*** There are currently four Nanobody programmes in clinical trials. The Company's two most advanced clinical programmes both target vWF, with applications in the cardiovascular/thrombosis therapeutic area, and both are still 100% owned by Ablynx. The lead candidate, ALX-0081, entered a Phase II clinical trial in September 2009 for patients undergoing a PCI procedure. Data on the primary endpoint are expected in the fourth quarter of 2010 or the first quarter of 2011. The Company's second anti-vWF product, ALX-0681, is the same Nanobody as ALX-0081, but is administered subcutaneously, rather than intravenously and is targeted at a rare disease called TTP. A Phase II trial of ALX-0681 is expected to commence in the second or third quarter of 2010. Pfizer (formerly Wyeth Pharmaceuticals) has rapidly progressed the anti-TNFα Nanobody programme that it licensed from Ablynx at the pre-clinical development stage in 2006. This programme started Phase II trials for rheumatoid arthritis in September 2009 and data on the primary endpoint should be generated by the third or fourth quarter of 2010. A Phase I trial of an anti-RANKL Nanobody product (ALX-0141) for osteoporosis, which is also still 100% owned by Ablynx, began in December 2009 and the Company expects to report results in the third quarter of 2010.

- ***Maximise the Company's market opportunity for its Nanobody programmes with partners or on its own***. The Company will partner the majority of its retained in-house programmes when large and expensive clinical trials would be required. However, for some products against orphan diseases, certain niche products and in selected geographical markets, where possible, Ablynx intends to retain rights to some or all indications if it believes it can develop and/or selectively commercialise products using its own resources. An example is the development and commercialisation of ALX-0681 for the orphan disease TTP. The Company currently believes a fully integrated strategy from development through to commercialisation offers the greatest potential for returns in this particular case. Conversely, with the extremely large and complex market opportunity represented by the anti-TNFα Nanobodies (worldwide sales of anti-TNFα biologicals were U.S.$16.9 billion in 2008[(4)]), the Company decided to license its pre-clinical programme to Pfizer (formerly Wyeth Pharmaceuticals) in 2006. The Company believes that the progress made by Pfizer since 2006 has confirmed this as a good example of where the partnering route has the potential to be the most valuable strategy for Ablynx. The Company believes that having a small number of select, committed partners will continue to be its preferred approach going forward. For its in-house programmes, the Company will, on a case-by-case basis, evaluate whether, and at which point in the clinical development process, to seek to partner such programmes. The Company will take into account factors such as the expected further cost and complexity of the clinical development programme and the expected nature and size of the sales and marketing forces required to access the relevant market opportunity.

  Ablynx carefully manages the number of collaborative programmes in which it is engaged at any one time. It has also limited the scope of its collaborations by providing rights to specific biological targets rather than broad indications. The Company seeks to maximise the benefits from its partnerships

while retaining the ability to properly resource and focus on its own in-house discovery and development activities.

- ***Rapidly explore and develop the potential of Nanobodies in areas where they have specific advantages and invest in further advancing the technology platform in terms of performance, applicability and scale.*** The exceptional stability and solubility of Nanobodies allows them to be formulated and delivered through routes of administration other than injection, such as pulmonary, needle-free, oral-to-topical and potentially other routes. The Company is committed to rapidly advancing Nanobody products towards the clinic using alternative delivery technologies, with the first IMPD for such a product expected in 2011. In addition, the ability of Nanobodies to bind to less accessible epitopes broadens the classes of proteins that they can target. The first Nanobody product directed towards a GPCR could also be in the clinic in 2011. Ablynx has its own proprietary half-life extension technology called NExpedite and it will continue to invest in this to broaden the technology's applicability and performance. Additionally, the Company will explore new areas to increase the productivity of the Nanobody discovery process as well as the concept of next generation Nanobodies. Based on the currently (and potentially future) demonstrated advantages of Nanobodies, the Company believes that the Nanobody platform could be the technology of choice for a wide range of therapeutic indications.

- ***Maintain and expand Ablynx's proprietary Nanobody technology and intellectual property position.*** Ablynx has rights in the field of healthcare applications to patents and patent applications in the United States, Europe, Japan and other territories which describe the basic structure, composition, preparation and uses of Nanobodies. The Company also has extensive intellectual property around its development programmes and the resulting products. Ablynx intends to actively protect its proprietary position and will continue to file additional patents on products, targets and technology whenever appropriate. Ablynx has filed numerous patent applications covering target classes as well as individual targets. These include complex targets such as GPCRs, ion channels and viruses, many of which are difficult to target with classical mAbs. The Company has also filed several patent applications on alternative routes of administration of Nanobodies (i.e. routes other than injection). To help develop its technology platform and expand its intellectual property portfolio, the Company maintains collaboration and outsourcing arrangements with several academic laboratories and retains rights to all of the intellectual property developed under these arrangements. For a description of the Company's intellectual property, see "11.9 Business — Intellectual Property". For a description of pending or threatened litigation in this respect, including oppositions filed by the Company against a number of patents granted to Domantis Ltd. (including the potential material adverse effect that this may have on the timelines that are currently foreseen by the Company for certain development programmes), a successful opposition in February 2010 against the European patent EP1 517 921, which was originally granted to Domantis Ltd. in 2006 and which related to one specific technique for the half-life extension of immunoglobulin single variable domains and the low single-digit royalties to be paid by the Company to Domantis Ltd. on the first five Nanobody products which are commercialised, see "11.13 Business — Litigation" and "11.9 Business — Intellectual Property — Technologies for generating Nanobody leads."

## 11.3 Company history and milestones

| Year | Milestone |
|---|---|
| **2010** | • Successfully generated Nanobodies with *in vitro* functional activity for an ion channel |
| | • Demonstrated *in vivo* functional activity for a Nanobody targeting a GPCR, CXCR4, and advanced the programme into pre-clinical development |
| | • Successfully opposed Domantis' European half-life extension patent EP 1 517 921 before the Opposition Division of the European Patent Office |
| | • Awarded €1.2 million grant for the development of ALX-0061 |
| **2009** | • Showed proof-of-concept by biomarker for ALX-0081 in a Phase I open label study |
| | • Received three milestone payments from BI totalling €9 million in 2009 |
| | • Initiated a Phase I trial for ALX-0141 |
| | • Received U.S.$4 million milestone payment as Pfizer entered Phase II with an anti-TNFα Nanobody |
| | • Initiated Phase II clinical trials for ALX-0081 |
| | • Reported positive Phase I results for ALX-0681 |
| | • Received Orphan Drug Designation for the vWF programme in TTP from both the FDA and EMEA |
| **2008** | • Initiated a Phase I trial for ALX-0681 |
| | • Received a U.S.$3 million milestone payment as Pfizer entered Phase I with an anti-TNFα Nanobody |
| | • Entered into a co-discovery and co-development agreement with Merck Serono with an upfront payment of €10 million |
| | • Reported positive Phase Ib results for ALX-0081 |
| **2007** | • Initiated Phase Ib study in patients for ALX-0081 |
| | • Raised over €85 million through an IPO on Euronext Brussels |
| | • Entered into a €1.3[(b)] billion collaboration agreement with BI |
| | • Initiated the first clinical trial of a Nanobody (ALX-0081) and reported positive Phase I results |
| | • Announced a €206[(b)] million collaboration agreement with BI to develop a Nanobody based treatment for Alzheimer's disease[(a)] |
| **2006** | • Entered into a U.S.$212.5[(b)] million licensing agreement with Pfizer for Nanobodies to TNFα |
| | • Raised €40 million through a Series C financing |
| **2005** | • Entered into a collaboration with Novartis |
| **2004** | • Raised €25 million through a Series B financing |
| **2002** | • Raised €3 million through a second closing of the Series A financing |
| **2001** | • Raised €2 million through a first closing of Series A financing |
| | • Ablynx established by VIB and Gimv NV ("Gimv") |

(a) Under an agreement with reMYND NV, Ablynx has the obligation to pay reMYND 50% of any income received if it licenses Nanobodies which were tested by reMYND, for activity in animal models of Alzheimer's disease, to a third-party for development and commercialisation. Accordingly, if BI wishes to license those specific Nanobodies for development and commercialisation (which the Company believes is very unlikely), the Company would pay reMYND 50% of the income it receives from BI as a result of such licensing arrangement.

(b) Theoretical deal value agreed between the parties (i.e., estimated maximum), excluding royalties.

## 11.4 The Nanobody solution

***Background***

The pharmaceutical industry originally developed based on the use of small synthetic organic molecules with M.W.s in the range of 300-to-500 D. Several characteristics of small molecules allowed their broad application to a wide range of biological targets, including the fact that they are stable, can often be delivered orally as well as through other routes of administration and that they are relatively easy to manufacture. The majority of pharmaceutical products currently marketed are small molecules. The key disadvantage of small molecules is that they often bind to multiple different biological targets in addition to the intended target, resulting in unwanted side-effects and requiring lengthy lead optimisation to improve their affinity and/or selectivity.

The limitations of small molecule drugs resulted in efforts to develop other types of therapeutic molecules. As part of their natural defence system against pathogens and tumour cells, the immune system of vertebrates naturally produces molecules called antibodies, which are very specific and have high affinities to a particular target. In the 1970s, technology was developed to produce mAbs, and this provided the catalyst for the pharmaceutical industry to pursue the development of antibodies as potential drug candidates to start to address the shortcomings of small molecules. mAbs have been a growing segment of the pharmaceutical industry since 1986, when Orthoclone-OKT3® was approved for the treatment of transplant rejection. Since then, more than 20 mAbs have been approved to treat a variety of ailments, including cancer, inflammation, auto-immune diseases, infectious diseases, allergic asthma, macular degeneration, multiple sclerosis, cardiovascular diseases and transplant rejection. The sales growth of mAbs is outpacing that of small molecule drugs by a factor of more than ten, and they are expected to account for just under 10% of global pharmaceutical sales by 2012.(6) In 2008, sales of mAbs were U.S.$30 billion, and sales of U.S.$50 billion are predicted in 2013.(7) The success of mAbs is based on their high affinity and specificity to a particular biological target, together with the fact that they generally do not display the non-target related side-effects often associated with small molecules.

The table below provides information about some of the most commercially successful mAbs.

| Drug* | Indication** | Company | 2008 Global Sales (U.S.$ millions) |
|---|---|---|---|
| Remicade®/infliximab | Inflammatory disease | Johnson & Johnson, Merck Serono | 5,886 |
| Rituxan®/MabThera®/ rituximab | Non-Hodgkin's lymphoma | Roche, Biogen Idec | 5,686 |
| Avastin®/bevacizumab | Colorectal cancer | Roche | 5,487 |
| Herceptin®/trastuzumab | Breast cancer | Roche | 4,717 |
| Humira®/adalimumab | Inflammatory disease | Abbott Laboratories | 4,521 |
| Erbitux®/cetuximab | Cancer | Lilly, Bristol-Myers Squibb | 1,580 |
| Synagis®/palivizumab | Respiratory syncytial virus | AstraZeneca | 1,230 |

*Source: Thomson Pharma, 2009*

* For the purpose of this table, Enbrel (etanercept) has not been included as it is a dimeric fusion protein consisting of the extracellular ligand-binding portion of the TNFα receptor linked to the Fc portion of human IgG1.

** Many of these drugs are approved for multiple indications.

Despite their considerable commercial success, mAbs have some significant limitations when compared to small molecules. mAbs are large (approximately 150 kD), restricting their ability to be developed for some biological targets. They are also relatively unstable, which has generally limited administration routes to intravenous or subcutaneous injection. mAbs are also relatively difficult and expensive to manufacture. These limitations have created a demand to identify the next generation of therapeutics which ideally combines the advantages of small molecules with the benefits of mAbs.

Over the last decade there has been an increasing focus on alternative protein-based scaffolds that can be engineered to have the specific binding properties of mAbs combined with the added advantages of being small, stable and easy to manufacture. Multiple scaffold formats are being considered for potential

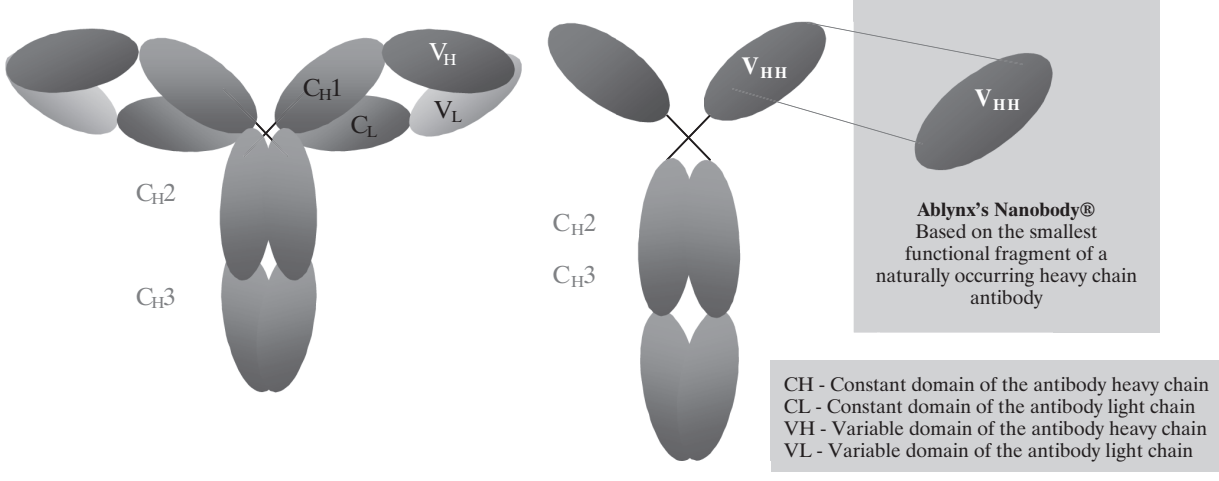
therapeutic use, including Adnectins (Adnexus now owned by Bristol-Myers Squibb), DARPins (Molecular Partners AG), Anticalins (Pieris AG) and Affibodies (Affibody AB). The first alternative scaffold (an engineered Kunitz domain, Kalbitor® (ecallantide), developed by Dyax Corp.) was approved for use in 2009.

An alternative to novel, and therefore relatively unvalidated, protein scaffold formats is to use smaller immunoglobulin based fragments as the basis for new therapeutics. Two Fab fragments (about one third the size of a full length mAb) have been approved - Lucentis® (ranibizumab) developed by Genentech/ Roche and Cimzia® (certolizumab pegol) developed by UCB Pharma. Smaller fragments of mAbs are also being evaluated for their therapeutic potential, such as human single domain antibodies (dAbs) (developed by Domantis Ltd., now owned by GlaxoSmithKline) that comprise either a mutated human heavy or light chain binding domain. As with other fragments of conventional mAbs which are not naturally stable, development of dAbs as drugs can be challenging due to their natural tendency to aggregate.

Ablynx believes that Nanobodies have the potential to be a leading next generation protein therapeutic platform. They have similar specificities and affinities to mAbs and, because they are derived from naturally occurring single domain-binding structures, they also have a number of biophysical properties that make them particularly well-suited for drug development.

### 11.4.1 Description of Nanobodies

The basis for Nanobody technology was originally discovered in 1992 at the VUB. The invention was based on the observation that *Camelidae* (the family which includes camels and llamas), in addition to having conventional antibodies, possess antibodies that lack light chains, but still have the full antigen-binding capacity of conventional antibodies. In these "heavy-chain only" antibodies, antigen binding occurs through a single variable domain ($V_{HH}$) (from which Nanobodies are derived) which is the smallest functional fragment of a naturally occurring heavy-chain antibody.




There has been considerable academic and industry-based research into Nanobodies over the last 18 years as illustrated by more than 210 peer-reviewed scientific publications. This supports the Company's belief that its Nanobody technology platform is well-validated.

### 11.4.2 The Nanobody technology platform

Ablynx has two technologies that allow it to quickly select a wide range of high potency Nanobodies for pre-clinical evaluation. In addition to phage display, which remains the most widely used technique in the industry, Ablynx has developed a proprietary Nanobody discovery process called Nanoclone. Both technologies require initial immunisation of a member of the *Camelidae* family (Ablynx uses llamas) with the target antigen. After approximately six to twelve weeks, a small quantity of tissue is collected from the immunised Ilama. The tissue sample will generally already contain tens or hundreds of different high affinity heavy chain only antibodies specific for the target antigen. Either phage display or Nanoclone may then be used to select for the target specific Nanobodies.

Using the phage display method, expression libraries of Nanobodies are made from B-cells isolated from the tissue of the immunised llamas. A repetitive procedure of selection and amplification is then used to isolate a single antigen/target binding $V_{HH}$ from a collection of millions of different $V_{HH}$ fragments. This approach is particularly effective when developing Nanobodies against cell-surface-based or integral membrane antigens.

Using its own proprietary Nanoclone technology, the Company can identify antigen specific Nanobodies directly in the tissue of immunised llamas. In this process, B-cells from immunised llamas are stained with fluorescently labelled antigen and then sorted using flow cytometry, following which the genetic information encoding the Nanobody is amplified from the RNA of the B-cell clone. This technique requires a labelled antigen for selection and is therefore suited for developing Nanobodies against soluble antigens or extracellular domains of receptors.

The immunisation procedure used by Ablynx compares favourably with other technologies for isolating binding proteins from non-immunised or synthetic gene sources because it may avoid the need for *in vitro* engineering of affinity, potency and stability. Instead, it initially relies on the natural immune response of the llama to deliver high affinity, stable and specific binders.

The Company has produced Nanobodies against more than 100 biological targets and has shown proof-of-concept in 12 animal disease models. External collaborators and other academics have produced Nanobodies against more than 90 additional biological targets and have shown proof-of-concept in 16 additional animal disease models.

Using both phage display and Nanoclone technologies, the Company produces Nanobody leads which can be formatted and potentially progress into pre-clinical development within 18-24 months from accessing a biological target. Based on its experience, the Company expects to be able to advance new Nanobody based drug candidates from initial discovery to the filing of an IMPD within an average of about 44 months, although it filed an IMPD for its first product (ALX-0081) only about 26 months after starting the selection campaign leading to its discovery.

The structural features of Nanobodies make them suitable for recognising a wide variety of antigens, including targets where mAbs have proved successful, such as cell surface antigens, some transmembrane receptors and proteins, circulating proteins or peptides and viral coat or bacterial adhesion molecules. In addition, Nanobodies can also be generated to targets which have proved difficult for mAbs, such as GPCRs, enzymes and ion channels.

The use of the llama's natural immune system provides quick access to Nanobody leads. Nanobody technology can be rapidly applied to a range of targets within a target class and this allows the Company to file patent applications covering protein family groups as well as individual targets. For example, the Company has generated Nanobodies against the majority of currently known cell-surface based molecules involved in the process of co-stimulation of T-cells by antigen presenting cells. The Company has filed patent applications covering the protein family as well as the individual targets.

To reduce the risk of immunogenicity, Ablynx routinely humanises its Nanobodies. This is a straight-forward procedure because Nanobodies already display relatively high sequence homology to human heavy chain variable domains, typically between 80% and 90% when comparing the framework regions. Certain mutations may be introduced into these framework regions without losing the desired structural and functional properties that are the defining features of Nanobodies. To date, the Company has humanised 27 Nanobodies through a process that yields an average of 91% sequence homology in the framework regions. This translates into an average of only six differences in the framework regions compared with the consensus human VH3-JH5 germline immunoglobulin sequence. Commercially successful mAbs like Remicade®, Avastin or Humira have, respectively, 19, 8 and 1 difference(s) in their heavy chain variable domain framework regions, compared with the consensus human VH3-JH5 germline immunoglobulin sequence. Clinical trials with Nanobodies have provided further supporting evidence for their expected low immunogenic potential in humans.

Wild-type Nanobody sequences may also be further optimised to replace amino acids which may be less desirable from a manufacturing standpoint.

Non-engineered Nanobodies usually have a half-life in plasma of hours rather than days. Depending on the target and disease indication, such a short half-life may be advantageous, for example, as with the anti-vWF Nanobody ALX-0081. However, in chronic treatment settings, a Nanobody with a longer half-life may be preferable. While several technologies are available, and have been used by the Company to increase Nanobody half-life, Ablynx has also explored new half-life extension technologies and has developed NExpedite. NExpedite involves the use of small peptides that bind to human serum albumin. These binding peptides are derived from Nanobody sequences (from the complementarity determining regions (CDRs) that are responsible for specific binding to targets). Ablynx believes that NExpedite peptides have a number of important features for use as a half-life extension technology: their small size has limited impact on the overall size of the Nanobody drug candidate, they are also not expected to have a

negative impact on the manufacturing of Nanobody products utilising the technology and, they are anticipated to have a relatively low potential for immunogenicity. In addition, because serum albumin has been shown to accumulate in tumours and inflamed joints, targeting of Nanobodies to sites of disease may be improved by the use of the NExpedite technology. By genetically fusing NExpedite peptides to Nanobodies, half-life extension of multiple days has been achieved in non-human primates. Allometric modelling of such data suggests that a half-life ranging from several days to weeks may be achievable in humans. The Company continues to develop and optimise its NExpedite technology.

The formatting flexibility of Nanobodies may be exploited in many ways. For example, molecules with high potency can be made by constructing multi-valent Nanobodies (by linking two or more $V_{HH}$ domains binding to identical epitopes) or by constructing biparatopic Nanobodies (by linking two $V_{HH}$ domains binding to two different epitopes which are on the same antigen). In addition, Nanobodies to different targets can be linked together to produce multi-specific Nanobodies which, for example, may have applications in complex diseases such as cancer.

Nanobodies have biophysical properties, including resistance to heat, pH and enzymatic cleavage, which offer the potential for other routes of administration rather than just injection. The Company has demonstrated that Nanobodies can retain their functionality when delivered via pulmonary (intranasal or intratracheal) and oral routes in animal models. For example, anti-avian influenza Nanobodies which are capable of neutralizing virus *in vitro* have also been shown to have efficacy in an *in vivo* mouse model. In these studies, Nanobodies were administered intratracheally either prior to (prophylactic model) or subsequent to (therapeutic model) challenge with the virus. In both the prophylactic and therapeutic setting the pulmonary-delivered Nanobodies were shown to have efficacy and could reduce viral load in the lungs. In addition, it has also been shown that Nanobodies delivered to the lung can be subsequently identified in the peripheral circulation and can retain their biological activity in the periphery. For example, an anti-human cytokine Nanobody delivered to the lungs of mice via a spary-nebulizer could be shown to have an effect on mouse cell activation in the periphery. These data indicate that Nanobodies delivered via pulmonary routes can have both local effect (in the lungs) as well as systemic effects (in the periphery) which could be of value for treating diseases such as asthma, where the disease has both a local lung and a systemic pathology. Additionally, Nanobodies have been formulated into the solid forms which are used in some needle-free delivery devices at amounts that are clinically relevant. Ablynx continues to investigate new routes of administration including oral to systemic, ocular and transdermal delivery.

### 11.4.3 The Nanobody advantages

Ablynx believes that Nanobodies combine the beneficial features of conventional antibodies with many of the desirable properties of small molecule drugs. Like conventional antibodies, Nanobodies possess:

- high specificity and affinity to many different types of antigens, including many therapeutic protein targets; and
- lower potential for side-effects due to their highly selective binding.

In addition, Nanobodies offer several advantages over conventional antibodies, including:

- they are small (with M.W.s ranging from 12-to-15 kD they are approximately ten times smaller than mAbs) allowing for greater penetration into tissues;
- the unique structure of their antigen-binding sites (or CDRs), enables binding into small cavities and clefts and to a wide range of protein epitopes, such as those present in viruses, enzymes, hormones, growth factors and receptors. Nanobodies can bind to epitopes not easily recognised or not easily accessible to conventional antibodies and have the potential to have functional activity against targets such as GPCRs and ion channels where to date only small molecules have been commercially successful;
- they have or can be engineered to have high thermodynamic stability, chemical stability, high solubility, storage stability and resistance to proteases. This can translate into protein-based drugs which are very stable, with long shelf-lives, low propensity for aggregation and which, in addition to injection, have the potential to be administered by other routes such as oral, transdermal, needle-free and pulmonary;
- the ability to combine $V_{HH}$ domains, which are directed at the same target, together in one Nanobody construct in order to enhance the effectiveness of detection and binding of the target molecule;

- the ability to make bi-specific and even multi-specific constructs of Nanobodies against more than one target, creating significant therapeutic opportunities to address complex diseases;
- they are typically cleared from the body quickly, but this half-life can be tailored through a variety of engineering methods to create a circulating half-life ranging from hours to weeks. As a result, the therapeutic options available to Nanobodies range from acute to chronic indications. For example, Nanobodies conjugated to polyethylene glycol and also Nanobodies comprising anti-albumin domains have shown half-lives in non-human primates of nine to ten days, which may indicate potential half-lives of two to three weeks in humans; and
- they can be relatively easily manufactured in micro-organisms at a relatively low cost compared to conventional mAbs which are usually manufactured in mammalian cells.

### 11.5 The Nanobody product portfolio

Ablynx is developing a number of therapeutic drug candidates both on its own and in collaboration with pharmaceutical partners. The Nanobody drug candidates target important acute and chronic diseases in a broad range of indications such as cardiovascular, inflammation, musculoskeletal, and oncology, and in each case take advantage of some of the special features of Nanobodies.

#### 11.5.1 Thrombosis: anti-von Willebrand Factor (vWF) programmes: ALX-0081 and ALX-0681

vWF is a protein found in the blood which acts at a very early stage in the clotting cascade, namely platelet adhesion, and is thus a potential anti-thrombotic target in cardiovascular disease. This same protein is also implicated in a rare disease called thrombotic thrombocytopenic purpura (TTP) where ultra-large vWF (ULvWF) multimers are present in the blood of patients leading to clot formation and potentially life-threatening pathology. The Company has produced Nanobodies to vWF and is developing them for both acute coronary syndrome (ACS) and TTP indications, initially using intravenous and subcutaneous routes of administration, respectively.

##### 11.5.1.1 ALX-0081: arterial thrombosis

ALX-0081 is Ablynx's lead drug candidate, targeting vWF and developed for intravenous administration. ALX-0081 entered Phase II clinical trials in September 2009.

***Description of target and mechanism of action***

The main targets for anti-thrombotic drug development have been platelets and coagulation factors. The synthesis of thromboxane A2 by platelets and their subsequent aggregation is inhibited by aspirin, the first anti-thrombotic drug. Though inhibition of platelet function is an important strategy in the reduction of the potential for thrombosis, the number of appropriate protein targets is very restricted as many of the involved signalling proteins are common to a wide range of cells and interference with their function could give rise to serious side effects. Surface receptors such as GPIIb/IIIa and GPIb are a preferred choice as targets because they are specifically involved in platelet aggregation and adhesion.

GPIIb/IIIa inhibitors have been developed and have demonstrated clinical success in anti-platelet and anti-thrombotic treatment during surgery and in reducing the thrombotic complications associated with coronary interventions such as restenosis. Blocking GPIIb/IIIa following platelet activation prevents platelet aggregation, but many other processes including signalling, secretion of granules, reorganisation of the cytoskeleton and cleavage of receptors continue to go on despite this. In addition, the clinical use of these GPIIb/IIIa inhibitors has been associated with increased treatment related bleeding events and has limited the broad use of these anti-thrombotics. Alternative strategies and new candidate targets have subsequently been investigated. These new targets include a range of receptors (ADP, ATP) which have a role in amplifying post activation signals such as those generated via thrombin receptors. Most recently, research has turned to the adhesion receptors and here, targeting the GPIb complex (which is the receptor for vWF) was determined as the most promising approach for the inhibition of thrombosis.[8]

vWF plays an important role in platelet adhesion and aggregation under the high velocity blood flow conditions in the arteries. vWF is the initiator in the thrombotic cascade in arterial vessels. Sub-endothelial collagen is exposed on damaged vessel walls as a result of artherosclerotic plaque rupture or a PCI procedure. In order to form a blood clot, platelets must adhere to the exposed collagen, release the contents of their granules and aggregate. This adhesion of platelets to the collagen is mediated by vWF. The function of vWF is to act as a bridge between a specific glycoprotein complex on the surface of platelets (GPIb receptor) and collagen fibrils. This binding interaction between the platelets and vWF is

reversible, however, the interaction causes the platelets to slow down and roll over the damaged vessel area, followed by firm adhesion through the collagen receptors on the platelets themselves. This adhesion leads to platelet activation that includes conformational changes to the platelet GPIIb/IIIa protein, resulting in fibrinogen binding and, finally, to platelet aggregation. Importantly, vWF is not involved in the mechanism of thrombus formation in the venous system where due to the lower velocity blood flow conditions the platelets are able to bind directly to the exposed collagen.

The ability to add a vWF targeting therapy to the current anti-thrombotic regimen for patients with or at risk of, arterial thrombosis could be attractive for many reasons. vWF is the first mover in the thrombotic cascade and it is specifically involved in arterial platelet aggregation. By preventing this first step of platelet adhesion to the arterial wall, any subsequent blood clot formation should be inhibited since the platelets are no longer able to roll on the vWF coated surface and can, therefore, no longer bind to the exposed collagen. At the same time, normal haemostasis should be maintained, since, in contrast to the situation with anti-platelet drugs, platelet-platelet interactions in the venous system should not be inhibited by a vWF targeting therapy.

A Nanobody based product targeting vWF, which specifically inhibits vWF mediated platelet adhesion and aggregation, may provide a highly potent and anti-thrombotic drug with a favourable safety profile that could contribute significantly to the prophylactic and therapeutic treatment of patients within or at risk of, arterial thrombus formation.

***Initial target population: "high risk" patients with arterial thrombosis undergoing a PCI***

Arterial thrombosis is the formation of a thrombus within an artery and it usually affects patients who already have atherosclerosis or narrowing of the arteries. Atherosclerosis is characterised by a thickening of the artery wall via a build-up of plaques (consisting of cells, lipids and calcium) in the arterial walls. These plaques can eventually rupture leading to clot formation within the lumen of the artery. These blood clots can cause stenosis (narrowing) of the artery or, worse, complete closure, resulting in an insufficient blood supply to tissues and organs. Depending on the severity of the vessel obstruction in the coronary arteries, clinical symptoms of coronary artery disease can range from chest pain during exercise (angina pectoris) to the life threatening event of a myocardial infarction (MI), which can be fatal if emergency treatment is not received promptly. The narrowing or obstruction of arteries in the cerebral (brain) circulation can lead to strokes. When the clot obstructs a peripheral artery (usually in the leg), it is called peripheral arterial occlusive disease (PAOD).

For patients with atherosclerosis, prevention of arterial thrombosis is a vital part of healthcare. In the case of a thrombotic event (i.e. symptoms of angina or myocardial infarction), patients need rapid and effective therapeutic intervention. Such intervention can range from anti-coagulation therapy to dissolve the blood clots to surgical procedures. Currently about two million patients in the United States, Japan, France, Germany, United Kingdom, Italy and Spain ("Key Geographic Markets") are treated every year for coronary artery narrowing or thrombosis with a procedure called PCI.[9] This procedure involves widening a narrowed artery with a balloon followed, in most cases, by placing a 'stent' - a tube made from stainless steel mesh - inside the artery to prevent it from narrowing again. As with many therapeutic interventions, there are known risk factors (e.g. anatomical complications at the site of the heart or blood vessel) as well as populations with a higher risk for treatment related adverse events and populations less likely to achieve short-term or long-term clinical success. Women for example, continue to have increased bleeding and vascular complications compared with men. Elderly patients have a higher incidence of co-morbidities and risk for bleeding complications, and diabetic patients have a higher mortality rate than non-diabetic patients. Currently this "high risk" population accounts for about 45% of all PCI procedures,[10] and with an ageing population and an increase in life style-related risk factors (i.e. obesity, hypertension, diabetes) it is expected that this proportion will increase substantially over the next decades).[11]

Although the PCI procedure is designed to remove blood clots and atherosclerotic plaques from the narrowed artery, the intervention itself can trigger thrombus formation in the treated vessel because of damage to the arterial wall. Therefore, international guidelines have been developed for the concomitant administration of anti-thrombotic therapeutics before, during and after the procedure. These guidelines are intended to prevent patients from suffering another cardiac event due to a new thrombus formation at the site of intervention. Oral anti-platelet therapy with aspirin and clopidogrel (Plavix®, Bristol-Myers Squibb & Sanofi Aventis) is the mainstay of adjunctive medication before PCI is initiated, and this is augmented with an anti-coagulant, such as low M.W. heparin, during the procedure. The administration of a GPIIb/IIIa inhibitor is recommended for certain procedures (for example, elective PCI with stent placement) or in disease conditions such as unstable angina or myocardial infarction where the protection

with aspirin and clopidogrel is potentially not sufficient to prevent further thrombus formation. They may also be recommended for "high risk" patients as defined above.

The GPIIb/IIIa inhibitors act directly on the platelets and interfere with platelet-to-platelet interactions. Their activity does not, however, discriminate between the conditions of high velocity blood flow in the arteries and the lower velocity blood flow in the venous vessels. This contributes to the bleeding complication risks associated with this drug class. Such bleeding complications may lead to serious side-effects and even increased mortality, all of which may account for the lower than anticipated uptake of the GPIIb/IIIa inhibitors.

***Product description***

ALX-0081 comprises humanised Nanobodies in a bivalent vWF targeting format. ALX-0081 potently inhibits the interaction of the A1 binding domain of vWF with the GPIb receptor on platelets. The product is administered intravenously.

Due to its small size (M.W. of approximately 28 kD compared with a M.W of approximately 150 kD for a mAb) and flexible bivalent format, ALX-0081 is able to interact with multiple A1 domains in the multimeric vWF protein. The resulting avidity effect leads to a significant potency gain compared to classical mAb formats. In addition, the Nanobody construct does not have an Fc and, therefore, complement activation, antibody dependent cellular cytotoxicity and hypersensitivity reactions, which can occur with classical mAbs, are not anticipated with ALX-0081.

ALX-0081 is in clinical development as an adjunct to PCI procedures with an expected treatment duration of 24 hours. The clinical drug product is designed for a fast onset of activity, with a well controlled duration of the anti-thrombotic effect. Since the Nanobody adopts the plasma half-life of its target, due to its high binding affinity and its low rate of dissociation, further half-life extension is both unnecessary and in fact undesirable.

ALX-0081 is manufactured in an *E.coli* expression system and production levels are in the multi-gram per litre range at current Good Marketing Practice (cGMP) manufacturing scale.

***Key pre-clinical results***

ALX-0081 was tested *in vitro* for its effectiveness and specificity in inhibiting the binding of the vWF-A1-domain to the GPIb platelet receptor. In the absence of a clinical benchmark drug for the proposed mechanism of action, ALX-0081 was compared with the anti-platelet inhibitors used in current clinical care: aspirin; heparin; clopidogrel (Plavix®), a P2Y12 ADP receptor inhibitor and; abciximab (ReoPro®), a GPIIb/IIIa inhibitor. In a representative vWF mediated platelet adhesion test, consistent with its expected mechanism of action, only ALX-0081 demonstrated high potency inhibition of platelet adhesion to exposed collagen in the presence of vWF.

To aid in the pre-clinical and clinical development of ALX-0081, specific biomarker assays were developed to measure the activity of vWF in plasma with a read-out of vWF mediated platelet aggregation. The initial biomarker assayed was RIPA (ristocetin induced platelet activation). Later in the development process, RICO (ristocetin cofactor activity) testing was also included. Both the RIPA and RICO biomarkers provide read-outs of biological activity specific to the mechanism of action of ALX-0081. Importantly, inclusion of the RICO assay allows for a robust, reproducible biomarker assay suitable for use in both clinical development and the potential future commercialisation of ALX-0081.

The pharmacology and toxicology of ALX-0081 was evaluated during the pre-clinical programme and, as expected, ALX-0081 performed much like a small molecule drug with a short residence time in circulation in its unbound form (the Nanobody is cleared via the kidneys due to its small size). In contrast, the complex formed between ALX-0081 and vWF adopts a circulating half-life similar to that of vWF (approximately 28 hours in the studied population). These pharmacokinetic properties are beneficial in the clinical setting of anti-vWF targeted therapy. As the free drug is cleared so rapidly from the circulation, very little potential for overdosing exists, and the pharmacology of ALX-0081 is "self-regulating", adjusting to the vWF levels in an individual patient. In fact, no drug accumulation has been seen so far in the clinical trials with ALX-0081. This means that, following the administration of ALX-0081, the resulting complete inhibition of vWF mediated clotting will be potentially similar for all patients after equilibrium of the vWF/ALX-0081 complex has been established. Another beneficial feature in the pharmacology of ALX-0081 is the elimination of the ALX-0081/vWF complex via the liver, using most probably a pathway distinct from the cytochrome P450 system, which is responsible for the metabolism of many small molecule therapeutics, such as clopidogrel, and is thought to contribute to drug related toxicities due to drug-drug interactions.

No ALX-0081 related toxicity or potentially clinically relevant issues were observed in the pre-clinical studies. The absence of potentially clinically relevant bleeding events confirmed the expected favourable safety profile of ALX-0081. In addition, there exists a commercially available combination product of vWF and Factor VIII (Humate P®) (used for the treatment of patients with low levels of vWF) which was successfully tested in the pre-clinical setting as an antidote capable of the rapid reversal (less than six hours) of the effect of ALX-0081.

The ability of ALX-0081 to prevent vWF mediated arterial thrombosis has been tested in the Folt's model, which is a relevant non-human primate disease model for ACS. The key parameters, measured in comparison with other anti-thrombotics, were effectiveness (i.e. inhibition of clot formation) and risk (i.e. induction of treatment related bleeding). In this Folt's model, blood clot formation (comparable to PCI procedure related clot formation in patients with ACS) was provoked and various anti-thrombotic therapies were tested for their ability to prevent clot formation and to prevent reduced blood flow due to the occlusion of the vessel, as well as for their effect on bleeding (at an unrelated incision site). Aspirin, heparin, clopidogrel and abciximab were able to prevent clot formation but demonstrated either incomplete efficacy as they were either not able to fully prevent the reduction of blood flow (heparin and clopidogrel) or their use led to an increased risk of bleeding (abciximab). ALX-0081 achieved the highest potency in terms of anti-thrombotic effect with the lowest bleeding potential compared to the standard anti-thrombotics. Furthermore, if added to aspirin, heparin and clopidogrel, ALX-0081 increased the effectiveness of the combination without increasing the bleeding potential. These data suggest that ALX-0081, with its novel mechanism of action and its specificity for the inhibition of vWF mediated arterial thrombosis, has the potential to become an important component in the adjunctive anti-thrombotic treatment regimen for patients undergoing a PCI procedure.

With its predictable pharmacological effects, specific biomarkers to determine biological effective doses and the favourable pre-clinical safety profile, the Company was able to rapidly advance ALX-0081 into a Phase I clinical trial in healthy volunteers. The clinical starting dose used and the subsequent dose levels were based on the pre-clinical studies.

***Clinical results***

*Phase I*

ALX-0081 was the first Nanobody product to reach clinical development. The first Phase I trial was performed in healthy male volunteers beginning in April 2007 with the in-life phase completed by August 2007. In the study, the safety, tolerability and pharmacokinetics of ALX-0081 were evaluated based on single ascending doses. In addition, the drug's biological effectiveness was evaluated by monitoring the RIPA biomarker.

Since the study design was guided by the pre-clinical data, it took only three dose levels before complete biomarker inhibition was reached in all study subjects at a dose of two mg. The pharmacological profile also followed the predictions of the pre-clinical modelling with a short residence time of free Nanobody drug in the blood and a longer plasma half-life of about 28 hours for the complex of ALX-0081 with vWF in this population. The onset of biomarker inhibition began immediately following the end of the infusion and was maintained in a dose dependent manner, with the 12 mg dose showing a 12 hour duration of inhibition. No treatment related toxicity was seen and there were no signs of bleeding or drug intolerance. No anti-drug antibodies could be detected in the treated volunteers.

The pharmacological results and the biomarker analysis from the single dose trial were combined with pre-clinical data to develop a model to predict the clinically effective single and multiple doses that would result in complete biomarker inhibition for at least 24 hours in patients.

In May 2008, a Phase Ib trial was started in patients with stable angina scheduled for a PCI procedure. In this study, ALX-0081 was tested for the first time in humans as an adjunct to the standard anti-thrombotic regimen comprising aspirin, heparin and clopidogrel. In the first single ascending study phase, one hour infusions of ALX-0081 or placebo were added to the standard treatment regimen until complete inhibition of the biomarker for a six hour period was achieved. In the second phase, a multiple dose regimen was tested to achieve complete inhibition of the biomarker for at least 24 hours. The in-life phase of the study was completed in December 2008 with 24 patients. The multiple dose regimen of six mg of ALX-0081 followed by three administrations of four mg of ALX-0081 every six hours (18 mg total dose) was selected for further study after six subjects were treated with this regimen and all achieved complete inhibition of the biomarker for at least 24 hours.

In addition to studying ALX-0081's potential effectiveness in the inhibition of vWF mediated arterial thrombosis, the drug's safety profile as an adjunct to the standard anti-thrombotic therapy was also evaluated by comparison with placebo as an adjunct. All treatment related adverse events were recorded, compared with the placebo group and also analysed relative to the known added bleeding risk of abciximab as an adjunct to standard anti-thrombotic therapy. Single and multiple doses of ALX-0081 were well tolerated and found to be safe. The proportions of patients with reported adverse events and serious adverse events were not significantly different for the ALX-0081 treatment group and for patients receiving placebo. The bleeding profile of both treatment groups was also not significantly different and no clinical signs of ALX-0081 related bleeding were reported. These facts compare favourably with the reported two to three fold increase in bleeding events observed with the addition of abciximab to the standard anti-thrombotic regimen. Treatment related reductions of vWF and Factor VIII levels were not clinically significant and were not classified as adverse events. As in the single dose study in healthy volunteers, no anti-drug antibody response was detected in any of the patients in the Phase Ib trial.

The Phase Ib population in the multiple dose study was subsequently extended to include another 22 patients with stable angina. From February 2009 to August 2009, 20 patients received ALX-0081 and two received placebo in the previously defined treatment schedule of four administrations every six hours for a total dose of 18 mgs over a 24 hour period. This expansion of the study provided a larger set of data on the drug's pharmacology, safety and biological effectiveness (as determined by the biomarker). In addition, a change to a bolus intravenous administration of the study drug from a one hour infusion was evaluated and a comparison of a second biomarker (RICO) was also carried out to enable its further use in the Phase II trials. The data generated showed that the administration of ALX-0081 as an intravenous bolus was safe, equally effective, non-immunogenic and well tolerated compared to the one hour infusion. It was demonstrated that the addition of ALX-0081 to a standard anti-thrombotic regimen resulted in a statistically significant inhibition of the biomarker RICO compared with the standard anti-thrombotic therapy alone. The biomarker results are indicative of the inhibition of vWF mediated platelet adhesion, aggregation and potentially subsequent arterial thrombus formation. In addition, the study also confirmed the equivalence of both biomarkers in terms of sensitivity and specificity and allowed the Company to continue the with clinical development using the more robust RICO assay.

The conclusion from the Phase Ib trial was that adjunctive treatment with ALX-0081 demonstrated biological proof-of-concept via a biomarker in patients with stable angina undergoing PCI. The determined dosing regimen was adopted for testing in the Phase II trial.

*Phase II*

ALX-0081 has been shown to have the potential to effectively inhibit vWF mediated arterial thrombosis without increasing the bleeding risk when added to the standard anti-thrombotic regimen. The Company believes that this profile fits well with the therapeutic needs of "high risk" patients undergoing PCI procedures. Currently, GPIIb/IIIa inhibitors such as abciximab are often added to the standard anti-thrombotic therapy to improve the inhibition of arterial thrombosis in these patients. Published reports state that the addition of abciximab results in a two to three fold increase in the risk of clinically significant bleeding.

The first Phase II trial of ALX-0081 started in September 2009 and is ongoing. The trial is assessing the bleeding risk and the potential effectiveness of arterial thrombosis inhibition of ALX-0081 compared to abciximab (where both drugs are given as adjuncts to standard anti-thrombotic therapy in "high risk" patients undergoing a PCI procedure). This "high risk" group includes patients that are candidates for immediate PCI with a suspicion of myocardial infarction but lacking typical markers for confirmation, or patients with unstable angina. Patients scheduled for PCI with known risk factors (i.e. women, the elderly and diabetics) are also eligible for inclusion. The Company estimates that these inclusion criteria are representative of the "high risk" group (currently approximately 45%)[10] of all patients undergoing a PCI procedure. Patients diagnosed with acute myocardial infarction will not be included in this trial.

All patients will receive the standard of adjunctive care with anti-platelet therapy (aspirin and clopidogrel), as well as the anti-coagulant heparin. Four bolus injections of ALX-0081 are added to the anti-thrombotic regimen over 24 hours and compared to treatment with abciximab which is administered by a bolus injection followed by a 12 hours continuous infusion.

The primary endpoint of the trial is the quantification of bleeding according to the "Thrombolysis in Myocardial Infarction (TIMI)" classification. All bleeding events that require medical attention and/or clinical interventions within 30 days of the PCI procedure will be recorded. Secondary endpoints include

the classical clinical efficacy endpoints evaluated over one year, such as Major Adverse Cardiac Events (MACE), as well as Cerebrovascular Events (CVE), including stroke and transient ischemic attack. During the 30 days following the PCI procedure, exploratory endpoints, such as the assessment of vascular function (as measured by determining the reactivity of the endothelial cells lining the inside of the vessel walls), responsiveness to anti-platelet therapy and microcirculatory resistance, will be evaluated and tested for their suitability to become early markers for clinical response. If a correlation between these exploratory endpoints and MACE or CVE can be shown, these markers might qualify for endpoints in Phase III clinical trials as surrogate markers for clinical outcome. The goal of the study is to demonstrate the superiority of ALX-0081 over abciximab in terms of safety (i.e. bleeding events) and equivalence in terms of efficacy. Additional data on safety and immunogenicity will also be collected.

This Phase II clinical trial is expected to recruit approximately 370 patients at about 40 clinical investigation centres in about six European countries by the fourth quarter of 2010 and intends to release data on the primary endpoint of clinical bleeding risk in the fourth quarter of 2010 or the first quarter of 2011. Results on early clinical markers and the one year endpoints of MACE and CVE are expected later in 2011.

***Future clinical plan and registration pathway***

The first registration pathway is planned for the "high risk" population of PCI patients. Beyond this, and depending on the outcome of the trials, the use of ALX-0081 may be expanded to all PCI patients. Ultimately, the drug could prove beneficial in the primary prevention of arterial thrombus formation.

Based on its mechanism of action, ALX-0081 has multiple further potential development options in indications like ischemic stroke, peripheral arterial occlusive disease and carotid endarterectomy.

An important component of future clinical trials and the registration pathway would be the validation of a set of early markers (e.g. vascular function, responsiveness to anti-platelet therapy and microcirculatory resistance). If a positive correlation of these early markers with classical clinical endpoints such as MACE or CVE (which are relatively rare) could be demonstrated they might qualify as surrogate markers for predicting the clinical benefit of anti-thrombotic therapy with ALX-0081. Such a development would have important implications in terms of potentially decreasing the size, duration and cost of Phase III trials because surrogate markers could potentially occur more frequently and earlier thereby reducing the number of patients required to show statistical significance and allowing the trial follow-up to be for a shorter duration.

***Market and competition***

ACS afflicted approximately 3.1 million people in the "Key Geographic Markets" in 2009 and the numbers are expected to grow by 13% to 3.5 million by 2014.[(12)] ACS is the leading cause of mortality in the area of cardiovascular disease. Experts believe that the prevalence and incidence of acute infarcts due to atherosclerosis will further increase due to the ageing population. After heart disease and cancer, stroke is the third most frequent cause of death in the Western world. It is estimated that over two million people suffer a stroke annually and mortality is high with 20% of patients dying, whilst the majority of the remainder is left permanently disabled.

In the Western world, PCI is rapidly becoming the standard procedure of care in ACS. Today there are approximately two million PCI procedures carried out annually in the Key Geographic Markets and the PCI market is expected to grow to approximately three million procedures annually by 2014 including both primary and secondary prevention.[(9)] However, PCI itself has become an important cause of arterial thrombosis, as the insertion of a stent often results in damage to the arterial wall leading to clot formation. Today, a patient undergoing a PCI procedure is mainly protected against acute thrombotic events by the combined therapy of aspirin, clopidogrel, and heparin. In "high risk" PCI patients, where additional protection is required due to the increased risk of thrombus formation, a GPIIb/IIIa inhibitor is typically used in addition to the current standard treatment.

The thrombosis market is relatively crowded with more than 12 anti-thrombotics commercially available, seven of which are anti-platelet drugs, and many new drug treatments in clinical development nearing commercialisation. The drug treatments for thrombosis can be divided into three classes: thrombolytic agents, anti-coagulants and anti-platelet agents.

Aspirin is known to be only a weak anti-platelet agent and the efficacy of clopidogrel is mainly proven as a chronic therapy during the six to nine month period following PCI. Aspirin and ADP receptor antagonists

like clopidogrel are also not effective in some patients and this is causing increasing concern amongst interventional cardiologists. Clopidogrel, marketed by Bristol-Myers Squibb and Sanofi Aventis, achieved worldwide sales in 2008 in excess of U.S.$9.2 billion, approximately U.S.$1.5 billion of which were related to use in PCI procedures.[13] A number of new anti-platelet agents that also target the platelet ADP receptor P2Y12, such as prasugrel (Efient®/Effient®), ticlopidine (Ticlid®/Panaldine®), ticagrelor (Brilinta®) and cangrelor as well as generic forms of clopidogrel are expected to gain market share from clopidogrel.

In "high risk" patients, an additional anti-platelet agent is sometimes added, such as abciximab (ReoPro®), eptifibatide (Integrilin®) or tirofiban (Aggrastat®). As a drug class, despite total sales of U.S.$570 million for abciximab and eftifbatide (with a small additional contribution from tirofiban) in 2008, these GPIIb/IIIa inhibitors have not been as successful as might have been anticipated.[14] Although GPIIb/IIIa inhibitors are known to be strong inhibitors of platelet aggregation, their mode of action may result in bleeding complications which often limits their use. An important feature of current platelet aggregation inhibitors is that they are indiscriminate in their activity and they can prevent both the unwanted thrombosis in injured or stenosed arteries and the desirable haemostasis in healthy blood vessels. A consequence of their use is, therefore, a frequent occurrence of bleeding complications including bleeding at the site of injection, gastro-intestinal bleeding and cerebral bleeding. Abciximab's worldwide sales are declining and only reached U.S.$259 million in 2008. Ablynx believes that this decline is primarily due to documented safety concerns. Decision Resources forecasts sales by 2012 in the Key Geographic Markets to be U.S.$129 million for eptifibatide, U.S.$95 million for abciximab and U.S.$28 million for tirofiban for the treatment of unstable angina/non-ST-elevation myocardial infarction (NSTEMI) (i.e. a group of "high risk" patients). Because of the additional and significant risk of bleeding associated with GPIIb/IIIa inhibitors, there is a need for stronger and safer anti-thrombotic agents to be used in conjunction with PCI which intervene as early as possible in the platelet adhesion-activation-aggregation cascade.

ALX-0081 would initially be positioned to compete with the GPIIb/IIIa inhibitors in patients undergoing a PCI procedure. It could challenge this class of drugs due to an improved safety profile and also, by targeting vWF, a first mover in the clotting cascade, ALX-0081 may demonstrate advantages in terms of efficacy. Subsequently, its use could be extended from the "high risk" to the "low risk" patient group and also to patients that are currently not candidates for the multi-drug anti-thrombotic regimen due to contra-indications and underlying bleeding concerns. Such patients are, for example, elderly patients and those with a history of gastro-intestinal bleeding events, a history of stroke, patients with low platelet counts and patients with severe and uncontrolled hypertension.

***Commercial strategy***

The Company believes that ALX-0081 could improve the standard of care in ACS. An important target market will be "high risk" patients (approximately 45% of the total) undergoing PCI procedures.[10] This "high risk" group has proven a challenging target for the development and commercialisation of therapeutics which can provide additional anti-thrombotic protection, such as the GPIIb/IIIa inhibitors. These patients have a high unmet medical need but present with risk factors and co-morbidities which add to the risk of complications which are associated with GPIIb/IIIa inhibitors. As a result, because of safety concerns, less than 50% of PCI patients who are candidates for GPIIb/IIIa treatment are actually treated with this drug class, thus limiting the commercial success of these products.[15]

The Company's initial goal is for ALX-0081 to become part of the standard treatment regimen for all "high risk" patients undergoing PCI procedures. Based on positive uptake in this patient group, ALX-0081 may then be adopted for use during all PCI procedures. Adjunctive treatment with ALX-0081 for all patients undergoing a PCI procedure could potentially provide additional efficacy without increasing the risk of bleeding, potentially providing the clinician with a safe, universal anti-thrombotic therapeutic.

It is probable that the Company will not develop ALX-0081 beyond Phase II clinical trials on its own because of the size and cost of the Phase III trials which are likely to be required (see also the criteria set out in "11.2 Business — Ablynx Strategy"). It is currently in early stage discussions with various potential collaborators to help assess possible options. The Company is also evaluating the potential impact of partnering ALX-0081 on its strategy for ALX-0681, which utilises the same Nanobody as ALX-0081, and which is being developed initially for the orphan disease TTP. The final commercialisation strategy for ALX-0081 will aim to maximise the value of the overall vWF programmes and will be dependent on: collaborator discussions; advice from regulatory authorities; market research, and the outcome from current and planned clinical trials.

#### 11.5.1.2 ALX-0681: TTP

ALX-0681 comprises the same anti-vWF Nanobody as ALX-0081 but is administered subcutaneously. The Phase I clinical trial for this product was initiated in December 2008 and the in-life phase concluded in April 2009.

***Description of target and mechanism of action***

The biology of TTP is based upon two key components: the enzyme ADAMTS13 and vWF. Upon expression by endothelial cells, vWF is secreted into the circulation in the form of UL-vWF. In normal haemostasis, UL-vWF is rapidly processed into smaller sized multimers through enzymatic cleavage by ADAMTS13. The A1 domains to which platelets bind are in an inactive conformation in these smaller vWF multimers, and platelet receptor binding (and subsequent thrombus formation) only occurs when the vWF is immobilised on collagen or under conditions of shear stress. In patients with TTP, processing of UL-vWF into smaller sized multimers is impaired due to a lack of functional ADAMTS13. UL-vWF retains a constitutively active A1 domain and so can readily bind platelets in the absence of collagen, leading to the formation of the characteristic string-like blood clots found in this patient population.

***Target population: patients with acquired and congenital TTP***

TTP is a rare disorder of the blood-coagulation system and can affect about five people per million with newly diagnosed congenital or primary and secondary acquired form of this disease.[16] The disease is characterised by the formation of extensive microscopic string-like clots in the small blood vessels caused by platelets binding to uncleaved UL-vWF. These clots can accumulate in the brain, the heart and other organs and cause severe damage. In addition, they consume platelets, severely impairing normal haemostasis in these patients, resulting in spontaneous bleeding events. Left untreated, a TTP episode is a life threatening event.

There are two main TTP disease populations and they are defined based on the cause of the inability to process UL-vWF: a congenital and an acquired form with the latter accounting for about 90% of the patients.

In the congenital form, the gene coding for the ADAMTS13 enzyme is deregulated, resulting in impaired or absent enzyme function. Most patients are diagnosed with this disease in early infancy and lifelong therapy is necessary. Following diagnosis, patients receive regular infusions with plasma products to ensure the presence of functional ADAMTS13 and "normal" vWF in their blood. These plasma infusions are repeated every two to three weeks which significantly impacts the mobility and overall quality of life of these patients. In addition, repeated plasma infusions are accompanied by risks, including allergic reactions, infections and the transmission of undetected viruses. Therefore, a drug which could significantly increase the interval between infusions and decrease the amount of plasma used would be potentially beneficial. Ideally, such a therapeutic would make plasma infusions unnecessary for those suffering from the congenital form of TTP.

The acquired form of TTP is acute in nature and occurs when the function of the ADAMTS13 enzyme is impaired, often due to auto-antibodies that have spontaneously developed for example, during pregnancy or in diseases like cancer, HIV, various infections and auto-immune disorders. This form of TTP occurs mainly in adults and, like the congenital form, is potentially life-threatening. Patients experiencing an attack of acquired TTP are treated at least daily with plasma exchange for an average of ten days (though some patients require many weeks of treatment) to remove UL-vWF and anti-ADAMTS13 antibodies from their blood. In most cases, patients also receive immunosuppression therapy (e.g. steroids, cyclophosphamide, or the anti-CD20 mAb, rituximab) to suppress the white blood cells that produce the auto-antibodies. However, it can take weeks or even months for these immunosuppressants to reach their maximum therapeutic effect, leaving the clinician with plasma exchange as the one reliable effective therapeutic approach during the critical early phase of an episode of acquired TTP. On average, 16 plasma exchanges are performed per patient in a procedure that requires intensive care and hospitalisation. The risks associated with plasma exchange increase with the intensity (amount and duration) of plasma exchange, so a reduction in the amount of plasma used and the number of days of plasma exchange could represent a significant clinical benefit to patients. Many acquired TTP patients also experience relapses or flares of their disease and a reduction in these events would also be very important.

A Nanobody product targeting vWF, which specifically inhibits the UL-vWF mediated clotting in TTP could provide a very important new therapeutic which might contribute significantly to the reduction of

plasma exchange or plasma transfusion procedures, earlier recovery and improved clinical outcomes and quality of life for patients with either form of this rare disease.

***Product description***

The Nanobody construct in the ALX-0681 programme is the same as used in ALX-0081, but it is administered subcutaneously rather than intravenously which allows for outpatient treatment or even self-administration, which may be important for TTP patients. ALX-0681 potently inhibits the interaction of the A1 binding domain of vWF with the GPIb receptor on platelets. Due to its small size (M.W. of approximately 28 kD compared to a mAb with a M.W. of approximately 150 kD) and flexible bivalent format, it is able to interact with multiple A1 domains via intra-molecular binding. The resulting avidity effect leads to a significant potency gain compared to a classical mAb. ALX-0681 does not have an Fc and therefore complement activation, antibody dependent cellular cytotoxicity and hypersensitivity reactions which can occur with classical monoclonal antibodies are not anticipated.

In contrast to the acute and short-term use of ALX-0081 in the thrombosis programme, ALX-0681 is expected to be used in a longer-term regimen. ALX-0681 has the potential to meet the key requirements for therapeutic performance: immediate onset of activity; predictable biological activity; rapid ability to modify dosing and; rapid recovery from TTP related symptoms. The rapid response to the requirement for dosing modifications is particularly important for patients with acquired TTP undergoing plasma exchange, where high fluctuations in platelet count can occur, indicating highly variable UL-vWF activity. A product with a longer half-life (for example, a classical mAb) would not allow such dosing flexibility.

The ALX-0681 drug product is manufactured in an *E.coli* expression system and production levels are approximately 5 g/l at cGMP manufacturing scale.

***Key pre-clinical results***

ALX-0681 binds to the A1 domain of human, non-human primate, dog and guinea pig vWF but not murine vWF. Currently, the only relevant animal model of TTP is a genetically engineered mouse model which, in the absence of cross reactivity of the anti-vWF Nanobody with mouse vWF, was not a suitable model for pre-clinical development. An alternative *ex vivo* model using plasma from patients with active TTP was thus employed. In this model, the ability of ALX-0681 to prevent the formation of string clots characteristic to TTP was evaluated. ALX-0681 showed a high degree of potency in this model.

Since the underlying mechanisms of platelet adhesion and aggregation are also mediated in TTP by the vWF A1 domain, the RICO biomarker assay used in the ALX-0081 thrombosis programme is also applicable to the ALX-0681 TTP programme. All biomarker data from the pre-clinical and clinical development in the ALX-0081 thrombosis programme were therefore used as supportive data for the ALX-0681 programme. A bridging study between intravenous and subcutaneous administration was conducted in guinea pigs. The pharmacological parameters for ALX-0681 delivered subcutaneously showed, as expected, a delayed achievement of maximum plasma levels and a prolonged presence of drug in the blood, compared with intravenous administration. The RICO biomarker response started prior to achievement of maximum plasma levels (as predicted from the pre-clinical modelling) and was completely suppressed for more than 24 hours following single and multiple daily administrations.

In order to support the longer term administration of ALX-0681 required for TTP, a three month chronic toxicology programme with a daily treatment regimen, was conducted in guinea pigs and non-human primates. No potentially clinically relevant treatment-related adverse events occurred. As expected from the previous studies, vWF levels dropped in a dose-dependent manner and stabilised at a reduced level for the duration of the treatment. The reduction of vWF was within the expected range and asymptomatic, and did not result in any clinically relevant bleeding. These data confirm that, even at high doses of ALX-0681, effects on vWF levels are predictable and do not exceed the ranges seen in the previous ALX-0081 studies. As mentioned for ALX-0081, Humate P, a combination product of vWF and Factor VIII, is commercially available and could be used as an antidote for ALX-0681 and it has been successfully tested as such in a pre-clinical setting. The antidote quickly reversed the effect of the anti-vWF Nanobody on vWF levels and restored the natural haemostatic balance.

The Company concluded that the safety data and effectiveness of ALX-0681 in pre-clinical models supported the further clinical development of the product for the treatment of patients with TTP.

***Clinical results***

*Phase I*

A Phase I randomised, placebo controlled clinical trial in 36 healthy volunteers was initiated in December 2008 and the in-life phase was concluded in April 2009. The objective of the trial was to test single and multiple subcutaneous administrations of ALX-0681 for safety, tolerance, pharmacological profiling and biological effectiveness. In the first part of the study, single ascending doses of 2 mg to 16 mg of ALX-0681 or placebo were administered to 20 subjects. The dose escalation was stopped at 16 mg because complete RICO inhibition for at least 24 hours had been achieved at this dose and the previous 10 mg dose. The 10 mg dose was chosen for the multiple dosing part of the study. The 16 subjects then received 10 mg of ALX-0681 or placebo daily for either seven or fourteen consecutive days. Overall, ALX-0681 was well tolerated and there was no significant difference in the number of subjects with adverse events or the severity of those events between the treatment and placebo groups. No signs of clinically significant bleeding were observed and no hypersensitivity or intolerance to the injections, or other study-related adverse events were reported. The pharmacological parameters for coagulation, Factor VIII and vWF, showed a fast and reversible decrease compared to pre-dose values, which normalised between 24 and 72 hours after the last dosing. The RICO biomarker was continuously and completely suppressed throughout the entire multiple dosing study, demonstrating continuous biological efficacy for more than seven and fourteen days respectively. No anti-drug antibody responses were detected in any subjects treated in analyses carried out up to 45 days following completion of treatment.

The results from the Phase I clinical trial completed the pre-clinical and clinical data package and have been submitted to the EMEA and FDA for scientific advice on the planned Phase II development and registration pathway for the ALX-0681 programme in the treatment of patients with TTP.

***Future clinical plan and registration pathway***

The Company applied for orphan disease status for the use of an anti-vWF targeting Nanobody in TTP. Ablynx announced the granting of this status by both the EMEA and the FDA in May 2009. Orphan designation rewards the development of therapeutic drugs in rare disease indications, with a significant reduction in user fees and waived costs for new drug applications and scientific advice procedures. In addition, upon receiving marketing authorisation, ten years of market exclusivity in Europe and seven years in the United States is granted for such designated commercial products. The Company applied for scientific advice meetings for the planned Phase II studies with the EMEA and the FDA to discuss the proposed study population, clinical endpoints and statistical analyses with the regulatory agencies. Feedback from the regulatory agencies is expected to provide guidance for the clinical package required to achieve marketing authorisation. Based on the initial scientific advice from the EMEA, the Company now plans to conduct separate Phase II trials for ALX-0681 in the acquired and congenital TTP patient groups. The draft study plans for the Phase II trials with ALX-0681 in TTP patients have not yet received regulatory agency approval, and depending on the timing and contents of the scientific advice from the FDA and further input from the EMEA, the study design, the start of the trials and their size and duration could change from what the Company currently anticipates.

Acquired TTP patients will be treated using a randomised, placebo controlled trial design, with patients receiving ALX-0681 or a placebo in conjunction with plasma exchange (with or without immunosuppressive therapy). Daily subcutaneous injections of ALX-0681 will be administered until platelet numbers reach normal levels, indicating that plasma exchange is no longer required. As the acquired TTP population frequently experiences flares of active disease shortly after completion of the plasma exchange procedure, patients will continue to receive daily subcutaneous injections of ALX-0681 or placebo for 30 days following completion of plasma exchange treatment. The primary endpoint of this Phase II study will be the time to platelet recovery. The study goal is to see a significant reduction in this endpoint in the ALX-0681 treated population and it is expected that this will translate into a reduction in the number of plasma exchange days and the amount of plasma product administered. With respect to concomitant immunotherapy, patients will remain on the standard of care treatment within each institution, but as the maximum treatment effect of these drugs (approximately four to eight weeks after initiation of therapy) lies outside the critical period of plasma exchange, any significant clinical benefit from ALX-0681 should be demonstrated independently of the use of these immunosuppressants.

Most patients with acquired TTP are diagnosed when they experience a first acute attack of their disease which then requires immediate treatment. These patients are then frequently enrolled in a registry that records the disease characteristics and treatment outcomes. The treatment centres tend to be acute care

hospitals with specialised haematology departments. The Company believes that approximately 100 patients will be required in the Phase II clinical trial in order to demonstrate statistically significant clinical benefit, and that it should be possible to recruit these patients from about 20 of these specialised departments within two years of the clinical trial initiation. If the agreed study endpoints are met and sufficient clinical benefit is demonstrated, the Company intends to submit a request for a marketing authorisation after completion of the Phase II trial.

Congenital TTP patients will be treated in a cross-over design study, with every patient receiving various combinations or sequences of ALX-0681 or placebo. Daily administration of ALX-0681 will continue until the re-initiation of plasma transfusion is mandated by laboratory or clinical parameters. The time to transfusion re-initiation defines the plasma-infusion-free interval with a significant prolongation of this interval being the target outcome for this clinical trial. Achieving this interval increase would result in a continuation of the trial as a single arm observation study to determine the maximum clinical benefit.

Patients with congenital TTP are normally diagnosed in infancy and, like acquired TTP patients, they are usually enrolled in a registry and treated in specialised haematology departments. The Company believes that 10 to 15 patients will be required for this Phase II clinical trial in congenital TTP and it should be possible to recruit these patients within two years of the study initiation. If the agreed study endpoints are met and sufficient clinical benefit is demonstrated (i.e. a significant increase in the plasma-infusion-free interval), the Company intends to submit a request for marketing authorisation after completion of the Phase II trial.

Providing regulatory approval is given, the first Phase II trial for ALX-0681 in TTP is expected to commence in either the second or third quarter of 2010.

***Market and competition***

There are estimated to be over ten thousand TTP patients annually requiring treatment in the Key Geographic Markets.[17] Despite plasma exchange and plasma transfusion, mortality due to TTP remains high at 10-20%. There is currently no drug specifically approved for TTP. Since the 1970's, the predominant treatment has been plasma exchange and transfusion. As well as the need for hospitalisation and the significant plasma costs (treatment associated costs for plasma exchange procedures are estimated at U.S.$2,000 per day), certain risks are associated with these exchange and transfusion procedures, including, allergic reactions, bleeding and infections that can lead to life-threatening sepsis.[18] The Company therefore believes that there is significant potential for a product which could reduce the need for plasma exchange and transfusion in TTP patients.

Although there are no approved drug treatments for TTP, a number of therapeutic agents are currently in use. Typically, acquired TTP patients are given glucocorticoids (for example, prednisolone) during and after plasma exchange to reduce the levels of the anti-ADAMTS13 auto-antibodies. If restoration of ADAMTS13 levels is not observed, the acquired TTP patients may be given rituximab (Rituxan®), an anti-CD20 mAb. Although the response to this treatment may take four to eight weeks to achieve its maximum effect, rituximab appears to be increasingly used in this indication. Rituximab is co-marketed in the United States by Biogen Idec and Roche, and outside the United States by Roche (MabThera®). It is approved for Non-Hodgkin's Lymphoma and moderate to severe, active RA. It is estimated that to treat an acquired TTP patient with rituximab costs approximately U.S.$14,000.[19] In some cases, anti-platelet agents such as aspirin or clopidogrel may also be used as therapeutic agents. They are considerably cheaper compared with rituximab, although they may, in some cases, result in bleeding side-effects.

Baxter International is developing human recombinant ADAMTS13 as a possible replacement therapy in TTP. Baxter International was granted orphan designation for human recombinant ADAMTS13 by the EMEA in December 2008 for the treatment of TTP, although this programme is still in pre-clinical research.[20] Human recombinant ADAMTS13 may allow the patient to properly process UL-vWF and thus help to restore some or all of the patient's normal clotting process. The Company does not have access to any specific pre-clinical data which allows it to assess the potential importance of a human recombinant ADAMTS13 product in the treatment of TTP. For patients with acquired TTP, it is the presence of auto-antibodies against ADAMTS13 which is the reason for the impairment of ADAMTS13 function. Such auto-antibodies could also impair the function of human recombinant ADAMTS13. For congenital TTP patients, it would be expected that life-long substitution of ADAMTS13 would be required. Recombinant enzyme substitutions in diseases with genetically impaired production of certain clotting factors (for example, haemophilia and Factor VIII) have been associated with a significant risk of

immunogenicity, sometimes as early as after the first dose. This might limit the use of recombinant enzyme therapy in the congenital population.

ARC-1779, owned by Archemix, is currently the only other vWF targeting agent currently in development of which the Company is aware. ARC-1779 is an aptamer and also blocks the platelet binding domain of vWF. The potency and pharmacological parameters of ARC-1779 have been tested in a Phase I trial and the drug is reported to have a plasma half-life of about two hours and is thus administered as a continuous infusion. ARC-1779 was, until recently, in a Phase II clinical trial in patients with thrombotic microangiopathy (including TTP) which did not complete its target recruitment, reportedly due to slow enrolment, and has now been terminated. ARC-1779 is currently in a Phase II trial to investigate its effect on cerebral microembolism in patients undergoing carotid endarterectomy. According to www.clinicaltrials.gov, there are no clinical trials currently ongoing in TTP for ARC-1779. From the data it has been able to review, the Company believes that one of the advantages that ALX0681 potentially offers over ARC1779 in the treatment of TTP is the fact that, due to its higher affinity for the target, it has a longer plasma half-life than ARC-1779 (about 28 hours compared with about 2 hours) and does not require continuous infusion.

***Commercial strategy***

Based upon a third party report commissioned by the Company, and after having applied further modelling to make market penetration estimates less aggressive, Ablynx believes there is the potential for peak sales of about €180–€250 million for ALX-0681 in the Key Geographic Markets for the treatment of acquired and congenital TTP[(21)]. The Company will continue to refine its assumptions for ALX-0681 as more data become available. Neither the acquired or the congenital forms of TTP is currently well-treated. Both sets of patients have to undergo the cost and inconvenience of plasma transfusion/exchange together with the risks of side-effects. In about 20% of cases, patients apparently suffering from acquired TTP do not even respond to plasma exchange[(22)] and 30% to 50% develop refractory or relapsing disease.[(23)] In addition, rituximab which is reportedly, increasingly being used as an adjunctive treatment for acquired TTP patients, may have a delayed on-set of maximum efficacy of about four to eight weeks, compared with the very quick on-set of ALX-0681, which could give the Nanobody product a considerable competitive advantage in this acute disease.

Ablynx's total development costs for ALX-0681 for TTP (assuming the Phase II trials lead straight to registration, in which case, ALX-0681 could be commercialised by 2014) are estimated to be approximately €60 million (If the Phase II trials were not sufficient for registration and further trials were required then the additional cost is currently estimated by the Company to be in the €10-15 million range but critically the Company currently believes that this would potentially add 2-3 years to the development timelines). The number of centres treating TTP in the Key Geographic Markets is approximately 500, but 100 of them are estimated to treat 50% of patients and there are only about 25 centres of excellence for the treatment of this disease.[(24)] This means that both the development costs and sales forces required to market the ALX-0681 would be relatively small.

The positioning of ALX-0681 relative to ALX-0081 in the market place will be carefully considered. The precise details of how this will be carried out will be dependent on: the outcome of collaborator discussions; advice from regulatory authorities; market research, and the outcome from current and planned clinical trials.

### 11.5.2 Inflammation: anti-tumour necrosis factor (TNFα) programme licensed to Pfizer (Wyeth Pharmaceuticals)

In November 2006, Ablynx announced a licensing deal with Wyeth Pharmaceuticals which allowed Wyeth Pharmaceuticals to develop and commercialise all Nanobodies to TNFα for all therapeutic indications. In October 2009, Pfizer concluded the acquisition of Wyeth Pharmaceuticals and Pfizer now owns the rights to the TNFα programme. This agreement is further described under "11.7 Business — Collaborations and Partnerships".

***Description of target and mechanism of action***

TNFα is a cytokine involved in systemic inflammation. TNFα causes apoptotic cell death, cellular proliferation, differentiation, inflammation, tumourgenesis and viral replication. TNFα's primary role is in the regulation of immune cells, while overproduction of TNFα has been implicated in a variety of human diseases such as RA, psoriasis, Crohn's disease and cancer.

***Product description***

The anti-TNFα Nanobody products comprise humanised Nanobodies, primarily in a bivalent TNFα targeting half-life extended format.

***Pre-clinical results***

As part of its licensing deal with Pfizer, Ablynx provided Nanobodies which were potent blockers of TNFα and which demonstrated superior efficacy compared with currently marketed drugs in both preventive and therapeutic animal models. In addition, a long half-life, evidence of enhanced biodistribution in the inflamed joints of mice, the potential for oral delivery in a model of inflammatory bowel disease and potentially attractive production economics were all factors which the Company believes contributed to the commercial terms which were secured with Pfizer.

***Clinical results***

*Phase I*

Pfizer successfully scaled-up the anti-TNFα Nanobody product in its standard biological systems and produced material suitable for clinical trials. Clinical development of the anti-TNFα lead candidate commenced in December 2008 with two Phase I clinical trials in healthy volunteers in the United States and Japan. A total of 144 healthy subjects were treated with single ascending doses of the Nanobody product via intravenous or subcutaneous injections. Both studies resulted in safety and pharmacological profiles which enabled the rapid advancement of the clinical programme into the target RA patient population.

*Phase II*

Like many new drugs developed in the field of RA, the anti-TNFα Nanobody product is being tested in a patient population with active RA on a stable background therapy with methotrexate. The disease index in these patients indicates that they do not respond sufficiently to their current anti-inflammatory therapy and therefore they are in need of a more effective treatment to control their disease.

The first Phase II trials were initiated by Pfizer in September 2009 in patients with RA. The studies are expected to be completed in the third or fourth quarter of 2010. The multiple dose trials are being performed in Japan and the United States and will include up to 300 patients. The anti-TNFα Nanobody product will be administered either every four or every eight weeks and clinical and radiographic response to therapy will be assessed at week 16 and beyond. The primary outcome measure is ACR 20 response at week 16 and secondary outcome measures are: the number of swollen and tender joints, physician and patient global assessment of disease activity; ACR responses; DAS 28; EULAR and; health outcome assessments. After completion of the 16 week treatment period for the Phase II trials, patients can then be enrolled in an open label extension in the form of a long term safety observation study. 260 patients are expected to continue treatment for up to 48 weeks to assess the long term safety profile of the anti-TNFα Nanobody product. This study period is planned to last from February 2010 to August 2011.

***Future clinical plan and registration pathway***

Following the successful completion and evaluation of the Phase II trials, Phase III development could commence in a widened population of patients failing multiple routes of therapy (e.g. methotrexate, anti-TNFα inhibitors or other anti-inflammatory primary therapies). Additional indications of immediate interest for the clinical development of anti-TNFα Nanobody products are Crohn's disease, psoriasis, ankylosing spondylitis and psoriatic arthritis. The Company believes that the earliest that this product could receive marketing authorisation would be 2013 and thereby could be the first Nanobody therapeutic product on the market.

***Market and competition***

The RA market is expected to show approximately 6% compound annual growth from approximately U.S.$7 billion in 2007 to U.S.$13 billion in 2017.[25] Common treatments include non-steroidal anti-inflammatory drugs (NSAIDs) and corticosteroids to treat the symptoms of RA. Small molecule DMARDs, such as: methotrexate (Rheumatrex®/Trexall®), marketed by Dava Pharmaceuticals and Barr Laboratories (Teva) respectively; hydroxychloroquine (*Plaquenil®*), marketed by Sanofi Aventis; sulfasalazine (*Azulfidine®*), marketed by Pfizer; auranofin (*Ridaura®*), marketed by GlaxoSmithKline and

Connetics Corporation; and leflunomide (*Arava*®), marketed by Sanofi Aventis; which may reduce or prevent joint damage, and preserve joint integrity, are widely prescribed and relatively inexpensive compared with biological DMARDs. Biological DMARDs, which mainly include the TNFα inhibitors, have proven very effective in reducing the symptoms and signs of RA in patients who are treatment-naive and methotrexate-resistant. Importantly, they also have a much more rapid onset of action (days to weeks) compared with small molecule DMARDs which may take months to prove effective.

The commercially available TNFα inhibitors include: etanercept (Enbrel), marketed by Pfizer Amgen and Takeda; infliximab (Remicade®), marketed by Centocor (Johnson & Johnson), Schering-Plough and Mitsubishi Tanabe; adalimumab (Humira®) marketed by Abbott Laboratories and Eisai; certolizumab pegol (Cimzia®), marketed by UCB; and golimumab (Simponi®), marketed by Centocor Johnson & Johnson, Schering-Plough and Mitsubishi Tanabe. These drugs achieved sales in 2008 in all indications of U.S.$16.9 billion and the 2008 sales of etanercept alone were U.S.$6.4 billion in the Key Geographic Markets.[4]

The TNFα inhibitors are predicted to remain the largest-selling drug class in RA, generating sales in the region of U.S.$9 billion for this indication in 2017.[26] It is anticipated that rheumatologists will continue to prescribe TNFα inhibitors as first-line biologics, often in combination with NSAIDs and a small molecule DMARD such as methotrexate, based on significant positive clinical experience with these therapeutic agents in adult RA and multiple other indications. However, there is a clear need for new differentiated anti-TNFα drugs, as nearly 30% of RA patients fail to respond to their first TNFα inhibitor drug and then many patients develop anti-product antibodies and no longer respond to their current treatment.[27] In both cases, these patients are often prescribed a second or third anti-TNFα drug. Switching from one TNFα inhibitor to another has become an established treatment approach for patients who failed or were intolerant to treatment with an initial TNFα inhibitor. Despite a similar mode of action within the TNFα inhibitor class, the rationale behind switching these agents is based on variations in bioavailability, differences in the stability of the TNFα-inhibitor complex or the potential occurrence of anti-drug neutralising antibodies. A recent survey of U.S.-based rheumatologists showed that over 94% of respondents reported switching patients from one TNFα inhibitor to another.[28]

The anti-TNFα Nanobody product has been shown in a RA transgenic mouse model to have specific advantages over etanercept (one of the leading TNFα inhibitor drugs), including superior efficacy. Additional pre-clinical data also provided evidence of enhanced biodistribution in inflamed joints. Due to its relatively low cost of goods, the anti-TNFα Nanobody product also has the potential to establish price leadership compared with the marketed TNFα inhibitors - the annual treatment price for etanercept is estimated to be approximately U.S.$20,000 per year.[29] In addition, initial indications from Pfizer's clinical trials suggest that a more infrequent, and therefore more convenient, administration schedule may be possible with the anti-TNFα Nanobody product than is currently possible with many other TNFα inhibitors.

In the future, it may also be possible to use the potential of Nanobodies to be delivered through routes of administration which do not involve needle-based injection (e.g. needle-free or oral) as a major additional differentiating feature between anti-TNFα Nanobody based products and other competing biologics.

### 11.5.3 Osteoporosis and skeletal disorders: ALX-0141 (anti-RANKL) programme

Ablynx has progressed ALX-0141, an anti-RANKL Nanobody, through pre-clinical development and initiated a Phase I clinical trial in December 2009.

***Description of target and mechanism of action***

Bone serves both mechanical and metabolic purposes in the human body and the skeletal system is constantly remodelling. Osteoclasts and osteoblasts dictate skeletal mass, structure, and strength via their respective roles in resorbing and forming bone. Bone remodelling is a highly co-ordinated lifelong process whereby old bone is removed by osteoclasts and replaced by bone-forming osteoblasts. The refilling of resorption cavities is incomplete in certain disease conditions, which leads to a net loss of bone mass with each remodelling cycle. Postmenopausal osteoporosis and other conditions are associated with an increased rate of bone remodelling, which leads to accelerated bone loss and increased risk of fracture.

About a decade ago, the interactions between the Receptor Activator of Nuclear Factor kappa B ligand (RANKL), its receptor RANK and its natural antagonist, osteoprotegerin (OPG), were identified as the dominant, final mediators of osteoclast development. The discovery of the relationships in the RANK/RANKL/OPG system ended a long-standing search for the specific factor produced by bone cells that was

both necessary and sufficient for osteoclast development. Through its binding and activation of the RANK receptor, RANKL plays a critical role in the maturation, survival and activation of osteoclasts. The activation of bone resorption by osteoclasts is naturally antagonised by OPG, allowing bone formation to occur and thus resulting in a healthy balance of bone resorption and bone formation. Several diseases can develop if this equilibrium is disturbed (i.e. if the OPG antagonism is no longer sufficient to prevent excessive bone resorption mediated by the RANK/RANKL interaction). Increased bone resorption and/or decreased bone formation are often hallmark symptoms of osteoporosis, cancer-induced bone loss or rheumatoid arthritis related bone erosion.

***Initial target population: patients with osteoporosis and cancer related bone loss***

Based on the clinical development of denosumab (the anti-RANKL mAb being developed by Amgen), the Company believes ALX-0141 should initially be developed for osteoporosis and cancer related bone loss. Differentiating factors could include flexibility in scheduling as well as convenience in administration. The ability to schedule treatment anytime from monthly to bi-annually could result in better management of potential side-effects and a faster response to any need to terminate treatment. If high doses are required, ALX-0141 may be delivered in a single subcutaneous injection compared to the multiple injections that might be required for denosumab.

The current standard therapy for disease-induced or treatment-induced bone loss involves anti-resorptive drugs such as bisphosphonates. These drugs preferentially bind to mineralised bone surfaces at sites of remodelling where they are taken up by osteoclasts, resulting in decreased bone resorption. Newer analogs in this drug class inhibit a critical enzyme which results in the inability of osteoclasts to resorb bone and, ultimately, leads to osteoclast cell death. Although quite effective in the prevention and treatment of bone loss, treatment with bisphosphonates has been associated with severe side-effects such as: gastro-intestinal events; osteonecrosis of the jaw; severe bone, joint, or musculoskeletal pain and; cardiac side-effects. The irreversible and long lasting inhibition of bone resorption could also impact the natural healing of micro-fractures and subsequently result in unusually dense and structured bone that could give rise to atypical fractures. The draw-backs of non-specific inhibition of bone resorption have led to intensified research into the biological interactions involved in bone formation and resorption.

***Product description***

ALX-0141 comprises humanised Nanobodies in a bivalent RANKL targeting, half-life extended format. ALX-0141 is a potent inhibitor of RANKL which binds to both soluble and membrane-bound RANK and therefore neutralises the bone resorption mediated by this interaction. The bivalent formatting of the Nanobody targeting moiety in ALX-0141 results in target neutralisation at picomolar drug concentrations, similar to the activity observed with the mAb, denosumab. However, in contrast to denosumab, the Nanobody construct does not have an Fc, and therefore complement activation, antibody dependent cellular cytotoxicity and hypersensitivity reactions which can occur with mAbs are not anticipated with ALX-0141. Furthermore, modelling experiments suggest that the small, flexibly-linked bivalent RANKL targeting components of ALX-0141 can bind to two of the three sites within the same trimeric RANKL molecule. The ability to bind intramolecularly may provide an advantage in terms of limiting potentially undesirable effects on the immune system where cross-linking of RANKL has been shown to inhibit T cell function *in vitro*. The smaller size of ALX-0141 is also anticipated to provide an advantage in terms of increased tissue penetration compared to the larger denosumab molecule and the lack of an Fc could result in a more favourable pharmacological profile.

ALX-0141 is expected to be administered in the clinical setting as a chronic therapy and the dosing schedule could range from monthly to twice a year, providing clinicians with the flexibility to combine ALX-0141 with concomitant therapies without changing the routine scheduling of visits for patients. It should also provide more options to modify the treatment schedule dependent on the disease activity (bone turnover) or side-effects, compared to the fixed dosing regimen of twice a year suggested for denosumab.

ALX-0141 has been manufactured in a yeast expression system to cGMP standards at multiple grams per litre. ALX-0141 has demonstrated solubility beyond 120 mg/ml and the final drug product has been formulated at a concentration of 65 mg/ml, allowing subcutaneous dosing in one single administration at 1 mg/kg. According to pharmacological modelling of the pre-clinical data, this is the maximum clinical effective dose expected and this dosing could be comparable with a denosumab dosing of about 3mg/kg, which the Company believes might require up to four subcutaneous injections.

*Key pre-clinical results*

ALX-0141 has been tested in a non-human primate model that measures the effect of drug treatment on levels of well validated biochemical markers of bone resorption such as cross-linked N-telopeptides of type I collagen (NTX-1) and cross-linked C-terminal telopeptides of type I collagen (CTX-1). ALX-0141 treatment resulted in a fast onset of activity, as measured by significant reduction of NTX-1, which was maintained for more than 70 days following drug administration. In this model, ALX-0141 performed similarly to denosumab (at equimolar dosing), while a single dose of ALX-0141 outperformed the bisphosphonate ibandronate (Boniva®, GlaxoSmithKline and Roche) in terms of duration of biomarker suppression.

The biomarkers for bone resorption in the pre-clinical studies, serum CTX-1 and urine NTX-1, were chosen for comparability with the set of biomarkers used for the efficacy read-out in the development of denosumab. An expanded range of biomarkers is being used in the current Phase I study for ALX-0141, to include both bone resorption and bone formation markers. The bone formation markers are amino-terminal procollagen propeptides of type I collagen (P1NP) and bone alkaline phosphatase (BAP).

The PK profile of ALX-0141 compared favourably with the PK profile of denosumab and the terminal half-life achieved in serum indicates the potential for an equivalent dosing schedule to denosumab (bi-annual). Due to its lack of an Fc and the corresponding pharmacological profile which displays short-term biological effectiveness at lower doses, ALX-0141 can be administered more frequently (e.g. monthly). This could be an attractive dosing regimen in patients with diseases such as cancer or RA, who suffer flares of disease activity followed by regression due to primary therapy. Clinicians could respond to the disease activity and bone loss with an intensified dosing regimen of ALX-0141 until a response is achieved in the primary disease and then reduce the frequency of ALX-0141 dosing when the disease is stabilised. Long-term treatment with denosumab resulted in increased rates of infections and the impact of long-term complete suppression of the RANK/RANKL pathway remains controversial. ALX-0141 dosing regimens could be tailored to allow for shorter duration of activity and normalisation of RANK/RANKL mediated pathways if side-effects occur.

During pre-clinical development of ALX-0141, no adverse effects were observed in any of the safety parameters, including no infections or signs of immune suppression. A toxicology programme in non-human primates was conducted and no signs of systemic adverse events or local intolerance were observed. The expected pharmacological effects, including decreases in biomarkers, were achieved. Levels of serum CTX-1 and urine NTX-1 showed a rapid and maximum decrease within eight hours for all doses. Their return to baseline varied based on dose and frequency of administration. The plasma concentrations of ALX-0141 increased with increasing dose levels and frequency of administration and the absolute bioavailability of ALX-0141 after subcutaneous administration was close to 100%. In the pharmacology and toxicology studies in non-human primates, the average terminal half-lives at the end of the dosing period were consistent, with about one week for the lowest and about ten days for the highest dose. An allometric scaling model supports dosing schedules ranging from monthly to bi-annual.

An IMPD was filed in November 2009 and the successful approval shortly thereafter allowed the first dosing of a Phase I subject in December 2009.

*Clinical strategy and regulatory pathway*

Relevant populations for ALX-0141 clinical development are patients with osteoporosis, patients with chemotherapy or cancer induced bone-loss and patients with RA who also have disease or therapy induced bone loss. A first Phase I trial is normally a single ascending dose study and this is the ideal precursor to a trial in osteoporosis patients, since the other indications mentioned are likely to require multiple dosing. Healthy post-menopausal women were chosen for the initial Phase I trial as they represent the population group most susceptible to osteoporosis. Subcutaneous injections were chosen as the preferred route of administration, since ALX-0141 is formulated at a concentration of 65 mg/ml and the resulting volumes for all expected dose levels are low (less than one ml) and allow for convenient, single administrations.

This Phase I trial was initiated in December 2009 and will include up to 42 postmenopausal, healthy female volunteers. ALX-0141 or placebo will be administered via the subcutaneous route as single injections to approximately six groups of subjects, and the study will compare the safety and tolerability of ALX-0141 administrations with placebo. In addition, ALX-0141's pharmacological profile in the clinical setting will be evaluated. The serum levels of CTX-1, P1NP, BAP and urine NTX-1 will also be measured and could provide an early indication of biological efficacy.

The Phase I trial is expected to report data on the primary endpoints of safety and tolerance, together with first data on pharmacology and biomarker suppression, in the third quarter of 2010. With extended suppression of the biomarkers anticipated at the highest dose levels, final data on pharmacology and biological efficacy are not expected until 2011.

***Market and competition***

Today the osteoporosis market is estimated to be U.S.$8 billion and with an ageing population it is expected to grow to more than U.S.$11 billion by 2016.[30] Almost 100 million post-menopausal women suffer from osteopenia and osteoporosis in the Key Geographic Markets.[31] Osteoporosis takes a huge personal and economic toll on affected patients. For example, in Europe the disability due to osteoporosis is greater than that caused by cancers (with the exception of lung cancer) and is comparable to or greater than the disability due to a variety of chronic non-communicable diseases, such as RA, asthma and high blood pressure related heart disease.[32] Approximately 30 to 50% of women and 15 to 30% of men will suffer a fracture related to osteoporosis in their lifetime.[33]

A number of drugs are available that help to slow down bone loss. These fall into two main categories: anti-resorptives, which inhibit bone resorption; and anabolic agents, which stimulate bone growth and the formation of bone tissue. The anti-resorptives are used for both prevention and treatment while the anabolic agents are used for treatment only. The gold standard therapy is still provided by the anti-resorptive drug class of bisphosphonates, many of which are administered orally. Bisphosphonates cause dramatic changes in the bone physiology and their effect is very long lasting, for example biochemical markers of bone resorption can remain suppressed for three years after discontinuation of the drug, making it difficult to modify the treatment outcome in case of side-effects. Biphosphonates can adversely affect the kidneys and the gastro-intestinal tract. Severe side-effects are rare but they can range from musculoskeletal pain to osteonecrosis of the jaw. Bisphosphonate drugs on the market include: alendronate (Fosamax®), marketed by Merck & Co.; zoledronic acid/zolendronate (Zometa®, Zomera®, Reclast®, Aclasta®), marketed by Novartis; ibandronate (Boniva), marketed by Roche and GlaxoSmithKline; risedronate (Actonel®) marketed by Procter and Gamble and Sanofi Aventis; and etidronate (Didronel®), marketed by Procter and Gamble. Although it now faces generic competition, alendronate remains the gold standard treatment in osteoporosis and had sales of over U.S.$1.5 billion in 2008.[34]

Newer therapies include anabolic agents based on parathyroid hormone (e.g. teriparatide (Forteo®), marketed by Lilly and Preotact® marketed by NPS Pharmaceuticals and Nycomed) which increase bone turnover by stimulating osteoblasts. Teriparatide is administered via a once-a-day injection with a device or pen.[35] Its sales were approximately U.S.$780 million in 2008.[36] Common side-effects for this drug include musculoskeletal pains and nausea. Due to the additional potential side-effect of the rare cancer osteosarcoma, teriparatide is not to be taken for more than two years over a person's lifetime.

The first humanised mAb that targets and inhibits RANKL, denosumab (Prolia), has been developed by Amgen and is pending approval.[2] Denosumab has been investigated for its potential to prevent and treat osteoporosis. It has also been studied in a range of other bone loss conditions including rheumatoid arthritis and cancer treatment-induced bone loss (in breast cancer and prostate cancer patients), as well as for its potential to delay bone metastases and inhibit and treat bone destruction across many stages of cancer. Clinical studies of patients with osteoporosis have shown that women treated with denosumab had increased bone-mineral density and a reduced risk of spine fractures (by nearly 70%) and hip fractures (by 40%) over three years compared to women not taking the drug. However, concerns were raised about the impact on the immune system of the long lasting inhibition of the RANK/RANKL pathway. Clinical trials involving denosumab showed a slightly higher rate of serious infections and the development of certain types of cancer, though neither increase was statistically significant and so their importance and relevance is unknown. Clinical studies in patients with cancer treatment-induced bone loss demonstrated a clear clinical benefit for patients treated with denosumab on top of the current standard of anti-resorptive therapies. For patients with bone metastases, bone resorption was reduced to a greater extent among those treated with denosumab compared to those receiving bisphosphonate therapy.

In February 2009, the FDA accepted the Biological Licence Application (BLA) submitted by Amgen for the use of denosumab for treatment and prevention of osteoporosis in postmenopausal women and the treatment and prevention of bone loss in women and men receiving hormone therapy for either breast cancer or prostate cancer. The drug is administered twice yearly subcutaneously at a 60mg dose for these indications. Amgen has received a positive opinion from the FDA's advisory committee on their proposed label for denosumab in the treatment of postmenopausal osteoporosis and treatment of bone loss in

prostate cancer. In addition, the Committee for Medicinal Products for Human Use of the EMEA recommended approval of the drug as a treatment for osteoporosis in postmenopausal women. It is anticipated by analysts that Amgen will obtain regulatory approval for denosumab in the above-listed indications in the United States and EU during 2010. Denosumab has been further studied in over 5,700 patients for its potential to treat bone metastases in three pivotal trials with 1,776 multiple myeloma and cancer patients, 2,049 patients with advanced breast cancer and 1,901 patients with advanced prostate cancer. Patients received 120 mg of denosumab every four weeks compared to the recommended dose of Zometa® every four weeks. All three studies showed a significant delay in time to skeletal related events, such as fracture and spinal cord compression, when comparing treatment with denosumab with treatment with Zometa®. These three studies will form the basis of the clinical evidence package for denosumab in advanced cancer, which is expected to be submitted to the regulatory authorities later in 2010.

Analysts forecast peak sales potential above U.S.$4 billion for denosumab if it proves clinically superior to zoledronate[(3)]. As of today, the Company is not aware of any other specific anti-RANKL targeting therapeutics in clinical development, although as part of Cephalon's acquisition of Arana Therapeutics in August 2009, they acquired a pre-clinical RANKL targeting biologic.

It is anticipated that ALX-0141 will compete directly with Amgen's denosumab as they both target the RANK/RANKL interaction. Denosumab may have been on the market for six to seven years by the earliest time at which ALX-0141 might gain approval. It will therefore be important to differentiate ALX-0141 from denosumab and this will be in large part dependent on the outcome of the clinical trials. It might be expected to see potential differences in clinical outcomes compared with denosumab related to the smaller size of ALX-0141 (improved tissue penetration) and format (lower potential for target cross-linking). In the treatment of RA and cancer, denosumab is in clinical trials and requires higher doses than for osteoporosis (i.e. 120 mg every four weeks for the advanced cancer population) which would translate into multiple injections. Due to its high solubility and potency, the Company believes ALX-0141 could still be administered as a single subcutaneous injection in such indications. In addition, the Company believes ALX-0141 would have a significant cost advantage over denosumab. Follow-up data on long-term suppression of the RANK/RANKL pathway in patients undergoing the current treatment regimen for denosumab might also confirm the safety concerns of some regarding denosumab's long-acting activity and therefore provide a further opportunity for a shorter-acting product line ALX-0141.

***Commercial strategy***

The Phase I clinical trial for ALX-0141 is expected to report initial data in the third quarter of 2010. Due to the anticipated size and cost of Phase III trials (see also the criteria set out in "11.2 Business — Ablynx Strategy"), the Company is currently intending to seek to partner the programme prior to that stage of clinical development. Early stage discussions with potential collaborative partners are in progress.

### 11.5.4 Inflammation: ALX-0061(anti-IL-6R) programme

ALX-0061, an anti-IL6R Nanobody, is in pre-clinical development for the treatment of autoimmune and inflammatory diseases.

***Description of target and mechanism of action***

Interleukin-6 (IL-6) is a multi-functional cytokine with a wide range of biological activities such as regulation of immune responses, support of hematopoiesis and generation of acute phase reactions. Deregulation of IL-6 production has been implicated in the pathogenesis of a variety of diseases, including RA, Crohn's disease, Castleman's disease, multiple myeloma and systemic lupus erythematosus. While IL-6 is a key biochemical messenger between cells that play a role in regulating acute and chronic inflammation throughout the body, it also contributes to other pathologies such as anaemia, fatigue, and increased cardiovascular risk. The entire body, not just sites of inflammation, is negatively affected by the inflammation caused by excessive IL-6.

The functions of IL-6 are mediated through a receptor system comprising two cell-surface molecules, a signal transducer (gp130) and a binding molecule (the IL-6 receptor, IL-6R). IL-6 binds first to its cognate receptor, IL-6R, with low affinity, and then the complex binds to the signal transducing molecule gp130 to form a high-affinity, functional receptor. IL-6R is expressed widely in accordance with the pleiotropic nature of IL-6. However, IL-6R negative cells are also susceptible to activation through a mechanism called trans-signalling that occurs because IL-6R also exists in a soluble form. Levels of soluble IL-6R are increased in certain immune disorders and oncology conditions and the soluble IL-6R can interact with IL-6 and this complex can then bind to surface-expressed gp130 activating cells in the absence of

membrane-bound IL-6R. Inhibition of the IL-6/IL-6R axis can be achieved through either targeting the IL-6 cytokine itself or through targeting the IL-6R. However, mAbs to IL-6 have not yet yielded success in the clinic and their use can lead to accumulation of IL-6 in the circulation in the form of immune complexes, thereby increasing the half-life of IL-6. In contrast, a humanised mAb targeting the IL-6R, tocilizumab (ACTEMRA®/RoACTEMRA®) developed by Chugai Biopharmacuetical Co Ltd., has proven efficacious in the clinic and is currently registered for use in Castleman's disease and several arthritis indications.

***Initial target population — patients with RA***

RA is a chronic, progressive inflammatory disease of the joints and surrounding tissues that is associated with intense pain, irreversible joint destruction and systemic complications, such as fatigue and anaemia. There are several key cytokines involved in the inflammatory process including TNFα, interleukin-1 (IL-1) and IL-6. IL-6 has been identified as having a pivotal role in the inflammation process. It has been demonstrated that chronic inflammation of the joints in RA causes IL-6 production in the affected synovium, which is a thin tissue layer covering the joint from the inside. This overproduction of IL-6 contributes to inflammation, swelling, joint damage and destruction of cartilage and bone. Clinical studies have shown that tocilizumab has beneficial effects not only on joint inflammation and damage but also on some of the systemic manifestations associated with RA, such as anaemia and fatigue. The overall safety profile of tocilizumab is consistent across all global clinical studies. The serious adverse reactions reported included infections, gastro-intestinal side-effects and hypersensitivity reactions including anaphylaxis. One of the common adverse reactions reported was increased liver enzymes and lipids, and although these increases were generally not associated with clinical outcomes, they raised cautionary statements and concerns about tocilizumab from regulatory review boards.

A Nanobody targeting IL-6R, which disrupts the IL-6 signalling pathway by binding to both the soluble and membrane-bound IL-6 receptors, may reduce inflammation and the effect of RA, both in the joints and throughout the body. With a potentially differential pharmacological and safety profile from tocilizumab, it could contribute significantly to the available therapeutic treatment of patients with RA and other chronic inflammatory diseases.

***Product description***

ALX-0061 comprises a humanised and sequenced optimised Nanobody in a monovalent IL-6R targeting half-life extended format. ALX-0061 potently inhibits the binding of IL-6 to both the membrane-bound and soluble forms of the IL-6R receptor. In contrast to the bivalent binding of tocilizumab, ALX-0061 interacts monovalently with either the soluble or the membrane-bound receptor, and therefore does not possess the potential to induce unwanted side-effects via cross-linking of the two receptor types. ALX-0061 does not have an Fc and therefore complement activation, antibody dependent cellular cytotoxicity and hypersensitivity reactions which can occur with mAbs are not anticipated with ALX-0061. The smaller size of ALX-0061 is also expected to provide an advantage in terms of increased tissue penetration compared to the larger tocilizumab molecule.

ALX-0061 has been manufactured in a yeast expression system and Nanobody yields in the multiple gram per litre range have been demonstrated during cGMP scale production. The clinical drug product will be formulated as an injectable and both intravenous and subcutaneous routes of administration will be evaluated.

***Key pre-clinical results***

ALX-0061 has been tested in an IL-6 induced acute inflammation model in non-human primates. In this model, reactive changes of acute phase proteins (e.g. C-reactive protein and fibrinogen) are analysed as indicators of an inflammatory reaction to increased levels of IL-6. In humans, as in this animal model, acute phase protein changes reflect the presence and intensity of inflammation, making them relevant in the diagnosis and monitoring of disease progression and assessment of response to therapy. The high potency of ALX-0061 in IL-6R neutralisation has been confirmed in this monkey model and was comparable to tocilizumab. ALX-0061 treatment resulted in a fast onset of activity, measured by a significant reduction in C-reactive protein and fibrinogen levels, which was maintained for 14 days following drug administration, indicating the successful suppression of active inflammation. C-reactive protein and fibrinogen were also used as biomarkers in the development of tocilizumab and will be used in the first Phase I/II trial of ALX-0061 in the target RA patient population.

The PK profile of ALX-0061 in the monkey model also compared favourably with the PK profile of tocilizumab and the terminal half-life in serum indicated the potential for monthly dosing of ALX-0061 in the clinic. In the pre-clinical studies, no adverse effects were observed in any of the safety parameters, including no increase in the levels of liver enzymes or lipids (this was also the same for tocilizumab at this stage of development). The pre-clinical development programme is expected to be completed by the fourth quarter of 2010 with the evaluation of chronic toxicology and related pharmacology in animal studies. The Company intends to submit an IMPD by the end of 2010 and begin a first Phase I/II clinical trial in patients with RA in early 2011.

***Clinical strategy and registration pathway***

Clinical trials for ALX-0061 will start directly in patients. The initial target population will be those with active RA on a stable background therapy with DMARDs such as methotrexate. This population was also studied in the clinical development of tocilizumab and important findings, such as the early response in the biomarkers and the mild hepatotoxicity, seen with the benchmark drug, will be analysed and compared for ALX-0061.

The first Phase I/II trial is planned to consist of a single ascending dosing part and a multiple dosing part. The safety, tolerance and pharmacological profile of single and multiple administrations of ALX-0061 will be determined throughout the study. The effectiveness of the treatment will be analysed in two parts. First, biologically active dose(s) of ALX-0061 will be determined in the single dosing part via biomarker response. Then, patients will receive multiple doses of ALX-0061 and response to therapy will be evaluated using the set of biomarkers together with disease scores for clinical effectiveness of RA therapy (e.g. ACR20). Thus the study could generate first clinical proof-of-concept for the anti-IL-6R Nanobody in the treatment of patients with active RA.

The generation of safety and pharmacological profiles for ALX-0061 in humans and initial data on clinical effectiveness in the treatment of patients with active RA, would form the basis of an initial registration pathway for ALX-0061. Further Phase II clinical trials would investigate dosing and scheduling optimisation and could broaden the indication with studies in juvenile RA, ankylosing spondylitis, psoriatic arthritis and inflammatory bowel disease. The Phase III development could include patients with an incomplete response to anti-TNFα therapy.

***Market and competition***

The market for autoimmune and inflammatory diseases is growing rapidly. The RA market alone is expected to show approximately 6% compound annual growth in sales from approximately U.S.$7 billion in 2007 to approximately U.S.$13 billion in 2017[25]. Various treatments are available to rheumatologists, including non-steroidal anti-inflammatory drugs (NSAIDs) and corticosteroids. However, while these types of drugs treat the symptoms of RA, they do not modify the disease itself. Traditional small molecule DMARDs are widely prescribed and have the potential to reduce or prevent joint damage, and preserve joint integrity and function. The ACR recommends non-biologic DMARDs for use in RA either as monotherapy or combination therapy, with the choice of agent(s) being dependent on disease duration, disease activity and prognosis. The marketed biologic DMARDs are dominated by the TNFα inhibitors, which are predicted to generate worldwide sales in RA of approximately U.S.$9 billion in 2017.[26] It is expected that rheumatologists will continue to prescribe TNFα inhibitors as first-line biologics, based on significant clinical experience with these therapeutic agents. However, there is a clear need for new drugs which target other cytokines that are involved in the disease process, as many patients do not respond to the current small molecule and biologic DMARDs. In fact, 20 to 40% of patients treated with a TNFα inhibitor fail to achieve a 20% improvement in ACR20 criteria and more lose response over time, due to acquired therapeutic resistance. Furthermore, the TNFα inhibitors all have a black box warning which has been issued by the FDA, and this lists potential side-effects such as anti-fungal infections, tuberculosis and certain types of cancer.

Other biologic DMARDs include drugs targeting interleukins and their receptors. This class of drugs is expected to experience fast growth over the next few years and tocilizumab, which targets IL-6R, is expected to drive sales in the group. Targeting IL-6R may have a broader positive systemic impact than anti-TNFα drugs in the treatment of some of the other effects of RA which include anaemia, fatigue and cardiovascular side-effects. Tocilizumab is the result of a research collaboration between Chugai and Roche and was co-developed globally by the two companies. Tocilizumab was first approved in Japan and launched by Chugai in June 2005 as a therapy for Castleman's disease. In April 2008, additional approvals for RA, and juvenile idiopathic arthritis were also gained in Japan. Tocilizumab was approved in the EU in

January 2009 for the treatment of RA in patients who have either responded inadequately to, or who were intolerant to, previous therapy with one or more small molecule DMARDs or TNFα inhibitors. Although analysts expect the uptake for tocilizumab to be slow at first until rheumatologists become confident about the drug's safety profile, the 2017 sales forecast in the Key Geographic Markets is U.S.$924 million.[37] Intravenous tocilizumab is effective and generally well tolerated when administered either as monotherapy or in combination with small molecule DMARDs, such as methotrexate in adult patients with moderate to severe, active RA. Tocilizumab will have the potential to gain market share from the growing population of patients failing TNFα inhibitors. The TNFα-failure patient pool is expected to increase substantially, as patients cycle through a maximum of two or three TNFα therapies.

Once ALX-0061 reaches market, it will not only compete with Chugai/Roche's tocilizumab and the TNFα inhibitors but also with a number of other anti-inflammatory drugs addressing a variety of targets. For example, at least three companies have mAb products targeting CD20: Genentech's marketed rituximab (Rituxan®); Genmab's/GlaxoSmithKline's ofatumumab (Arzerra®) in Phase III clinical trials for RA and other indications; and Trubion's TRU-015, a Small Modular Immuno-Pharmaceutical (SMIP) in Phase II clinical trials. The SMIPs represent a novel proprietary biologic compound class that retain Fc mediated functions and are smaller than mAbs. Another marketed first-in-class drug is Bristol-Myers Squibb's, abatacept (Orencia®), which targets T-cells. Abatacept generated worldwide sales of U.S.$434 million in the first nine months of 2009, up 39% from the previous year.

***Commercial strategy***

The only IL-6R targeting biological currently on the market is tocilizumab. Ablynx believes that ALX-0061 has the potential to differentiate itself from tocilizumab in a number ways. For example:

- the smaller size of ALX-0061 may translate into superior tissue penetration;
- in contrast to tocilizumab, ALX-0061 cannot cross-link membrane-bound and soluble IL-6R and this, together with the absence of an Fc, may result in a reduced side-effect profile;
- ALX-0061 shows equivalent potency in the neutralisation of membrane-bound and soluble IL-6R, whereas tocilizumab shows an approximately threefold preference for soluble IL-6R over membrane-bound IL-6R; and
- there may be the potential for lower dosing of ALX-0061, which would be expected to further improve its cost-effectiveness in comparison with tocilizumab.

The Company believes that due to the potential differences listed above, ALX-0061 may gain market share from tocilizumab. In addition, market share may also be gained from the population of patients failing TNFα inhibitors. ALX-0061 could demonstrate a broader therapeutic impact than the TNFα inhibitors, through the inhibition of IL-6 mediated fatigue, anaemia and cardiovascular events. ALX-0061 may also avoid some of the potential side-effects highlighted by the black box warnings for the TNFα inhibitors.

The Company is currently planning to initially advance ALX-0061 into clinical trials itself. Due to the anticipated size and cost of the Phase III trials which are likely to be required (see also the criteria set out in "11.2 Business — Ablynx Strategy"), the Company currently expects that it will seek a collaborative partner before that stage of clinical development.

### 11.5.5 Malignancies: ALX-0651 (anti-CXCR4) programme

ALX-0651, an anti-CXCR4 Nanobody, has just entered pre-clinical development for mobilization of stem cells in the treatment of malignancies.

***Description of target and mechanism of action***

The GPCR, CXCR4, is a chemokine receptor specific for the ligand CXCL12 (SDF-1). The CXCR4/CXCL12 axis plays an important role in a number of essential homeostatic and developmental processes including the development and migration of haematopoietic stem cells, cardiac and neuronal development and neovascularisation. CXCL12 (SDF-1) is a potent chemoattractant and the constitutive expression of CXCL12 by bone marrow stromal cells is critical for the recruitment and retention of haematopoietic stem cells to the bone marrow. The key role of CXCR4 in this process has been clinically validated by the small molecule antagonist plerixafor (Mozobil®, Genzyme). By blocking the interaction of CXCR4 with CXCL12, stem cells are released from the bone marrow to the periphery which has clinical utility for mobilization of stem cells to the peripheral blood for collection and subsequent autologous transplantation in patients with certain malignancies.

The CXCR4/CXCL12 axis is also emerging as an important regulator of tumourigenesis in a wide range of malignancies. CXCR4 is the most widely expressed chemokine receptor in cancer having been described in over 23 different tumour types. The role of CXCR4 in metastatic spread of tumours to distant organs, such as lung, liver, lymph nodes and bone marrow which constitutively express CXCL12, has been demonstrated in numerous *in vivo* studies for cancers including breast, lung, ovarian, renal, prostate, melanoma and neuroblastoma. The CXCR4/CXCL12 axis has also been shown to promote angiogenesis, the formation of new blood vessels within a tumour which is essential for tumour growth, as well as tumour invasion and there is increasing evidence for a role in tumour cell proliferation and survival. Targeting of the CXCR4/CXCL12 axis therefore presents an attractive opportunity within the oncology setting.

***Product description***

ALX-0651 comprises two humanised and sequence optimised Nanobodies which bind to different eptiopes on CXCR4. This biparatopic Nanobody is a potent antagonist of the CXCR4/CXCL12 axis.

***Key pre-clinical results***

The non-humanised and non-sequence optimised "parental" form of ALX-0651 has been shown to potently inhibit the interaction of CXCR4 with CXCL12 in a number of *in vitro* assays including: ligand binding and cell migration. This parental molecule has also been evaluated for its ability to mobilize stem cells *in vivo*. In a non-human primate model, a single-dose of Nanobody was administered intravenously (at 0.1 mg/kg, 1 mg/kg, 10 mg/kg or 25 mg/kg) and peripheral blood was collected at multiple time points post-dosing. Both the total number of white blood cells and the number of CD34+ stem cells was assessed. Stem cell mobilization was observed in all Nanobody-treated animals. Based on these preliminary results ALX-0651 has been selected for pre-clinical development initially for the mobilization of stem cells prior to transplantation.

### 11.6 Manufacturing

Nanobodies are simple, non-glycosylated proteins which can be relatively easily and cost-effectively produced in microbial hosts such as *E. coli* or yeast (for example, *Pichia pastoris*). Product levels for Nanobodies typically range from two to ten grams per litre of culture medium. Alternatively, Nanobodies can be expressed in mammalian cells, which are used for the production of most conventional MAbs.

Due to the availability of service-based microbial production facilities, Ablynx has decided not to buy or build its own manufacturing facilities in the foreseeable future but rather work with appropriate CMOs. The Company endeavours to develop stable and easily transferable methods in the laboratory including production of the host cells, the manufacturing processes and analytical assays for quality control. Ablynx will also develop the initial formulation appropriate for the preferred route of administration.

Processes for the Company's current four clinical development candidates have been successfully transferred to a range of CMOs. These technology transfers have been straightforward and have allowed the Company's suppliers to meet the Company's timelines for the production of drug substance for toxicology studies, which is typically on the critical path for clinical development of a novel drug candidate.

The Company believes it usually takes at least 18 months from selection of a mAb development candidate until the first batch of drug substance for toxicology studies is released. Nanobodies can be produced in microbial systems in less than 12 months. The primary reason for this difference lies in the host creation step, which takes considerably longer for eukaryotic hosts.

Further advantages of the production economics for Nanobodies compared to mAbs are reduced costs of raw materials, a significantly shorter occupancy of the manufacturing plant during production and the simplicity of assays for quality control and product release. The Company believes these factors, together, might mean that the cost production of Nanobodies may be 30% to 40% of a typical mAb.

### 11.7 Collaborations and partnerships

Ablynx has entered into collaborations at both an early research phase and later in pre-clinical development. Going forward, the Company will partner the majority of its retained in-house programmes when large and expensive clinical trials would be required.

Ablynx currently has commercial collaborations with BI, Merck Serono, Novartis and Pfizer. These collaborations involve Ablynx providing its partners with an exclusive licence to develop and use

Nanobodies to a specific biological target(s), together with research and development support, in return for a combination of some of the following: up-front payments; research payments, milestone payments, royalties, co-promotion rights; and profit-sharing. A collaboration agreement generally consists of two phases: (i) a research term and (ii) a licence term. The latter may come into force after the research term and remains in force until the end of the royalty term, except in the case of early termination.

In the future, the Company intends to expand existing relationships or to selectively enter into new relationships when these may enhance value creation or support risk management.

***Boehringer Ingelheim Alzheimer's Disease agreement***

In January 2007, the Company announced a €206 million (theoretical deal value agreed between the parties (i.e., estimated maximum), excluding royalties) single target research and licensing agreement with BI. In this deal, BI and Ablynx agreed to collaborate to identify Nanobodies to a specific biological target believed to be relevant in Alzheimer's disease and BI received an exclusive worldwide licence to develop and commercialise such Nanobodies. In return, Ablynx received an upfront payment and R&D payments and will receive milestone payments and royalties if Nanobody drug candidates proceed through development and reach the market. The research term of this agreement was initially for two years and was subsequently extended by BI for one year to November 2009. The research term has ended and currently BI is evaluating the next steps. Ablynx has produced a range of Nanobodies to the target in question and, if BI confirm *in vivo* proof of concept, they may select one or more lead compounds to take into development, in which case, the Company would receive a milestone payment per lead compound.

Under an agreement with reMYND NV, Ablynx has the obligation to pay reMYND 50% of income received if it licenses Nanobodies which were tested by reMYND, for activity in animal models of Alzheimer's disease, to a third-party for development and commercialisation. The Company has a collaboration with BI, under which, at this time, no licence to develop or commercialise any of the aforementioned Nanobodies has been granted. If BI wishes to license those specific Nanobodies for development and commercialisation (which the Company believes is very unlikely), the Company would pay reMYND 50% of the income it receives from BI as a result of such a licensing arrangement.

***Boehringer Ingelheim strategic alliance agreement***

In September 2007, the Company announced a €1.3 billion (theoretical deal value agreed between parties (i.e., estimated maximum), excluding royalties) global strategic alliance with BI to discover, develop and commercialise up to ten different Nanobody therapeutics. Ablynx expects to receive payments of €75 million during the five year research term of the collaboration which included an upfront fee of €15 million and a €15 million investment by way of subscription for Ablynx's shares by BI at the IPO. In addition, Ablynx will receive development milestone payments of up to €125 million for each Nanobody which is developed, as well as royalties. Ablynx and BI are collaborating in the discovery of Nanobodies against agreed targets across multiple therapeutic areas including immunology, oncology and respiratory. Both parties propose target opportunities for the collaboration. BI will be exclusively responsible for the development, manufacture and commercialisation of any products resulting from the collaboration. Ablynx will have certain co-promotion rights in Europe.

The collaboration is particularly focusing on complex targets and combinations of targets, often very difficult or impossible for conventional antibody approaches. To date, six programmes have been initiated with the most advanced programme in lead optimisation. Since September 2007, Ablynx has achieved three research based milestones within this collaboration and received a total of €9 million in milestone payments from BI.

***Merck Serono agreement***

In September 2008, the Company announced an agreement with Merck Serono under which Merck Serono and Ablynx will co-discover and co-develop Nanobodies against two targets in immunology and oncology. The agreement included an upfront cash payment to Ablynx of €10 million and both companies will share equally all research and development costs and the resulting profits. Ablynx has options to opt-out partly or fully from the payment of costs during the research and development programmes, in which case the Company would be eligible to receive either a reduced profit share, in the case of a partial opt-out, or milestones and royalties on potential sales, in the case of a full opt-out. If Ablynx did decide to opt-out at the latest possible point, then the maximum value of development and commercial milestones payable by Merck Serono would be €325 million (theoretical deal value agreed between parties

(i.e., estimated maximum), excluding royalties) should a product be approved in multiple indications in all major markets. Both programmes are currently in the lead identification stage.

***Novartis agreement***

The agreement with Novartis was signed in December 2005. Under this agreement, Ablynx has been successful in generating Nanobodies against two targets nominated by Novartis. The deal includes R&D payments, licence fees, milestones and royalties. The research term has twice been extended for an additional 12 months and Ablynx has obtained modest success fees for the achievement of research based milestones. The research term will come to an end in March 2010. Novartis has research licences to both programmes and can progress them through to clinical and commercial development, potentially triggering further licensing and milestone payments and royalties if products reach the market.

***Pfizer agreement***

In November 2006, the Company announced a U.S.$212.5 million (theoretical deal value agreed between parties (i.e., estimated maximum), excluding royalties) agreement with Pfizer (formerly Wyeth Pharmaceuticals) under which Pfizer received an exclusive worldwide licence to develop and commercialise all Nanobodies to TNFα for all indications. Pfizer is responsible for all costs associated with these programmes and Ablynx participates in the relevant Steering Committees and has received upfront payments, R&D payments and milestone payments and may receive further R&D payments, milestone payments and royalties if the programmes continue to proceed through development and are then commercialised. The initial two year research collaboration has twice been extended by 12 months. A total of U.S.$7 million in milestone payments has already been received as Pfizer entered Phase I and Phase II clinical trials in patients with RA with their first programme. Initial data from this first Phase II trial in RA patients are expected before the end of 2010. The Company believes that the earliest that this product could receive marketing authorisation would be 2013 and thereby could be the first Nanobody therapeutic product on the market.

***Other collaboration agreements and change of control provisions***

The Company has also entered into various academic collaborations, some of which are listed in Annex B to this Prospectus.

Some of the material agreements that Ablynx has entered into (and which are described in this section "11.7 Business — Collaborations and partnerships") may be amended or terminated in case of a change of control over Ablynx.

The Boehringer Ingelheim Alzheimer's Agreement provides that in the event of a change of control over Ablynx, BI is entitled to terminate the research (as a result of which each party is released from paying any research licence fees and Ablynx is no longer entitled to the research licence from BI), and is no longer held to participate in joint committees or to share its development and commercialisation plans.

Under the Boehringer Ingelheim Strategic Alliance Agreement, in the event of a change of control over Ablynx, BI 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, BI is entitled to continue the research independently, and Ablynx's option to co-promotion rights expires.

The Merck Serono Agreement provides 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 (as further described above in this section "11.7 Business — Collaborations and partnerships"). In the case of farther advanced joint research and development programmes, Merck Serono may at its sole discretion invite the controlling shareholder of Ablynx to continue to contribute to such joint research and development programme. If Merck Serono 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.

Except for the Boehringer Ingelheim Strategic Alliance Agreement (which was approved by the extraordinary shareholders' meeting of 12 October 2007), the aforementioned clauses will, in accordance with Article 556 of the Belgian Company Code, be submitted for approval to the Company's annual shareholders' meeting to be held on or about 29 April 2010.

### 11.8 Grants and subsidies

Since its inception, the Company [(together with certain partners)] has been awarded grant support from the Flemish government totalling approximately €6.1 million (reference is also made to a new IWT grant confirmed on 18 February 2010, as further discussed below). The payment of funding for the next phase of a programme is subject to the achievement of certain specified milestones. These grants are subject to certain ongoing obligations, such as valorisation obligations. If such obligations are not complied with, the grants could be suspended, reviewed or reclaimed. According to the general terms and conditions of IWT, Ablynx must notify IWT in case of a fundamental change in its shareholding structure or governance structure. Such notification does not result in an automatic suspension, revision or reclaim of the support, but gives IWT the right to re-evaluate the further performance of the Agreement.

The Company currently has four ongoing grant programmes:

- Project 1: Exploring and expanding therapeutic uses and applicability of therapeutic heavy chain derived single variable domains: The Nanobody Novel Uses Programme;
- Project 2: Development of novel protein half-life extension technologies that result in long half-lives and favourable pharmacokinetic properties for small protein drugs;
- Project 3: Improving Nanobody drugability; and
- Project 4: Alternative delivery routes for Nanobody based therapeutics.

| | Project 1 | | Project 2 | |
|---|---|---|---|---|
| **Grant** | **Payment** | **Date** | **Payment** | **Date** |
| | **(€'000)** | | **(€'000)** | |
| **Contractual Payment Schedule** | | | | |
| Following contract execution | 371 | Aug-07* | 241 | Nov-08* |
| 6 months after start of project | 371 | Apr-08* | 241 | Mar-09* |
| 12 months after start and production of intermediate report | 371 | Apr-08* | 241 | Jan-10* |
| 18 months after start and dependent on positive evaluation | 371 | Aug-08* | 241 | Mar-10 |
| 24 months after start and dependent on positive evaluation | | | 241 | Oct-10 |
| 30 months after start and dependent on positive evaluation | | | 241 | Mar-11 |
| 36 months after start and dependent on positive evaluation | 372 | Feb-10 | 362 | Oct-11 |
| | **1,856** | | **1,808** | |

| | Project 3 | | Project 4 | |
|---|---|---|---|---|
| **Grant** | **Payment** | **Date** | **Payment** | **Date** |
| | **(€'000)** | | **(€'000)** | |
| **Contractual Payment Schedule** | | | | |
| Following contract execution | 91 | Jan-09* | 226 | Feb-10* |
| Intermediate report | 91 | Apr-09* | 226 | Feb-10* |
| 6 months after start and production of intermediate report | 91 | Sep-09* | 226 | Aug-10 |
| 12 months after start and production of intermediate report | 91 | Feb-10 | 226 | Feb-11 |
| Final report | 90 | Dec-10 | 230 | Dec-11 |
| | **454** | | **1,134** | |

* Effective payment dates

The Company continues to apply for grant support from the Flemish government and other sources including the Portuguese government and the European Union. The Company received confirmation on 18 February 2010 from the IWT that it will receive a new grant totalling €1.2 million over about two years for the programme entitled "Pre-clinical and clinical development of an anti-IL-6R Nanobody" and is

awaiting confirmation of the payment schedule. The Company has not received any indication as to whether other current submissions will be approved.

### 11.9 Intellectual property

The Company has an extensive patent position in the field of Nanobodies for healthcare applications. It has exclusive rights to more than 450 patent applications and granted patents in more than 130 patent families worldwide, including the Hamers patents covering the basic structure, composition, preparation and uses of Nanobodies. The Hamers patents have been granted or are pending in major territories including the United States, Europe and Japan. As a result of its exclusive patent rights, Ablynx is the only company in the world which has the intellectual property rights required for the worldwide commercialisation of healthcare products based on Nanobodies. See Annex A "Ablynx's Patents" for further details of the Company's current patents and patent applications.

The Company has exclusive and irrevocable worldwide rights to all patents and patent applications filed by the VUB and VIB since 1992 (when the Nanobody technology was invented) in relation to the Nanobody platform and its applications for the whole field of human and animal healthcare. These exclusive and irrevocable worldwide rights were contributed in kind (*inbreng in natura van het genotsrecht*) by VIB (acting, in respect of the patents and patent applications filed by the VUB, on the basis of its own valorisation agreement with VUB) in consideration for the issuance of 750,000 shares of the Company on 14 November 2001.

Since 2002, the Company has filed many additional patent applications describing further aspects of the Nanobody technology and its therapeutic applications. It has also in-licensed intellectual property describing Nanobody libraries, their immobilisation and use from Unilever, and intellectual property describing a specific class of Nanobodies able to cross the blood-brain barrier from the National Research Council of Canada. In 2009, and as part of a settlement with Glaxo Group Ltd. and Domantis Ltd. (both members of the GlaxoSmithKline group of companies), the Company has also secured a licence to the European Winter-II patent, which, prior to its expiry in 2009, covered the use of immunoglobulin expression libraries in most European countries. In addition, the Company has also developed and patented a proprietary procedure for discovering and generating Nanobodies: the Nanoclone technology.

Nanobodies have been generated against more than 190 antigens in various target classes, including some complex targets and classes of targets (such as GPCRs, ion channels and viruses), many of which are very difficult to target with mAbs. Since 2006, the Company has been filing patent applications for such targets and classes of targets and as a result, the Company currently holds more than 20 patent families which broadly cover Nanobodies and other single domain binding proteins directed against such classes of targets. These patent applications extend the original concept from the Hamers patents for these particular targets and target classes well beyond the expected expiry dates for the original Hamers patents (which begin to expire in 2013 in Europe and 2015 in the United States).

Also, as described below, the Company has filed patent applications around NExpedite, its own proprietary half-life extension technology.

The Company's most important intellectual property is described below.

***Nanobody platform: the Hamers patents***

As set out above, the Company has an exclusive worldwide licence under the "Hamers-I" patent family for all therapeutic and diagnostic applications of Nanobodies. The Hamers-I patent family is the basic patent family for *Camelidae* heavy chain antibodies and for Nanobodies, and currently comprises seven granted U.S. patents, five pending U.S. applications, five granted and one allowed European patents (one of which was upheld by the European Patent Office after opposition appeal proceedings), one further pending European application, and further patent applications and granted patents in a number of other countries worldwide. The patent applications and patents within the Hamers-I patent family also contain claims that relate to humanised Nanobodies, to multi-valent and/or multi-specific constructs comprising two or more Nanobodies, and to methods for making the same. In addition, the patent applications and patents within the Hamers-I patent family contain claims that relate to expression libraries of Nanobodies, to methods for making such libraries, and for methods of screening such libraries in order to generate Nanobodies against a specific target. The first Hamers patents expire in Europe in 2013 and in the United States from 2015 onwards.

***Technologies for generating Nanobody leads***

The Company uses two technologies to obtain a wide range of $V_{HH}$ domains with high potency, that can be used to provide a series of Nanobody leads for pre-clinical evaluation - phage display based procedures and a proprietary B-cell sorting method called Nanoclone. The Nanoclone procedure is proprietary to the Company and is the subject of a pending patent application.

The Company performs phage display procedures at its site in Porto (Portugal), where the European patents owned by the Medical Research Council, UK, that cover the use of phage display techniques (the patents belonging to the McCafferty patent family) are not in force. In October 2009, the Company also secured a licence to the European Winter-II patent that, prior to its expiry in November 2009, covered the use of immunoglobulin expression libraries in most European countries (but not in Portugal). This licence was secured as part of a settlement of the arbitration proceedings that had been filed against the Company in 2008 by Domantis Ltd., which alleged that the Company had breached an earlier settlement agreement between the Company and Domantis Ltd. dating from 2005. Under the new agreement, the Company will pay Domantis Ltd. low single digit royalties on the first five Nanobody products which are commercialised.

***Humanisation, formatting and half-life extension***

To aid in their use as therapeutics, Nanobodies can be humanised without losing the desirable structural and functional properties that are their defining features. The Hamers patents and patent applications also contain claims that generally cover the humanisation of Nanobodies. In addition, the patent applications that the Company files for Nanobodies which are generated as part of the Company's discovery programmes routinely cover humanised variants of naturally occurring Nanobodies.

The Company has also filed patent applications for biparatopic/multiparatopic and bispecific/multispecific Nanobody formats against specific targets and target classes, such as GPCRs, ion channels, viruses and heterodimeric cytokines.

There are several different methods to tailor the half-life of Nanobodies depending on the desired characteristics of the therapeutic drug candidate and the indication. These include pegylation, the use of genetic fusions of Nanobodies against the relevant target(s) with serum albumin, the use of genetic fusions of Nanobodies against the relevant target(s) with a Nanobody that is directed against a serum protein (such as serum albumin), and the Company's proprietary NExpedite technology. It is also expected that, where this is desirable, other techniques that are or may become available for increasing the half-life of protein-based drugs can be successfully applied to Nanobodies. The patent applications that are routinely filed by the Company for its Nanobody leads also describe and cover these various half-life extended Nanobody variants.

With regard to pegylation of Nanobodies, the Company is engaged in opposition proceedings against the European patent EP 1 639 011, which has been granted to Domantis Ltd. (a member of the GlaxoSmithKline group of companies) and which relates to specific methods for pegylating antibody single variable domains. Based upon the claims as granted for this patent and the prosecution history that led to the grant of this patent, the Company strongly believes that its current methods for pegylating Nanobodies fall outside of the scope of this granted patent. Nevertheless, the Company has decided to oppose the grant of this patent as the Company believes that, in view of prior art that was not cited during the procedure that led to grant of this patent, this patent should not have been granted.

The Company was also engaged in opposition proceedings against the European patent EP 1 517 921, which was originally granted to Domantis Ltd. in 2006 and which related to one specific technique for the half-life extension of immunoglobulin single variable domains. The outcome of these opposition proceedings was that, in February 2010, the Opposition Division of the European Patent Office decided to revoke the Domantis patent in full. If this decision by the Opposition Division becomes final (either because Domantis does not file an appeal or because any appeal filed by Domantis is not subsequently successful), all the claims of this patent as originally granted will be deemed to have never existed, and the techniques described in this patent could be applied by Ablynx and its partners in Europe for their internal and partnered programs without Domantis being able to assert this patent against such activities in Europe. The Company expects Domantis to appeal the decision by the Opposition Division, but the Company sees no reason why the arguments that it has put forward during the opposition proceedings and that led to the revocation of the patent by the Opposition Division should not be equally successful during appeal proceedings (meaning that the Company believes that the Board of Appeal at the European Patent Office will either confirm the decision by the Opposition Division to revoke the patent in full, or otherwise reinstate the patent, but with claims that are limited in scope such that Ablynx will be able to use said technique without Domantis being able to successfully assert any such limited reinstated claims against this). The term that Domantis has for filing any appeal is expected to expire before the end of 2010 (this depends on precisely when the Opposition Division of the European Patent Office issues its written decision, which is expected in the second or third quarter of 2010). Thereafter, a final decision in any such appeal proceedings is expected in 2012 or 2013. Under the provisions of the European Patent Convention,

an appeal filed by Domantis will suspend the decision of the Opposition Division. However, the Company believes that because the patent has been revoked in full and because the decision to revoke the patent was at least in part based on prior art not cited during the examination proceedings that led to the grant of EP 1 517 921, the courts in Belgium and in the further European countries for which the now-revoked patent was originally granted will be very reluctant to allow Domantis to assert the patent in any way against the Company before the Board of Appeal at the European Patent Office has reached a final decision in any such appeal proceedings.

Domantis Ltd. also holds a number of other patent applications in the area of half-life extension. These are still applications, and the Company believes these applications either do not relate to half-life extension techniques currently used by the Company; and/or, in view of the prior art already cited against these applications, either will not be granted or will only be granted with limited claims that will not cover any of the half-life extension technologies currently used by the Company. Nevertheless, the Company is closely monitoring the prosecution of these applications and will take appropriate action where necessary (including, but not limited to, the filing of oppositions).

The Company has also discovered and developed a novel proprietary half-life extension technology which it calls NExpedite. The Company has demonstrated *in vivo* results which show what the Company believes is the considerable potential of this technology to significantly increase the half-life of Nanobody based products in humans. In addition, the Company believes that the NExpedite technology is potentially better suited for extending the half-life of small therapeutic peptides compared with other proteins used for half-life extension. The NExpedite technology is the subject of two distinct patent families filed by Company, and additional patent filings around this technology are expected in the near future. The Company has also performed a freedom-to-operate analysis around the NExpedite technology and, as a result, believes that this technology is not covered by any relevant patent applications or patents held by any third party.

In general, with regard to the half-life extension technologies that are currently applied in the Company's development programmes (and including in respect of the specific issues set out in the previous paragraphs), the Company believes it either has sufficient freedom-to-operate or will be able, through opposing and/or invalidating any relevant third party patent rights, to create sufficient freedom-to-operate. However, where such freedom-to-operate may at this time not exist due to patents that are currently granted to third parties (including to Domantis Ltd. in respect of half-life extension), the Company may have to obtain appropriate licences under such patents, to initiate proceedings to have these patents revoked or declared invalid, or to alter certain of its development programmes such that these programmes involve the use of half-life extension technologies that are not encumbered by third party patents (e.g. the NExpedite technology). This may have a material adverse effect on the timelines that are currently foreseen by Company for these development programmes and consequently on its business, financial condition, results of operations and prospects.

***Development programmes and products***

The Company holds a series of patent applications that relate to the Nanobody based drug candidates that have been generated as part of its discovery programmes. These applications generally claim Nanobodies against the relevant target, optimised and formatted variants thereof, proteins and polypeptides comprising the same, and pharmaceutical and diagnostic products containing such Nanobodies and proteins, as well as therapeutic and diagnostic uses thereof. In addition, for the Company's anti-vWF programmes, the Company's partnered anti-TNFα programme, the Company's anti-RANKL programme and the Company's anti-IL-6R programme, the Company also holds specific patent applications that cover the structure of its specific Nanobody leads.

The Company routinely performs freedom-to-operate analyses with respect to its research and development programmes. As part of these, the Company has performed freedom-to-operate analyses with respect to its current development candidates ALX-0081 and ALX-0681 (both directed against vWF), ALX-0141 (directed against RANKL) and ALX-0061 (directed against IL-6R).

Generally, the Company believes that its Nanobodies do not fall within the scope of patent claims that are only directed to full sized conventional mAbs, and that, consequently, patent applications and patents with claims that are solely directed to full sized mAbs should not block the Company from developing or commercialising Nanobodies against the relevant target(s). For patents with claims that are worded in such a way that they could potentially be interpreted as extending in scope beyond full sized conventional mAbs *per se*, it must be considered on a case-by-case basis whether the wording used in the claims could

potentially also extend to Nanobodies and Nanobody constructs. The Company believes that in a lot of these cases, in view of the specific wording used in the claims and/or in view of the description in the patents that supports this wording, good arguments are available to demonstrate that such claims should not extend to Nanobodies or Nanobody constructs.

For example, with respect to the Company's most advanced clinical programmes which focus on Nanobodies against vWF and on the Nanobody lead products ALX-0081 and ALX-0681, the Company has identified one granted European and U.S. patent owned by Ajinomoto that contains claims that relate to a mAb against vWF. However, the Company believes that, because of their structure/format and properties, ALX-0081 and ALX-0681 do not constitute a mAb as defined in the claims of this third party patent. In addition, ALX-0081 and ALX-0681 do not involve the use of any half-life extension technologies.

Generally, for the Company's partnered programmes (such as the anti-TNFα programme, which has been partnered with Pfizer), it is usually agreed as part of the contractual arrangements with the partner that the partner will, where necessary, be responsible for securing freedom-to-operate around the relevant target.

With respect to its clinical programme that focuses on Nanobodies against RANKL, the Company has identified a number of patent applications and patents held by third parties that generally relate to RANK-L as a target for medicinal compounds and to the involvement of RANKL in various disease indications. These patent applications and patents have been considered as part of the Company's freedom-to-operate analysis for its lead compound ALX-0141. As a result, and although these patent applications and patents need to be considered on a country-by-country and indication-by-indication basis, the Company generally believes (based on a number of assumptions regarding possible indications and relevant timelines for ALX-0141, together with an assessment of the viability of certain patent claims and a review of various opposition proceedings) that these patent applications (if granted) and patents should not prevent the commercialisation of ALX-0141 for the relevant indication(s) in the relevant country/countries.

With respect to its clinical programme that focuses on Nanobody-based products against IL-6R, the Company has identified a number of patent applications and patents held by third parties related to the target that have been considered in the context of the Company's freedom-to-operate analysis for its lead compound ALX-0061. The Company believes that none of these target-related patent applications and patents that have been identified will prevent the Company from developing and commercialising ALX-0061 in accordance with its current development and commercialisation plans.

With regard to any half-life extension technologies that are currently applied in the Company's development programmes, the Company believes it either has sufficient freedom-to-operate or will be able, through opposing and/or invalidating any relevant third patent rights, to create sufficient freedom-to-operate. However, where such freedom-to-operate may at this time not exist due to patents that are currently granted to third parties, the Company may have to obtain appropriate licences under such patents, to initiate proceedings to have these patents revoked or declared invalid, or to alter certain of its development programmes such that these programmes involve the use of half-life extension technologies that are not encumbered by third party patents (for example, the NExpedite technology). This may have a material adverse effect on the timelines that are currently foreseen by Company for these development programmes and, consequently, on its business, financial condition, results of operations and prospects.

***Oppositions filed against existing third party patents***

The Company has filed a number of oppositions against patents held by third parties which relate to specific targets which are also the targets for some of its development candidates, and/or which are related to specific disease indications for targets which are also the targets for some of its development candidates.

The Company believes that the outcome of these opposition proceedings (whether positive or negative) should not have a major impact upon the timelines currently foreseen for its development candidates, either because the current development timelines for these candidates already take into account the expiry dates of these patents, because these patents relate to disease indications that are currently not envisaged by the Company as part of its current clinical plans, and/or because the Company believes that even if the current claims are maintained during opposition proceedings, strong arguments are available that these claims do not cover Ablynx's current development candidates.

Ablynx has nevertheless decided to file these opposition proceedings because, if these proceedings are successful, it may open further possibilities (in addition to those which are already available to the

Company and which are part of its current clinical plans) that the Company might then consider at some future date.

***Production of Nanobodies***

Nanobodies can be easily and cost-effectively expressed in microbial cells such as those of *E. coli*. The Hamers patents also generally cover the production of Nanobodies in microbial cells. Also, through its licence from VIB, the Company has access to the patents from the VUB that relate to the production of Nanobodies in lower eukaryotic hosts such as moulds (for example *Aspergillus* or *Trichoderma*) or yeast (for example *Saccharomyces*, *Kluyveromyces*, *Hansenula* or *Pichia*). In addition, the patent applications that are filed for Nanobody leads routinely cover methods for producing such leads, and the Company has also filed further patent applications relating to specific methods for producing Nanobodies in microbial cells.

The Company believes that due to the differences in structure between Nanobody constructs and conventional antibodies, the production of Nanobody constructs does not fall within the scope of some of the well-known intellectual property on the production of conventional antibodies, such as the so called "Boss" patents and "Cabilly" patents.

***Formulation and delivery of Nanobodies***

Nanobodies are suitable for alternative delivery formulations allowing potential administration routes other than just intravenous or subcutaneous injection. The Company holds a family of patent applications that generally cover such alternative routes of administration, including oral, needle-free, inhalation and intranasal administration of Nanobodies, as well as a number of additional follow-on patent applications on such alternative routes of administration. In addition, the patent applications that are filed for Nanobody leads routinely cover formulations of such leads and methods for administering them.

***Nanobodies against classes of targets***

Nanobodies have been generated against more than 190 antigens and the Company has filed numerous patent applications covering target classes as well as individual targets, including complex targets such as GPCRs, ion channels and viruses, many of which are very difficult to target with mAbs.

***Licence agreement with Unilever***

Unilever holds licences under the Nanobody-related intellectual property from the VUB for the use of Nanobodies in certain non-healthcare applications, such as washing and cleaning products, packaged food, animal feed products, and non-medical cosmetics. In 2002, the Company entered into licensing arrangements with Unilever, whereby the Company was granted non-exclusive rights for the entire field of healthcare (except chromatography) to a number of the Nanobody-related patent applications and patents held by Unilever and Unilever was granted a non-exclusive sub-license, for affinity separation or purification in healthcare applications, to the patent applications and patents that the Company had licensed from the VUB and VIB for the healthcare field. In 2004, the Company entered into an agreement with Unilever and BAC BV (a spin-off from Unilever) under which BAC BV assumed all rights and obligations under the cross-licensing agreement signed in 2002.

***Licence to the intellectual property from the National Research Council (Canada)***

There is some evidence that Nanobodies can be selected to cross epithelial layers such as the blood-brain barrier. The Company holds an exclusive licence to the intellectual property from the National Research Council (Canada) (NRC) that covers such Nanobodies. In addition, the Company also holds a licence to a patent application from the NRC that relates to specific Nanobody sequences with a high degree of sequence homology to human germline sequences.

**11.10 Facilities**

Ablynx rents a 2,830 $m^2$ office and laboratory space from the VIB located at the Technologiepark in Ghent (Belgium) pursuant to a lease which originally expired on 31 December 2008, but which has since been extended to June 2010 and is further extendable until the end of 2010. Additionally, at the Technologiepark, Ablynx rents 1,590 $m^2$ of temporary portable office facilities from NV Alho. Ablynx has signed an agreement with the University of Ghent for a 3,175 $m^2$ plot for these temporary offices (with the

approval of Innogenetics NV which has a purchase option in respect of such plot). Ablynx has also rented 470 $m^2$ of laboratory and office space from UPTEC in Porto (Portugal).

Ablynx has signed contracts with NV Bio-Versneller, who will provide the Company with seven units (7,000 $m^2$) of laboratory facilities within the Technologiepark as from June 2010, with an initial term of eight years which can be extended by mutual agreement. The annual fee due to Bio-Versneller NV has not yet been definitively determined, in view of adjustment works and final calculations. Ablynx is entitled to terminate the agreement at any time, without a notice period, but subject to payment of (or, under certain circumstances, continuing to be held for the amount of) the fees due for the remainder of the eight-year term. However, under certain conditions, income that would thereafter be generated by Bio-Versneller NV from the vacated units until expiry of the eight-year term, will then be set-off with the indemnity due by Ablynx or will be reimbursed to Ablynx. The Company expects to move all its activities on the Technologiepark into this new facility during June and July 2010 and, concurrently, to give up the leases/ concession on the facilities provided by the VIB, NV Alho and the University of Ghent.

Ablynx rents 25,322$m^2$ of land from BVBA Rootom in Stekene (Belgium). The Company is developing facilities on this land for the housing of some of its llamas and the site should be operational by the beginning of 2010.

### 11.11 Human resources

As at 31 December 2009, Ablynx had 233 members of staff, of which 26 were based in its Porto subsidiary. The table below shows the evolution of the Company's headcount.

| | As at December 31 | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| Research and development | 116 | 174 | 195 |
| Administrative[1] | 28 | 31 | 38 |
| **Total** | **144** | **205** | **233** |
| **Leavers** | (9) | (17) | (13) |

(1) Includes the Executive Committee, intellectual property, facilities support, information technology, finance, human resources, quality and business development staff.

The Company's headcount has increased by 61% since the end of 2007 with a 67% increase in research & development personnel and a 36% increase in general administration staff. According to the Company's current business plan, the headcount at the end of 2010 is expected to increase by about 12% to approximately 260.

As at 31 December 2009, 37% of the Company's staff were qualified to Ph.D. level and 36% held a Master's degree. More than 94% of staff hold at least a first degree. The key areas of scientific expertise covered by the Company's personnel include molecular biology, cell biology, immunology, pharmacology and clinical operations.

Ablynx currently employs staff of 16 different nationalities.

### 11.12 Competition

The pharmaceutical and biotechnology industries are intensely competitive, and any drug or drug candidate developed by Ablynx will compete with existing drugs and therapies. There are many pharmaceutical and biotechnology companies, public and private universities, government agencies and research organisations actively engaged in research and development of drugs or drug candidates targeting the same markets as the Company. The Company's drug development programmes will be subject to significant competition from companies utilising alternative technologies. In addition, as the principles of Nanobody drug candidates become more widely known and appreciated, based on patent and scientific publications and regulatory filings, it is expected that the field will become more competitive.

#### Technology platform competition

The Ablynx technology competes with that of established pharmaceutical and biotechnology companies with expertise in classical mAbs as well as other companies developing therapeutic alternatives to mAbs. Given the limitations of current mAbs, the demand for next-generation alternatives to antibody drugs has

been growing with various companies entering the market using differentiated approaches. Next generation technologies include: drugs based on antibody scaffolds, such as engineered antibody fragments (for example, Domantis Ltd. (now acquired by GlaxoSmithKline), Trubion, Macrogenics, and Affimed); antibodies with optimised half-life, binding and/or Fc regions (for example, KaloBios, Macrogenics, Facet Biotech, Vaccinex and Xencor); alternative antibody technologies such as heavy chain only antibodies or antibodies from non-human species other than mice (for example ArGEN-X, Crescendo Biologics, and Harbour Antibodies); and alternative scaffold-based therapeutics (for example, Dyax Corporation, Pieris AG, Affibody AB, and Molecular Partners AG, Adnexus (now owned by Bristol-Myers Squibb)). Archemix and Noxxon are applying another approach, with the development of aptamers and spiegelmers, respectively, where short oligonucleotides form three-dimensional structures that bind to protein and non-protein targets.

Ablynx believes it is well-positioned to successfully discover and develop drug candidates when compared to mAbs, as well as compared to companies which are pursuing other alternatives. Specifically, the natural origins of Nanobodies confer potential advantages with respect to immunogenicity, affinity, solubility and stability. Nanobody based drug candidates may also be tailored to bind to multiple different targets and can have their half-life enhanced using a variety of technologies, enhancing their flexibility to act against chronic as well as acute diseases. Nanobodies can be generated to many types of antigens, including: protein surfaces, receptors such as GPCRs, ion channels, viral canyons, enzyme active sites; and peptides, a much broader array of targets than can be pursued by conventional mAbs and some other competing approaches currently in development. To date, Nanobodies have been generated against over 190 biological targets and have been cited in over 210 peer-reviewed science articles.

### 11.13 Litigation

In 2007, the Company was notified by reMYND NV that a difference of interpretation exists between the Company and reMYND in respect of the trigger event for Ablynx's contractual obligation to pay reMYND 50% of any income received in respect of Nanobodies tested by reMYND for activity in animal models of Alzheimer's disease. Under its agreement with reMYND, Ablynx has the obligation to pay reMYND 50% of any income received if it licenses Nanobodies which were tested by reMYND, for activity in animal models of Alzheimer's disease, to a third party for development and commercialisation. The Company has a collaboration with BI, under which, at this time, no licence to develop or commercialise any of the aforementioned Nanobodies has been granted. See "11.7 Business — Collaborations and Partnerships" for further details. If BI wishes to license those specific Nanobodies for development and commercialisation (which the Company believes is very unlikely), the Company intends to pay reMYND 50% of the income it receives from BI as a result of such licensing arrangement. Since 2007, the Company has been engaged in discussions with reMYND on this difference of interpretation. Ablynx is actively seeking to resolve this difference of interpretation amicably, but intends to vigorously defend its position using all reasonable means available should it be necessary to do so.

In 2007, the Company became aware that Unilever is engaged in clinical testing of a Nanobody-based product against rotavirus in a third world country. Since then, the Company has been closely monitoring this situation and has engaged in discussions with Unilever on this research programme and its status and progress. The company remains firmly of the opinion that the product tested by Unilever is a medicinal product, and as such falls within the field of healthcare applications for which Ablynx has been granted an exclusive licence under the patent estates from VUB and VIB (see "11.9 Business — Intellectual Property"). For its part, Unilever maintains that its product is not a medicinal product but a health-promoting food additive and as such falls within the field licensed to Unilever by the VUB and VIB. VIB shares Ablynx's view in this matter, and Unilever has been informed of this fact. Although its main objective is to achieve an amicable resolution, Ablynx intends to use all reasonable means to protect its assets and the exclusive rights granted to it.

As mentioned in "11.9 Business — Intellectual Property", with regard to pegylation of Nanobodies, the Company is engaged in opposition proceedings against the European patent EP 1 639 011, which has been granted to Domantis Ltd. and which relates to specific methods for pegylating antibody single variable domains. Based upon the claims as granted for this patent and the prosecution history that led to the grant of this patent, the Company strongly believes that its current methods for pegylating Nanobodies fall outside of the scope of this granted patent. Nevertheless, the Company has decided to oppose the grant of this patent as the Company believes that, in view of prior art that was not cited during the procedure that led to the grant of this patent, that this patent should not have been granted.

As also mentioned in "11.9 Business — Intellectual Property", the Company was also engaged in opposition proceedings against the European patent EP 1 517 921, which was originally granted to Domantis Ltd. in 2006 and which related to one specific technique for the half-life extension of immunoglobulin single variable domains. The outcome of these opposition proceedings was that, in February 2010, the Opposition Division of the European Patent Office decided to revoke the Domantis patent in full. If this decision by the Opposition Division becomes final (either because Domantis does not file an appeal or because any appeal filed by Domantis is not subsequently successful), all the claims of this patent as originally granted will be deemed to have never existed, and the techniques described in this patent could be applied by Ablynx and its partners in Europe for their internal and partnered programmes without Domantis being able to assert this patent against such activities in Europe. The Company expects Domantis to appeal the decision by the Opposition Division, but the Company sees no reason why the arguments that it has put forward during the opposition proceedings and that led to the revocation of the patent by the Opposition Division should not be equally successful during appeal proceedings (meaning that the Company believes that the Board of Appeal at the European Patent Office will either confirm the decision by the Opposition Division to revoke the patent in full, or otherwise reinstate the patent, but with claims that are limited in scope such that Ablynx will be able to use said technique without Domantis being able to successfully assert any such limited reinstated claims against this). The term that Domantis has for filing any appeal is expected to expire before the end of 2010 (this depends on precisely when the Opposition Division of the European Patent Office issues its written decision, which is expected in the second or third quarter of 2010). Thereafter, a final decision in any such appeal proceedings is expected in 2012 or 2013. Under the provisions of the European Patent Convention, an appeal filed by Domantis will suspend the decision of the Opposition Division. However, the Company believes that, because the patent has been revoked in full and because the decision to revoke the patent was, at least in part, based on prior art not cited during the examination proceedings that led to the grant of EP 1 517 921, the courts in Belgium, and in the further European countries for which the now-revoked patent was originally granted, will be very reluctant to allow Domantis to assert the patent in any way against the Company before the Board of Appeal at the European Patent Office has reached a final decision in any such appeal proceedings.

As mentioned in "11.9 Business — Intellectual Property", as part of a settlement with the Glaxo Group Limited and Domantis Ltd. (both members of the GlaxoSmithKline group of companies), in October 2009, the Company also secured a licence to the European Winter-II patent, that prior to its expiry in November 2009 covered the use of immunoglobulin expression libraries in most European countries (but not in Portugal). This licence was secured as part of a settlement of the arbitration proceedings that had been filed against the Company in 2008 by Domantis Ltd., which alleged that the Company had breached an earlier settlement agreement between the Company and Domantis Ltd. dating from 2005. Under the new agreement, Ablynx will pay Domantis Ltd. low single-digit royalties on the first five Nanobody products which are commercialised.

In general, with regard to the half-life extension technologies that are currently applied in the Company's development programmes (and including in respect of the specific issues set out in the previous paragraphs), the Company believes it either has sufficient freedom-to-operate or will be able, through opposing and/or invalidating any relevant third party patent rights, to create sufficient freedom-to-operate. However, where such freedom-to-operate may at this time not exist due to patents that are currently granted to third parties (including to Domantis Ltd. in respect of half-life extension), the Company may have to obtain appropriate licences under such patents, to initiate proceedings to have these patents revoked or declared invalid, or to alter certain of its development programmes such that these programmes involve the use of half-life extension technologies that are not encumbered by third party patents (e.g. the NExpedite technology). This may have a material adverse effect on the timelines that are currently foreseen by Company for these development programmes and consequently on its business, financial condition, results of operations and prospects.

Ablynx maintains an active and continuous watch for companies which may be developing healthcare related products and services involving the use of any kind of *Camelidae*-derived antibodies and where appropriate intends to take those steps necessary to protect its assets and the exclusive rights granted to it. The Company has noted that the Australian biopharmaceutical company Canopus BioPharma mentions on its website that it is developing "camel antibody treatments" against anthrax, influenza and sepsis, as well as "camel serum" against rheumatoid arthritis and psoriasis. The Company intends to take those steps necessary to determine whether the activities of Canopus BioPharma could potentially fall within the scope of Ablynx's patent estate. If so, the Company intends to use all reasonable means available to it to protect

its assets and the exclusive rights granted to it. Ablynx has further noted that three of its former employees set up the company ArGen-X (based in Ghent), which has stated that it is seeking to exploit conventional full-sized *Camelidae* antibodies in therapeutic applications. Such full-sized antibodies are not covered by any of the currently granted claims for the Hamers patents. The Company's concern is that ArGen-X may be using know-how and other information proprietary to Ablynx. The Company therefore intends to take those steps necessary to determine whether the activities of ArGen-X involve the use of assets proprietary to Ablynx. If so, Ablynx intends to use all reasonable means available to it to protect its assets and the exclusive rights granted to it.

## 12 REGULATION

### 12.1 Overview

The international pharmaceutical industry is highly regulated by government bodies. Regulations cover nearly all aspects of the Company's activities, from research and development and marketing to its manufacturing facilities and processes. In each country where it conducts its research and intends to market its drugs, the Company has to comply with standards laid down by the local regulatory authorities and by any other competent supra-national regulatory authority. These authorities notably include the EMEA in Europe and the FDA in the United States, as well as other regulatory bodies depending on the relevant market.

These agencies impose substantial requirements on the research and development, production and manufacturing, and marketing and sales of drugs. These requirements govern the testing, manufacturing, quality control, safety, efficacy, labelling, storage, record keeping, approval, advertising, promotion and pricing of drugs.

The specific regulations and laws, as well as the time required to obtain marketing approval, may vary from country to country, but the general regulatory procedure for drug development is similar in Europe and the United States. Before drug candidates can be tested in humans, they must undergo pre-clinical studies, to determine their safety. These studies include laboratory experiments and animal studies to evaluate the chemistry, formulation and stability of the drug candidate and assess its toxicity in animals. Upon successful completion of pre-clinical studies, regulatory agencies may grant approval for clinical studies, which are typically conducted in three sequential phases, Phases I (taking typically one year), II (two years) and III (three-to-five years), with Phase IV studies conducted after marketing approval. Phase IV trials are generally required for products that receive accelerated approval. These phases may be compressed, may overlap or may be omitted in some circumstances.

### 12.2 Phase I clinical studies

After an Investigational Medical Product Dossier (IMPD) in Europe or an Investigational New Drug Application (IND) in the United States, becomes effective, Phase I human clinical studies can start.

Phase I clinical studies are initially conducted in a limited population to evaluate a drug candidate's safety profile, and the range of safe dosages that can be administered to the patient, including the maximum tolerated dose that can be given to a patient with the target disease. Phase I studies also determine how a drug candidate is absorbed, distributed, metabolised and excreted by the body, and its duration of action. In some cases, a sponsor may decide to conduct what is referred to as a "Phase Ib" evaluation, which is a second safety focused Phase I clinical study and which is designed to, for example, evaluate the impact of the drug candidate in combination with currently approved drugs or other questions. In the case of products for life-threatening diseases, such as stroke, the initial human testing is often conducted in patients with the target disease rather than in healthy volunteers. These studies may provide initial evidence of efficacy traditionally obtained in Phase II clinical studies, and so these studies are frequently referred to as Phase I/II or Phase IIa studies.

### 12.3 Phase II clinical studies

As in Phase I studies, relevant ethics committee and regulatory authority approvals are required before initiating Phase II clinical studies. These studies are conducted in a limited patient population to further determine the possible adverse effects and safety risks for the drug candidate, evaluate its initial efficacy for specific indications and determine dose tolerance and optimal dosage. The first Phase II studies, which are sometimes referred to as Phase IIa, may be conducted in few patients to demonstrate preliminary safety and efficacy. Additional Phase II studies, which may be termed Phase IIb, may be conducted in a larger number of patients to confirm the safety and efficacy data generated in the first Phase II studies and to refine optimal dosing. In some instances, a Phase II study may be declared acceptable by regulatory agencies to obtain marketing authorisation for the drug.

### 12.4 Phase III clinical studies and approval

As in Phase I and Phase II studies, relevant ethics committee and regulatory authority approvals are required before initiating Phase III clinical studies. These studies, which are sometimes referred to as registration or pivotal studies, are undertaken when Phase II clinical trials suggest that the drug candidate is effective and has an acceptable safety profile and an effective dosage has been identified. In Phase III

clinical studies, the drug is usually tested in a blinded controlled randomised trial comparing the investigational new drug to an approved form of therapy in an expanded and well-defined patient population and at a number of hospitals and medical practices. When no alternative is available, investigational drugs are tested against placebo. The goal of these studies is to obtain definitive statistical evidence of safety and efficacy of the investigational new drug as compared to an approved standard treatment or placebo, as the case may be, in defined patient populations with a given disease and stage of illness.

Regulatory agencies review the results of these studies and may discontinue them at any time. Upon completion of these clinical studies, the Company submits an application for market authorisation to the relevant authority. After review of the application, the regulatory authority may grant market approval, deny the application or request additional information, including further clinical testing of the drug candidate. Marketing approval may be granted, but could be subject to additional clinical testing, referred to as Phase IV clinical studies, to monitor the drug after commercialisation. Additionally, marketing approval may be subjected to limitations on the indicated uses for the drug.

After marketing approval is obtained, the marketed drug and its manufacturer will continue to be subject to regulations and review. Among the conditions for approval include requirements that the manufacturer of the drug complies with cGMP as well as ongoing inspection of manufacturing and storage facilities. Violations of regulatory requirements at any stage may result in, among other things, restrictions on the drug, withdrawal of market approval, injunctions, fines and criminal penalties. Once a product has received marketing authorisation, the marketing authorisation holder has a continued obligation to make sure that the product meets the regulatory requirements regarding safety, efficacy and quality and that the product dossier remains up to date and in compliance with the then current regulations. The marketing authorisation is subject to a one-time renewal after five years meaning that the marketing authorisation holder needs to submit a renewal application, which submission is then reviewed by the competent health authorities. If renewed on the basis of a re-evaluation of the risk-benefit balance of the product, the marketing authorisation remains in effect for as long as the product is being commercialised and as long as the product meets the regulatory requirements (there are certain exceptions to this rule requiring additional five year renewals).

## 13 MANAGEMENT AND GOVERNANCE

### 13.1 Composition of the Board of Directors

The Board of Directors consists of seven members, one of whom is an executive director and six of whom are non-executive directors, including three independent directors.

| Name | Year of birth | Position | Term[(i)] | Professional Address | Board Committee Memberships |
|---|---|---|---|---|---|
| **Edwin Moses[(ii)]** | 1954 | Chairman and Chief Executive Officer | 2011 | Technologiepark 4, 9052 Zwijnaarde, Belgium | — |
| **Stephen Bunting** | 1953 | Non-executive director | 2011 | Abingworth LLP, 38 Jermyn Street, London SW1Y 6DN, United Kingdom | Member of the Nomination and Remuneration Committee |
| **Sofinnnova Partners S.A., represented by its permanent representative, Denis Lucquin** | 1957 | Non-executive director | 2011 | 17 Rue de Surène, 75008 Paris, France | — |
| **Jim Van heusden** | 1971 | Non-executive director | 2011 | Gimv, Karel Oomsstraat 37, 2018 Antwerp, Belgium | Member of the Audit Committee |
| **Mats Pettersson** | 1945 | Independent director | 2011 | The Malt House, 3 Home Farm Close, Esher, Surrey KT10 9HA, United Kingdom | Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee |
| **Remi Vermeiren** | 1940 | Independent director | 2011 | Boomgaardstraat 6, 9620 Zottegem, Belgium | Chairman of the Audit Committee |
| **Geert Cauwenbergh** | 1954 | Independent director | 2011 | 1, Stults Drive, NJ 08536 Plainsboro, United States | Member of the Nomination and Remuneration Committee |

**Notes:**

(i) The term of the mandate of the director will expire immediately after the Annual Shareholders Meeting held in the year set forth next to the director's name. All directors were re-appointed at the Extraordinary Shareholders meeting held on 12 October 2007.

(ii) First appointed as independent director by the Extraordinary Shareholders Meeting held on 21 October 2004. He has been re-appointed as executive director by the Extraordinary Shareholders Meeting held on 23 August 2006. Mr. Moses has taken up the position of CEO on 6 June 2006.

The following paragraphs contain brief biographies of each of the directors, or in case of legal entities being director, their permanent representatives, with an indication of other relevant mandates as member of administrative, management or supervisory bodies in other companies during the previous five years.

**Edwin Moses** - After completing his post-doctoral research in Germany, Edwin Moses began a commercial career with successful periods spent at Amersham International, Enzymatix and Raggio-Italgene. From 1993-2001, first as CEO and later as Chairman, he was responsible for the growth of Oxford Asymmetry (OAI) through a series of venture rounds cumulating in a flotation (LSE) in 1998 at a value of £120 million. This was followed by a sale of the company to Evotec Biosystems in 2000 for £316 million. During this period, OAI grew from four people to over 250. Over the past eight years, Edwin has played an important role at Board level (primarily as Chairman) in over 15 European life science companies. During this time he has been involved in a number of financing rounds, a series of M&A transactions and four IPOs. He has been Chairman of Ablynx since 2004, and in 2006 he accepted the offer by Ablynx's Board of Directors to extend his role as Chairman to include that of Chief Executive Officer. Apart from and in addition to his duties as CEO and Chairman of the Company, Edwin Moses is the chairman of Lectus Therapeutics Ltd. (UK), a member of the Board of Directors of the European Biopharmaceutical Enterprises and it is anticipated that he will become the Chairman of the Board of Capricorn Health-tech Fund (Belgium). Furthermore, in the past five years, in addition to Ablynx, he has held Board memberships with the following companies: Clinphone Group plc (UK), Fusion IP plc (formerly Biofusion plc) (UK), Phoqus Pharmaceuticals Ltd (UK), Pharmaceutical Profiles Ltd (UK), Proimmune Ltd (UK), Paradigm Therapeutics Ltd (UK), Avantium Technologies (the Netherlands), Ionix Pharmaceuticals Ltd (UK), Evotec OAI AG (Germany), Bioimage A/S (Denmark), Inpharmatica Ltd (UK), Prolysis Ltd (UK) and ProPharma Ltd (UK).

**Stephen Bunting** - Stephen Bunting has more than 27 years' experience of life science venture capital investment. He joined the Abingworth Group in 1987 and became its Managing Director (now Managing Partner of Abingworth LLP) in 2002. He has been a Director of a number of companies in the United States and Europe and was Founding Chairman of Astex Therapeutics, Devgen and Hexagen. Other directorships have included Aurora Biosciences, Galapagos and Genetic Therapy. At Abingworth he is responsible for building and leading the team and for investment strategy. He is active in United Kingdom and Continental European deals. He is currently a member of the Board of the following companies: Abingworth LLP (UK), Abingworth Bioventures IIA GP Limited (UK), Abingworth Bioventures III GP Limited (UK), Abingworth Bioventures IV GP Limited (UK), Abingworth Bioventures V GP Limited (UK), Abingworth Management Limited (UK), Abingworth Management Holdings Limited (UK), Abingworth Management Inc. (UK), Abingworth Trustee Limited (UK), Abingworth Ventures (G.P.) Limited (UK), Astex Therapeutics Limited (UK), Elkinbrook Limited (formerly Abingworth Limited) (UK) and Prosensa (the Netherlands). In the past five years, he has also served on the Board of: Abingworth Executives Limited (UK), Akubio Limited (UK), Devgen NV (Belgium), Galapagos NV (Belgium) and Inpharmatica Limited (UK) and Prosensa (the Netherlands). Stephen Bunting has a PhD in Biological Sciences.

**Denis Lucquin** (permanent representative of Sofinnova Partners S.A.) - Denis Lucquin is managing partner and chairman of Sofinnova Partners S.A., specialising in life sciences and, more recently, cleantech investments. He joined Sofinnova in 1991. After having obtained a degree in engineering from Ecole Polytechnique and Ecole du Génie Rural des Eaux et Forêts, he began his career in academic research. For five years, he was in charge of the technology transfer department at the Institut National de la Recherche Agronomique (INRA), France's agricultural research institute. In 1989, he joined the venture capital industry as director of investments at Innolion (Crédit Lyonnais). He carried out many investments in France and other European countries in companies such as Nicox, Exonhit, IDM, Neurotech, Innate Pharma, Neuro 3D, Oxford Glycosciences, Oxford Molecular, PPL Therapeutics, CropDesign, Metris Therapeutics, Cerenis, Ablynx, Novexel and Noxxon. He is currently a member of the Board (in his own name or as the permanent representative of Sofinnova Partners S.A.) or advisory Board member of the following companies: Sofinnova Partners SAS (France), Innate Pharma SAS (France), Noxxon Pharma AG (Germany), Inserm Transfert Initiative S.A. (France), Cerenis Therapeutics S.A. (France), Novexel S.A. (France), DNP Green Technology Inc. (U.S.) and Sequoia Pharmaceuticals Inc. (U.S.). Denis is also a founder of Association France Biotech. In the past five years, he has served as a member of the Board (in his own name or as the permanent representative of Sofinnova Partners S.A.) or advisory Board member of the following companies: Neuro 3D S.A. (France), DBV Technologies S.A. (France), Carex S.A. (France) and Fovea S.A. (France).

**Jim Van heusden** - Jim Van heusden is a Venture Capital partner at Gimv and focuses on investments in Life Sciences. He currently serves on the Board of ActoGeniX (Belgium), Pronota (Belgium), Nereus Pharmaceuticals (U.S.) and Prosensa (the Netherlands) and has been a Board member at CropDesign (acquired by BASF). Prior to joining Gimv in 2001, he was working as a senior scientist at the department of Oncology Drug Discovery at Janssen Pharmaceutica, a Johnson & Johnson company, where he also served on the research management committee of the collaboration with Rigel Pharmaceuticals (U.S.). Jim Van heusden holds BSc and MSc degrees in chemistry and biochemistry from the University of Antwerp (Belgium) and a PhD in molecular and cellular biology from the University of Maastricht (The Netherlands).

**Mats Pettersson** - Mats Pettersson is the founder of Biovitrum AB, a spin out company from Pharmacia and one of the largest biotech companies in Europe, and he was its first CEO from 2001 until 2007. After a career as a CPA (1968-1976) he joined the Pharmacia group in 1976 where he mainly worked in CFO and Business Development positions. Before founding Biovitrum, he was Senior Vice President and a member of the management committee of Pharmacia Corporation. He was responsible for several of the transforming mergers in Pharmacia. He is currently a Board member of Lundbeck A\S (Denmark), Photocure AS (Norway) and to-BBB technologies B.V. (the Netherlands), chairman of the board of NsGene A\S (Denmark) and Independent Pharmaceutica AB (Sweden) and founder and Board member of SwedenBio AB (Sweden). He is also the chairman of the investment advisory board of Karolinska Development Fund (Sweden). In the past, he has held Board memberships with Biovitrum AB (Sweden), Metacure Inc. (Bermuda), Biacore AB (Sweden) and Active Biotech (AB) (Sweden). Mats Pettersson has obtained a BSc in economics and business administration.

**Remi Vermeiren** - Before Remi Vermeiren became an independent director of Ablynx, he had a 43 year long career at Kredietbank NV, which in 1998 merged with Cera Bank and ABB Insurance into KBC Bank and

Insurance Group. In the earlier years, he was mainly involved in Asset Management, Trading and Administration of Securities, Treasury and International and Investment banking. From 1989 on, he was a member of the Executive Committee responsible for the day-to-day management of the bank. From 1998 until 2003, he held the function of Chairman of the KBC Bank and Insurance Group and of KBC Bank. During this period, he was mainly involved in defining the strategy of the new group, integration of the banking and insurance activities, implementation of the merger of the two banks and the cost reduction going with it, and expansion of KBC into Central Europe where it became one of the most important Western European investors in the banking and insurance industry. Currently, Remi is also member of a number of quoted and non-quoted companies and of charitable organisations, including of "Foundation RV" set up and funded by himself. He is currently a member of the Board or supervisory bodies of the following companies: Ravago NV (Belgium), Devgen NV (Belgium), ACP II SCA (Luxembourg) (Liquidator) and Zinner NV (Belgium). In the past five years, he has held positions as a member of the Board or administrative, management or supervisory bodies of the following companies: Hobbyrama NV (Belgium), Gondry SA (Belgium), Hout Van Steenberge NV (Belgium), Cometal NV (Belgium), Stock Van Wiemeersch NV (Belgium), Capital Markets Company NV (Belgium), Ardatis NV (Belgium), Afinia Plastics NV (Belgium), Euronext Holding N.V. (the Netherlands), Euronext Amsterdam N.V. (the Netherlands), IFB SPA (Italy) and Cumerio NV (Belgium). Remi Vermeiren holds a degree in commercial and financial sciences.

**Geert Cauwenbergh** - Dr. Geert Cauwenbergh currently is CEO and Chairman of RHEI Pharmaceuticals, a company that in-licenses Western pharmaceutical products for the Chinese and SE Asian markets. In February 2008, Geert founded Phases123, a company focused on high potential health care technology platforms and emerging health care companies. Prior to founding Phases123, Dr. Cauwenbergh founded Barrier Therapeutics (a biopharmaceutical company with focus on research and development of patented drugs for treatment of skin diseases) in September of 2001. As its chairman and CEO he raised private financing for the company in 2002 and took it public with a listing on the NASDAQ (Symbol: BTRX) in 2004. Through capital increases for a total of U.S.$250 million, he developed Barrier Therapeutics from a pure R&D organisation into a fully integrated commercial U.S. company with U.S.$45 million in revenues in 2008. Barrier Therapeutics was acquired by Stiefel Laboratories in 2008.

Prior to founding Barrier Therapeutics, Dr. Cauwenbergh was Vice President of Technology of the Johnson & Johnson (J&J) Consumer and Personal Care Products Companies. In 1994, Dr. Cauwenbergh moved from Europe to the U.S., and became Vice President of Product Development and member of the Board of the U.S. Johnson & Johnson Consumer Company. Geert joined the R&D organisation of the Janssen Research Foundation in Belgium in 1982, after three years in sales and marketing in Janssen Pharmaceutica. He held positions of increasing responsibility and oversaw global development of several drugs in the areas of dermatology and infectious diseases as the worldwide director for those two franchises until 1994.

Dr. Cauwenbergh is a member of the Board of Trustees, and is the current Chairman of the Board of BioNJ, the industry organisation for biotechnology in New Jersey, US. In 2004, Dr. Cauwenbergh was appointed Trade Advisor for Health Care in North America to the Belgian Government, and was reconfirmed in this function in 2007. He received his Doctorate in Medical Sciences from the Catholic University of Leuven, Faculty of Medicine, where he also completed his masters and undergraduate work. In 2004 Dr. Cauwenbergh was inducted in the New Jersey High Tech Hall of Fame. Geert is currently the chairman and CEO of Rhei Pharmaceuticals (Belgium), executive chairman of ECI Biotech Inc. (U.S.), the managing partner of Phases123 LLC (U.S.). He also serves on the Board of Euroscreen (Belgium). In the past five years, he has also served as member of the Board of DARA Biosciences (U.S.) and as the chairman and CEO of Barrier Therapeutics (U.S.).

***Litigation statement concerning the directors or their permanent representatives***

At the date of this Prospectus, none of the directors of the Company or, in the case of legal entities being director, none of their permanent representatives, has, other than as set out in the following paragraph, for at least the previous five years:

- been convicted in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation, except for: Phoqus Pharmaceuticals plc, which went into voluntary administration at the

time Edwin Moses served as Chairman and ACP II Luxembourg which was voluntarily liquidated with Remi Vermeiren acting as Chairman and liquidator;

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body), other than Remi Vermeiren. In the context of a criminal procedure on the alleged collaboration within KBLuxembourg and KBC with tax evasion by clients, Remi Vermeiren - together with 13 other individuals - was prosecuted before the correctional court (*correctionele rechtbank*) in Brussels. On 8 December 2009, the correctional court decided that the prosecution was inadmissible because of an infringement of the right of defence of the defendants, so that Remi Vermeiren was dismissed from prosecution. The Public Prosecutor lodged an appeal against the judgment of the correctional court, which appeal is still pending; or,
- has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

***Senior executives***

The Board of Directors has established an Executive Committee (*directiecomité*) within the meaning of Article 524*bis* of the Belgian Companies Code and Article 24 of the Company's articles of association. Until 17 July 2007, the Executive Committee consisted of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Scientific Officer and the Chief Business Officer. Since 17 July 2007, the Executive Committee has been reinforced with a Chief Medical Officer. The Executive Committee consists of five members. The current members of the Executive Committee are listed in the table below.

| Name | Function | Year of birth |
|---|---|---|
| Edwin Moses | Chief Executive Officer | 1954 |
| Wim Ottevaere[(i)] | Chief Financial Officer | 1956 |
| Debbie Law | Chief Scientific Officer | 1965 |
| Eva-Lotta Allan | Chief Business Officer | 1959 |
| Josefin-Beate Holz | Chief Medical Officer | 1965 |

(i) Wim Ottevaere acts as the permanent representative of Woconsult NV.

Following are biographies of the members of the Executive Committee.

**Edwin Moses** - please see above.

**Wim Ottevaere** (acting as the permanent representative of Woconsult NV) - From 1978 until 1989, Wim Ottevaere held various positions in finance and administration within the Dossche group. From 1990 until 1992, he served as Finance Director of Vanhout, a subsidiary of the Besix group, a large construction enterprise in Belgium. From 1992 until July 2006, he was Chief Financial Officer of Innogenetics, a biotech company formerly listed on Euronext. He joined Ablynx in August 2006. Wim Ottevaere holds a Master's degree in business economics from the University of Antwerp (UFSIA), Belgium.

**Deborah (Debbie) Law** - Debbie has over 13 years of experience in the biotech industry. She started her career with Cor Therapeutics in 1995. She has held senior managerial and research roles in EOS Biotechnology. Prior to joining Ablynx, Debbie spent five years with PDL BioPharma (now Facet Biotechnology) where, from 2006, she held the position of Vice President of Research. Debbie Law received a D. Phil. in immunology from the University of Oxford in 1989 and held a post-doctoral position at the University of California, San Francisco from 1989 to 1995.

**Eva-Lotta Allan** - Eva-Lotta Allan has brought 25 years of industry experience to Ablynx, with the last 15 years in business development. She joined Ablynx from Vertex Pharmaceuticals Incorporated where she held a number of positions between 2000-2006 and was most recently Senior Director of Global Business Development and Site Operations Vertex Europe. Prior to joining Vertex, Eva-Lotta held senior business development and sales and marketing roles at Amersham International, AGEM S.A., Oxford Asymmetry International (OAI) and Oxford GlycoSciences (OGS). She is currently a Board member of Isconova AB. Eva-Lotta holds a degree in microbiology from the University of Stockholm (Laborantskolan) and held a position for a number of years at the Karolinska Institute, in the department of Tumour Biology.

**Josefin-Beate (Josi) Holz** - Josi Holz started her career in 1995 with Bristol-Myers Squibb (Munich, Germany), and has since held senior managerial and research roles in several biotechnology and

pharmaceutical companies including: GPC Biotech, Allos Therapeutics Inc. and Gilead/OSI Pharmaceuticals. Prior to joining Ablynx in June 2007, she held the position of Vice President Drug Development at U3 Pharma AG. She has advanced small molecules and biologics from early to advanced stages of clinical development. She has considerable experience in leveraging external networks of advisors and collaborators to enhance the capabilities of internal teams. Josi Holz holds a Medical Doctor's degree from the University of Marburg, Germany.

***Litigation statement concerning the members of the Executive Committee***

At the date of this Prospectus, none of the members of the Executive Committee of the Company or, in the case of legal entities being members of the Executive Committee, none of their permanent representatives, has, for the previous five years:

- been convicted in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- has ever been disqualified by a court from acting as member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

## 13.2 Corporate governance

***General provisions***

This section summarises the rules and principles by which the corporate governance of the Company has been organised pursuant to Belgian company law, the Company's articles of association and the Company's corporate governance charter. It is based on the Company's articles of association and on the Company's corporate governance charter, both as they are in effect at the date of this Prospectus.

The Company's corporate governance charter has been adopted in accordance with the recommendations set out in the Belgian Corporate Governance Code (the "CGC") that was issued on 9 December 2004 by the Belgian Corporate Governance Committee and amended on 12 March 2009. Corporate governance has been defined in the CGC as a set of rules and behaviours according to which companies are managed and controlled. The CGC is based on a "comply or explain" system: Belgian listed companies are requested to follow the CGC, but may deviate from its provisions and guidelines (though not the principles) provided they disclose the justifications for such deviation.

The Company's Board of Directors complies with the CGC, but believes that certain deviations from its provisions are justified in view of the Company's particular situation. These deviations include the following:

- Provision 1.5 CGC: For reasons of continuity in the management of the Company, the Chairman of the Board of Directors and the CEO are the same individual.
- Provision 7.7 CGC: Only the independent directors shall receive fixed remuneration in consideration of their membership of the Board of Directors and their attendance at the meetings of 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 advice of the Nomination and Remuneration Committee, the Board of Directors may propose, at the Shareholders Meeting, to deviate from the latter principle if, in the Board of Directors' reasonable opinion, the granting of options or Warrants would be necessary to attract or retain independent directors with the most relevant experience and expertise.
- Provision 7.14 CGC: According to the CGC, the amount of the remuneration and other benefits granted directly or indirectly to the CEO should be disclosed on an individual basis. However, amongst other things based on privacy considerations, the Board of Directors has decided not to disclose the remuneration of the CEO on an individual basis, but to disclose the remuneration package of the CEO and the other members of the Executive Committee in the aggregate.

- Provision 8.8 CGC: Only shareholders who individually or collectively represent at least 20% of the total issued share capital may submit proposals to the Board of Directors for the agenda of any Shareholders Meeting. This percentage is in line with Article 532 of the Belgian Companies Code (relating to the convening of a Shareholders Meeting) but deviates from the 5% threshold set out by the CGC.

In accordance with the Corporate Governance Code, the Board of Directors of the Company will review its corporate governance charter from time to time and make such changes as it deems necessary and appropriate. The charter is available on the Company's website (www.ablynx.com) and may be obtained free of charge at the registered office of the Company. In its annual report for the financial year ending 31 December 2009, to be published in 2010, the Board of Directors will also devote a specific chapter to corporate governance, describing the Company's corporate governance practices during that year and including explanations on any deviations from the CGC, in accordance with the requirement to "comply or explain".

### 13.3 Board of Directors

***General provisions***

As provided by Article 521 of the Belgian Companies Code, the Company is headed by a Board of Directors acting as a collegiate body. The Board of Directors' role is to pursue the long-term success of the Company by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors should decide on the Company's values and strategy, its risk appetite and key policies. The Board of Directors should ensure that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board of Directors believes that this involves a primary focus on long-term financial returns, while remaining sensitive to the interest of the stakeholders who are essential to a successful business: the Company's partners, shareholders and employees as well as the community and environment in which the Company operates.

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 Article 524*bis* of the Belgian Companies Code, 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.

In light of the foregoing and as provided by Article 522 of the Belgian Companies Code, the Board of Directors is the ultimate decision-making body in the Company, except with respect to such areas which are reserved by law or by the Company's articles of association to the Shareholders Meeting. Without prejudice to the foregoing, the Board of Directors has reserved itself certain decision making powers which have not been delegated to the Executive Committee, such as any decision relating to a material variation to the terms of the standard confidentiality, assignment of inventions and/or non-compete undertakings that have been approved by the Board of Directors, in an employment agreement or services agreement that is being negotiated with a (new) member of the Executive Committee; or any decision relating to the entering into, amendment of or termination of material in or out-licensing agreements.

The Company's articles of association prescribe that the number of directors of the Company, who may be natural persons or legal entities and who need not be shareholders, shall be at least five. The exact number of directors shall be resolved upon by the Shareholders Meeting from time to time upon proposal of the Board of Directors or as otherwise provided in accordance with applicable Belgian company law. In any event, the Board of Directors shall be small enough for efficient decision-making. It shall be large enough so as to allow its members to contribute experience and knowledge from different fields and for changes to the Board of Directors' composition to be managed without undue disruption. The Board of Directors currently believes that the optimum number of directors is between five and nine. At least half of the

members of the Board of Directors shall be non-executive directors, including at least three independent directors.

The directors of the Company are appointed by the Shareholders Meeting. However, in accordance with the Belgian Companies Code, if the mandate of a director becomes vacant due to his death or resignation, the remaining directors have the right to temporarily appoint a new director to fill the vacancy until the first Shareholders Meeting after the mandate became vacant. The new director completes the term of the director whose mandate became vacant. The corporate governance charter provides that directors may be appointed for a maximum (renewable) term of four years.

A meeting of the Board of Directors is validly constituted if there is a quorum, consisting of at least half of the members present in person or represented at the meeting. If this quorum is not present, a new board meeting may be convened to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not present. In any event, the Board of Directors may only validly proceed if at least two directors are present. Meetings of the Board of Directors are convened by the Chairman of the Board of Directors or by at least two directors, whenever the interests of the Company so require. In principle, the Board of Directors will meet at least five times per year.

The Chairman of the Board of Directors does not have a casting vote on matters submitted to the Board of Directors.

***Chairman***

The Company's corporate governance charter provides that the Board of Directors appoints a Chairman amongst its members. By way of deviation from Provision 1.5 of the CGC, for reasons of continuity in the management of the Company, the Chairman of the Board of Directors and the CEO is the same individual.

The Chairman of the Board of Directors is responsible for the leadership of the Board of Directors. The Chairman takes the necessary measures to develop a climate of trust within the Board of Directors, contributing to open discussion, constructive dissent and support for the decisions of the Board of Directors. The Chairman promotes effective interaction between the Board of Directors and the board committees, in particular the Executive Committee. The Chairman establishes a close relationship with the Executive Committee, providing support and advice, while fully respecting the executive responsibilities of the Executive Committee.

The Chairman has additional specific tasks. These are further described in the terms of reference of the Board of Directors as set out in the Company's corporate governance charter.

***Independent directors***

A director may only be considered an independent director if he or she meets at least the criteria set out in the Belgian Companies Code. The Law of 17 December 2008 regarding the incorporation of an audit committee in listed companies and financial companies has introduced a new set of (more stringent) criteria for the qualification as independent director.

Independent directors who were appointed before 8 January 2009, such as the independent directors of the Company, and who satisfy the criteria of (former) Article 524, paragraph 4, part 2 of the Belgian Companies Code, but not all criteria of (new) Article 526*ter* of the Belgian Companies Code, can continue to serve as independent director until 1 July 2011.

The independence criteria of Article 524 of the Belgian Companies Code may be summarised as follows:

- during a term of two years prior to his or her election he or she has not held a position as director, member of the Executive Committee (*directiecomité*), daily manager or executive in the Company (or an affiliate of the Company). This requirement does not apply to the re-election of an independent director;
- he or she does not own any corporate rights that represent 10% or more of the share capital, the corporate funds or of a category of shares of the Company. If he or she has corporate rights which represent less than 10%, then:
    - such rights, taken together with rights in the Company held by companies over which he or she has control, may not represent 10% or more of the share capital, the corporate funds or of a category of shares of the Company; or

- the disposal of these shares, or the exercise of the rights attached thereto, may not be subject to agreements or unilateral commitments entered into by him or her;

- he or she is not the spouse of, is not the unmarried legal partner of, or is not a relative (via birth or marriage) up to the second degree of a person who:
  - is a director, member of the Executive Committee (*directiecomité*), daily manager or executive in the Company (or an affiliate of the Company); or
  - has a financial interest as set out under the second bullet above;
- he or she does not have a relationship with the Company that is of a nature to prejudice his or her independence.

The independence criteria of Article 526*ter* of the Belgian Companies Code may be summarised as follows:

- the director has not been an executive member of the Board of Directors, member of the Executive Committee (*directiecomité*) or daily manager in the Company (or an affiliate of the Company), during a term of five years prior to his or her election;
- the director has not been a non-executive director for more than three consecutive terms or during a period of more than 12 years;
- the director has not been a member of the managerial staff (*leidinggevend personeel*) of the Company (or an affiliate of the Company) during a term of three years prior to his or her election;
- the director does not receive and has not received any remuneration or other significant financial advantage from the Company (or an affiliate of the Company), other than the profit share (*tantièmes*) and remuneration received in his or her capacity as a non-executive director or as a member of the supervisory body;
- the director does not own any corporate rights that represent 10% or more of the share capital, the corporate funds or of a category of shares of the Company. If the director has corporate rights which represent less than 10%, then:
  - such rights, taken together with rights in the same Company held by companies over which the director has control, may not represent 10% or more of the share capital, the corporate funds or of a category of shares of the Company; or
  - the disposal of these shares, or the exercise of the rights attached thereto, may not be subject to agreements or unilateral commitments entered into by the director.

The director in any case can not represent a shareholder who falls under the conditions set forth in this criterion:

- the director does not and, during the past financial year, did not, have a significant business relationship with the Company (or an affiliate of the Company), either directly or as a partner, shareholder, member of the Board of Directors or member of the managerial staff (*leidinggevend personeel*) of a company or of a person that maintains such a relationship;
- the director is not and has not been at any time during the past three years, a partner or an employee of the Company's current or former statutory auditor or of a company or person affiliated therewith;
- the director is not an executive director of another company in which an executive director of the Company is a non-executive director or a member of the supervisory body, and has no other significant ties with executive directors of the Company through his or her involvement in other companies or bodies;
- the director's spouse, unmarried legal partner and relatives (via birth or marriage) up to the second degree do not act as a member of the Board of Directors, member of the Executive Committee (*directiecomité*) or daily manager or member of the managerial staff (*leidinggevend personeel*) in the Company (or an affiliate of the Company), and meet all of the criteria set out above.

In considering a director's independence, the criteria set out in the Company's corporate governance charter (reflecting the relevant provisions of the CGC) will be taken into account as well. The Board of Directors will disclose in its annual report which directors it considers to be independent directors.

The independent directors of the Company are Messrs Geert Cauwenbergh, Mats Pettersson and Remi Vermeiren.

### 13.4 Board committees

***General***

Without prejudice to the role, responsibilities and functioning of the Executive Committee as set out below under section "13.5 Management and governance — Executive management — The Executive Committee", the Board of Directors may set up specialised committees to analyse specific issues and advise the Board of Directors on those issues. Such committees are advisory bodies only and the decision-making remains within the collegiate responsibility of the Board of Directors. The Board of Directors determines the terms of reference of each committee with respect to the organisation, procedures, policies and activities of the committee.

***Audit Committee***

As of 8 January 2009 (the effective date of the Law of 17 December 2008 regarding the incorporation of an audit committee in listed companies and financial companies) "large" listed companies (as defined in Article 526*bis* of the Belgian Companies Code) are legally obliged to establish an audit committee within their board of directors.

The Board of Directors has set up an Audit Committee. The Audit Committee must be composed of at least three members, which are exclusively non-executive directors. To the extent possible, a majority of its members should be independent directors. In any event, at least one of its members should be an independent director. At least one of its members has an expertise in the field of accounts and audit. The Audit Committee appoints a chairman amongst its members. The Chairman of the Board of Directors should not chair the committee.

The role of the Audit Committee is to supervise financial reporting and the observance of administrative, legal and tax procedures and the follow-up of financial and operational audits. It advises on the choice and remuneration of the Statutory Auditor.

The Audit Committee should report regularly to the Board of Directors on the exercise of its duties and at least when the Board of Directors determines the annual accounts, the consolidated accounts and where applicable, the condensed financial statements intended for publication. It should inform the Board of Directors about all areas in which action or improvement is necessary in the opinion of the Audit Committee. The Audit Committee should produce recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review should cover the Company (and its subsidiaries as a whole).

The Audit Committee has specific tasks, which include:

- the supervision of the Company's financial reporting process;
- the supervision of the effectiveness of the Company's systems for internal control and risk management;
- the supervision of the internal audit (if any) and its effectiveness;
- the supervision of the statutory audit of the Company's annual accounts (including follow-up of the questions and recommendations of the Statutory Auditor); and
- the assessment and supervision of the Statutory Auditor's independence, in particular as regards the provision of additional services to the Company.

These tasks are further described in the terms of reference of the Audit Committee, as set out in the Company's corporate governance charter. In principle, the Audit Committee will meet at least four times per year.

The members of the Audit Committee shall at all times have full access to the CFO and to any other employee to whom they may require access in order to carry out their responsibilities. The external auditors and internal auditors (if any) should have access to the members of the Audit Committee.

The following directors are members of the Audit Committee: Remi Vermeiren (chairman), Jim Van heusden and Mats Pettersson.

*Nomination and Remuneration Committee*

The Board of Directors has set up a Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall consist of not less than three directors, or such greater number as determined by the Board of Directors at any time. All members shall be non-executive directors and at least a majority of its members shall be independent. The Board of Directors may deviate from these requirements if it believes that a different composition will contribute more relevant expertise to the Nomination and Remuneration Committee, if the number of (independent) directors does not so permit or for other reasons it deems fit. The CEO shall have the right to attend the meetings of the Nomination and Remuneration Committee in an advisory and non-voting capacity on matters other than those concerning himself. The Nomination and Remuneration Committee will elect a chairman from amongst its members.

The role of the Nomination and Remuneration Committee shall be to assist the Board of Directors in all matters:

- relating to the selection and recommendation of qualified candidates for membership of the Board of Directors;
- relating to the nomination of the CEO;
- relating to the nomination of the members of the Executive Committee, other than the CEO, upon proposal by the CEO;
- relating to the remuneration of independent directors;
- relating to the remuneration of the CEO;
- relating to the remuneration of the members of the Executive Committee, other than the CEO, upon proposal by the CEO; and
- on which the Board of Directors or the Chairman of the Board of Directors requests the Nomination and Remuneration Committee's advice.

The Nomination and Remuneration Committee has specific tasks. These are further described in the terms of reference of the Nomination and Remuneration Committee as set out in the Company's corporate governance charter. In principle, the Nomination and Remuneration Committee will meet at least twice per year.

The following directors are member of the Nomination and Remuneration Committee: Mats Pettersson (chairman), Geert Cauwenbergh and Stephen Bunting.

### 13.5 Executive management

*General provisions*

The Board of Directors has established an Executive Committee (*directiecomité*) within the meaning of Article 524*bis* of the Belgian Companies Code and Article 24 of the Company's articles of association. The terms of reference of the Executive Committee have been determined by the Board of Directors in close consultation with the CEO.

*The Executive Committee*

The Executive Committee has the authority to exercise the management powers of Ablynx, except for the determination of the Company's strategy, the supervision of the Executive Committee, and the powers explicitly reserved by law, the articles of association or the Company's corporate governance charter to the Board of Directors and the Shareholders Meeting. In general, the role of the Executive Committee is to run the Company in line with the values, strategies, policies, plans and budgets endorsed by the Board of Directors. The Executive Committee shall be collectively responsible for the Company's management and the general affairs of the Company's business. In discharging its duties, the Executive Committee shall be guided by the interests of the Company and its business; it shall take into account the relevant interests of all those involved in the Company, including the Company's shareholders.

The Executive Committee has responsibility for specific tasks, in particular, for:

- studying, preparing and defining, under the leadership of the CEO, the strategic options and proposals that may contribute to the development of the Company;

- developing proposals for policies to be submitted to Board of Directors for approval and then the implementation of such policies, which include, amongst other things:
  - financial management (financial strategy policies including funding and solvency matters);
  - risk management (policies related to the risk profile of the Company, systems to identify, assess, manage and monitor financial and other risks), without prejudice to the tasks of the Audit Committee;
  - business conduct (including, among others, key policies on private investments, general business conduct); and
  - any other matter where the Board of Directors or the CEO consider that the Executive Committee should set a policy;
- under the leadership of the CEO, ensuring the management of the Company by, *inter alia*, developing and implementing policies that fall within the Executive Committee's remit; giving direction, guidance and support to the Company; having responsibility and being accountable for the complete, timely, reliable and accurate preparation of the Company's financial statements, in accordance with the accounting standards and policies of the Company; presenting the Board of Directors with a balanced and understandable assessment of the Company's financial situation; providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- monitoring: performance, as against strategic goals, plans and budgets; and ensuring compliance with (among others) applicable laws, regulations and policies and standards;
- risk management: managing the various risks within the framework of the risk policies, this includes setting up risk management systems and internal controls;
- reporting: preparing the external financial statements, as well as other financial and non financial external reports and management information;
- internal and external communication, including investor relations;
- assisting the CEO in fulfilling his other responsibilities; and
- exercising other powers and duties entrusted by the Board of Directors in specific matters upon proposal by the CEO.

The further tasks that the Executive Committee has responsibility for are described in greater detail in the terms of reference of the Executive Committee as set out in the Company's corporate governance charter.

The Executive Committee is at all times composed of at least three members, whether or not directors. All executive directors are members of the Executive Committee. The Executive Committee is chaired by the Company's CEO.

The members of the Executive Committee are appointed and may be dismissed by the Board of Directors at any time. The Board of Directors appoints them on the basis of the recommendations of the Nomination and Remuneration Committee.

The members of the Executive Committee are appointed for an unlimited period. Persons who are no longer associated with the Company by way of an employment or management agreement may no longer form part of the Executive Committee. In addition, members of the Executive Committee shall resign in the event of inadequate performance, structural differences of opinion, incompatibility of interests and other instances where resignation is deemed necessary at the discretion of the Board of Directors.

Without prejudice to the fact that the Executive Committee is a collegiate body and has a collective responsibility, every member of the Executive Committee has specific tasks and responsibilities.

In principle, the Executive Committee meets once each 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 at its next meeting.

The members of the Executive Committee shall provide the Board of Directors with information in a timely manner, if possible in writing, on all the facts and developments concerning the Company which the

Board of Directors may need in order to function as required and to properly carry out its duties. The CEO (or, in the event the CEO would not be able to attend a meeting of the Board of Directors, another representative of the Executive Committee) shall report at every meeting of the Board of Directors on the material deliberations and material decisions of the previous meeting(s) of the Executive Committee. The Board of Directors may at any time invite members of the Executive Committee to attend the meetings of the Board of Directors to discuss the policy they pursue.

***Chief Executive Officer***

The CEO of the Company is responsible, together with the other members of the Executive Committee, for

- directing the business in order to achieve the mission of the Company;
- establishing current and long-term strategies, objectives, plans and policies subject to the approval of the Board of Directors; and
- representing the Company with its major partners, the financial community, the government and the public.

The CEO is responsible to the Board of Directors for assuring the profitability, growth, high ethical standards and favourable image of the Company.

Without prejudice to the role of the Executive Committee as a whole as set out above, the CEO shall in particular:

- be the chief strategy officer and the top executive leader of the Company;
- enable the Board of Directors to exercise its responsibilities; and
- ensure the day-to-day management of the Company (together with the other members of the Executive Committee) and exercise other powers and duties entrusted by the Board of Directors or the Executive Committee in specific matters.

The CEO also has responsibility for other specific tasks; these are described in greater detail in the terms of reference of the CEO, as set out in the Company's corporate governance charter.

**13.6 Remuneration of directors and executive management**

***General***

The CGC requires that any contractual arrangement entered into on or after 1 July 2009 regarding the remuneration of the CEO or any other member of the Executive Committee specifies that the amount of severance pay awarded in the event of early termination should not exceed 12 months' base and variable remuneration. All existing contractual arrangements with the CEO or any other member of the Executive Committee have been entered into prior to 1 July 2009.

The Board of Directors may consider a higher amount of severance pay, upon recommendation by the Nomination and Remuneration Committee. Such higher severance pay should in any event be limited to a maximum of 18 months' base and variable remuneration. The agreement should specify when such higher severance pay may be paid.

Any such agreement should specify that the severance package should not take into account the variable remuneration and be limited to 12 months' base remuneration in the event the departing CEO or other member of the Executive Committee did not meet the performance criteria referred to in the agreement.

***Directors***

The independent directors only shall receive fixed remuneration in consideration for their membership of the Board of Directors and their attendance at the meetings of committees of which they are members. 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 advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders Meeting to deviate from the latter principle if in the Board of Directors' reasonable opinion the granting of options or Warrants would be necessary to attract or retain independent directors with the most relevant experience and expertise. None

of the other directors will receive any remuneration in consideration for their membership of the Board of Directors.

Notwithstanding the above, all directors (including those who are not independent) will keep the Warrants granted to them (in their capacity of director) prior to or in the framework of the initial listing of the Company's shares in 2007.

The Nomination and Remuneration Committee recommends the level of remuneration for independent directors, subject to approval by the Board of Directors and, subsequently, by the Shareholders Meeting. The Nomination and Remuneration Committee benchmarks independent directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various committees. The remuneration package for the independent directors approved by the Shareholders Meeting of 12 October 2007 is made up of a fixed annual fee of €15,000. The fee is supplemented with a fixed annual fee of €5,000 for membership of each committee of the Board of Directors. Changes to these fees will be submitted to the Shareholders Meeting for approval.

Apart from the above remuneration for independent directors, all directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

Without prejudice to the powers granted by law to the Shareholders Meeting, the Board of Directors sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one of the committees and the rules for reimbursement of directors' business-related out-of-pocket expenses. Remuneration of directors will be disclosed to the Company's shareholders in accordance with applicable laws and regulations.

The directors' mandate may be terminated "*ad nutum*" (at any time) without any form of compensation.

There are no loans outstanding from Ablynx to the members of the Board of Directors.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and 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 management" below.

The total remuneration and benefits paid to the directors (in such capacity) in 2009, 2008 and 2007 was approximately €65,000, €71,000 and €10,000 respectively (gross amount, excluding VAT and Warrants).

***Executive management***

The remuneration of the members of the Executive Committee is determined by the Board of Directors upon the recommendation of the Nomination and Remuneration Committee, after the recommendation of the CEO to such committee (except in respect of his own remuneration).

The remuneration of the members of the Executive Committee is designed to hire, retain and motivate high quality executive managers.

The remuneration of the members of the Executive Committee currently consists of the following elements:

- each member of the Executive Committee is entitled to a basic fixed compensation designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- the Company pays each member of the Executive Committee variable compensation, dependent on the Executive Committee member meeting their specified individual and team objectives;
- each member of the Executive Committee currently participates in, and/or in the future may be offered the opportunity to participate in, a stock based incentive scheme, in accordance with the recommendations set by the Nomination and Remuneration Committee, after the recommendation by the CEO to such committee (except in respect of his own remuneration) and after prior shareholder approval of the scheme itself by way of a resolution at the Shareholders Meeting;
- apart from the CFO, each member of the Executive Committee is entitled to a number of fringe benefits, which may include participating in a defined contribution pension or retirement scheme,

disability insurance and life insurance, a company car, and/or a lump-sum expense allowance according to general Company policy.

Currently, all members of the Executive Committee are engaged on the basis of a service agreement, which can be terminated at any time, subject to certain pre-agreed notice periods, which may, at the discretion of the Company, be replaced by a corresponding compensatory payment. No other termination payments are foreseen. All service agreements include non-competition undertakings, as well as confidentiality and IP transfer undertakings.

The total remuneration and benefits paid to the members of the Executive Committee and their connected persons in 2009 was approximately €1.895 million (gross amount, excluding VAT and stock based compensation).

By way of deviation from the CGC, the Board of Directors has currently opted not to disclose the individual remuneration of the CEO, due to privacy reasons and as the Board of Directors believes that the remuneration of the CEO is set at reasonable market standards.

### 13.7 Shares and Warrants held by directors and executive management

***Shares and Warrants held by directors***

The table below provides an overview (as at the date of this Prospectus) of the shares and Warrants held by the members of the Board of Directors. This overview must be read together with the notes referred to below.

| | Total Shares and Warrants[i] | | Shares | | Warrants[i] | |
|---|---|---|---|---|---|---|
| Name | (Number) | (%)[iii] | (Number) | (%)[iii] | (Number) | (%)[iii] |
| Edwin Moses | 771,700 | 1.96% | 9,200 | 0.02% | 762,500 | 1.94% |
| Stephen Bunting | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Sofinnnova Partners S.A., represented by its permanent representative, Denis Lucquin | 5,927,830[ii] | 15.09% | 5,927,830[ii] | 15.09% | 0 | 0.00% |
| Jim Van heusden | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Mats Pettersson | 7,228 | 0.02% | 3,657 | 0.01% | 3,571 | 0.01% |
| Remi Vermeiren | 18,571 | 0.05% | 15,000 | 0.04% | 3,571 | 0.01% |
| Geert Cauwenbergh | 3,571 | 0.01% | 0 | 0.00% | 3,571 | 0.01% |

(i) Represented by the number of Company shares to which such Warrants give a right to subscribe.

(ii) Held by Sofinnova Capital IV FCPR, a fund managed by Sofinnova Partners.

(iii) Percentage on a fully diluted basis.

Except as set out in the table above, none of the directors owns any shares or Warrants in the Company.

Except for Edwin Moses and Remi Vermeiren, none of the directors acquired shares in the Company during the past year. In respect of shares which directors have the right to acquire, reference is made to "15.5 Description of share capital and corporate structure — Warrants".

***Shares and Warrants held by executive management***

The table below provides an overview (as at the date of this Prospectus) of the shares and Warrants held by the members of the Executive Committee, including the executive director. This overview must be read together with the notes referred to below.

| | Total Shares and Warrants[i] | | Shares | | Warrants[i] | |
|---|---|---|---|---|---|---|
| | (Number) | (%) | (Number) | (%) | (Number) | (%) |
| Members of the Executive Committee[ii] | 1,666,805 | 4.24% | 11,805 | 0.03%[iii] | 1,655,000[iv] | 4.21% |

(i) Represented by the number of Company shares to which such Warrants give a right to subscribe.

(ii) The members of the Executive Committee are identified in section "13.5 Executive Management".

(iii) Wim Ottevaere, Chief Financial Officer, holds through his management company, Woconsult NV 2,605 shares in the Company and Edwin Moses, Chairman of the Board of Directors and CEO, holds 9,200 shares.

(iv) Edwin Moses, Chairman of the Board of Directors and CEO, holds Warrants giving the right to subscribe for 762,500 shares; Wim Ottevaere, Chief Financial Officer, holds through his management company, Woconsult NV, Warrants giving the right to subscribe for 212,500 shares, Eva-Lotta Allan, Chief Business Officer, holds Warrants giving the right to subscribe for 240,000 shares. Josi Holz, Chief Medical Officer, holds Warrants giving the right to subscribe for 240,000 shares; Debbie Law, Chief Scientific Officer, holds Warrants giving the right to subscribe for 200,000 shares.

***Stock option plan***

The Company created Warrants within the context of various stock option plans for employees, consultants or directors of the Company. For a description of the various stock option plans, see also section "15.5 Description of share capital and corporate governance — Warrants".

### 13.8 Statutory auditor

PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, a civil company having the form of a co-operative company with limited liability (*coöperatieve vennootschap met beperkte aansprakelijkheid*) organised and existing under the laws of Belgium, with registered office at Woluwedal 18, B-1932 Sint-Stevens-Woluwe, Belgium, represented by Raf Vander Stichele BVBA, itself represented by Raf Vander Stichele, was re-appointed as Statutory Auditor of Ablynx on 24 April 2008 for a term of three years ending immediately after the Shareholders' Meeting to be held in 2011 that will have deliberated and resolved on the financial statements for the financial year ended on 31 December 2010.

The annual remuneration of the Statutory Auditor for the performance of its three year mandate for the audit of the Belgian statutory financial statements (GAAP accounts) of the Company amounts to €40,000 (excluding VAT).

## 14 RELATIONSHIP WITH SIGNIFICANT SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### 14.1 Related party transactions

*General*

Each director and member of the Executive Committee is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company. The Company's corporate governance charter contains specific procedures to deal with potential conflicts.

*Conflicts of interest of directors*

Article 523 of the Belgian Companies Code provides for a special procedure within the Board of Directors in the event of a possible personal financial conflict of interest of one or more directors with one or more decisions or transactions by the Board of Directors.

In the event of a conflict of interest, the director concerned must inform his or her fellow directors of his or her conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director may not participate in the deliberation and voting by the Board of Directors on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements by the conflicted director, and a description by the Board of Directors of the conflicting interests and the nature of the relevant decision or transaction.

The minutes must also contain a justification by the Board of Directors for the decision or transaction, and a description of the financial consequences thereof for the Company. The (excerpt of the) relevant minutes must be included in the (statutory) annual report of the Board of Directors. The conflicted director must also notify the Statutory Auditor of the conflict. The Statutory Auditor must describe in its annual (statutory) audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

In case of non-compliance with the foregoing, the Company may request the annulment of the decision or the transactions which have taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions. It also does not apply to transactions or decisions between companies of which one holds (directly or indirectly) at least 95% of the voting rights attaching to the financial instruments of the other company, and transactions or decisions between companies whereby at least 95% of the voting rights attaching to the financial instruments of both companies are (directly or indirectly) held by another company.

The Company has, in the past (in the financial years 2007, 2008 and 2009), applied this procedure in a number of cases and the (excerpts of the) relevant minutes where or will be included in the Company's annual report.

*Conflicts of interest of members of the Executive Committee*

The Company's Executive Committee qualifies as an executive committee within the meaning of Article 524*bis* of the Belgian Companies Code (*directiecomité*).

Article 524*ter* of the Belgian Companies Code provides for a similar procedure as the procedure to be applied when a member of the Board of Directors has a conflict of interest (as set out above in this section "14.1 Relationship with significant shareholders and related party transactions — Related Party Transactions — Conflicts of interest of directors") in the event of a conflict of interest of members of the Executive Committee. In the event of such a conflict, only the Board of Directors will be authorised to take the decision that has led to the conflict of interest within the Executive Committee.

### 14.2 Existing conflicts of interest of members of the Board of Directors and of the Executive Committee

Currently, as far as the Company is aware, none of the directors or the members of the Executive Committee have a conflict of interest within the meaning of Article 523 or, as the case may be, Article 524*ter* of the Belgian Companies Code that has not been disclosed to the Board of Directors, or, as

the case may be, to the Executive Committee. Other than potential conflicts arising in respect of compensation-related matters, the Company does not foresee any other potential conflicts of interest in the near future.

***Transactions with affiliates***

Article 524 of the Belgian Companies Code, which only applies to listed companies within the meaning of the Belgian Companies Code, provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applies to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It also applies to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company. Prior to any such decision or transaction, the Board of Directors of the Company must appoint a special committee consisting of three independent directors, which must each meet the criteria set out in Article 526*ter* of the Belgian Companies Code, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Company. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Company that is manifestly illegitimate in view of the Company's policy. If the committee determines that the decision or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Company, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set out in the committee's advice. The Board of Directors must then take a decision, taking into account the opinion of the committee. Any deviation from the committee's advice must be explained. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote (as set out in section "14.1 Relationships with significant shareholders and related party transactions — Related Party Transactions — Conflicts of interest of directors"). The committee's advice and the decision of the Board of Directors must be notified to the Company's Statutory Auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the Statutory Auditor must be included in the (statutory) annual report of the Board of Directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value of less than 1% of the (consolidated) net assets of the Company.

The Company currently has not and on completion of the Offering and listing of the Offered Shares, the Company will not have a controlling parent company.

### 14.3 Relationships with significant shareholders

No direct or indirect relationships exist between the Company and its significant shareholders:

The Company has no knowledge of any existing shareholders' agreement or any shareholders' agreement that would be effective upon completion of the Offering and listing of the Offered Shares, other than the specific Lock-up and standstill agreement described in section "4.10 Information on the Offering — Lock-up and standstill arrangement" and the Over-allotment Option described in section "4.5 Information on the Offering — Over-allotment and stabilisation."

## 15 DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

### 15.1 General

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 office at Technologiepark 4, B-9052 Zwijnaarde, Belgium (company number 0475.295.446 (Ghent)).

Following the IPO of its shares in 2007, it now also qualifies as a listed company (*genoteerde vennootschap*) within the meaning of Article 4 of the Belgian Companies Code and as a company having made a public call on savings (*vennootschap die een openbaar beroep op het spaarwezen heeft gedaan*) within the meaning of Article 438 of the Belgian Companies Code.

Pursuant to the Belgian Companies Code, the liability of shareholders of a public limited liability company is limited to the amount of their respective committed capital contribution to the capital of the Company.

The Company may be reached by telephone at the number +32.9.262.00.00.

The Company's corporate purpose, share capital and corporate structure and the material rights of its shareholders under Belgian law and the Company's articles of association are summarised below. This summary is based on the Company's articles of association existing at the date of this Prospectus, which can be consulted on the website of the Company.

The content of the current articles of association will not be substantially amended in the framework of the Offering. At its meeting of 25 February 2010, the Board of Directors of the Company is expected to pass, amongst other things, the following resolutions:

- Subject to the condition precedent of the completion of the Offering the increase of the Company's share capital, within the framework of the authorised capital, by the amount of the Offering and listing of the New Shares;
- Approval of the terms and conditions of the capital increase and delegation to two directors.

The aforementioned resolutions which are expected to be passed at the meeting of the Board of Directors of 25 February 2010, including the amendment of the Company's articles of association, will be subject to the completion of the Offering.

The description hereafter is a summary only and does not purport to give a complete overview of the articles of association, nor of all relevant provisions of Belgian law. Neither should it be considered as legal advice regarding these matters.

### 15.2 Corporate purpose

The corporate purpose of the Company is set forth in Article 3 of its articles of association and reads as follows:

"*The purpose of the Company is:*

- *the exploitation of biological, chemical or other products, processes and technologies in the sector of life sciences in general and the sector of diagnostics, medicines, pharmaceuticals, cosmetics, chemistry and agro-industry including amongst others veterinary products in particular. "Exploitation" means, amongst others, all activities of research, development, production, marketing and commercialisation;*
- *the acquisition, purchase, sale, licensing, exploitation and realisation of intellectual property rights with regard to the above mentioned activities;*
- *the study, consulting, developing and offering of expertise, engineering and provision of any services with regard to the above mentioned activities.*

*It may undertake all possible commercial, industrial, financial, movable and immovable transactions, that are directly or indirectly related to its corporate purpose or that are such that they stimulate the realisation or development thereof.*

*It may participate in all companies, associations and undertakings, in Belgium as well as abroad, by way of a contribution, subscription, transfer, participation, legal merger, financial intervention or otherwise, and may as well exercise the functions of director and receiver in case of liquidation in other companies.*

*The Company may use its assets to guarantee both its own commitments and commitments of third parties.*"

### 15.3 Group structure

Ablynx's main business is conducted through the Company itself.

Ablynx has incorporated a subsidiary in Portugal, *Ablynx SA*, located at 1021 Rua do Campo Alegre, 4150-180 Porto (which previously operated as a branch of the Company).

### 15.4 Share capital and shares

On the date of this Prospectus, the Company's statutory capital amounts to €157,870,043.15 (€69,005,369.11 subscribed capital and €88,864,674.04 issuance premium), represented by 36,923,506 registered and dematerialised shares without nominal value. The capital is fully paid up.

*Development of capital*

The table below provides an overview of the history of the Company's share capital since the closing of its IPO in 2007. The overview should be read together with the notes set out below the table.

| Date | Number of shares issued | Issue price per share (including issuance premium)[(i)] | Capital increase (not including issuance premium) | Subscribed capital after transaction | Aggregate number of shares after capital increase |
|---|---|---|---|---|---|
| | | (€) | (€) | (€) | |
| **Closing IPO** | | | | | |
| 9 November 2007 | 10,714,285 | 7.00 | 20,142,855.80 | 65,294,079.44 | 34,751,638 |
| **Exercise of Over-allotment Warrant** | | | | | |
| 12 December 2007 | 1,456,540 | 7.00 | 2,736,660.60 | 68,030,740.04 | 36,208,178 |
| **Exercise Warrants** | | | | | |
| 17 January 2008 | 205,250 | 1.39 | 285,150.00 | 68,315,890.04 | 36,413,428 |
| 22 April 2008 | 24,531 | 1.80 | 44,155.80 | 68,360,045.84 | 36,437,959 |
| 30 July 2008 | 1,000 | 1.00 | 1,000 | 68,361,045.84 | 36,438,959 |
| 23 October 2008 | 51,562 | 1.06 | 54,811.60 | 68,415,857.44 | 36,490,521 |
| 23 January 2009 | 382,674 | 1.30 | 497,890.10 | 68,913,747.54 | 36,873,195 |
| 24 July 2009 | 12,187 | 1.80 | 21,936.60 | 68,935,684.14 | 36,885,382 |
| 28 October 2009 | 4,407 | 1.53 | 6,732.60 | 68,942,416.74 | 36,889,789 |
| 20 January 2010 | 33,717 | 2.27 | 62,952.37 | 69,005,369.11 | 36,923,506 |
| **Prior to the Offering** | | | | **69,005,369.11** | **36,923,506** |

(i) As Warrants from various stock option plans with different exercise prices (see also "15.5 Warrants") have been exercised on each of the relevant dates, the issue prices per share (including issuance premium) referred to in this column represent the average issue price per share (including issuance premium).

On 25 February 2010, the Company's Board of Directors is expected to resolve on the capital increase required for the purpose of the Offering. See also ("4.1 Information on the offering — Information related to the capital increase" and section "4.10 Information on the offering — Lock-up and standstill arrangements").

### 15.5 Warrants

The Company created various stock option plans under which warrants were granted to employees, consultants or directors of the Company ("Warrants"). This section provides an overview of the outstanding Warrants at the date of this Prospectus. For a further description of the main terms and conditions of the Warrants, reference is also made to section "3.13 Share based payments" of the financial statements.

The Board of Directors, each time acting within its authorisation to increase the Company's capital included in the articles of association at the relevant time, on 12 June 2002 approved the issuance of Warrants giving right to 76,000 Company shares, on 22 August 2008 approved the issuance of Warrants giving right to 378,333 Company shares, on 9 July 2009 approved the issuance of Warrants giving right to 190,000 Company shares and on 29 September 2009 approved the issuance of Warrants giving right to 205,850 Company shares. In aggregate, the Board of Directors approved the issuance of Warrants giving right to 850,183 Company shares. In addition, upon proposal of the Board of Directors, Extraordinary Shareholders Meetings of the Company approved the issuance of, in the aggregate, Warrants giving right to 2,525,618 Company shares: on 12 June 2002 (Warrants giving right to 272,155 shares); 2 July 2003

(Warrants giving right to 215,500 Company shares); 28 December 2004 (Warrants giving right to 240,000 Company shares); 15 December 2005 (Warrants giving right to 254,750 Company shares); 13 July 2006 (Warrants giving right to 880,000 Company shares); 29 December 2006 (Warrants giving right to 82,500 Company shares); 14 June 2007 (Warrants giving right to 265,000 Company shares); on 12 October 2007 (subject to closing of the Company's IPO, which occurred on 9 November 2007) (Warrants giving right to 10,713 Company shares); on 23 January 2009 (Warrants giving right to 135,000 Company shares); and on 30 October 2009 (Warrants giving right to 170,000 Company shares), subject to the Warrants being granted to and accepted by the beneficiaries. Of these Warrants, (i) Warrants giving right to 30,283 Company shares have been refused by the relevant beneficiaries, (ii) Warrants giving rights to 160,082 Company shares have lapsed due to their beneficiaries leaving the Company, (iii) Warrants giving rights to 796,578 Company shares have been exercised in the meantime and (iv) Warrants giving rights to 52,500 Company shares have never been granted to the relevant beneficiaries.

This brings the total number of Company shares which may be issued upon the exercise of outstanding Warrants to 2,336,358 additional Company shares on the date of this Prospectus.

All Warrants have been granted free of charge.

Each Warrant entitles its holder to subscribe for one common share of the Company at a subscription price equal to (i) in the case of pre-IPO warrants, the actual value of the underlying shares at the time of the issue, as determined by the Board of Directors and reported on by the Statutory Auditor; and (ii) in relation to post-IPO warrants, the average stock price of the underlying shares over a 30 day period prior to the issue of the Warrants.

For those Warrants issued prior to the IPO of the Company's shares in 2007, this actual value was determined starting from the subscription price paid (respectively, to be paid) by financial investors for preferential shares at the occasion of the most recent capital increase that preceded or followed shortly after the grant of the Warrants, to which price a discount (to take into account the lack of preference rights) was applied. For these Warrants, the 2:1 consolidation of Company shares that was effected upon closing of the IPO resulted in a 2:1 exercise ratio, so that, as of closing of the IPO, each 2 of such Warrants shall entitle the holder thereof to subscribe for one new Company share, against payment of two times the exercise price of a single Warrant.

All Warrants have a term of seven years, save for those Warrants granted by the Extraordinary Shareholders Meetings held on 12 October 2007, 23 January 2009 and 30 October 2009, which have a term of five years. Upon expiration of the five, or as the case may be, seven year term, the Warrants become null and void.

On 30 April 2009, pursuant to the option provided by Article 21 of the Economic Revival Law dated 27 March 2009, the Extraordinary General Shareholders Meeting extended the term of the Warrants issued on 2 July 2003, 28 December 2004, 15 December 2005, 13 July 2006, 29 December 2006, 14 June 2007 and 12 October 2007, by five years. On 22 June 2009, the Board, pursuant to the same Article 21 of the Economic Revival Law dated 27 March 2009, decided to extend the term of the Warrants issued on 22 August 2008 by five years.

The Warrants giving right to 272,156 Company shares that have been granted by the Extraordinary Shareholders Meeting on 12 June 2002 (which have, meanwhile, all been exercised or expired) and the Warrants giving right to 215,500 Company shares that have been granted on 2 July 2003 have been acquired in a final manner ("vested") in cumulative tranches over a period of four years, according to a vesting scheme set out in the issue- and exercise conditions: i.e., during this four year term each two or three months, as the case may be, an equal tranche of 6.25% vested. The Warrants giving rights to 76,000 Company shares that have been granted by the Board of Directors on 12 June 2002 were immediately acquired in a final manner ("vested") upon the decision in principle by the Board of Directors to issue such Warrants. All other Warrants that have been granted shall only be acquired in a final manner ("vested") in cumulative tranches over a period of four years: i.e., a first tranche of 25% vests on the first anniversary of their grant (i.e., the decision in principle of the Extraordinary Shareholders Meeting to issue such Warrants); the balance of the granted Warrants vests in successive monthly equal instalments during the remainder of the term (one forty-eighth, or approximately 2% of the aggregate number of Warrants that are granted, vest each month).

The Warrants (other than the Warrants issued on 12 October 2007) can only be exercised by the Warrantholder, provided that they have effectively vested, as of the fourth calendar year following the year in which the Company offered the Warrants to the Warrantholder. As of that time, the Warrants can be

exercised during the first 15 days of each quarter (unless such period would fall within the "closed periods" or "restricted periods" as set out in the Company's Dealing Code, in which case, under certain circumstances, such period shall be extended by the number of days of such exercise period which fell within such "closed periods" or "restricted periods"). However, the terms and conditions of the Warrants provide that the Warrants can also be exercised, regardless of whether they have vested or not, in a number of specified cases of accelerated vesting set out in the issue and exercise conditions.

The table below gives an overview (as at the date of this Prospectus) of the outstanding Warrants described above. The table should be read together with the notes referred to below.

| Issue Date | Term | Warrants issued[(i)] in number of shares[(ii)] | Warrants granted in number of shares[(ii)] | Exercise price per share(€) | Warrants no longer exercisable in number of shares[(ii)] | Warrants outstanding in number of shares[(ii)] | Exercise periods vested Warrants[(iii)] |
|---|---|---|---|---|---|---|---|
| 12 June 2002 . . . . . | From 12 June 2002 to 11 June 2009 | 272,155 | 272,155 | €1.00 | 272,155 | 0 | June 2006 to June 2009 |
| 12 June 2002 . . . . . | From 12 June 2002 to 11 June 2009 | 76,000 | 76,000 | €1.00 | 76,000 | 0 | June 2006 to June 2009 |
| 2 July 2003 . . . . . | From 2 July 2003 to 1 July 2015 | 215,500 | 215,500 | €1.40 | 198,000 | 17,500 | January 2007 to July 2015 |
| 28 December 2004 . . | From 28 December 2004 to 27 December 2016 | 240,000 | 240,000 | €1.80 | 112,843 | 127,157 | January 2008 to December 2016 |
| 15 December 2005 . . | From 15 December 2005 to 14 December 2017 | 254,750 | 254,750 | €1.80 | 207,500 | 47,250 | January 2009 to December 2017 |
| 13 July 2006 . . . . . | From 13 July 2006 to 12 July 2018 | 880,000 | 880,000 | €2.00 | 47,500 | 832,500 | January 2010 to July 2018 |
| 29 December 2006 . . | From 29 December 2006 to 28 December 2018 | 82,500 | 82,500 | €2.80 | 39,969 | 42,531 | January 2010 to December 2018 |
| 14 June 2007 . . . . . | From 14 June 2007 to 13 June 2019 | 265,000 | 212,500 | €2.80 | 10,027 | 202,473 | January 2011 to June 2019 |
| 12 October 2007 . . . . | From 12 October 2007 to 11 October 2017 | 10,713 | 10,713 | €7.00 | 0 | 10,713 | October 2008 to October 2017 |
| 22 August 2008 . . . . | From 22 August 2008 to 21 August 2020 | 378,333 | 378,333 | €4.88 | 14,999 | 363,334 | January 2012 to August 2020 |
| 23 January 2009 . . . . | From 23 January 2009 to 22 January 2014 | 135,000 | 135,000 | €4.52 | 0 | 135,000 | January 2012 to December 2013 |
| 9 July 2009 . . . . . | From 9 July 2009 to 8 July 2016 | 190,000 | 190,000 | €5.79 | 7,500 | 182,500 | January 2013 to July 2016 |
| 29 September 2009 . . | From 29 September 2009 to 28 September 2016 | 205,850 | 205,850 | €6.99 | 450 | 205,400 | January 2013 to September 2016 |
| 30 October 2009 . . . . | From 30 October 2009 to 29 October 2014 | 170,000 | 170,000 | €8.19 | 0 | 170,000 | January 2013 to October 2014 |
| **TOTAL** . . . . . | | **3,375,801** | **3,323,301** | | **986,943**[(iv)(v)] | **2,336,358**[(vi)] | |

(i) Each issue of Warrants occurred under the condition precedent of the Warrant being granted and accepted.

(ii) The numbers reflect the number of shares for which the Warrantholders can subscribe upon exercise of all relevant Warrants, taking into account, where applicable, the two-for-one consolidation of the Company's common shares that occurred upon closing of the IPO of the Company's shares, and the corresponding reduction of the exercise ratio of the existing Warrants at that time.

(iii) The Warrants, (i) can only be exercised by the Warrantholder if they have effectively vested, and (ii) (for all Warrants other than the Warrants issued on 12 October 2007) can only be exercised as of the fourth calendar year following the grant of the Warrants.

(iv) In aggregate, Warrants giving right to 160,082 shares have lapsed due to their beneficiary leaving the Company.

(v) In aggregate, beneficiaries exercised Warrants in exchange for 796,578 Company shares.

(vi) As at the date of this Prospectus Warrants in respect of 1,101,030 shares are exercisable whilst the remaining Warrants (in respect of 1,235,328 shares) Warrants are not yet exercisable.

On the date of this Prospectus, the total number of all outstanding Warrants that have been granted and that remain outstanding represent approximately 5.95% of the total number of all outstanding shares (on a fully diluted basis and taking into account the exercise ratio of the Warrants).

There are no other financial instruments outstanding.

### 15.6 Description of rights and benefits attached to shares

***Voting rights***

Each shareholder of the Company is entitled to one vote per share.

Voting rights may be suspended in relation to shares, in the following events, without limitation and without this list being exhaustive:

- which are not fully paid up, notwithstanding the request thereto by the Board of Directors of the Company;
- to which more than one person is entitled, except in the event that a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant Shareholders Meeting, except in case the relevant shareholder has notified the Company and the CBFA at least 20 days prior to the date of the Shareholders Meeting (see also "15.11 Description of share capital and corporate structure — Notification of important participations") of its shareholding reaching or exceeding the thresholds above; and
- of which the voting right was suspended by a competent court or the CBFA.

Generally, the Shareholders Meeting has sole authority with respect to:

- the approval of the statutory financial statements of the Company (statutory financial statements under Belgian GAAP);
- the appointment and dismissal of directors and the Statutory Auditor of the Company;
- the granting of discharge of liability to the directors and the Statutory Auditor;
- the determination of the remuneration of the directors and of the Statutory Auditor for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other reorganisations of the Company; and
- the approval of amendments to the articles of association.

### 15.7 Right to attend and vote at Shareholders Meetings

***Annual Shareholders Meeting***

The Annual Shareholders Meeting is held at the registered office of the Company or at the place determined in the notice convening the Shareholders Meeting. The meeting is held every year on the last Thursday of the month of April, at 11.00 a.m. If this date is a legal holiday, the meeting is held at the next Business Day. At the Annual Shareholders Meeting, the Board of Directors submits the audited statutory financial statements under Belgian GAAP and the reports of the Board of Directors and of the Statutory Auditor with respect thereto to the shareholders. The Shareholders Meeting then decides on the approval of the statutory financial statements under Belgian GAAP, the proposed allocation of the Company's profit or loss, the discharge of liability of the directors and the Statutory Auditor, and, when applicable, the (re-)appointment or dismissal of the Statutory Auditor and/or of all or certain directors.

***Special and Extraordinary Shareholders Meetings***

The Board of Directors or the Statutory Auditor may, at any given time when the interest of the Company so requires, convene a Special or Extraordinary Shareholders Meeting. A Shareholders Meeting must also be convened each time one or more shareholders holding at least 20% of the Company's share capital so

demand. Shareholders that (together) do not hold at least 20% of the Company's share capital do not have the right to have the Shareholders Meeting convened.

***Notices convening the Shareholders Meeting***

The notice of the Shareholders Meeting must state the place, date and hour of the meeting and shall include an agenda indicating the items to be discussed as well as any motions for resolutions.

The notice must be published in the Belgian Official Gazette (*Belgisch Staatsblad*) at least 24 days prior to the Shareholders Meeting or the registration date (if specified in the convening notice - see also "3.5 General information and information concerning responsibility for the Prospectus and for auditing the accounts — Available information"). The notice must also be published in a national newspaper 24 days prior to the date of the Shareholders Meeting or the registration date (if specified in the convening notice), except if the relevant meeting is an Annual Shareholders Meeting held at the municipality, place, day and hour mentioned in the articles of association of the Company and the agenda of which is limited to the review of the statutory financial statements, the annual report of the Board of Directors on the statutory financial statements, the annual report of the Statutory Auditor and the vote on the discharge of the directors and the Statutory Auditor. The statutory financial statements, the annual report of the Board of Directors and the annual report of the Statutory Auditor on the statutory financial statements must be made available to the public at least 15 days prior to the date of the Annual Shareholders Meeting.

Convening notices must be sent 15 days prior to the Shareholders Meeting to the holders of registered shares, registered bonds (if any), registered Warrants, registered certificates issued with the co-operation of the Company (if any) and to the directors and Statutory Auditor of the Company. This communication is made by way of ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, without having to give evidence of the fulfilment of such formality.

When all the shares, bonds (if any), Warrants and certificates issued with the co-operation of the Company (if any) are registered, the communication may be limited to the sending of the notices by way of registered letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication.

***Formalities to attend the Shareholders Meeting***

If the Board of Directors so requests in the notice convening the Shareholders Meeting, the holders of registered shares must notify the Company of (i) their intention to participate to a Shareholders Meeting and (ii) the number of shares with which they wish to vote at such Shareholders Meeting, by means of a simple letter, or any other means as indicated in the convening notice, sent to the registered office of the Company, or to any other location indicated in the convening notice, which must arrive at the registered office of the Company (or any such other indicated location) at the latest on the fourth Business Day prior to the date of the relevant Shareholders Meeting.

The holders of dematerialised shares are only admitted to the Shareholders Meeting if they have deposited their shares (as the case may be, on the registration date).

The Board of Directors shall determine in the convening notice whether the system of registration date (*registratiedatum*) shall be used or not:

- If the convening notice does not make reference to the system of registration date, the holders of dematerialised shares are only admitted to the general shareholders meeting upon deposit of a certificate at the latest on the fourth (4th) Business Day prior to the date of the relevant Shareholders Meeting, issued by a certified account holder, in accordance with Article 468 of the Belgian Companies Code, or by the depository institution itself designated in accordance with the same provision, and confirming the unavailability of the dematerialised shares until and including the date set for the Shareholders Meeting. The deposit of this certificate must take place at the registered office of the Company or at any other location indicated in the convening notice.
- If the convening notice does make reference to the system of registration date, the holders of dematerialised shares who deliver proof that on the registration date, being at the earliest the 15th calendar day and at the latest the fifth (5th) Business Day prior to the Shareholders Meeting, at midnight (24:00 hours CET, GMT+1), they are the holder of the shares with which they wish to vote, regardless of the number of shares they hold on the day of the Shareholders Meeting, shall be admitted to the Shareholders Meeting.

For the holders of registered shares, the Company shall take into account such number of shares that are registered on the registration date in the share register kept at the Company (regardless of the number of shares they hold on the day of the Shareholders Meeting).

The number of shares held by each shareholder on the registration date at midnight must be registered in a register kept by the Board of Directors. In the notice convening the Shareholders Meeting, the registration date is mentioned, as well as the manner in which the shareholders may register.

Prior to participating to the Shareholders Meeting, the holders of securities or their proxy holders must sign the attendance list, thereby mentioning: (i) the identity of the holder of securities, (ii) if applicable, the identity of the proxy holder, and (iii) the number of securities they represent. If a deposit is required, the holders of dematerialised shares, or their proxy holders as the case may be, must present the receipt of deposit, delivered by the depository designated in the convening notice. The representatives of shareholders-legal entities must present the documents evidencing their quality as legal body or special proxy holder of such legal entity. In addition, the proxy holders of shareholders-legal entities or shareholders-physical persons must present the original of their proxy evidencing their powers, unless the notice required the prior deposit of such proxies. The physical persons taking part in the shareholders meeting must be able to prove their identity.

The holders of profit certificates (if any), shares without voting rights (if any), bonds (if any), Warrants or other securities issued by the Company (if any), as well as the holders of certificates issued with the co-operation of the Company and representative securities issued by the Company (if any), may attend the Shareholders Meeting insofar as the law grants them such right with an advisory vote, or, as the case may be, the right to participate in the voting. If they wish to attend, they must abide by the same formalities, requirements to be admitted, form and deposit of proxies, as those imposed on the shareholders.

***Power of attorney***

Any owner of securities may be represented at a Shareholders Meeting by a special proxy holder, who need not be a shareholder.

The Board of Directors may determine the text of these proxies to the extent that the shareholder's freedom to vote is respected and that the provisions of such proxies do not deprive the shareholder of any right, and may demand that they shall be deposited at the registered office of the Company at least four Business Days prior to the relevant Shareholders Meeting.

***Quorum and majorities***

In general, there is no quorum requirement for a Shareholders Meeting and decisions are generally passed with a simple majority of the votes of the shares present and represented. Capital increases (unless decided by the Board of Directors within the framework of the authorised capital), decisions with respect to the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company, amendments to the articles of association (other than an amendment of the corporate purpose) and certain other matters referred to in the Belgian Companies Code not only require the presence or representation of at least 50% of the share capital of the Company but also the approval of at least 75% of the votes cast. An amendment of the Company's corporate purpose requires the approval of at least 80% of the votes cast at a Shareholders Meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of the Company and at least 50% of the profit certificates, if any, are present or represented. In the event that the required attendance quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second Shareholders Meeting can validly deliberate and resolve regardless of the number of shares present or represented.

### 15.8 Dividends

All shares participate in the same manner in the Company's profits (if any). The Offered Shares carry the right to receive dividends (if any) payable with respect to the entire financial year started on 1 January 2010 and each subsequent year. Pursuant to the Belgian Companies Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the Annual Shareholders Meeting, based on the most recent audited statutory financial statements, prepared in accordance with Belgian GAAP and based on a (non-binding) proposal of the Company's Board of Directors. The Company's articles of association also authorise the Board of Directors to declare interim dividends subject to the terms and conditions of the Belgian Companies Code.

Dividends can only be distributed if, following the declaration and payment of the dividends, the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements prepared in accordance with Belgian GAAP (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortised activated costs of incorporation and extension and the non-amortised activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.

The right to payment of dividends expires five years after the Board of Directors has declared the dividend payable.

### 15.9 Rights regarding liquidation

The Company can only be (voluntarily) dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an Extraordinary Shareholders Meeting where at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian GAAP) to share capital is less than 50%, the Board of Directors must convene a Special Shareholders Meeting within two months, from the date the Board of Directors discovered or should have discovered this undercapitalisation. At such Shareholders Meeting, the Board of Directors must propose either the dissolution of the Company, or the continuation of the Company, in which case the Board of Directors must propose measures to redress the Company's financial situation. Shareholders representing at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting. If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in such event shareholders representing 25% of the votes validly cast at the meeting can decide to dissolve the Company. If the amount of the Company's net assets has fallen below €61,500 (the minimum amount of share capital of a Belgian public limited liability company), each interested party is entitled to request the competent court to dissolve the Company. The court may order the dissolution of the Company or grant a grace period within which the Company is allowed to remedy the situation.

In the event the Company is dissolved, the assets or the proceeds of the sale of the remaining assets, after payment of all debts, costs of liquidation and taxes, must be distributed on an equal basis to the holders of the shares, taking into account possible preferential rights with regard to the liquidation of shares having such rights, if any. At the date of this prospectus and also upon completion of the Offering, none of the shares will have any preferred liquidation rights.

### 15.10 Changes to the share capital

***Changes to the share capital decided by the shareholders***

The Shareholders Meeting can at any given time decide to increase or decrease the share capital of the Company. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the articles of association, as described above under "15.7 Description of share capital and corporate structure — Right to attend and vote at Shareholders Meetings — Quorum and majorities".

***Capital increases by the Board of Directors***

Subject to the same quorum and majority requirements, the Shareholders Meeting can authorise the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the shareholders. This authorisation needs to be limited in time (i.e., it can only be granted for a renewable period of maximum five years), and in scope (i.e., the authorised capital may not exceed the amount of the registered capital at the time of the authorisation).

On 12 October 2007, the Extraordinary Shareholders Meeting authorised the Board of Directors to increase the Company's share capital in one or more transactions with a maximum amount that cannot exceed the amount of the Company's share capital upon completion of the IPO and listing of the Company's shares in 2007 (excluding issuance premiums, if any), i.e., a maximum amount of €65,294,079.4.

If the capital is increased within the limits of the authorised capital, the Board of Directors will be authorised to request payment of an issuance premium. This issuance premium will be booked on a non-available reserve account, which may only be decreased or disposed of by a resolution of a Shareholders Meeting taken in accordance with the provisions relating to amendments of the articles of association.

This Board of Directors' authorisation will be valid for capital increases subscribed for in cash or in kind, or made by capitalisation of reserves and issuance premiums, with or without issue of new shares. The Board of Directors is authorised to issue convertible bonds, Warrants or a combination thereof within the limits of the authorised capital.

The Board of Directors is authorised, within the limits of the authorised capital, to limit or cancel the preferential subscription rights granted by law to the holders of shares if in doing so it is acting in the interests of the Company and in accordance with Article 596 and following of the Belgian Companies Code. The Board of Directors is authorised to limit or cancel the preferential subscription rights in favour of one or more specified persons, even if such persons are not members of the personnel of the Company.

The powers of the Board of Directors within the framework of the authorised capital became effective upon the completion of the IPO and listing of the Company's shares in 2007, and as of the publication thereof in the Annexes to the Belgian Official Gazette (i.e., 29 November 2007) will be valid for a period of five years, i.e., until 29 November 2012.

The Board of Directors exercised such power to, within the framework of the authorised capital, issue Warrants resulting in a maximum capital increase of €4,385,256.54 (as set out above, and assuming the entire exercise price of such Warrants is entirely booked as share capital (without any issuance premium, which will only be the case in the event that the capital representative value of the shares at the time of exercise of such Warrants is equal to or higher than the exercise price thereof (which, currently, is not the case)). Furthermore, on 25 February 2010, the Board of Directors, in the context of the Offering, is expected to approve an increase in the Company's share capital by a maximum of up to €[●] (share capital and issue premium).

***Preferential subscription right***

In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or Warrants exercisable in cash, the shareholders have a preferential right to subscribe for the new shares, convertible bonds or Warrants, pro rata to the part of the share capital represented by the shares that they already hold. The Shareholders Meeting may decide to limit or cancel such preferential subscription right, subject to special substantive and reporting requirements. Such decision must satisfy the same quorum and majority requirements as the decision to increase the Company's share capital.

The shareholders can also decide to authorise the Board of Directors to limit or cancel the preferential subscription right within the framework of the authorised capital, subject to the terms and conditions set forth in the Belgian Companies Code. Normally, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential right of the existing shareholders is suspended as of the notification to the Company by the CBFA of a public tender offer for the investment instruments of the Company. The Shareholders Meeting can, however, authorise the Board of Directors to increase the share capital by issuing further shares, not representing more than 10% of the shares of the Company at the time of such a public tender offer. On 12 October 2007, the Extraordinary Shareholders Meeting of the Company decided to authorise the Board of Directors to increase the Company's share capital, including with limitation or cancellation of the shareholders' preferential subscription rights, in one or more times and including the authorisation to make use of such authorised capital in the framework of a public tender offer.

***Form and transferability of the shares***

Without prejudice to what is set out below in this section, the shares of the Company can take the form of registered shares or dematerialised shares. The Offered Shares will take the form of dematerialised shares.

As described in section "4.3 Information on the Offering — Application procedure — Form of the Offered shares and VVPR strips", all shares and VVPR Strips will be delivered in dematerialised (book-entry) form.

Belgian company law and the Company's articles of association entitle shareholders to request, in writing and at their expense, the conversion of their dematerialised shares in registered shares and *vice versa*. Any costs incurred by the conversion of shares into another form will be borne by the shareholder.

For shareholders who opt for registered shares, the shares will be recorded in the Company's shareholder register.

All of the Company's shares, including the Offered Shares upon delivery, are fully paid up and freely transferable, subject, however, to the lock-up arrangements described in "4 Information on the Offering — Lock-up and Standstill arrangements".

***Purchase and sale of own shares***

In accordance with the Company's articles of association and the Belgian Companies Code, the Company can only purchase and sell its own shares by virtue of a special shareholders' resolution approved by at least 80% of the votes validly cast at a Shareholders Meeting where at least 50% of the share capital and at least 50% of the profit certificates (if any) are present or represented. The prior approval by the shareholders is not required if the Company purchases the shares to offer them to the Company's personnel.

In accordance with the Belgian Companies Code, an offer to purchase shares must be made to all shareholders under the same conditions. This does not apply to:

(i) the acquisition of shares by companies listed on a regulated market and companies whose shares are admitted to trading on a multilateral trading facility (an "MTF"), provided that the Company ensures equal treatment of shareholders finding themselves in the same circumstances by offering an equivalent price (which is assumed to be the case:

   (a) if the transaction is executed in the central order book of a regulated market or MTF; or

   (b) if it is not so executed in the central order book of a regulated market or MTF, in case the offered price is lower than or equal to the highest actual independent bid price in the central order book of a regulated market or (if not listed on a regulated market) of the MTF offering the highest liquidity in the share);

or

(ii) the acquisition of shares that has been unanimously decided by the shareholders at a meeting where all shareholders were present or represented.

Shares can only be acquired with funds that would otherwise be available for distribution as a dividend to the shareholders pursuant to Article 617 of the Belgian Companies Code (see "15.8 Description of share capital and corporate structure — Dividends"). The total amount of shares held by the Company can at no time be higher than 20% of its share capital.

At the date of this Prospectus, the Board of Directors of the Company was not authorised by the Shareholders Meeting to redeem shares and neither do the articles of association authorise the Board of Directors to purchase own shares in case of imminent serious harm to the Company in accordance with Article 620, §1, paragraph 3 of the Belgian Companies Code. Should, in the future, the latter authorisation be given, such authorisation would be valid for a period of three years as from the date of publication in the Annexes to the Belgian Official Gazette of the amendment to the articles of association inserting this authorisation.

### 15.11 Notification of important participations

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, *inter alia*, the Belgian Act of 2 May 2007 on the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market (*Wet van 2 mei 2007 op de openbaarmaking van belangrijke deelnemingen in emittenten waarvan aandelen zijn toegelaten tot de verhandeling op een gereglementeerde markt en houdende diverse bepalingen*) and the Belgian Royal Decree of 14 February 2008 on the disclosure of large shareholdings (*Koninklijk Besluit van 14 februari 2008 op de openbaarmaking van belangrijke deelnemingen*). This transparency legislation entered into effect on 1 September 2008.

Pursuant to this legislation, Belgian law, in conjunction with Article 15 of the Company's articles of association, imposes disclosure requirements on any natural person or entity directly or indirectly acquiring or transferring securities carrying voting rights or securities which give a right to acquire existing securities carrying voting rights, as soon as, following such acquisition or transfer, the total number of voting rights directly or indirectly held by such natural person or legal entity, alone or in concert with others, increases above or falls below a (legal) threshold of 5%, or any multiple of 5%, of the total number of voting rights attached to the Company's securities. Pursuant to Article 18 of the Act of 2 May 2007, the Company has exercised its right to reduce the disclosure thresholds to 3% but has not imposed any other optional disclosure thresholds. Any future amendment to these statutory disclosure thresholds shall be made public and simultaneously notified to the CBFA. All legal provisions applicable for the legal thresholds of 5% or any multiple of 5% also fully apply to the statutory threshold of 3%.

Pursuant to Article 6 of the Act of 2 May 2007, the above disclosure obligations will be triggered any time the above thresholds are crossed (downwards or upwards) as a result of, amongst other things: (i) the acquisition or the disposal of securities carrying voting rights, regardless of the way in which this acquisition or disposal takes place, *for example,* through purchase, sale, exchange, contribution, merger, de-merger, or succession; (ii) the passive crossing of these thresholds (as a result of events that have changed the breakdown of voting rights even if no acquisition or disposal took place); or (iii) the execution, amendment or termination of an agreement of concerted action.

It should be stressed that, pursuant to Article 6 of the Act of 2 May 2007, the disclosure provisions apply to each natural or legal entity that "directly" or "indirectly" acquires, disposes of or holds (at the time of the admission to trading, at the time of passive crossing the threshold or at the time of execution, amendment or termination of an agreement of concerted action) voting securities or voting rights. In this respect, a natural or legal entity is deemed to "indirectly" acquire, dispose of or hold voting securities of the Company:

(i) when voting securities are acquired, disposed of or held by a third party that, regardless in whose name it is acting, acts on behalf of such natural or legal entity (*for example,* in case of an agreement of agency, commission, carrying (*portage*), name lending (*naamlening*), trust or an agreement with similar effect which leaves the principal elements of the ownership rights on the securities with the other contracting party);

(ii) when voting securities are acquired, disposed of or held by an undertaking controlled (within the meaning of Articles 5 and 7 of the Belgian Companies Code) by such natural or legal entity (the notion "control" implies that possibly several persons will be deemed to be a controlling person (*for example,* the parent company, the parent company of such parent company, as well as the natural person controlling the latter) and therefore subject to the notification duty); or

(iii) when such natural or legal entity acquires or transfers the control over an entity holding voting securities in the Company in which case there is no acquisition or disposal of a shareholding in the Company itself, but an acquisition or transfer of control over an entity holding voting securities of the Company (*for example,* if the entity over which control is acquired or transferred itself holds a holding in the Company which must be notified, or if the securities held by the entity over which control is acquired or transferred together with the securities the person acquiring or transferring control holds in a different manner, reaches, exceeds or falls below one of the thresholds).

In addition, persons subject to notification must include in their notification the total number of potential voting rights (provided they meet the requirements of Article 6, § 1 of the Belgian Royal Decree of 14 February 2008) (whether or not incorporated in securities) they own.

If a transparency declaration is legally required, such declaration must be notified to the CBFA and the Company as soon as possible and at the latest within a period of four trading days (as published by the CBFA). This term starts on the trading day following the day on which the event triggering the disclosure obligation took place.

The notification can be electronically transmitted to the Company and the CBFA. The forms required to make such notifications, as well as further explanations may be found on the website of the CBFA (www.cbfa.be).

Violation of the disclosure requirements may result in the suspension of voting rights, a court order to sell the securities to a third party and/or criminal liability. The CBFA may also impose administrative sanctions.

The Company must publish all information contained in such notifications no later than three trading days after receipt of such notification. In addition, the Company must mention in the notes to its annual accounts its shareholders structure (as it appears from the notifications received). Moreover, the Company must publish the total share capital, the total number of voting securities and voting rights, as well as the total number of voting securities and voting rights for each class (if any) at the end of each calendar month during which one of these numbers has changed. Furthermore, the Company must disclose, as the case may be, the total number of bonds convertible in voting securities (if any) and rights, whether or not incorporated in securities, to subscribe to voting securities not yet issued (if any), the total number of voting rights that can be obtained upon the exercise of these conversion or subscription rights and the total number of shares without voting rights (if any).

### 15.12 Public tender offers

Public tender offers on the Company's shares and other voting securities (such as Warrants or convertible bonds, if any) are subject to supervision by the CBFA. Public tender offers must be made for all of the Company's voting securities, as well as for all other securities issued by the Company that entitle the holders thereof to the subscription for or the conversion in voting securities. Prior to making an offer, an offeror must issue and disseminate an offer document, which must be approved by the CBFA. The offeror must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company.

Tender offers on a Belgian company listed on a Belgian regulated market are governed by the Act of 1 April 2007 on public tender offers (*Wet van 1 April 2007 op de openbare overnamebiedingen*), as implemented by the Belgian Royal Decree of 27 April 2007 on public tender offers (*Koninklijk besluit van 27 April 2007 op de openbare overnamebiedingen*) and the Belgian Royal Decree of 27 April 2007 on public squeeze-outs (*Koninklijk besluit van 27 april 2007 op de openbare uitkoopbiedingen*) (for the latter, see "15.13 Description of share capital and corporate structure — Squeeze-out").

Pursuant to these regulations, all shareholders and Warrantholders (and holders of other voting securities or securities granting access to voting rights issued by the Company) must have equal rights to contribute their securities in any public tender offer. Furthermore, whenever a person (as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly) acquires more than 30% of the voting securities of a company that are (at least in part) admitted to trading on a regulated market, such person must, regardless of the price paid, make a mandatory tender offer for the shares, Warrants and convertible securities issued by the company. In general and except for certain exceptions, the mere fact of exceeding the relevant threshold as a result of an acquisition will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the then current market price.

In such an event, the tender offer must be launched at a price equal to the higher of the two following amounts: (i) the highest price paid by the offeror or persons acting in concert with it for the acquisition of shares during the last 12 calendar months; and (ii) the average trading price during the last 30 days before the obligation to launch a tender offer arose. No mandatory tender offer is required, amongst other things, when the acquisition is the result of a subscription for a capital increase with application of the preferential subscription rights of the shareholders. The price can be in cash or in securities. In the event of a mandatory tender offer or a voluntary tender offer by an offeror who controls the Company offering a price composed of securities, a cash alternative must be offered in the event that: (i) the price does not consist of liquid securities admitted to trading on a regulated market; or (ii) the offeror or a person acting in concert with it acquired shares for cash during a period of 12 calendar months preceding the publication of the tender offer or during the tender offer (whereby these shares, in the event of a voluntary tender offer by a controlling shareholders, represent more than 1% of the outstanding voting securities). Where the voluntary tender offer is issued by a controlling shareholder, the price must be supported by a fairness opinion issued by an independent expert. The Board of Directors of the target company is required to publish its opinion concerning the offer as well as its comments on the offer document. The acceptance period for the tender offer must be at least two weeks and not more than ten weeks.

In addition, there are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose large shareholdings (see above under section 15.11 Notification of important participations) and merger control, that may apply to the Company and/or authorisations granted to the Company which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions or decisions could discourage potential takeover

attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of the Company's shares. These provisions may also have the effect of depriving the shareholders of the opportunity to sell their shares at a premium.

Normally, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential subscription right of the existing shareholders is suspended as of the notification to the Company by the CBFA of a public tender offer on the securities of the Company. The Shareholders Meeting can, however, authorise the Board of Directors to increase the share capital by issuing shares representing not more than 10% of the existing shares of the Company at the time of such a public tender offer. Such authorisation was granted to the Board of Directors of the Company on 12 October 2007.

The Company can acquire, dispose of, or pledge its own shares, profit certificates or any certificates relating thereto subject to compliance with the relevant legal provisions. In particular, the Shareholders Meeting can authorise the Board of Directors to, without any resolution of the Shareholders Meeting, redeem and keep the Company's own shares when such is necessary to prevent a imminent serious harm to the Company. Such authorisation is valid for a period of three years as of the publication thereof in the Annexes to the Belgian Official Gazette. Such authorisation has not been and upon completion of the Offering will not be granted to the Board of Directors of the Company.

The articles of association of the Company do not provide for any other specific protective mechanisms against public tender offers. For a description of the change-of-control provisions in the material agreements that the Company has entered into, see "11.7 Business — Collaborations and partnerships."

### 15.13 Squeeze-out

Pursuant to Article 513 of the Belgian Companies Code, a person or legal entity acting alone or in concert, who owns 95% of the voting securities in the Company having made a public call on savings, can acquire all of the outstanding voting securities or securities entitling to such voting securities in that Company following a squeeze out offer.

The securities that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the offeror at the end of the bidding process. At the end of the offer, the Company is no longer deemed to be a Company having made a public call on savings, unless bonds issued by the Company, if any, are still publicly held. The consideration paid for the securities must be in cash and must represent the fair value of the securities with a view to safeguarding the interests of the transferring shareholders.

As from the entry into force on 1 September 2007 of the Belgian Act of 1 April 2007 on public takeover bids (*Wet op de openbare overnamebiedingen*) and its implementing Royal Decrees, certain new rules on the squeeze out by majority shareholders of the minority shareholders and on the selling out right of the minority shareholders apply. If, as a result of the (re-opened) takeover bid, a bidder (or any person acting in concert with the bidder) holds 95% or more of the shares of the target company, and provided that the bidder acquired at least 90% of the shares under the takeover bid, then the bidder can proceed with a simplified squeeze-out in accordance with Article 42 of the aforementioned Royal Decree, provided that all conditions for such squeeze-out are met, to acquire the shares not yet acquired by the bidder (or any other person then deemed to act in concert with the bidder). Also, if, as a result of such a (re-opened) takeover bid, a bidder (or any person acting in concert with the bidder) holds 95% or more of the shares of the target company, and provided that the bidder acquired at least 90% of the shares under the takeover bid, each security holder has the right to make the bidder take over its securities against the offer price in accordance with Article 44 of the aforementioned Royal Decree (the so-called "sell-out").

## 16 MARKET INFORMATION

The Company's common shares and VVPR Strips are listed on Euronext Brussels, respectively under the symbol "ABLX" and "ABLXS". A request for admission to trading of the New Shares and the VVPR Strips on the regulated market of Euronext Brussels has been submitted. The admission of the New Shares and VVPR strips is expected to take place on the Closing Date.

The following chart sets forth the high and low prices and trading volumes for Ablynx shares on Euronext Brussels.

| | Ablynx | | |
|---|---|---|---|
| | **High** | **Low** | **Volume** |
| | | **(€ per Share)** | |
| **Annual information:** | | | |
| 2007 | 7.3 | 6.2 | 677,697 |
| 2008 | 7.1 | 4.0 | 1,171,451 |
| 2009 | 8.5 | 3.8 | 5,579,519 |
| **Quarterly information:** | | | |
| **2007** | | | |
| Last Quarter | 7.3 | 6.2 | 677,697 |
| **2008** | | | |
| First Quarter | 7.1 | 4.0 | 275,557 |
| Second Quarter | 6.0 | 4.3 | 251,091 |
| Third Quarter | 5.9 | 4.0 | 342,953 |
| Fourth Quarter | 5.4 | 4.0 | 301,850 |
| **2009** | | | |
| First Quarter | 4.8 | 3.8 | 836,054 |
| Second Quarter | 6.2 | 4.4 | 1,505,172 |
| Third Quarter | 8.2 | 5.5 | 1,559,576 |
| Fourth Quarter | 8.5 | 7.0 | 1,678,717 |

*Source: Bloomberg*

## 17 TAXATION IN BELGIUM

The following is a summary of the principal Belgian tax consequences for investors relating to the acquisition, the ownership and disposal of the shares of the Company. This summary is based on our understanding of the applicable laws, treaties and regulations as in effect in Belgium on the date of this Prospectus, all of which are subject to change, including changes that could have a retroactive effect.

This summary does not purport to address all tax consequences associated with ownership of the shares, and does not take into account the specific circumstances of any particular investor or the tax laws of any country other than Belgium. In particular, this summary does not address the tax treatment of investors who are subject to special rules, such as financial institutions, insurance companies, collective investment undertakings, dealers in securities or currencies or persons who hold the shares as a position in a straddle, share-repurchase transactions, conversion transactions, a synthetic security or other integrated financial transaction. This summary does not address the local taxes that may be due in connection with an investment in shares.

Investors should consult their own advisers regarding the tax consequences of an investment in the shares in light of their particular situation, including the effect of any state, local or other national laws and regulations, treaties and the official interpretation thereof.

For the purposes of this summary, a resident investor is:

(i) an individual subject to Belgian individual income tax (*personenbelasting*);

(ii) a corporation (as defined by Belgian tax law) subject to Belgian corporate income tax (*vennootschapsbelasting*); or

(iii) a legal entity subject to the Belgian tax on legal entities (*rechtspersonenbelasting*).

A non-resident investor is any person that is not a resident investor.

### 17.1 Dividends

As a general rule, a withholding tax of 25% is levied on the gross amount of dividends distributed on shares upon payment or attribution of the dividends. Dividends include all benefits paid on or attributed by the Company to the shares in whatever form and way they are distributed, as well as repayments of statutory capital, except repayments of fiscal capital made in accordance with the Belgian Companies Code. Generally, fiscal capital includes statutory paid-up capital and, subject to certain conditions, paid-up share premiums and the amounts subscribed to at the time of the issuance of profit participating certificates (*winstbewijzen*).

Subject to certain conditions, Belgian law provides for a reduction of the withholding tax rate to 15% in respect of dividends distributed on shares that are issued to the public after 1 January 1994. The New Shares will benefit from this reduced withholding tax rate. Therefore, they will be issued together with VVPR Strips, which are the instruments representing the right of the holder to receive dividends on the shares at a reduced withholding tax rate of 15%. These VVPR Strips are described in more detail under "VVPR Strips" below.

A Belgian withholding tax of 10% is in principle levied on redemption and liquidation bonuses distributed by the Company upon the purchase of its own shares or its liquidation. The basis for the withholding tax is equal to any amount distributed over and above (the proportional share of) the fiscal capital. No withholding tax will be due for redemptions of own shares carried out on Euronext Brussels or any other similar regulated stock exchange market.

Belgian tax law provides for certain exemptions from Belgian withholding tax on Belgian source dividends. If there is no exemption available under Belgian domestic law, the Belgian withholding tax can potentially be reduced for non-resident investors pursuant to the bilateral tax treaty concluded between Belgium and the state of residence of the investor.

***Resident private investors***

For resident individuals holding the shares as a private investment, the dividend withholding tax is a final tax. The dividend income must not be declared in the investor's personal income tax return.

If such investor opts to report such dividend income in his personal income tax return, this dividend income will, in principle, not be submitted to the ordinary progressive personal income tax rates, but will

be taxed separately at rates that are equivalent to the withholding tax rate plus local taxes (which vary, as a rule, from 0% to 10% of the investor's income tax liability). However, if this tax liability exceeds the tax that would otherwise be due if the dividends and the other reported income were subject to the ordinary progressive personal income tax rates (plus local taxes), the progressive rates will apply instead. In both cases, the withholding tax levied at source will be creditable against the final income tax liability of such investor, and be reimbursable (if it is at least €2.50) to the extent it exceeds the final income tax liability of the investor. To qualify for this credit and refund, the dividend distribution must not give rise to a reduction in value of or a capital loss on the shares. This condition is not applicable if the investor demonstrates that he held the shares in full legal ownership during an uninterrupted period of 12 months prior to the attribution of the dividends.

For resident individuals who hold the shares for professional purposes, the dividends must be reported in the investor's personal income tax return and are taxable at the progressive personal income tax rates plus local taxes. The withholding tax will be creditable against the final income tax liability of such investor and is reimbursable to the extent that it exceeds the investor's final income tax liability and is at least €2.50, subject to two conditions (both for the credit and the refund): (i) the investor must hold the full legal title to the shares at the time of payment or attribution of the dividends, and (ii) the dividend distribution may not give rise to a reduction in the value of, or a capital loss on, the shares. The second condition is not applicable if the investor demonstrates that he held the full legal title to the shares during an uninterrupted period of 12 months prior to the attribution of the dividends.

***Resident corporations***

For resident corporations, the gross dividend income (including the withholding tax levied) will generally be taxable at the resident corporate income tax rate of 33.99% unless the corporation would be entitled to the application of the reduced corporate income tax rates.

The withholding tax may, in principle, be credited against the final corporate income tax liability of the investor and is reimbursable to the extent that it exceeds the investor's final income tax liability and is at least €2.50, subject to two conditions (both for the credit and the refund):

(i) the investor must hold the full legal title to the shares at the time of payment or attribution of the dividends; and

(ii) the dividend distribution may not give rise to a reduction in the value of, or a capital loss on, the shares.

The second condition is not applicable if the investor demonstrates that it held the shares in full legal ownership during an uninterrupted period of 12 months prior to the attribution of the dividends or if, during that period, the shares never belonged to a taxpayer who was not a resident corporation or who was not a non-resident corporation that held the shares in an uninterrupted manner through a permanent establishment in Belgium.

No withholding tax will be due on dividends paid to a resident corporation provided that the resident corporation owns, at the time of the distribution of the dividend, at least 10% of the share capital of the Company for an uninterrupted period of at least one year and, provided further that the resident corporation provides the Company or its paying agent with a certificate as to its status as a resident company and as to the fact that it has owned a 10% shareholding for an uninterrupted period of at least one year. For those investors holding a participation of at least 10% in the share capital of the Company for less than one year, the Company will levy the withholding tax but will not transfer it to the Belgian Treasury, provided that the investor certifies:

(i) its resident status;

(ii) the date on which it acquired the shareholding;

(iii) its commitment to hold the shares up to at least one year and to immediately notify the Company when the one year period requirement has been satisfied; and

(iv) its commitment to immediately notify to the Company a reduction of its shareholding below this threshold prior to the end of the one year period.

As soon as the investor owns the shareholding of at least 10% in the capital of the Company for one year, it will receive the amount of this temporarily levied withholding tax.

A resident corporation may deduct 95% of the gross dividends received from its taxable income under the Dividend Received Deduction (*definitief belaste inkomsten*) (DRD) regime. The application of the DRD regime is subject to the following conditions, to be fulfilled at the date of attribution or payment of the dividends:

(i) the shareholding has an acquisition value of at least €2,500,000 or represents at least 10% of the capital of the Company;

(ii) the shares have been or will be held in full legal ownership for an uninterrupted period of at least one year;

(iii) the shares qualify as financial fixed assets under Belgian GAAP; and

(iv) the Company is subject to the ordinary regime of Belgian corporate income tax and does not fall within the scope of application of one of the exceptions set out in article 203 of the Income Tax Code ("subject to tax" condition) (together the "DRD Conditions").

As from assessment period 2010, the first condition also applies to dividends received by credit institutions, insurance companies and stockbroking firms.

***Resident legal entities***

For resident legal entities, the Belgian withholding tax levied generally constitutes their final tax liability.

***Non-residents***

For individuals, corporations or other legal entities which are not resident in Belgium and do not hold the shares through a Belgian establishment or fixed base, the withholding tax is generally levied at the rate of 25% or 15% if they also hold VVPR Strips (see below under "17.4 VVPR strips"), subject to such relief as may be available under applicable tax treaty provisions. This withholding tax will be the only tax payable in Belgium on the dividends.

Belgium has entered into tax treaties with more than 80 countries, reducing the dividend withholding tax rate to 15%, 10%, 5% or 0% for residents of such countries, depending on conditions related to the importance of the shareholding and the identity of the shareholder, as well as certain identification formalities. Such reduction may be obtained either directly at source or through a refund of taxes withheld in excess of the applicable tax treaty rate.

Prospective non-resident investors should consult their own tax advisors as to whether they qualify for a reduction of, or exemption from, Belgian withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining such a reduction or exemption.

If the shares held by a non-resident investor are connected with a fixed base or a permanent establishment in Belgium, the dividends must be reported in the investor's non-resident individual or corporate income tax return (as appropriate), and are subject to the non-resident individual or corporate income tax. The Belgian withholding tax may, in principle, be credited against the final non-resident individual or corporate income tax liability of such investor and is reimbursable to the extent that it exceeds the investor's final income tax liability and is at least €2.50, subject to the conditions that (both for the credit and the refund):

(i) the investor has full legal ownership of the shares at the time the dividends are made available for payment or attributed; and

(ii) the dividend distribution does not reduce the value of, or result in a capital loss on, the shares.

The second condition is not applicable if the investor demonstrates that it held the shares in full legal ownership during an uninterrupted period of 12 calendar months prior to the attribution of the dividends or if, during that period, the shares never belonged to a taxpayer who was not a resident corporation or who was not a non-resident corporation that held the shares in an uninterrupted manner through a permanent establishment in Belgium.

Non-resident corporations may deduct up to 95% of the gross dividends from their taxable profits if, at the date dividends are made available for payment or attributed, the DRD Conditions set out above are met.

Additionally, non-resident corporations, subject to corporate taxation or a similar taxation without benefiting from a tax regime which deviates from the applicable common tax regime, that are resident of a Member State of the European Union, or of a jurisdiction with which Belgium has concluded a tax treaty whereby there is an exchange of information between those two states on the basis of the tax treaty or any

other treaty, and that have a corporate form as provided for in the annex to the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EEC) as amended by Directive 2003/123/EC of 22 December 2003, or a similar corporate form in a jurisdiction with which Belgium has entered into a tax treaty, are entitled to an exemption from withholding tax if they own at least 10% of the share capital in the Company for an uninterrupted period of at least one year. In order to benefit from this exemption, the shareholder must sign a certificate in which its qualifying parent company status is confirmed and in which it is stated that at the moment of attribution of the dividends it has held the qualifying participation in the capital of the Company for an uninterrupted period of at least one year. This certificate must be transmitted to the Company or the paying agent in due time. For those investors owning a participation of at least 10% in the capital of the Company for less than one year at the moment of attribution of the dividends, the Company or the paying agent will levy the withholding tax but will not transfer it to the Belgian Treasury, provided that the investor certifies:

(i) its qualifying parent company status;

(ii) the date on which it acquired the 10% shareholding;

(iii) its commitment to hold the minimum shareholding up to at least one year and to immediately notify this event to the Company; and

(iv) its commitment to immediately notify the Company of a reduction of its shareholding below such threshold prior to the end of the one year period.

As soon as the investor owns the participation of at least 10% in the capital of the Company for one year, it will receive the amount of this temporarily levied withholding tax.

Under Belgian tax law, withholding tax is not due on dividends paid to a non-resident entity that is not engaged in any business or other profit making activity and is exempt from income tax in its country of residence, provided that it is not contractually obligated to redistribute the dividends to any beneficial owner of such dividends for whom it holds the shares (apart from certain qualifying beneficial owners which are themselves eligible for a withholding tax exemption). The exemption will only apply if the non-resident entity signs a certificate confirming that:

(i) it is the full legal owner or usufruct holder of the shares;

(ii) it is a non-resident that is not engaged in any business or other profit making activity and is exempt from income tax in its country of residence; and

(iii) it is not bound to redistribute the dividends to non-qualifying beneficial owners.

This certificate must then be transmitted to the Company or the paying agent in due time.

### 17.2 Capital gains and losses

***Resident private investors***

Resident individuals holding the shares as a private investment are not subject to Belgian income tax on capital gains realised on the shares provided that the capital gain arises from a transaction that is considered an act of normal management of the shares. Conversely, capital losses incurred on the shares are not tax deductible. Such investors may, however, be subject to a 33% tax (plus local taxes) if the capital gain arises from transactions going beyond the scope of the normal management of one's own private portfolio. Losses arising from such transactions are deductible from the taxable income arising from similar transactions realised during the same income year or the following five income years.

If, at any time during the five years preceding the transfer of the shares, the resident individual held directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Company (i.e., a shareholding of more than 25%) and the shares are transferred, immediately or within the following 12 months, to a legal person that has its registered offices, its principal establishment, or place of management outside the European Economic Area, the capital gains realised upon the transfer will be subject to a 16.5% personal income tax (plus local taxes).

Resident individuals who hold the shares for professional purposes are taxed at the ordinary progressive income tax rates (which are currently in the range of 25% to 50%, plus local taxes) on any capital gains realised upon the disposal of the shares. If the shares were held for at least five years prior to such disposal, the capital gain will be subject to a reduced rate of 16.5% (plus local taxes). Capital losses on shares realised by such an investor are in principle tax deductible.

Capital gains realised by resident private investors upon the redemption of the shares or upon liquidation of the Company will be taxed as a dividend (see *supra).*

***Resident corporations and Belgian branches of non-resident corporations***

Resident corporations and non-resident corporations that hold the shares through a permanent establishment or fixed base in Belgium, will not be taxed in Belgium on the capital gains realised upon disposal of the shares, provided that the "subject to tax" condition relating to the application of the DRD regime (see above under section "17.1 Taxation in Belgium — Dividends — Resident corporations") is fulfilled.

Any losses incurred by such investors upon disposal of the shares will not be tax deductible, except capital losses incurred as a result of the full liquidation of the Company up to the fiscal capital of the Company represented by those shares.

Capital gains realised upon redemption of shares or upon liquidation of the Company will in principle be taxable as dividend income.

***Resident legal entities***

Resident legal entities are normally not subject to Belgian capital gains tax on the disposal of the shares, but they may be subject to the 16.5% tax described above if they hold a substantial participation (more than 25%) in the capital of the Company. (See section "17.2 Taxation in Belgium — Capital gains and losses — resident private investors").

Losses incurred by resident legal entities upon disposal of the shares are generally not tax deductible.

***Non-residents***

Capital gains realised by a non-resident individual who does not hold the shares through a fixed base in Belgium are generally not subject to taxation in Belgium. However if the gain is deemed to be realised outside the scope of the normal management of the individual's private estate, this capital gain will be subject to a final professional withholding tax of 30.28% in Belgium unless the non-resident individual is entitled to an exemption from such capital gains tax on the basis of a tax treaty.

Moreover, capital gains realised by a non-resident individual on the direct or indirect transfer of the shares, outside the exercise of a professional activity, to a legal person which is not a resident of the European Economic Area are in principle taxable at a rate of 16.5% if, at any time during the five years preceding the transfer the individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding (i.e., a shareholding of more than 25%) in the Company, unless the non-resident individual is entitled to an exemption from such capital gains tax on the basis of a tax treaty.

Capital gains will be taxable at the ordinary progressive income tax rates, and capital losses will be tax deductible, if those gains or losses are realised on shares held by a non-resident individual in connection with a business conducted in Belgium through a fixed base in Belgium.

Capital gains realised by a non-resident corporation that has not acquired the shares in connection with a business conducted in Belgium through a permanent establishment are generally not subject to taxation in Belgium. Capital gains realised by a non-resident corporation that holds the shares in connection with a business conducted in Belgium through a permanent establishment are normally not subject to Belgian taxable gains taxation on the disposal of the shares provided that, the "subject to tax" condition described above is fulfilled.

Capital gains realised by non-resident shareholders upon redemption of the shares or upon the liquidation of the Company will in principle be taxable as dividends.

**17.3 Tax on stock exchange transactions**

The purchase and sale or any other acquisition or transfer for consideration in Belgium, through a "professional intermediary" (which will always be the case for shares existing only in book-entry form), of existing shares in the Company (secondary market) give rise to tax on stock-exchange transactions at a rate of 0.17%, subject to a cap of €500 per transaction and per party and is collected by the professional intermediary on behalf of both parties involved.

This tax is not due by the following exempted persons acting for their own account:

(i) professional intermediaries described in Articles 2, 9° and 10° of the Belgian Act of 2 August 2002 on the supervision of the financial sector and financial services (*Wet betreffende het toezicht op de financiële sector en de financiële diensten*);

(ii) insurance companies described in Article 2, §1 of the Belgian Act of 9 July 1975 on the supervision of insurance companies (*Wet betreffende de controle der verzekeringsondernemingen*);

(iii) pension funds described in Article 2, 1° of the Act of 27 October 2006 on the supervision of pension funds (*Wet betreffende het toezicht op de instellingen voor bedrijfspensioenvoorzieningen*);

(iv) collective investment undertakings; and

(v) non-residents (upon delivery of a certificate on non-residency in Belgium).

The subscription for New Shares does not give rise to a tax on stock exchange transactions. The Over-allotment Shares will be allocated on a priority basis to investors that are exempt from the tax on stock exchange transactions.

### 17.4 VVPR Strips

The New Shares meet the conditions pursuant to which shares are entitled to a reduced withholding tax rate of 15% (instead of 25%). The right to this reduced withholding tax will be incorporated in VVPR Strips, which will be issued together with the New Shares. However, the Over-allotment Shares covered by the Over-allotment Option will not have a separate VVPR Strip. The Company and the Joint Global Coordinators will use reasonable efforts to ensure that the shares with VVPR Strips are delivered to Retail Investors and to investors subject to Belgian legal entities tax (*rechtspersonenbelasting*), in this order of priority. However, no guarantee can be given in this respect. Should the total number of shares allocated to Retail Investors exceed the total number of VVPR Strips available, the VVPR Strips will be allocated among the Retail Investors on a pro rata basis.

The coupons representing the right of the holder to receive dividends at the ordinary withholding tax rate are attached to each share. In addition, some shares will be accompanied by a second (book-entry) sheet of coupons, which gives the holder the right to benefit from the reduced withholding tax rate of 15%. The coupons of the second sheet must bear the same sequential numbers as those of the ordinary coupons and must bear the wording, in French, "Strip-PR" or, in Dutch, "Strip-VV" (together, "VVPR -Strips"). The VVPR Strips will be listed on Euronext Brussels and may be traded separately. They are offered as part of the Offering. The reduced withholding tax rate of 15% can be obtained by delivery of both coupons with the same number to the Company or the paying agent, within three years as of 1 January of the year during which the dividend was attributed.

Individual Belgian residents and individual Belgian non-residents holding the VVPR Strips as a private investment are not subject to Belgian capital gains tax upon the disposal of the VVPR Strips, and cannot deduct losses incurred as a result of such disposal. Individual Belgian residents and individual Belgian non-residents may, however, be subject to Belgian income tax if the capital gain is realised outside the scope of the normal management of one's private estate. The tax amounts to 33% (plus local taxes) for Belgian residents. Non-residents are subject to a final professional withholding tax at a rate of 30.28%, subject to such relief as may be available under applicable tax treaty provisions. Losses on transactions outside the scope of the normal management of a private estate are, in principle, deductible from the income realised pursuant to similar transactions during five consecutive taxable periods.

Capital gains realised on VVPR Strips by resident individuals holding the shares for professional purposes or by resident corporations, or by non-resident investors who are holding the VVPR Strips in the framework of a business conducted in Belgium through a fixed base or a Belgian establishment, are taxable as ordinary income, and losses on VVPR Strips are in principle deductible.

Legal entities subject to the Belgian tax on legal entities are not subject to Belgian capital gains tax upon the disposal of the VVPR Strips and cannot deduct losses incurred as a result of such disposal.

The rules regarding the tax on stock exchange transactions apply equally to the VVPR Strips.

## 18 CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

***Notice for non-Belgian resident investors***

The following is a description of certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the shares and VVPR Strips. This description addresses only the U.S. federal income tax considerations of holders that are initial purchasers of the shares pursuant to the international offering and that will hold such shares as capital assets. This description does not purport to address all material tax consequences of the ownership of the shares and VVPR Strips and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting;
- a partnership or other entity treated as a partnership for U.S. federal income tax purposes;
- a tax-exempt organisation;
- an individual retirement account or other tax deferred accounts;
- a bank, financial institution, or insurance company;
- a real estate investment trust, a regulated investment company, or a grantor trust;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person who receives the shares as compensation for services;
- certain U.S. expatriates;
- a person that holds shares as part of a straddle or a hedging, conversion or other integrated transaction;
- a person whose functional currency is not the U.S. dollar; or
- a dual resident company.

Moreover, this description does not address U.S. federal estate and gift taxes or any state or local tax consequences of the acquisition, ownership and disposition of the shares and VVPR Strips.

This description is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as the existing income tax treaty between the United States and Belgium (the "Belgium-U.S. Treaty"), in each case as in effect on the date of this Prospectus, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect.

The Company believes that the Company is not a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. The Company's status as a PFIC must be determined annually and therefore may be subject to change depending upon, among other things, changes in the income, activities or assets of the Company and the market value of the shares. If the Company were to become a PFIC for any taxable year, materially adverse consequences could result to U.S. Holders (whether or not the Company continued to be a PFIC).

As used here, a "U.S. Holder" means a beneficial owner of the shares or VVPR Strips that is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or that has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds shares or VVPR Strips will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of shares or VVPR Strips.

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SHARES; AND (C) EACH INVESTOR SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES BASED ON ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE SHARES AND VVPR STRIPS UNDER THE LAWS OF BELGIUM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE INVESTOR MAY BE SUBJECT TO TAXATION.**

***Dividends***

Subject to the discussion below under "- Passive foreign investment company," U.S. Holders of shares will include in gross income as foreign-source dividend income, when actually or constructively received by the U.S. Holder, the gross amount of any cash or the fair market value of any property distributed by the Company (before reduction for any Belgian withholding taxes) in respect of shares, including a pro rata redemption of its shares to the extent such distribution is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). However, the Company does not intend to compute (or to provide U.S. Holders with information necessary to compute) earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders should consult their tax advisers regarding the characterisation of any distribution.

Dividends will not be eligible for the dividends received deduction allowed to U.S. corporate shareholders in respect of dividends received from other U.S. corporations. Subject to applicable holding period and other limitations, the U.S. dollar amount of dividends received on shares in tax years beginning prior to 1 January 2011 by certain non-corporate U.S. Holders will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends". Dividends paid on the shares would be treated as qualified dividends provided that the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC.

If the Company pays a dividend in a currency other than the U.S. dollar, any such dividend will be included in the gross income of the U.S. Holder in an amount equal to the U.S. dollar value of the currency on the date of receipt, determined at the spot foreign currency/U.S. dollar exchange rate on the date such dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. U.S. Holders will have a tax basis in the currency received equal to the U.S. dollar amount included in income. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from U.S. sources.

Dividends will be treated as foreign source income for U.S. foreign tax credit purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends will generally constitute "passive category income" or "general category income" depending upon the U.S. Holder.

U.S. Holders that are not exempt from Belgian withholding tax but are eligible to claim benefits under the Belgium-U.S. Treaty may claim a reduced rate of Belgian withholding tax of 15% and, as discussed below (see "17 Taxation in Belgium"), should be able to claim a refund of Belgian withholding tax in excess of that rate. Subject to generally applicable limitations on foreign tax credit claims, a U.S. Holder may claim a deduction or a foreign tax credit for Belgian tax withheld at a rate not in excess of that provided in the Belgium-U.S. Treaty. Each U.S. Holder should consult its own tax adviser regarding its eligibility for benefits under the Belgium-U.S. Treaty and regarding the availability of the foreign tax credit under their particular circumstances. To the extent the dividends from the Company are qualifying dividend income, in computing foreign tax credit limitations, non-corporate U.S. Holders may take into account the gross amount of the dividend multiplied by a fraction, the numerator of which is the special reduced rate described above, and the denominator of which is the highest ordinary income rate. Whether this partial exclusion affects a U.S. Holder's ability to claim a foreign tax credit for the full amount of Belgian tax withheld will depend on each U.S. Holder's particular circumstances. Each non-corporate U.S. Holder should consult its own tax adviser concerning the foreign tax credit limitation implications of the receipt of a qualifying dividend. Taxes imposed on stock exchange transactions and on the physical delivery of bearer

shares are not creditable. However, a U.S. Holder's tax basis in shares will include the amount of Belgian stock exchange tax paid by such U.S. Holder, if any.

***Capital gains***

Subject to the discussion below under "- Passive foreign investment company," upon a sale or other disposition of shares, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in such shares or VVPR Strips. Generally, such gain or loss will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such shares or VVPR Strips exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. For non-corporate U.S. Holders, the United States income tax rate applicable to net long-term capital gain currently will not exceed 15%. The deductibility of capital losses is subject to significant limitations. U.S. Holders generally will have a tax basis in the shares equal to their purchase price (including Belgian stock exchange tax paid by such U.S. Holder, if any). U.S. Holders that receive VVPR Strips in the Offering should allocate their purchase price (determined in U.S. dollars) between the shares and the VVPR Strips, based on their respective fair market values as of the date of the purchase, for purposes of determining their tax basis in the shares and VVPR Strips for U.S. federal income tax purposes.

With respect to the sale or exchange of shares or VVPR Strips in exchange for currency other than the U.S. dollar, the amount realised generally will be the U.S. dollar value of the payment received at the spot rate determined on (i) the settlement date in the case of a cash basis or electing accrual basis U.S. Holder and (ii) the date of disposition in the case of a non-electing accrual basis U.S. Holder. An accrual basis U.S. Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise gain or loss (generally treated as U.S. source ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar value of the currency on the settlement date. Any currency exchange gain or loss realised on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. Holder, a cash basis or electing accrual basis U.S. Holder should not recognise any gain or loss on such conversion.

***Passive foreign investment company***

The Company believes that it is not currently a PFIC for U.S. federal income tax purposes, although the Company likely qualified as a PFIC during 2008. However, because the Company's status as a PFIC must be determined annually and depends upon the nature of the Company's income, the composition and quarterly average value of the Company's assets and the market price of the shares, there is no assurance that the Company will not be a PFIC for the current taxable year or any future taxable year. If the Company were a PFIC, non-corporate U.S. Holders could not treat dividends received as qualified dividend income taxable at a reduced rate and U.S. Holders could be subject to certain adverse U.S. tax consequences summarised below. A non-U.S. company is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the quarterly average value of its gross assets is attributable to assets that produce or are held to produce passive income.

If a company is a PFIC in any year when a U.S. Holder owns its shares, the U.S. Holder is subject to additional taxes on any excess distributions received from the company and any gain realised from the sale or other disposition of its shares (regardless of whether the company continues to be a PFIC). A U.S. Holder has an excess distribution to the extent that distributions on the shares during a taxable year exceed 125% of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or the gain is allocated rateably over a U.S. Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the company became a PFIC is taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

If the Company were a PFIC, a U.S. Holder might be able to avoid some of the tax consequences described above by electing to mark the shares to market annually. A U.S. Holder can elect to mark the shares to market only if the shares are marketable stock. The shares will be marketable stock if they are traded (other than in de minimis quantities) on a qualified exchange for at least 15 days during each calendar quarter. Because the shares will be traded on Euronext, the Company believes that the shares will be marketable stock, but each U.S. Holder should consult its own tax advisor as to whether a mark-to-market election is available or desirable. A valid mark to market election cannot be revoked without the consent of the U.S. Internal Revenue Service (the "IRS") unless the shares cease to be marketable. Any gain from marking the shares to market or from disposing of them is ordinary income. A U.S. Holder can recognise loss from marking the shares to market, but only to the extent of its unreversed gains. Loss recognised from marking the shares to market is ordinary, but loss on disposing of them is capital loss except to the extent of unreversed gains. Each U.S. Holder should ask its tax advisor whether a mark-to-market election is available or desirable.

If the Company were a PFIC, a U.S. Holder could not avoid the tax consequences just described by electing to treat the Company as a qualified electing fund ("QEF"), because the Company will not prepare the information that a U.S. Holder would need to make a QEF election.

***Backup withholding and information reporting***

Dividends on shares and proceeds from the sale or other disposition of shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of shares generally will be reported to the IRS unless the U.S. Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption. The backup withholding tax rate is currently 28%. A U.S. Holder can claim a credit against its U.S. federal income tax liability for amounts withheld under the backup withholding rules, and it can claim a refund of amounts in excess of its liability provided the required information is furnished to the IRS.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE SHARES AND VVPR STRIPS UNDER THE INVESTOR'S OWN CIRCUMSTANCES.**

## 19 UNDERWRITING AGREEMENT

### 19.1 Underwriting Agreement

The Company and the Underwriters expect (but have no obligation) to enter into an Underwriting Agreement upon the determination of the Offer Price, which is expected to take place prior to the publication of the results of the Offering. The entering into the Underwriting Agreement may depend on various factors including, but not limited to, market conditions. If the Company and the Underwriters do not enter into an Underwriting Agreement, the Offering will not be completed.

In the Underwriting Agreement, the Company is expected to make certain representations and warranties and agree to indemnify the Underwriters against certain liabilities.

Subject to the terms and conditions to be set forth in the Underwriting Agreement, the Underwriters will, severally but not jointly, agree to subscribe in their own name and for the account of the investors for the following percentages of the New Shares and VVPR Strips in the Offering with a view to immediately distributing these New Shares and VVPR Strips to the investors concerned.

The following table shows the percentages of the New Shares and VVPR strips that the Underwriters have agreed to subscribe in their own name and for the account of the investors.

| Underwriter | Number |
|---|---|
| KBC Securities NV | 42.5% |
| UBS | 42.5% |
| Piper Jaffray, Ltd | 15.0% |

The Underwriters will be under no obligation to subscribe for any New Shares prior to the execution of the Underwriting Agreement (and then only on the terms and subject to the conditions set out therein).

Furthermore, in connection with the Over-allotment Option, it is expected that, together with the Underwriting Agreement and as an essential condition thereto, the Lending Shareholders will grant to the Underwriters a stock loan ("*verbruiklening van effecten*") of the Over-allotment Shares and a call option on an equal number of existing Company shares (without VVPR strip) at an exercise price equal to the Offer Price. The rights and obligations of the Underwriters to borrow and reimburse Over-allotment Shares and to call and, if called, to pay for existing Company shares will be several and not joint, each for a percentage of shares as set out in the table above.

The Underwriters will distribute the Offered Shares (and with respect to New Shares, the corresponding VVPR Strips) to investors, subject to prior issue and/or delivery, when, as and if issued or delivered to and accepted by them, subject to the satisfaction or waiver of the conditions that will be contained in the Underwriting Agreement and the conditions contained in the stock lending and call option arrangement.

The Underwriting Agreement is also expected to provide that, upon the occurrence of certain events, including:

(i) a suspension or material limitation in trading of the Company's shares or of securities generally on Euronext, respectively the London Stock Exchange or the New York Stock Exchange;

(ii) a general moratorium on commercial banking activities declared by the relevant authorities in Brussels, London or New York, or a material disruption in commercial banking or securities settlement or clearance services in Belgium, the United States or the United Kingdom;

(iii) the outbreak or escalation of hostilities, terrorist attacks or another emergency or crisis involving Belgium, the United Kingdom or the United States;

(iv) any significant adverse change in any political, financial, economical, monetary or social conditions or in taxation or currency exchange rates or exchange controls in Belgium, the United Kingdom or the United States; or

(v) a material adverse effect in the condition (financial or otherwise) of the Company's properties, assets, rights, business, management, prospects earnings, sales, net worth or results of operations,

the Underwriters will have the right to withdraw from the Underwriting Agreement and the Offering before the delivery of the Offered Shares and VVPR Strips. In such event, the investors will be informed by publication in the Belgian financial press that no Offered Shares and VVPR Strips can be delivered and that their acceptances are cancelled.

### 19.2 Nature of the Offering

The Offering consists of a public offering in Belgium and a private placement to Institutional Investors (save for QIBs) in Belgium and internationally in reliance on Regulation S, and within the United States to QIBs in reliance on Rule 144A.

Each of the Underwriters has severally agreed to restrictions on where and to whom they and any dealer purchasing from them may offer and sell the Offered Shares as part of the distribution of the Offered Shares. Each of the Underwriters may offer and sell Shares Offered to Institutional Investors (save for QIBs) in Belgium and selected other jurisdictions outside of the United States as part of the institutional offering and to the public in Belgium as part of the public offering in Belgium. Certain of the Underwriters, through their respective selling agents, propose to resell the Offered Shares in the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A and only through broker-dealers who are registered as such under the Exchange Act. Transactions between U.S. investors and any Underwriter that is not a U.S. broker/dealer will be effected by their respective selling agents noted in the preceding sentence in accordance with Rule 15a-6 under the Exchange Act and interpretations of the U.S. Securities and Exchange Commission thereunder. All offers and sales outside of the United States will be made in reliance on Regulation S.

## 20 TRANSFER RESTRICTIONS

***Notice for non-Belgian resident investors***

As a result of the following restrictions, you are advised to contact legal counsel prior to making any resale, pledge or transfer of the shares. Only the shares offered pursuant to the Offering will be subject to the following restrictions.

The Offering is being made in accordance with Rule 144A and Regulation S. The shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and, accordingly, may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to persons outside the United States in accordance with Regulation S. Terms used in this section that are defined in Rule 144A or Regulation S are used herein as so defined.

### 20.1 Rule 144A

Each purchaser of shares within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus and the shares, will be deemed to have represented, agreed and acknowledged that:

(1) the shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(2) it is (i) a QIB, (ii) aware, and each beneficial owner of such shares has been advised, that the sale of such shares to it is being made in reliance on Rule 144A and (iii) acquiring such shares for its own account or for the account of a QIB;

(3) it agrees (or, if it is acting for the account of another person, such person has confirmed to it that such person agrees) that it (or such person) will not offer, resell, pledge or otherwise transfer such shares except: (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction (as such term is defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S, (c) in accordance with Rule 144 under the Securities Act (if available), or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of those shares of the resale restrictions referred to above;

(4) the Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offered Shares;

(5) it will not deposit, or cause to be deposited, the Offered Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary facility, so long as such Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(6) the Company and the Joint Global Coordinators and their affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs. If it is acquiring the Company's shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;

(7) it understands that the shares sold in the United States will bear a legend substantially to the following effect:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THE SHARES REPRESENTED HEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THE SHARES REPRESENTED HEREBY, ACKNOWLEDGE THAT SUCH SHARES HAVE NOT BEEN REGISTERED

UNDER THE U.S. SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY THAT SUCH SHARES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE U.S. SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) IN AN OFFSHORE TRANSACTION TO A PERSON OTHER THAN A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS CERTIFICATE OR A BENEFICIAL INTEREST IN THE SHARES EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

**In addition, until 40 days after the commencement of the Offering, an offer, sale or transfer of the Offered Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. Prospective purchasers are hereby notified that sellers of the shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

### 20.2 Regulation S

Each purchaser of shares outside the United States pursuant to Regulation S, by accepting delivery of this Prospectus and the shares, will be deemed to have represented, agreed and acknowledged that:

(1) it is aware that (a) the sale of the shares to it is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S, (b) it is, or at the time such shares are purchased will be, the beneficial owner of those shares and (c) it is purchasing such shares in an offshore transaction meeting the requirements of Regulation S;

(2) it understands that the shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States;

(3) it acknowledges that the Company, the Joint Global Coordinators and their affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs; and

(4) it understands that the shares will bear a legend substantially to the following effect:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF SUCH SHARES IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THESE SHARES ACKNOWLEDGE THAT SUCH SHARES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY THAT THE SHARES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE U.S. SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS CERTIFICATE OR A BENEFICIAL INTEREST IN THE SHARES EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

## 21 VALIDITY OF SECURITIES

The validity of the Offered Shares will be passed upon by Eubelius CVBA, the Company's Belgian counsel, and by Freshfields Bruckhaus Deringer LLP, counsel for the Joint Global Coordinators. The Company is also being represented by Baker & McKenzie LLP, its U.S. counsel.

**For the statutory financial statements for the years ended 31 December 2007, 2008 and 2009, reference is made to the Company's website www.ablynx.com.**

## CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

### 1 INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS PER 31 DECEMBER 2009, 2008 AND 2007 UNDER IFRS

To the board of directors and
shareholders of Ablynx NV

### STATUTORY AUDITOR'S REPORT

We have audited the consolidated financial statements of Ablynx NV and its subsidiary (the Group), which comprise the consolidated balance sheet as of December 31, 2009, December 31, 2008 and December 31, 2007 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flow for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements are set forth on pages F-3 to F-33.

The company's board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to preparation and fair presentation of the consolidated financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements taken as a whole. Finally, we have obtained from the board of directors and Group's officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our audit opinion.

In our opinion, the consolidated financial statements set forth on pages F-3 to F-33 give a true and fair view of the Group's net worth and financial position as of December 31, 2009, December 31, 2008 and December 31, 2007 and its results and cash flows for each of the three years in the period ended December 31, 2009 in accordance with International Financial Reporting Standards as adopted by the European Union.

Brussels, February 16, 2010

The statutory auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
represented by

Raf Vander Stichele
Bedrijfsrevisor

## 2 CONSOLIDATED FINANCIAL STATEMENTS AS PER 31 DECEMBER 2009, 2008 AND 2007 UNDER IFRS

### 2.1 Consolidated balance sheet

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| | | | (€'000) | |
| **Non-current assets** | | **4,277** | **5,001** | **3,505** |
| Intangible fixed assets | *(Note 3.6)* | 799 | 801 | 751 |
| Property, plant & equipment | *(Note 3.7)* | 3,478 | 4,200 | 2,754 |
| **Current assets** | | **97,645** | **121,522** | **130,831** |
| Trade receivables | *(Note 3.8)* | 1,697 | 4,167 | 2,082 |
| Other current assets | *(Note 3.8)* | 1,500 | 1,901 | 1,037 |
| Accrued income and deferred charges | *(Note 3.8)* | 2,127 | 1,920 | 1,223 |
| Available-for-sale financial assets | *(Note 3.9)* | 20,012 | 35,901 | — |
| Other short term investments | *(Note 3.10)* | 28,000 | 29,500 | — |
| Cash and cash equivalents | *(Note 3.11)* | 44,309 | 48,133 | 126,489 |
| **Total assets** | | **101,922** | **126,523** | **134,336** |
| **Equity attributable to equity holders** | | **76,126** | **93,870** | **108,175** |
| Share capital | | 63,189 | 62,485 | 61,970 |
| Share premium account | | 88,851 | 88,851 | 88,851 |
| Share-based payments | | 3,489 | 2,053 | 1,551 |
| Fair value reserves | *(Note 3.9)* | 12 | (99) | — |
| Retained earnings | | (79,415) | (59,420) | (44,197) |
| **Non-current liabilities** | | **—** | **3** | **61** |
| Borrowings | *(Note 3.14)* | — | 3 | 61 |
| **Current liabilities** | | **25,796** | **32,650** | **26,100** |
| Borrowings | *(Note 3.14)* | 3 | 57 | 112 |
| Trade payables | *(Note 3.15)* | 7,200 | 6,626 | 5,223 |
| Other current liabilities | *(Note 3.15)* | 2,647 | 2,068 | 1,689 |
| Deferred income | *(Note 3.15)* | 15,946 | 23,899 | 19,076 |
| **Total liabilities** | | **25,796** | **32,653** | **26,161** |
| **Total equity and liabilities** | | **101,922** | **126,523** | **134,336** |

The notes on pages F-7 to F-33 are an integral part of these financial statements.

## 2.2 Consolidated statement of comprehensive income

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| | | | (€'000) | |
| Revenue: | | | | |
| Research and development | | 28,068 | 15,557 | 8,785 |
| Grants | | 1,615 | 1,198 | 1,135 |
| **Total revenue** | | **29,683** | **16,755** | **9,920** |
| Research & development expense | *(Note 3.18)* | (42,800) | (29,889) | (18,750) |
| General & administrative expense | *(Note 3.19)* | (9,044) | (7,447) | (5,482) |
| **Total operating expenses** | | **(51,844)** | **(37,336)** | **(24,232)** |
| Other operating income/(expense) | *(Note 3.20)* | 1 | 6 | 5 |
| Operating result | | (22,160) | (20,575) | (14,307) |
| Finance income (net) | *(Note 3.23)* | 2,165 | 5,352 | 1,785 |
| Finance income | | 2,487 | 5,769 | 1,824 |
| Finance cost | | (322) | (417) | (39) |
| **Loss before taxes** | | **(19,995)** | **(15,223)** | **(12,522)** |
| Income tax expense | *(Note 3.24)* | — | — | — |
| **Loss for the year** | | **(19,995)** | **(15,223)** | **(12,522)** |
| **Other comprehensive loss:** | | | | |
| Fair value gains on available-for-sale financial assets, net of tax | | 111 | (99) | — |
| **Total comprehensive income for the period** | | **(19,884)** | **(15,322)** | **(12,522)** |
| Loss attributable to equity holders | | (19,995) | (15,223) | (12,522) |
| **Total comprehensive loss attributable to equity holders** | | **(19,884)** | **(15,322)** | **(12,522)** |
| Basic and diluted loss per share | *(Note 3.25)* | (0.54) | (0.42) | (0.49) |

The notes on pages F-7 to F-33 are an integral part of these financial statements.

## 2.3 Consolidated statement of changes in shareholder's equity

| | Share capital | Share premium | Share based payments | Retained loss | Fair Value Reserve | Total Equity |
|---|---|---|---|---|---|---|
| | | | (€'000) | | | |
| **Balance at 31 December 2006** | **24,416** | **26,530** | **780** | **(31,675)** | **—** | **20,051** |
| **Loss of the period** | | | | **(12,522)** | | |
| **Other Comprehensive income** | | | | | | |
| Available-for-sale financial assets | | | | | | |
| **Total Comprehensive income** | | | | **(12,522)** | | |
| **Warrant plans** | | | | | | |
| Share based payments | | | 793 | | | |
| **Transactions with owners** | | | | | | |
| Capital increase | 22,880 | 62,316 | | | | |
| Unpaid capital paid up | 20,004 | | | | | |
| Issuance costs | (5,463) | | | | | |
| Exercise of Warrants | 133 | | (22) | | | |
| Share premium | | 5 | | | | |
| **Balance at 31 December 2007** | **61,970** | **88,851** | **1,551** | **(44,197)** | **—** | **108,175** |
| **Loss of the period** | | | | **(15,223)** | | |
| **Other comprehensive income** | | | | | | |
| Available-for-sale financial assets | | | | | (99) | |
| **Total Comprehensive Income** | | | | **(15,223)** | **(99)** | |
| **Warrant plans** | | | | | | |
| Share Based Payments | | | 644 | | | |
| **Transactions with owners** | | | | | | |
| Exercise of Warrants | 515 | | (141) | | | |
| **Balance at 31 December 2008** | **62,485** | **88,851** | **2,053** | **(59,420)** | **(99)** | **93,870** |
| **Loss of the period** | | | | **(19,995)** | | |
| **Other comprehensive income** | | | | | | |
| Available-for-sale financial assets | | | | | 111 | |
| **Total Comprehensive Income** | | | | **(19,995)** | **111** | |
| **Warrant plans** | | | | | | |
| Share Based Payments | | | 1,614 | | | |
| **Transactions with owners** | | | | | | |
| Exercise of Warrants | 704 | | (178) | | | |
| **Balance at 31 December 2009** | **63,189** | **88,851** | **3,489** | **(79,415)** | **12** | **76,126** |

The notes on pages F-7 to F-33 are an integral part of these financial statements.

## 2.4 Consolidated Cash flow statement

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2008 | 2007 |
| | | | (€'000) | |
| **Cash flows from operating activities** | | | | |
| Loss before income tax | | (19,995) | (15,223) | (12,522) |
| Adjustments for: | | | | |
| Amortisation | *(Note 3.6)* | 198 | 179 | 159 |
| Depreciation | *(Note 3.7)* | 2,406 | 1,859 | 866 |
| (Profit)/loss on disposal of property, plant and equipment | | — | (6) | — |
| Share-based payment expense | | 1,614 | 644 | 793 |
| Finance income — net | *(Note 3.23)* | (2,332) | (5,503) | (1,809) |
| Net movement in trade and other receivables | | 2,665 | (3,646) | (1,996) |
| Net movement in trade and other payables | | (6,799) | 6,604 | 15,700 |
| **Cash generated from (used in) operations** | | **(22,243)** | **(15,086)** | **1,191** |
| Interest paid | *(Note 3.23)* | (2) | (6) | (7) |
| Interest received | *(Note 3.23)* | 2,334 | 5,509 | 1,816 |
| Income tax paid | *(Note 3.24)* | — | — | — |
| **Net cash generated from (used in) operating activities** | | **(19,911)** | **(9,583)** | **3,000** |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment | *(Note 3.7)* | (1,684) | (3,308) | (1,994) |
| Proceeds from sale of property, plant and equipment | | — | 6 | — |
| Purchases of intangible assets | *(Note 3.6)* | (199) | (229) | (11) |
| Purchases of available-for-sale financial assets | *(Note 3.9)* | — | (36,000) | — |
| Purchases of short term investments | *(Note 3.10)* | — | (29,500) | |
| Sale of available-for-sale financial assets | *(Note 3.9)* | 16,000 | — | — |
| Sale of short term investments | *(Note 3.10)* | 1,500 | — | — |
| **Net cash generated from (used in) investing activities** | | **15,617** | **(69,031)** | **(2,005)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from issuance of ordinary shares | | 527 | 371 | 99,855 |
| Repayments of borrowings | | (57) | (113) | (160) |
| **Net cash generated from (used in) financing activities** | | **470** | **258** | **99,695** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,824)** | **(78,356)** | **100,690** |
| Cash and cash equivalents at beginning of the period | | 48,133 | 126,489 | 25,799 |
| **Cash and cash equivalents at end of the period** | | **44,309** | **48,133** | **126,489** |

The notes on pages F-7 to F-33 are an integral part of these financial statements.

## 3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3.1 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 office at Technologiepark 4, B-9052 Zwijnaarde, Belgium (company number 0475.295.446 (RPR Ghent)).

Ablynx is a biopharmaceutical company focused on the discovery and development of Nanobodies (Nanobodies), a new therapeutic class of novel proteins that are derived from naturally occurring antibodies. Nanobodies represent the smallest functional fragments of a heavy chain antibody, which occur naturally in the *Camelidae* family, including camels and llamas. These stable "heavy chain only" antibodies are not found in any other mammals.

Ablynx has ongoing research collaborations and significant partnerships with several major pharmaceutical companies, including Boehringer Ingelheim, Merck Serono, Novartis and Pfizer (previously Wyeth Pharmaceuticals). Ablynx is building a diverse and broad portfolio of therapeutic Nanobodies through these collaborations as well as through its own internal discovery programmes. The Company's lead programme, ALX-0081, an intravenously administered novel anti-thrombotic entered a Phase II study in patients undergoing percutaneous coronary intervention (PCI) in September 2009. Ablynx demonstrated proof-of-concept by biomarker for ALX-0081 in December 2009. ALX-0681, a subcutaneous formulation of the novel anti-thrombotic Nanobodies that also selectively targets von Willebrand Factor (vWF) has concluded Phase I. In December 2009, Ablynx initiated a double-blind, randomised, placebo-controlled Phase I study with ALX-0141, a Nanobody targeting Receptor Activator of Nuclear Factor kappa B Ligand (RANKL), in healthy postmenopausal women. ALX-0061, an anti-IL6R Nanobody is in preclinical development for the treatment of autoimmune and inflammatory diseases. In addition, in September 2009, Ablynx's partner Pfizer entered a Phase II study in RA patients, with an anti-TNF-alpha Nanobody.

To date, the Company has raised €71.2 million private equity financing including exercise of warrants and raised an additional €85.2 million in its IPO on Euronext in November 2007. It has research facilities in Ghent, Belgium, and Porto, Portugal and as at 31 December 2009 it employed 233 staff.

### 3.2 Summary of significant accounting policies

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

#### 3.2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and Belgian legal requirements applicable to the Group. The consolidated financial statements are presented in thousands of Euro (unless stated otherwise). The consolidated financial statements for the financial year ended 31 December 2009 have been approved for issue by the Board of Directors on 15 February 2010.

The consolidated financial statements have been prepared under the assumption that the Group is a going concern and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.4.

***Changes in accounting policy and disclosures***

***(a) New and amended standards, endorsed by the EU and effective for the periods ending 31 December 2009 adopted by the Group***

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- *IFRS 7 "Financial instruments - Disclosures" (amendment) - effective 1 January 2009.* The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

  *IAS 1 (revised). "Presentation of financial statements" - effective 1 January 2009.* The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- *IFRS 2 (amendment), "Share-based payment" (effective 1 January 2009*) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.

- *IFRS 8, "Operating Segments" (mandatory for accounting periods beginning on of after 1 January 2009).*

  This standard replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard uses a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 has no impact on the Group's financial statements.

- *Annual improvements project (2008)*

  This standard improves existing standards and amends 20 standards, basis of conclusions and guidance. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes, except for the amendment to the definition of assets held for sale and discontinued operations.

***(b) Standards and interpretations endorsed by the EU as at 31 December 2009 but not yet effective for the periods ended 31 December 2009 and not early adopted by the Group:***

- IFRS 3 (Revised) "Business combinations"
- IAS 27 (Revised) "Consolidated and separate financial statements"
- Amendment to IAS 39 "Eligible hedged items"
- IFRIC 12 "Service concession arrangements"
- IFRIC 17 "Distributions of non-cash assets to owners"
- IFRIC 18 "Transfers of assets from customers"
- Annual improvements 2008 "Amendment to the definition of assets held for sale and discontinued operations (classify as held for sale where a partial disposal results in a loss of control)"

***(c) New standards and interpretations effective for the periods ended 31 December 2009 but not relevant to the Group:***

- IAS 23 (Revised) "Borrowing costs"

- Amendment to IAS 32 "Financial instruments: Presentation" and IAS 1 "Presentation of financial statements on puttable financial instruments and obligations arising on liquidation"
- Amendment to IFRS 1 "First time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements"
- IFRIC 14 IAS 19 "The limit on a defined benefit asset, minimum funding requirements and their interaction"
- IFRIC 15 "Agreements for construction of real assets"
- IFRIC 16 "Hedges of a net investment in a foreign operation"
- IFRIC 13 "Customer loyalty programmes"
- Amendment to IFRIC 9 and IAS 39 on "Embedded derivatives"

### 3.2.2 Consolidation Scope

Ablynx NV controls a sole 100%-owned subsidiary (Ablynx SA with registered offices in Rua do Campo Alegre 1021, 4150-180 Porto, Portugal). For 2007, these research activities in Portugal were accounted for as branch of the Company. In 2008 these activities were transferred into the subsidiary Ablynx SA which had no significant impact on the consolidated financial statements.

The consolidated financial statements are presented in euros and rounded to the nearest thousand.

### 3.2.3 Segment Reporting

The Group operates as a single operating segment and consequently no segment reporting is provided.

### 3.2.4 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 consolidated financial statements are presented in Euro (EUR), which is the functional and presentation currency of the Group.

***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 recognised 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), see 3.2.11.

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

***Group companies***

The sole subsidiary has the same functional currency as the parent and no translation difference arise on consolidation.

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

| | Closing rate | | | Average rate | | |
|---|---|---|---|---|---|---|
| **1 Euro = × foreign currency** | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** |
| US Dollar . . . . . | 1.4406 | 1.3917 | 1.4721 | 1.3948 | 1.4708 | 1.3705 |
| GB Pound . . . . . | 0.8881 | 0.9525 | 0.7334 | 0.8909 | 0.7963 | 0.6843 |

### 3.2.5 Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group 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 up-front 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 recognised when the Group has fulfilled all conditions and obligations. The license fee will not be recognised if the amount cannot be reasonably estimated and if the payment is doubtful. As the Group has a continuing involvement during the license period, license fees are recognised rateably over the term of the agreement.
- Non-refundable up-front fees for access to prior research results and databases are recognised when earned, if the Group has no continuing performance obligations and all conditions and obligations are fulfilled (this means after the delivery of the required information). If the Group has continuing performance obligations towards the client research fees, the fee will be recognised on a straight-line basis over the contractual performance period (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 & development costs are recognised as revenue as the related costs are incurred. The corresponding research and development expenses are included in research and development expenses (R&D) 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.

***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 Group 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 revenue.

### 3.2.6 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 measured reliable

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.

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

### 3.2.7 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. 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:

| | |
|---|---|
| Equipment: | 3 years |
| Hardware: | 3 years |
| Furniture: | 5 years |
| Leasehold improvements: | the shorter of the useful life or the minimum rent term |

Property, plant and equipment under construction are not depreciated.

### 3.2.8 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.

### 3.2.9 Derivative financial instruments and hedging activities

The Group has no derivative financial instruments, in all material respect, to hedge interest rate and foreign currency risk.

### 3.2.10 Trade receivables

Trade receivables are recognised initially 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 Group will not be able to collect all amounts due according to the original terms of the receivables.

### 3.2.11 Available-for-Sale Financial Assets

Unlisted shares and listed redeemable notes held by the Group that are traded in an active market are classified as being available for sale financial assets and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the

investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the profit or loss for the period.

### 3.2.12 Other short term investments

Term Deposits with an initial term of more than three months are held to maturity and measured at amortised cost.

### 3.2.13 Cash and cash equivalents

The cash and cash equivalents heading consists of cash, deposits held at call with banks and short-term deposits.

### 3.2.14 Equity instruments

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

### 3.2.15 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.

### 3.2.16 Borrowings

Interest-bearing bank loans are initially recorded as the proceeds received, net of transaction costs, and subsequently carried at amortised cost: the financial charges are accounted for on an accrual basis using the effective interest rate method and added to the carrying amount of the borrowing to the extent that they are not settled in the period in which they arise.

### 3.2.17 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 or 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 is probable that future taxable profit will be available.

### 3.2.18 Employee benefits

The Group offers several post employment benefit schemes. Substantially all employees have access to these schemes. These plans are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contribution into a separate entity. For the majority of its employees, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits they are entitled to under the existing schemes. The pension contributions paid by the Group to the group insurance plan are expensed when due.

Early termination obligations are recognised as a liability when the Group is 'demonstrably committed' to terminating the employment before the normal retirement date. The Group is 'demonstrably committed' when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations. 'Normal' termination obligations are accrued as the obligation arises from past service.

### 3.2.19 Provisions

A provision is recognised only when: the Group 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 Group 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 Group no realistic alternative to settling the obligation, independently of its future actions.

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

Provisions for future operating losses are strictly prohibited.

If the Group has an onerous contract (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), the present obligation under the contract are recognised as a provision.

A provision for restructuring is only recorded if the Group 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.

### 3.2.20 Leases

A financial lease is a lease that transfers substantially 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.

### 3.2.21 Share-based payment transactions

The Group 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 expense is recognised over the vesting period and determined based upon 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 based upon the number Warrants that will become exercisable. At each balance date, the Group 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.

### 3.2.22 Earnings per share

Basic net profit/(loss) per share is computed based on 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. Warrants should be treated as dilutive, when and only when their conversion to ordinary shares would decrease net profit per share from continuing operations.

## 3.3 Risk management

### 3.3.1 Financial risk factors

***Liquidity risk management***

The Group makes use of term accounts and treasury notes. Each instrument in this balanced portfolio possesses high grade credit ratings, capital reimbursement guarantees and limited maturities of up to maximum 13 months.

The Group has no financial debt except limited financial lease obligations.

***Interest rate risk***

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

***Credit risk***

The credit risk arises from outstanding transactions with customers. It is the Group's policy to deal with creditworthy partners to avoid significant risk exposure.

The available-for-sale financial asset is a floating rate note, consisting of a bond portfolio of high grade credit ratings.

Available liquidities are placed with several banks.

***Foreign exchange risk***

The Group has sales transactions from research and collaboration agreements denominated in USD and purchase transactions denominated in GBP. The Group did not enter into any currency hedging arrangements in order to cover this risk as the exposure is limited.

At 31 December 2009, if the EUR had weakened 10% against the GBP and strengthened 10% against the USD with all other variables held constant, the loss of the period would have been €590,000 (2008: €646,000) higher. Conversely, if the EUR had strengthened 10% against the GBP and weakened 10% against the USD with all other variables held constant, the loss of the period would have been €579,000 (2008: €640,000) lower.

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

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | | (€'000) | |
| Liabilities denominated in USD | 135 | 53 | 3 |
| Liabilities denominated in GBP | 200 | 490 | 40 |
| Liabilities denominated in SEK | 243 | 215 | 81 |
| Assets denominated in USD | — | 3,385 | — |

### 3.3.2 Capital risk management

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the costs of capital.

### 3.3.3 Fair value estimation

The carrying amount of all financial instruments approximates its fair value at reporting date.

### 3.4 Critical accounting estimates and judgements

At each reporting date, the Group 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 Group 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 Segment information

The Group does not distinguish different operating segments.

### 3.6 Intangible fixed assets

| | Patents | Software | Total |
|---|---|---|---|
| | | (€'000) | |
| **Year ended 31 December 2007** | | | |
| Opening net book amount | 847 | 52 | 899 |
| Additions | — | 11 | 11 |
| Amortisation charge | (127) | (32) | (159) |
| Closing net book amount | 720 | 31 | 751 |
| **As at 31 December 2007** | | | |
| Cost | 2,000 | 109 | 2,109 |
| Accumulated amortisation and impairment | (1,280) | (78) | (1,358) |
| Net book amount | 720 | 31 | 751 |
| **Year ended 31 December 2008** | | | |
| Opening net book amount | 720 | 31 | 751 |
| Additions | 90 | 139 | 229 |
| Amortisation charge | (132) | (47) | (179) |
| Closing net book amount | 678 | 123 | 801 |
| **As at 31 December 2008** | | | |
| Cost | 2,090 | 248 | 2,338 |
| Accumulated amortisation and impairment | (1,412) | (125) | (1,537) |
| Net book amount | 678 | 123 | 801 |
| **Year ended 31 December 2009** | | | |
| Opening net book amount | 678 | 123 | 801 |
| Additions | 34 | 164 | 198 |
| Amortisation charge | (140) | (60) | (200) |
| Closing net book amount | 572 | 227 | 799 |
| **As at 31 December 2009** | | | |
| Cost | 2,124 | 412 | 2,536 |
| Accumulated amortisation and impairment | (1,552) | (185) | (1,737) |
| Net book amount | 572 | 227 | 799 |

The intangible fixed assets mainly consists of a portfolio of acquired patents of which the remaining amortisation period is 3.5 years. The carrying value amounts to €464,000 per 31 December 2009.

## 3.7 Property, plant and equipment

| | Equipment | Furniture | Equipment under leasing | Leasehold improvements | PPE under construction | Total |
|---|---|---|---|---|---|---|
| | | | (€'000) | | | |
| **Year ended 31 December 2007** | | | | | | |
| Opening net book amount | 1,140 | 68 | 257 | 59 | 102 | 1,626 |
| Additions | 1,937 | 3 | 42 | 9 | 3 | 1,994 |
| Transfer | 102 | — | — | — | (102) | |
| Depreciation charge | (756) | (17) | (68) | (25) | — | (866) |
| Closing net book amount | 2,423 | 54 | 231 | 43 | 3 | 2,754 |
| **As at 31 December 2007** | | | | | | |
| Cost | 4,554 | 97 | 350 | 74 | 3 | 5,078 |
| Accumulated depreciation and impairment | (2,131) | (43) | (119) | (31) | — | (2,324) |
| Net book amount | 2,423 | 54 | 231 | 43 | 3 | 2,754 |
| **Year ended 31 December 2008** | | | | | | |
| Opening net book amount | 2,423 | 54 | 231 | 43 | 3 | 2,754 |
| Additions | 2,938 | 72 | — | 295 | — | 3,305 |
| Disposals — acquisition value | (59) | — | — | — | — | (59) |
| Disposals — accumulated depreciation and impairment | 59 | — | — | — | — | 59 |
| Depreciation charge | (1,660) | (27) | (116) | (56) | — | (1,859) |
| Closing net book amount | 3,701 | 99 | 115 | 282 | 3 | 4,200 |
| **As at 31 December 2008** | | | | | | |
| Cost | 7,492 | 169 | 350 | 369 | 3 | 8,383 |
| Accumulated depreciation and impairment | (3,791) | (70) | (235) | (87) | — | (4,183) |
| Net book amount | 3,701 | 99 | 115 | 282 | 3 | 4,200 |
| **Year ended 31 December 2009** | | | | | | |
| Opening net book amount | 3,701 | 99 | 115 | 282 | 3 | 4,200 |
| Additions | 968 | 43 | 0 | 85 | 588 | 1,684 |
| Disposals — acquisition value | — | — | — | — | — | — |
| Disposals — accumulated depreciation and impairment | — | — | — | — | — | — |
| Depreciation charge | (2,080) | (32) | (108) | (186) | — | (2,406) |
| Closing net book amount | 2,589 | 110 | 7 | 181 | 591 | 3,478 |
| **As at 31 December 2009** | | | | | | |
| Cost | 8,460 | 212 | 350 | 454 | 591 | 10,067 |
| Accumulated depreciation and impairment | (5,871) | (102) | (343) | (273) | — | (6,589) |
| Net book amount | 2,589 | 110 | 7 | 181 | 591 | 3,478 |

### 3.8 Trade receivables and other current assets

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Trade receivables** | 1,656 | 4,126 | 1,985 |
| Credit notes to receive | — | 36 | 8 |
| Invoices to be made | 41 | 5 | 88 |
| **Total** | **1,697** | **4,167** | **2,082** |
| **Other current assets** | | | |
| VAT receivable | 784 | 1,041 | 685 |
| Income tax receivable | 401 | 849 | 336 |
| Other receivables | 315 | 11 | 17 |
| **Total** | **1,500** | **1,901** | **1,037** |
| **Accrued income and deferred expenses** | | | |
| Accrued income | 1,500 | 959 | 936 |
| Deferred expenses | 627 | 961 | 287 |
| **Total** | **2,127** | **1,920** | **1,223** |

Trade receivables consist of amounts due from research collaboration partners. The nominal amount of both trade and other receivables approximates the fair value.

Trade receivables that were past due are not impaired. The trade receivables relate to a number of high ranked international customers for whom there is no recent history of default. The ageing analysis of the past due trade receivables is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Up to 1 month | 343 | 350 | 238 |
| Between 1 and 3 months | — | — | — |
| Over 3 months | — | — | — |

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| € | 2,011 | 1,725 | 1,926 |
| US $ | — | 3,385 | 150 |

The income tax receivable relates to recoverable withholding taxes paid on interest income.

The other receivables mainly includes a tax credit relating to research expenditure capitalised under local GAAP.

Accrued income consists mainly of earned income from government grants for which no payments have been received.

### 3.9 Available-for-sale financial assets

| | Available-for-sale financial assets |
|---|---|
| | (€'000) |
| **As at 31 December 2007** | |
| Opening net book amount | — |
| Additions | — |
| Sales | — |
| Fair value adjustments recognised in equity | — |
| Closing net book amount | — |
| **As at 31 December 2008** | |
| Opening net book amount | — |
| Additions | 36,000 |
| Sales | — |
| Fair value adjustments recognised in equity | (99) |
| Closing net book amount | 35,901 |
| **As at 31 December 2009** | |
| Opening net book amount | 35,901 |
| Additions | — |
| Sales | (16,000) |
| Fair value adjustments recognised in equity | 111 |
| Closing net book amount | 20,012 |

The available-for-sale financial assets are valued at fair value through equity and relate as at 31 December 2008 to (1) a floating rate note (level 3 under IFRS hierarchy) from Arcade Finance Plc, managed by KBC (€20 million), with a variable interest rate of Euribor 6M + 2 bps. The initial term to maturity of the floating rate note is seven years, with the possibility to liquidate the asset every six months a pari and possibility to liquidate biweekly at market value minus step-out costs of 12.5 bps. The underlying assets of this floating rate note consist of an internationally spread bond portfolio with AAA rating. The interest, exchange rate and credit risk are covered by a Total Return Swap which is concluded with Bank of America. The underlying mark-to-market variances in the underlying portfolio are covered by collateral of Bank of America. During 2009 the note has generated €524,000 interest income. The fair value which is substantially determined by the liquidation possibilities mentioned above and by the difference between the contract rate and the market interest rate as at 31 December 2009 results in a fair value adjustment of €12,000; (2) a KBC floating rate note (€10 million) with a variable interest rate of Euribor 3M + 15 bps. The term to maturity is 13 November 2009; and (3) a KBC fixed rate note (€6 million) maturity at 15 July 2009.

During 2009 the KBC floating rate note of €10 million and the KBC fixed rate note of €6 million have been sold.

### 3.10 Other short term investments

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Term deposits > 3 months | 28,000 | 29,500 | — |

These are monies placed on term deposits with banks with an initial term between 3 and 13 months.

### 3.11 Cash and cash equivalents

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| ≤ 3 months | 35,309 | 45,000 | 121,500 |
| Cash at bank and on hand | 9,000 | 3,133 | 4,989 |
| **Total** | **44,309** | **48,133** | **126,489** |

The cash and cash equivalents heading consists of cash, deposits held at call with banks and short-term deposits.

### 3.12 Share capital

#### 3.12.1 Capital transactions

The Company increased its share capital on 2 April 2007 as a result of the exercise of 150,000 Warrants for an amount of €105,000 which has been booked in share capital.

The Company increased its share capital on 12 October 2007 as a result of the exercise of 12,500 Warrants for an amount of €8,750 which has been booked in share capital.

The Company increased its share capital on 9 November 2007 as a result of the IPO. The total amount raised was €74,999,995 and €20,142,855 has been booked as share capital and €54,857,139.20 has been booked as share premium.

The Company increased its share capital on 12 December 2007 as a result of the application of the Over-allotment option. The total amount raised was €10,195,780 and €2,736,660.60 has been booked as share capital and €7,459,119.40 has been booked as share premium.

As a result of to the IPO, there are no preferential rights/shares anymore and the share capital consists of common shares, which are fully paid up, with a par value €1.87 per share. Taking into consideration the outstanding Warrants at the end of 2007, the Company had in total 38,309,389 fully diluted shares.

The Company increased its share capital on 17 January 2008 due to the exercising of 410,500 Warrants for an amount of €285,150 and is fully booked in share capital.

The Company increased its share capital on 24 April 2008 due to the exercising of 49,062 Warrants for an amount of €44,155.80 and is fully booked in share capital.

The Company increased its share capital on 30 July 2008 due to the exercising of 2,000 Warrants for an amount of €1,000 and is fully booked in share capital.

The Company increased its share capital on 23 October 2008 due to the exercising of 103,124 Warrants for an amount of €54,811.60 and is fully booked in share capital. Taking into consideration the outstanding Warrants at the end of 2008, the Company has in total 38,585,464 fully diluted shares.

The Company increased its share capital on 23 January 2009 due to the exercising of 765,350 Warrants for an amount of €497,890.10 and is totally booked in share capital.

The Company increased its share capital on 24 July 2009 due to the exercising of 24,374 Warrants for an amount of €21,936.60 and is totally booked in share capital.

The Company increased its share capital on 28 October 2009 due to the exercising of 8,814 Warrants for an amount of €6,732.60 and is totally booked in share capital. Taking into consideration the outstanding Warrants at the end of 2009, the Company had in total 39,090,240 fully diluted shares.

The share capital consists of common shares, which are fully paid up, with a par value of €1.87 per share.

| | |
|---|---|
| Number of shares on 1 January 2007 | 47,912,206 |
| Number of New shares (exercise of Warrants) | 162,500 |
| Subtotal | 48,074,706 |
| Reverse share split (2:1) | 24,037,353 |
| Number of shares IPO | 10,714,285 |
| Number of shares over-allotment | 1,456,540 |
| Number of shares on 31 December 2007 | 36,208,178 |
| Number of new shares (exercise of Warrants) | 282,343 |
| Number of shares on 31 December 2008 | 36,490,521 |
| Number of new shares (exercise of Warrants) | 399,268 |
| Number of shares on 31 December 2009 | 36,889,789 |

As at 31 December 2009 the shareholding structure is as follows:

| Shareholder | Address | Number of voting rights | % of voting rights |
|---|---|---|---|
| Gimv NV, Adviesbeheer Gimv Life Sciences NV and Biotech Fonds Vlaanderen | Karel Oomsstraat 37, 2018 Antwerpen | 6,924,764 | 18.77% |
| Sofinnova Partners SAS | 17, rue de Surène, 75008 Paris | 5,927,830 | 16.07% |
| Abingworth Management Limited and Abingworth LLP | 38 Jermyn Street, SW1Y 6DN London | 4,102,952 | 11.12% |
| Alta California Partners IV, LP | One Embarcadero Centre, 37th Floor, 94111 San Francisco | 3,135,583 | 8.50% |
| Gilde Europe Food & Agribusiness Fund B.V. | Newtonlaan 91, 3584 BP Utrecht | 2,941,772 | 7.97% |
| C.H. Boehringer Sohn AG & Co. KG | Binger Strasse 173, 55216 Ingelheim am Rhein | 2,142,857 | 5.81% |
| Multifund B.V., Nederlandia Investments B.V. and Stichting Avivia | Admiraliteitskade 77 -K, 3063 EE Rotterdam | 1,900,000 | 5.15% |
| KBC Groep NV and KBC Private Equity NV | Havenlaan 2, 1080 Brussel | 1,589,286 | 4.31% |
| VIB VZW | Rijvisschestraat 120, 9052 Zwijnaarde | 1,375,000 | 3.73% |
| Others | | 1,252,988 | 3.40% |
| Free Float | | 5,596,757 | 15.17% |

### 3.12.2 Authorised capital

The shareholders' meeting of 12 October 2007 authorised the Board of Directors to carry out capital transactions during a period of 5 years for a total amount of €65,294,079.44.

In August 2008 the Board of Directors issued a new Warrant plan with a total number of 378,333 Warrants at an exercise price of €4.88 per Warrant.

In July 2009, the Board of Directors issued a new Warrant plan with a total number of 190,000 Warrants at an exercise price of €5.79 per Warrant. In September 2009, the Board of Directors issued a new Warrant plan with a total number of 205,850 Warrants at an exercise price of €6.99 per Warrant. At 31 December 2009, the authorised capital amounts to €60,908,822.46.

### 3.12.3 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.

### 3.12.4 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 2009, 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.

### 3.13 Share based payments

#### 3.13.1 Warrants issued in June 2007 for employees and external consultants

During the Extraordinary Shareholders Meeting of the 14 June 2007, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 530,000 Warrants to certain employees and external consultants, of which the Board of Directors offered 425,000 Warrants.

Two Warrants give the beneficiaries the right to subscribe to one share of the Company following the decision of the Extraordinary Shareholder meeting of 12 October 2007. The Warrants are granted for free and have an exercise price equal to the fair market price of the underlying shares at the date of the grant (€1.40 per Warrant). The Warrants vest rateably 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 initially 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 2011 until June 2014). The General Shareholders' Meeting of 30 April 2009 approved the 5 year extension of certain Warrant plans in accordance with article 583 of the Belgian Companies Code, in accordance with article 21 of the "Economische Herstelwet". 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 initial duration of the Warrants has been extended from 7 up to 12 years. Any Warrants that have not been exercised within 12 years of their creation become null and void. The extension of the exercise period has resulted in a total incremental fair value of €120,000 and impacted the P&L with an additional charge of €42,000 for the financial year 2009.

#### 3.13.2 Warrants issued in October 2007 for independent Board members

During the Extraordinary Shareholders Meeting of the 12 October 2007, abovementioned Warrant plan was approved. The maximum number of Warrants to be offered was €75,000 divided by the Offer price. The final Offer price of €7 resulted in a total of 10,713 Warrants, issued to independent Board members.

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 fair market price of the underlying shares at the date of the grant (€7 per Warrant, being the Offer price of the IPO). The Warrants vest rateably over 1 year.

The Warrants can only be exercised when vested one year after the issue date (initially starting as from the 12th October 2008 until October 2012). The General Shareholders' Meeting of 30 April 2009 approved the 5 year extension of certain Warrant plans in accordance with article 583 of the Belgian Companies Code, in accordance with article 21 of the "Economische Herstelwet". In case of a normal termination of the Director's mandate, 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 initial duration of the Warrants has been extended from 5 up to 10 years. Any Warrants that have not been exercised within 10 years of their creation become null and void.

The extension of the exercise period has resulted in an incremental fair value of €12,000 and impacted the P&L with an additional charge of €12,000 for the financial year 2009.

#### 3.13.3 Warrants issued in August 2008 for employees and members of the Executive Committee

During the Board meeting of the 22 August 2008, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 378,333 Warrants to certain employees and members of the Executive Committee.

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 (€4.88 per Warrant). The Warrants vest rateably 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).

Initially, the Warrants could 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 1 January 2012 until August 2015). The Board of Directors' meeting of 22 June 2009 approved the 5 year extension of the Warrant plan. 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 initial duration of the Warrants has been extended from 7 up to 12 years. Any Warrants that have not been exercised within 12 years of their creation become null and void.

The extension of the exercise period has resulted in an incremental fair value of €304,000 and impacted the P&L with an additional charge of €49,000 for the financial year 2009.

### 3.13.4 Warrants issued in January 2009 for members of the Executive Committee and consultants

During the Extraordinary Shareholders meeting of 23 January 2009, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 135,000 Warrants to members of the Executive Committee and consultants.

Each Warrant gives the beneficiaries the rights 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 rateably 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 1 January 2012 until December 2013). In case of 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 5 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.

### 3.13.5 Warrants issued in July 2009 for employees and consultants

During the Board meeting of 9 July 2009, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 190,000 Warrants to employees and consultants.

Each Warrant gives the beneficiaries the rights 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 (€5.79 per Warrant). The Warrants vest rateably 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 1 January 2013 until July 2016). In case of 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 7 years as of the issue date of the Warrants. Any Warrants that have not been exercised within 7 years of their creation become null and void.

### 3.13.6 Warrants issued in September 2009 for employees and consultants

During the Board meeting of 29 September 2009, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 205,850 Warrants to employees and consultants.

Each Warrant gives the beneficiaries the rights 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 (€6.99 per Warrant). The Warrants vest rateably 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 1 January 2013 until September 2016). In case of 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 7 years as of the issue date of the Warrants. Any Warrants that have not been exercised within 7 years of their creation become null and void.

### 3.13.7 Warrants issued in October 2009 for members of the Executive Committee and consultants

During the Extraordinary Shareholders meeting of 30 October 2009, abovementioned Warrant plan was approved. The Board of Directors was allowed to offer a total number of 170,000 Warrants to members of the Executive Committee.

Each Warrant gives the beneficiaries the rights 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 (€8.19 per Warrant). The Warrants vest rateably 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 1 January 2013 until October 2014). In case of 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 5 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.

For this plan, no cost has been recognised in 2009 as the acceptance by the participants has only been minuted in 2010.

### 3.13.8 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 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 €483,000 impact on the share based payment cost for the year of 2009.

| Date of issuance | Duration | Extension | Total Incremental fair value | Impact P&L 31 December 2009 |
|---|---|---|---|---|
| | (years) | (years) | (€'000) | |
| 2/07/2003 | 7 | 5 | 10 | 10 |
| 28/12/2004 | 7 | 5 | 78 | 78 |
| 15/12/2005 | 7 | 5 | 27 | 27 |
| 13/07/2006 | 7 | 5 | 445 | 250 |
| 29/12/2006 | 7 | 5 | 34 | 15 |
| 14/06/2007 | 7 | 5 | 120 | 42 |
| 12/10/2007 | 4.78 | 5 | 12 | 12 |
| 22/08/2008 | 7 | 5 | 304 | 49 |
| **Total** | | | **1,030** | **483** |

| Warrants | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 | 2007 | 2007 | 2008 | 2009 | 2009 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of Warrants granted | 696,311 | 426,000 | 477,000 | 509,500 | 1,750,000 | 135,000 | 425,000 | 10,713 | 375,000 | 135,000 | 187,500 | 205,400 |
| Number of Warrants not vested at 31/12/2009 | — | — | — | 34,875 | 659,063 | 58,500 | 240,156 | — | 375,000 | 135,000 | 187,500 | 205,400 |
| Exercise price (in Euro)* | 0.50 | 0.70 | 0.90 | 0.90 | 1.00 | 1.40 | 1.40 | 7.00 | 4.88 | 4.52 | 5.79 | 6.99 |
| Expected dividend yield | — | — | — | — | — | — | — | — | — | — | — | — |
| Expected stock price volatility | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% |
| Risk-free interest rate | 4.95% | 3.50% | 3.33% | 3.20% | 3.95% | 3.95% | 4.63% | 4.22% | 4.42% | 3.79% | 3.20% | 3.14% |
| Expected duration | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 | 4.78 | 7.00 | 5.00 | 7.00 | 7.00 |
| Fair value (in Euro) at grant date | 0.32 | 0.44 | 0.56 | 0.56 | 0.63 | 0.88 | 0.90 | 3.78 | 3.11 | 2.06 | 3.51 | 5.25 |
| Incremental Fair Value (in Euro) at extension | | 0.24 | 0.28 | 0.26 | 0.26 | 0.31 | 0.30 | 1.13 | 0.84 | | | |
| Expected dividend yield | | — | — | — | — | — | — | — | — | | | |
| Expected stock price volatility | | 60% | 60% | 60% | 60% | 60% | 60% | 60% | 60% | | | |
| Risk-free interest rate | | 3.03% | 3.24% | 3.35% | 3.41% | 3.46% | 3.50% | 3.33% | 4.08% | | | |
| Expected duration at extension | | 6.26 | 7.75 | 8.71 | 9.29 | 9.75 | 10.21 | 8.54 | 11.17 | | | |

* Equals the fair market value of the underlying shares on the grant date.

| Warrants | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 | 2007 | 2007 | 2008 | 2009 | 2009 | 2009 | Total number | Average Exercise price (in Euro) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Outstanding at January 1, 2007** | **696,311** | **396,000** | **462,000** | **509,500** | **1,750,000** | **135,000** | | | | | | | **3,948,811** | **0.87** |
| Granted | | | | | | | 425,000 | 10,713 | | | | | 435,713 | **1.54** |
| Forfeited | | 15,000 | | 10,313 | | 5,000 | | | | | | | 30,313 | **—** |
| Exercised | | 162,500 | | | | | | | | | | | 162,500 | **0.70** |
| Expired | | | | | | | | | | | | | — | **—** |
| **At December 31, 2007** | | | | | | | | | | | | | | |
| Outstanding | 696,311 | 218,500 | 462,000 | 499,187 | 1,750,000 | 130,000 | 425,000 | 10,713 | | | | | 4,191,711 | **0.95** |
| Non-vested | | | 115,500 | 254,750 | 1,130,208 | 97,500 | 425,000 | 10,713 | | | | | 2,033,671 | **1.12** |
| Exercisable | 696,311 | 218,500 | | | | | | | | | | | 914,811 | **0.55** |
| Granted | | | | | | | | | 375,000 | | | | 375,000 | **4.88** |
| Forfeited | | | | 126,147 | 44,063 | 7,584 | 20,053 | | | | | | 197,847 | **—** |
| Exercised | 219,000 | 177,500 | 168,186 | | | | | | | | | | 564,686 | **0.68** |
| Expired | | | | | | | | | | | | | — | **—** |
| **At December 31, 2008** | | | | | | | | | | | | | | |
| Outstanding | 477,311 | 41,000 | 293,814 | 373,040 | 1,705,937 | 122,416 | 404,947 | 10,713 | 375,000 | | | | 3,804,178 | **1.37** |
| Non-vested | | | | 34,875 | 659,063 | 58,500 | 240,162 | — | 375,000 | | | | 1,367,600 | **2.15** |
| Exercisable | 477,311 | 41,000 | 293,814 | 338,165 | 1,046,874 | 63,916 | 164,785 | 10,713 | — | | | | 2,436,578 | **0.93** |
| Granted | | | | | | | | | | 135,000 | 182,500 | 205,400 | 522,900 | **5.93** |
| Forfeited | | | | 2 | | 12,918 | | | 11,666 | | | | 24,586 | **—** |
| Exercised | 477,311 | 6,000 | 39,500 | 275,726 | | | | | | | | | 798,537 | **0.66** |
| Expired | | | | | | | | | | | | | — | **—** |
| **At December 31, 2009** | | | | | | | | | | | | | | |
| Outstanding | — | 35,000 | 254,314 | 97,312 | 1,705,937 | 109,498 | 404,947 | 10,713 | 363,334 | 135,000 | 182,500 | 205,400 | 3,503,955 | **2.20** |
| Non-vested | — | — | — | — | 242,813 | 22,375 | 140,781 | — | 242,223 | 135,000 | 182,500 | 205,400 | 1,171,092 | **4.06** |
| Exercisable | — | 35,000 | 254,314 | 97,312 | 1,463,124 | 87,123 | 264,166 | 10,713 | 121,111 | — | — | — | 2,332,863 | **1.27** |

The weighted average share price at the date of exercise for Warrants exercised during 2008 was €6.40 per share and for Warrants exercised during 2009 was €4.08 per share.

### 3.14 Borrowings

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Non-current** | | | |
| Secured | — | 3 | 19 |
| Non-secured | — | — | 42 |
| **Total** | **—** | **3** | **61** |
| **Current** | | | |
| Secured | 3 | 15 | 68 |
| Non-secured | — | 42 | 44 |
| **Total** | **3** | **57** | **112** |

The leasing borrowing has been secured with the asset it provides financing for. The asset is a number of computers.

#### 3.14.1 Maturity table

The maturity of non-current borrowings (including financial lease) is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Borrowings** | | | |
| Between 1 and 2 years | — | 3 | 57 |
| Between 2 and 5 years | — | — | 4 |
| Over 5 years | — | — | — |
| **Total** | **—** | **3** | **61** |

The details on the borrowings are summarised below (in €):

| Year | Nominal Amount | Currency | Secured (s) Non secured (ns) | Interest rate | First installments | Number of installments | Periodicity of installments |
|---|---|---|---|---|---|---|---|
| 2006 | 130,000 | € | ns | 4.77% | 18/12/2006 | 36 | Monthly |
| 2007 | 22,189 | € | Financial lease(s) | 4.70% | 1/05/2007 | 12 | Quarterly |
| 2007 | 19,547 | € | Financial lease(s) | 4.70% | 1/01/2007 | 12 | Quarterly |

The carrying amounts of borrowings approximate their fair value.

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Finance lease obligations** | | | |
| **Future lease payments** | | | |
| Within one year | 3 | 15 | 68 |
| In the second to the fifth year | — | 3 | 19 |
| After five years | — | — | — |
| **Total** | **3** | **18** | **87** |
| Less future finance charges | — | — | 2 |
| **Present value of lease obligations** | **3** | **18** | **85** |

### 3.15 Trade payables and other current liabilities

**Trade payables**

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Trade payables | 3,564 | 4,906 | 3,064 |
| Accruals for invoices to be received | 3,636 | 1,719 | 2,159 |
| **Total** | **7,200** | **6,625** | **5,223** |

**Other current liabilities**

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Taxes other than income taxes payable | — | — | 5 |
| Social security | 431 | 531 | 381 |
| Payroll accruals | 2,103 | 1,503 | 1,262 |
| Other liabilities | 113 | 34 | 41 |
| **Total** | **2,647** | **2,068** | **1,689** |

**Deferred income**

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Deferred income | 15,931 | 23,899 | 19,076 |
| Accrued expenses | 15 | — | — |
| **Total** | **15,946** | **23,899** | **19,076** |

Deferred income mainly relates to cash received from research collaboration agreements prior to completion of the earnings process.

### 3.16 Deferred income tax

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Tax loss carried forward | (73,388) | (69,416) | (51,001) |
| Other temporary differences | 2,876 | — | — |
| Amortisation of intangible assets | (35,924) | 600 | 719 |
| Depreciation of tangible assets | (614) | (348) | — |
| **Total temporary differences** | **(107,050)** | **(69,164)** | **(50,282)** |
| **Unrecognised deferred tax asset (33.99%)** | **(36,386)** | **(23,509)** | **(17,091)** |

The Group has unused tax losses carry forward. This results, combined with the other temporary differences, in a net deferred tax asset position.

Due to the uncertainty surrounding the Group's ability to realise taxable profits in the near future the Company did not recognise any deferred tax assets.

### 3.17 Retirement benefit obligations

The Group has set up several post employment benefit schemes covering all staff. The major plan is a cafeteria plan in which the employees can opt to receive on top of their pension benefits an additional death and disability coverage (waiver of premium and disability annuity). The premiums needed to finance this additional coverage are limited to the total premium budget (4% and 2% of the annual salary for the employer and employee contributions respectively). This plan is to be considered as a defined contribution plan. The Group has recognised an expense of respectively €576,465.69, €395,184.23 and €286,591.58 in the years 2009, 2008 and 2007 respectively.

### 3.18 Research and development expenses

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Consumables | 4,850 | 4,704 | 3,072 |
| Outsourcing | 18,876 | 9,589 | 5,034 |
| Patent costs | 2,072 | 1,228 | 1,641 |
| Personnel costs | 11,781 | 9,470 | 5,809 |
| Share based payments | 449 | 173 | 131 |
| Other operating expenses | 2,406 | 2,845 | 2,112 |
| **Subtotal** | **40,434** | **28,009** | **17,799** |
| Depreciation and amortisation | 2,366 | 1,880 | 951 |
| **Total research and development expenses** | **42,800** | **29,889** | **18,750** |

The increase in outsourcing is mainly related to increased clinical trial related expenses.

### 3.19 General and administrative expenses

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Personnel costs | 2,322 | 1,902 | 1,556 |
| Share-based payments | 1,164 | 471 | 661 |
| Executive Committee compensation* | 1,961 | 1,643 | 1,537 |
| Consultancy | 2,138 | 1,931 | 650 |
| Other operating expenses | 1,215 | 1,343 | 1,003 |
| **Subtotal** | **8,800** | **7,290** | **5,407** |
| Depreciation and amortisation | 244 | 157 | 75 |
| **Total general and administrative expenses** | **9,044** | **7,447** | **5,482** |

* The Executive Committee consists of key management members and the entities controlled by them.

### 3.20 Other income and expenses

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Other operating income | 1 | 6 | 5 |
| Other operating expenses | — | — | — |
| **Total** | **1** | **6** | **5** |

### 3.21 Employee benefit expense

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Salaries, wages and bonuses | 9,327 | 7,407 | 4,928 |
| Social security | 2,926 | 2,305 | 1,387 |
| Group and hospitalisation insurance cost | 526 | 387 | 234 |
| Share-based payments | 1,614 | 644 | 793 |
| Other employment costs | 1,323 | 1,273 | 815 |
| Executive Committee compensation* | 1,961 | 1,714 | 1,537 |
| **Total** | **17,677** | **13,730** | **9,694** |
| **Headcount** | | | |
| Executive Committee | 5 | 4 | 5 |
| R&D personnel | 195 | 176 | 116 |
| General and administrative staff | 33 | 25 | 21 |
| **Average FTE** | **217.8** | **176.1** | **100.6** |

* The Executive Committee consists of key management members and the entities controlled by them.

### 3.22 Operating leases

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| **Operating lease obligations** | | | |
| **Current lease payments** | 1,590 | 1,214 | 1,092 |
| **Future lease payments** | | | |
| Within one year | 1,606 | 1,290 | 1,086 |
| In the second to the fifth year | 762 | 1,677 | 2,075 |
| After five years | — | — | — |

The majority of the lease arrangements concerns the leasing of company cars and office facilities. The Company has signed contracts with NV Bioversneller, who will provide the Company with 7,000m$^2$ of laboratory facilities within the Technologiepark as from June 2010, with an initial term of 8 years which can be extended. The final price negotiations have not yet been finalised.

### 3.23 Finance income and expenses

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Interest income on financial assets | 2,334 | 5,509 | 1,816 |
| Other finance income | 153 | 260 | 8 |
| **Total** | **2,487** | **5,769** | **1,824** |
| **Finance expenses** | | | |
| Interest charges on financial liabilities | 4 | 6 | 8 |
| Other finance expenses | 318 | 411 | 31 |
| **Total** | **322** | **417** | **39** |

In 2009, the line 'Other finance expenses' include foreign exchange losses of €298,113 (2008: €387,460).

### 3.24 Income tax expense

A reconciliation between the expected income tax and the effective income tax reads:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Current income taxes | — | — | — |
| **Total** | **—** | **—** | **—** |
| Loss of the year | (19,995) | (15,223) | (12,522) |
| Stock issuance costs | — | — | (5,463) |
| Share-based payments | 1,614 | 644 | 793 |
| Other permanent differences | (19,503) | (4,301) | (1,072) |
| **Expected income tax credit** | **(12,877)** | **(6,418)** | **(6,208)** |
| Impact unrecognised deferred tax asset | 12,877 | 6,418 | 6,208 |
| **Effective income taxes** | **—** | **—** | **—** |

### 3.25 Earnings per share

| | Year ended 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Loss of the year | (19,995) | (15,223) | (12,522) |
| Weighted average number of shares outstanding | 36,856,245 | 36,432,187 | 25,682,222 |
| **Basic and diluted loss per share (in €)** | **(0.54)** | **(0.42)** | **(0.49)** |

Earnings per share are calculated by dividing the net result attributable to shareholders by the weighted average numbers of shares during the year.

As the Group is suffering operating losses, Warrants have an anti-dilutive effect. As such, there is no difference between basic and diluted earnings per share.

### 3.26 Contingencies and arbitrations

12 October 2009 - As part of a settlement with the Glaxo Group Limited and Domantis Ltd. (both members of the GlaxoSmithKline group of companies), the Group also secured a license to the European Winter-II patent, that prior to its expiry in November 2009 covered the use of immunoglobulin expression libraries in most European countries (but not in Portugal). This license was secured as part of a settlement of the arbitration proceedings that had been filed against the Company in 2008 by Domantis Ltd., who alleged that the Company had breached an earlier settlement agreement between the Company and Domantis Ltd. dating from 2005. Under the new agreement, Ablynx will pay Domantis Ltd. low single-digit royalties on the first five Nanobody products which are commercialised.

### 3.27 Commitments

#### 3.27.1 Collaborative research agreements and clinical research agreements

***Boehringer Ingelheim - strategic alliance***

BI and Ablynx announced a major global strategic alliance to discover, develop and commercialise up to 10 different Nanobody programmes. In return, Ablynx received an upfront payment and will receive research license payments, milestones and royalties. Additionally, Boehringer Ingelheim subscribed for €15 million in the IPO in November 2007. Ablynx will have certain co-promotion rights in Europe.

***Boehringer Ingelheim agreement - Alzheimer's disease***

BI and Ablynx agreed to collaborate to identify Nanobodies to a specific biological target believed to be relevant in Alzheimer's disease and BI received an exclusive worldwide license to develop and commercialise such Nanobodies. In return, Ablynx received an upfront payment and will receive milestone payments, FTE payments and royalties as Nanobody drug candidates proceed through development and potentially reach the market. Ablynx will also participate in the relevant Steering Committees.

On 21 August 2008, the research funding was extended for another year.

***Pfizer (previously Wyeth Pharmaceuticals) agreement***

Pfizer (previously Wyeth Pharmaceuticals) received an exclusive worldwide licence to develop and commercialise all Nanobodies to TNFα for all indications. Wyeth Pharmaceuticals is responsible for all costs associated with the development of these Nanobodies and Ablynx will participate in the relevant Steering Committees and will/has received FTE payments, upfront payments, milestones and royalties. On 20 December 2007, the research term of the collaboration was extended for another year and on 18 February 2009, the research term was extended again until August 2010.

***Novartis agreement***

The agreement with Novartis was signed in December 2005. Under this agreement, Ablynx will seek to discover Nanobodies against a number of targets nominated by Novartis in a collaborative research programme. The deal includes R&D payments, FTE payments, license fees, milestones and royalties. On 10 December 2007, the alliance was extended for another year and on 5 February 2009, it was extended again for another year.

***Procter & Gamble pharmaceuticals agreements***

Ablynx has signed two agreements with P&GP. In July 2004 and in March 2006, the companies signed agreements to discover and develop Nanobody drug candidates against targets specified by P&GP. Under the terms of the partnership, P&GP provides Ablynx with research and development funding, pre-determined milestones, and royalties upon commercialisation. Ablynx announced in December 2006 and June 2007 that it achieved two milestones.

On 20 January 2009, Ablynx announced that it expanded its musculoskeletal research portfolio by transferring in-house full ownership of a bone disorder R&D programme initiated under its collaboration with Procter & Gamble Pharmaceuticals.

***Merck Serono co-discovery and co-development agreement***

Ablynx and Merck Serono announced a co-discovery and co-development collaboration on 4 September 2008. They will collaborate to research and develop Nanobody-based therapeutics against two disease targets, one oncology and one immunology exploiting some of the key benefits Nanobodies have over conventional antibodies and other fragments.

Under the terms of the agreement, both companies will equally share all research and development costs. Should Ablynx contribute equally to each programme, it will be eligible to receive fifty percent of the resulting profits. In addition, Ablynx will have an option to opt-out partly or fully during the research and development programs, in which case Ablynx would be eligible to receive either a reduced profit share, in the case of a partial opt-out, or milestones and royalties on potential sales, in the case of a full opt-out. The agreement includes an upfront cash payment to Ablynx of €10 million.

***Other collaborative research agreements***

Ablynx has entered into numerous agreements with universities, medical centres and external researchers for research and development work and for the validation of the Group'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.

### 3.27.2 Principal government grants

Ablynx was awarded one additional grant in 2009; altogether the Group receives a fixed percentage of the expenses incurred in the following R&D projects:

(1) Development of a new Nanobody discovery method based on selection of B lymphocytes from immunised llamas

Grantor: IWT

| | |
|---|---|
| Start date: | 1 September 2005 |
| End date: | 31 December 2007 |
| Amount approved: | €1,175,367 |
| Amount recognised: | €1,154,130 |
| Amount received: | €1,154,130 |

(2) Exploring and expanding therapeutics uses and applicability of therapeutic heavy-chain derived single variable domains: the Nanobody Novel Uses Programme

Grantor: IWT

| | |
|---|---|
| Start date: | 1 January 2007 |
| End date: | 31 December 2009 |
| Amount approved: | €1,855,686 |
| Amount recognised: | €1,817,199 |
| Amount received: | €1,484,000 |

(3) Development of novel protein half-life extension technologies that result in long half-lives and favourable pharmacokinetic properties for small protein drugs

Grantor: IWT

| | |
|---|---|
| Start date: | 1 September 2008 |
| End date: | 31 August 2011 |
| Amount approved: | €1,808,138 |
| Amount recognised: | €740,017 |
| Amount received: | €482,000 |

(4) Improving Nanobody drugability

Grantor: IWT

| | |
|---|---|
| Start date: | 1 July 2008 |
| End date: | 30 June 2010 |
| Amount approved: | €454,114 |
| Amount recognised: | €350,841 |
| Amount received: | €273,000 |

(5) Accelerating the development of pulmonary and oral delivery technologies for Nanobodies

Grantor: IWT

| | |
|---|---|
| Start date: | 1 July 2009 |
| End date: | 30 June 2011 |
| Amount approved: | €1,133,636 |
| Amount recognised: | €313,100 |
| Amount received: | €0 |

### 3.27.3 Principal lease and borrowings contracts

The Company has signed contracts with NV Bioversneller, who will provide the Company with 7,000 $m^2$ of laboratory facilities within the Technologiepark as from June 2010, with an initial term of eight years which can be extended. The Company expects to move all its activities on the Technologiepark into this new facility during June and July 2010 and, concurrently, to give up the leases on the facilities currently provided by the VIB and NV Alho.

The Company rents 25,322m$^2$ of land from BVBA Rootom in Stekene (Belgium). The Company is developing facilities on this land for the housing of some of its Llamas and the site should be operational by the beginning of 2010.

### 3.28 Related party transactions

#### 3.28.1 Remuneration key management

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

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Number of management members | 5 | 4 | 5 |

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Short term employee benefits (salaries, social security bonuses, lunch vouchers) | 1,162 | 998 | 775 |
| Post employee benefits (group insurance) | 123 | 59 | 79 |
| Share-based compensation | 972 | 411 | 595 |
| Other employee costs | 263 | 122 | 232 |
| Management fees | 347 | 464 | 589 |
| **Total** | **2,867** | **2,054** | **2,270** |
| Number of Warrants granted (in units) | 260,000 | 187,500 | 300,000 |
| Cumulative outstanding Warrants (in units) | 2,522,500 | 2,488,540 | 2,425,000 |
| Exercised Warrants (in units) | — | — | — |
| Outstanding payables | 28 | — | 47 |
| Shares owned (in units) | 11,805 | 2,605 | 65,659 |

#### 3.28.2 Transactions with non-executive directors

| | As at 31 December | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | (€'000) | |
| Share based compensation | — | 32 | 14 |
| Management fees | 65 | 71 | 10 |
| **Total benefits** | **65** | **103** | **24** |
| Number of Warrants offered (in units) | — | — | 10,713 |
| Cumulative outstanding Warrants (in units) | 10,713 | 10,713 | 70,713 |
| Non-vested Warrants | — | — | 10,713 |
| Shares owned (in units) | 5,946,487 | 5,947,287 | — |

### 3.29 Events after the balance sheet date

22 January 2010 - Ablynx announced that an additional 33,717 common shares have been issued by the Company in exchange for €76,627.20 as the result of the exercise of warrants by some employees and consultants of the Company.

11 February 2010 - Ablynx announced that it has been successful in the opposition that it had filed in 2007 against the European Patent 1 517 921, which was granted in 2006 to Domantis (now a member of the GlaxoSmithKline group of companies). As a result, the Opposition Division of the European Patent Office decided to revoke the Domantis patent in full. If this decision becomes final, all the claims of this patent as originally granted will be deemed to have never existed.

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## ANNEX A — ABLYNX'S PATENTS

The following table provides additional information concerning the Company's patents:

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Technology platform | Immunoglobulins devoid of light chains | EP19920402326<br>21-08-1992<br>EP19930401310<br>21-05-1993 | 7 granted U.S. patents,<br>6 pending U.S. applications,<br>5 granted EP patent,<br>1 pending EP applications,<br>2 granted JP patent, further granted patents and/or pending applications in AU, CA, FI, HK, PT, ZA | EP: 2013<br>U.S.: 2013-2017 | VUB | Licensed by VUB to VIB<br>In-licensed by Ablynx from VIB |
| Technology platform | Production of antibodies or (functionalised) fragments thereof derived from heavy chain immunoglobulins of camelidae | EP19930201239<br>29-04-1993<br>EP19930201454<br>19-05-1993<br>EP19930202079<br>15-07-1993 | Granted in EP, U.S. | EP: 2014<br>U.S.: 2014-2022 | Unilever NV<br>VUB | Licensed by VUB to VIB<br>In-licensed by Ablynx from VIB and Unilever NV |
| Technology platform | Recognition molecules interacting specifically with the active site or cleft of a target molecule | EP19960201788<br>27-06-1996 | Granted in AU, EP<br>Pending in U.S., JP, CA | 2017 | VIB | In-licensed from VIB |
| Technology platform | Single-domain brain-targeting antibody fragments derived from llama antibodies | U.S. 60/207,234<br>26-05-2000<br>U.S. 60/263,108<br>22-01-2001 | Pending in EP, U.S., CA | 2021 | NRC | In-licensed from NRC |
| Technology platform | Single domain antigen-binding antibody fragments derived from llama antibodies | U.S. 60/207,234<br>26-05-2000 | Pending in U.S., CA | 2021 | NRC | In-licensed from NRC |
| Technology platform | Phage display libraries of human VH fragments | U.S. 60/258,031<br>22-12-2000 | Pending in EP, U.S., CA | 2021 | NRC | In-licensed from NRC |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Technology platform | Functional heavy chain antibodies, fragments thereof, library thereof and methods of production thereof | EP20010204037<br>24-10-2001<br>U.S. 60/335,054<br>24-10-2001<br>JP20020004184<br>11-01-2002 | Granted in AU<br>Pending in EP, U.S., JP, CA, HK | 2022 | VIB | In-licensed from VIB |
| Technology platform | Method for displaying loops from immunoglobulin domains in different contexts | EP20010870274<br>11-12-2001 | Pending in EP, U.S. | 2022 | AlgoNomics NV<br>Ablynx | |
| Technology platform | Method for generating variable domain sequences of heavy chain antibodies. | U.S. 60/625,631<br>11-05-2004<br>U.S. 60/648,922<br>31-01-2005<br>U.S. 60/663,622<br>18-03-2005 | Pending in EP, U.S., JP, CA, AU | 2025 | Ablynx | |
| Technology platform | DP78-like Nanobodies™ | U.S. 60/792,279<br>14-04-2006 | Pending in EP, U.S., CA, AU | 2027 | Ablynx | |
| Technology platform | Methods for providing improved immunoglobulin sequences | U.S. 60/958,164<br>03-07-2007 | Pending in EP, U.S., CA, AU, CN, IN, JP | 2028 | Ablynx | |
| Technology platform | Immunoadsorbents | GB19890028501<br>18-12-1989 | Granted in EP, U.S. | EP: 2010<br>U.S.: 2016 | Crosfield Limited | In-licensed from Unilever NV |
| Technology platform | Method for producing antibody fragments | EP19980300525<br>26-01-1998 | Pending in EP, U.S. | 2019 | Unilever PLC<br>Unilever NV | In-licensed from Unilever NV |
| Technology platform | Binding of antibody fragments to solid supports | EP19990300058<br>05-01-1999 | | 2020 | Unilever PLC<br>Unilever NV | In-licensed from Unilever NV |
| Technology platform | Method for producing antibody fragments | EP19990300351<br>19-01-1999 | Granted in EP, U.S. | 2020 | Unilever PLC<br>Unilever NV | In-licensed from Unilever NV |
| Technology platform | Inhibition of viral infection using monovalent antigen-binding proteins | EP19990303117<br>22-04-1999 | Granted in U.S.<br>Pending in EP, and various other countries | 2020 | Unilever PLC<br>Unilever NV | In-licensed from Unilever NV |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Technology platform | Immobilisation of proteins using a polypeptide segment | EP19990309515 29-11-1999 | Granted in EP, U.S. | 2020 | Unilever PLC Unilever NV | In-licensed from Unilever NV |
| Technology platform | Immobilised single domain antigen-binding molecules | EP19990309516 29-11-1999 | Granted in EP | 2020 | Unilever PLC Unilever NV | In-licensed from Unilever NV |
| Technology platform | Antibody heavy chain variable domains against human dietary enzymes, and their uses | EP20000200930 14-03-2000 | Granted in EP | 2021 | Unilever PLC Unilever NV | In-licensed from Unilever NV |
| Technology platform | Protein Arrays | EP20000311142 13-12-2000 | Pending in EP, U.S. | 2021 | Unilever PLC Unilever NV | In-licensed from Unilever NV |
| Technology platform | Binding molecules with multiple binding sites, compositions comprising the same and uses thereof | U.S. 60/875,313 15-12-2006 | PCT application pending | 2027 | Ablynx | |
| Technology platform | Constructs comprising single variable domains and an Fc portion derived from IgE | U.S. 61/004,332 27-11-2007 U.S. 61/005,265 04-12-2007 U.S. 61/005,324 04-12-2007 U.S. 61/005,331 04-12-2007 | PCT application pending | 2028 | Ablynx | |
| Technology platform | Immunoglobulin Constructs | U.S. 61/004,332 27-11-2007 U.S. 61/005,265 04-12-2007 U.S. 61/005,324 04-12-2007 U.S. 61/005,331 04-12-2007 | PCT application pending | 2028 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Technology platform | Method for obtaining polypeptide constructs comprising two or more single variable domains | U.S. 61/004,332<br>27-11-2007<br>U.S. 61/005,265<br>04-12-2007<br>U.S. 61/005,324<br>04-12-2007<br>U.S. 61/005,331<br>04-12-2007 | PCT application pending | 2028 | Ablynx | |
| Technology platform | Monovalent phage display of single variable domains | U.S. 61/033,123<br>03-03-2008 | PCT application pending | 2029 | Ablynx | |
| Technology platform | Methods to stabilise proteins and polypeptides | U.S. 61/062,877<br>29-01-2008<br>U.S. 61/062,703<br>29-01-2008<br>U.S. 61/063,206<br>01-02-2008<br>U.S. 61/063,183<br>01-02-2008 | PCT application pending | 2029 | Ablynx | |
| Technology platform | Novel antigen binding dimer-complexes methods of making and uses thereof | U.S. 61/033,902<br>05-03-2008 | PCT application pending | 2029 | Ablynx | |
| Technology platform | Methods for identifying and/or sorting cells by secreted molecule and kits for performing such methods | U.S. 61/030,042<br>20-02-2008 | PCT application pending | 2029 | Ablynx | |
| Technology platform | *Methods for generation of Nanobodies* | U.S. 61/203,188<br>19-12-2008 | Not published yet<br>PCT application filed | 2029 | Ablynx | |
| Technology platform | *Methods for the production of Nanobodies* | 30-04-2009 | Not published yet<br>In priority year | 2030 | Ablynx | |
| Technology platform | *Methods for generation of Nanobodies* | 19-05-2009<br>09-10-2009 | Not published yet<br>In priority year | 2030 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Technology platform | *Methods for the production of Nanobodies* | 10-07-2009 | Not published yet<br>In priority year | 2030 | Ablynx | |
| Technology platform | *Methods for generation of Nanobodies* | 05-05-2009<br>08-01-2010 | Not published yet<br>In priority year | 2030 | Ablynx | |
| Administration/formulation of Nanobodies | Method of administering therapeutic polypeptides, and polypeptides therefore | U.S. 60/425,073<br>08-11-2002<br>U.S. 60/425,063<br>08-11-2002<br>EP20030447005<br>10-01-2003<br>PCT/EP2003/06581<br>23-06-2003<br>PCT/EP2003/07313<br>08-07-2003 | Granted in NZ<br>Pending in EP, U.S., JP, AU, CA | 2023 | Ablynx | |
| Administration/formulation of Nanobodies | Medical delivery device for therapeutic proteins based on single domain antibodies | U.S. 60/786,126<br>27-03-2006 | Pending in EP, U.S. | 2027 | Ablynx | |
| Administration/formulation of Nanobodies | Intranasal delivery of polypeptides and proteins | U.S. 60/855,001<br>27-10-2006<br>U.S. 60/855,544<br>31-10-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| Administration/formulation of Nanobodies | Oral delivery of polypeptides | U.S. 60/875,990<br>20-12-2006<br>PCT/EP2007/060850<br>11/10/2007 | Pending in EP, U.S., AU, CA | 2027 | Ablynx | |
| Administration/formulation of Nanobodies | Needle-free delivery device for therapeutic proteins based on single antigen-binding domains such as Nanobodies | U.S. 60/966,379<br>27-08-2007 | PCT application pending | 2028 | Ablynx | |

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| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Administration/formulation of Nanobodies | Oral or nasal administration of compounds comprising amino acid sequences | U.S. 61/015,320<br>20-12-2007<br>U.S. 61/053,892<br>16-05-2008 | PCT application pending | 2028 | Ablynx | |
| Administration/formulation of Nanobodies | *Pulmonary administration of Nanobodies* | U.S. 61/144,586<br>14-01-2009<br>U.S. 61/251,879<br>15-10-2009 | Not yet published<br>PCT application filed | 2030 | Ablynx | |
| Administration/formulation of Nanobodies | *Nanobody formulations* | 05-03-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| Administration/formulation of Nanobodies | *Nanobody formulations* | 18-12-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| RANKL | *Nanobody formulation* | 03-09-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| Half-life extension | Stabilised single domain antibodies | U.S. 60/425,073<br>08-11-2002<br>U.S. 60/ 425,063<br>08-11-2002<br>EP20030447005<br>10-01-2003<br>PCT/EP2003/06581<br>23-06-2003<br>PCT/EP2003/07313<br>08-07-2003 | Granted in NZ<br>Pending in EP, U.S., JP, AU, CA | 2023 | Ablynx | |
| Half-life extension | Serum albumin binding proteins | U.S. 60/682,332<br>18-05-2005 | Pending in EP, U.S. | 2026 | Ablynx | |
| Half-life extension | Serum albumin binding proteins with long half lives | U.S. 60/843,349<br>08-09-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |

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| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Half-life extension | Amino acid sequences that bind to serum proteins in a manner that is essentially independent of the pH, compounds comprising the same, and uses thereof | U.S. 60/850,774<br>11-10-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| Half-life extension | Amino acid sequences that bind to a desired molecule in a conditional manner | U.S. 60/850,775<br>11-10-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| Half-life extension | Peptides capable of binding to serum proteins | U.S. 60/872,923<br>05-12-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| Half-life extension | Peptides capable of binding to serum proteins and compounds, constructs and polypeptides comprising the same | U.S. 61/045,690<br>17-04-2008<br>U.S. 61/050,385<br>05-05-2008<br>U.S. 61/119,803<br>04-12-2008 | PCT application pending | 2029 | Ablynx | |
| Half-life extension | *Nanobody constructs with extended half-life* | 16-04-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| vWF | Modulation of platelet adhesion based on the surface exposed beta-switch loop of platelet glycoprotein 1B-alpha | EP2002000078277<br>2002-08-07 | Pending in EP, U.S. | 2023 | Ablynx | Acquired from UMC Utrecht Holding BV |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| vWF | Therapeutic polypeptides, homologues thereof, fragments thereof and for use in modulating plateleted-mediated aggregation | EP20030447005<br>10-01-2003<br>PCT/EP2003/06581<br>23-06-2003<br>PCT/EP2003/07313<br>08-07-2003<br>PCT/BE2003/00193<br>07-11-2003<br>PCT/BE2003/00189<br>07-11-2003<br>PCT/BE2003/00190<br>07-11-2003<br>PCT/BE2003/00192<br>07-11-2003<br>PCT/BE2003/00194<br>07-11-2003<br>PCT/BE2003/00206<br>01-12-2003<br>PCT/BE2003/00191<br>02-12-2003 | Granted in CN, IN, RU, ZA<br>Pending in U.S., EP, JP, CA, CN, NO, IN, BR, RU, NZ, MX, AU, KR, IL, HK, ID | 2024 | Ablynx | |
| vWF | Methods and assays for distinguishing between forms of diseases and disorders characterised by thrombocytopenia and/or by spontaneous interaction between von Willebrand Factor (vWF) | U.S. 60/644,414<br>14-01-2005 | Pending in EP, U.S., JP, CA, AU | 2026 | Ablynx<br>UMC Holding NV | |
| vWF | Improved Nanobodies™ for the treatment of aggregation-mediated disorders | U.S. 60/683,474<br>20-05-2005 | Pending in AU, BR, CA, CN, EP, HK, ID, IL, IN, JP, KR, MX, NO, NZ, PH, RU, SG, U.S., ZA | 2026 | Ablynx | |
| vWF | Von Willebrand factor specific binders and methods of use therefor | U.S. 61/038,507<br>21-03-2008<br>U.S. 61/044,227<br>11-04-2008<br>U.S. 61/111,964<br>06-11-2008 | PCT application pending | 2029 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| vWF | *New uses of vWF specific Nanobodies* | 1-12-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| TNF | Single domain antibodies directed against tumour necrosis factor-alpha and uses therefor | U.S. 60/425,073<br>08-11-2002<br>U.S. 60/425,063<br>08-11-2002<br>EP20030447005<br>10-01-2003<br>PCT/EP2003/06581<br>23-06-2003<br>PCT/EP2003/07313<br>08-07-2003 | Granted in NZ<br>Pending in EP, U.S., JP, AU, CA, IL, ID, KR, MX, BR, IN, RU, CN, ZA, NO, HK | 2023 | Ablynx | Programme partnered with Pfizer |
| TNF | Improved Nanobodies™ against Tumour Necrosis Factor-alpha | U.S. 60/682,332<br>18-05-2005 | Pending in AE, AU, BR, CA, CN, CO, CR, EC, EG, EP, ID, IL, IN, JP, KR, MX, NI, NO, NZ, PH, RU, SG, TW, UA, U.S., VN, ZA | 2026 | Ablynx | Programme partnered with Pfizer |
| TNF | Novel treatment of chronic enterocolitis. | EP2005000107909<br>30-08-2005<br>EP2005000111654<br>02-12-2006 | Pending in AU, CA, EP, U.S., JP | 2026 | Actogenix NV<br>Ablynx | Programme partnered with Pfizer |
| Alzheimer's disease | Polypeptides interacting with amyloid-beta | U.S. 60/618,148<br>13-10-2004<br>U.S. 60/718,617<br>20-09-2005 | Pending in EP, U.S., JP, AU, CA, BR, CN, IL, IN, JP, KR, MX, NZ, PH, RU, ZA, U.S. | 2025 | Ablynx | Programme partnered with Boehringer-Ingelheim |
| RANKL | Amino acid sequences directed against RANK-L and polypeptides comprising the same for the treatment of bone diseases and disorders | U.S. 60/939,929<br>24-05-2007<br>U.S. 61/024,256<br>29-01-2007 | Pending in EP, U.S., AU, BR, CA, CN, ID, IL, IN, JP, KP, MX, NZ, PH, RU, SG, U.S., ZA | 2028 | Ablynx | |
| RANKL | Amino acid sequences directed against RANK-L and polypeptides comprising the same for the treatment of bone diseases and disorders | U.S. 60/939,929<br>24-05-2007<br>U.S. 61/024,256<br>29-01-2007<br>PCT/EP2008/56383<br>23-05-2008 | Pending in U.S. | 2028 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| IL-6R | Nanobodies™ against the IL-6 receptor and polypeptides comprising the same | U.S. 60/838,904<br>18-08-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| IL-6R | Improved amino acid sequences directed against IL-6R and polypeptides comprising the same for the treatment of diseases and disorders associated with IL-6 mediated signalling | U.S. 61/063,174<br>01-02-2008<br>U.S. 61/063,356<br>01-02-2008<br>U.S. 61/063,208<br>01-02-2008 | PCT application pending | 2029 | Ablynx | |
| IL-6R | *Improved Nanobodies against IL-6R* | 10-04-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| IL-6R | *Improved Nanobodies against IL-6R* | 10-04-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | Single domain antibodies directed against epidermal growth factor | PCT/BE2003/00189<br>07-11-2003 | Pending in EP, U.S. | 2024 | Ablynx | |
| Target-specific Nanobodies | Single domain antibodies directed against epidermal growth factor | PCT/BE2003/00189<br>07-11-2003<br>U.S. 60/425,073<br>08-11-2002<br>U.S. 60/425,063<br>08-11-2002<br>EP20030447005<br>10-01-2003<br>PCT/EP2003/06581<br>23-06-2003<br>PCT/EP2003/07313<br>08-07-2003<br>PCT/BE2003/00190<br>07-11-2003<br>PCT/BE2003/00189<br>07-11-2003 | Pending in U.S. | 2024 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Target-specific Nanobodies | $V^{HH}$ for the diagnosis, prevention and treatment of diseases associated with protein aggregates | EP05077180 23-09-2005 | Pending in EP, U.S., AU, CA, JP | 2026 | Academisch Ziekenhuis, Leiden UMC Utrecht Holding | In-licensed from UMC Utrecht Holding and Leids Universitair Medisch Centrum |
| Target-specific Nanobodies | Amino acid sequences directed against IL-6 and polypeptides comprising the same for the treatment of diseases and disorders associated with IL-6-mediated signalling | U.S. 60/782,243 13-03-2006 U.S. 60/872,541 01-12-2006 | Pending in EP, U.S., AU, CA, JP | 2027 | Ablynx | |
| Target-specific Nanobodies | Polypeptides specific for complexes involved in receptor-mediated signalling, such as the IL-6/IL-6 receptor complex | U.S. 60/874,761 13-12-2006 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2027 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against vascular endothelial growth factor and polypeptides comprising the same for the treatment of conditions and diseases characterised by excessive and/or pathological angiogenesis or neovascularisation | U.S. 60/902,532 21-02-2007 | Pending in EP, U.S., AU, CA, CN, IN, JP | 2028 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences that modulate the interaction between cells of the immune system | U.S. 60/875,246 15-12-2006 | Pending in EP, U.S., AU, CA, IN | 2027 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against a metalloproteinase from the ADAM family and polypeptides comprising the same for the treatment of ADAM-related diseases and disorders | U.S. 60/875,834 19-12-2006 | Pending in EP, U.S., AU, CA | 2027 | Ablynx | |

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| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Target-specific Nanobodies | Amino acid sequences directed against GPCRs and polypeptides comprising the same for the treatment of GPCR-related diseases and disorders | U.S. 60/875,860 19-12-2006 | Pending in EP, U.S., AU, CA, IN | 2027 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against FC receptors and polypeptides comprising the same for the treatment of FCR-related diseases and disorders | U.S. 60/875,990 20-12-2006 | Pending in EP, U.S., AU, CA, IN | 2027 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against chemokines and polypeptides comprising the same for the treatment of chemokine-related diseases and disorders | U.S. 60/877,050 22-12-2006 | Pending in EP, U.S., AU, CA, IN | 2027 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequence directed against HER2 and polypeptides comprising the same for the treatment of cancers/ and or tumours | U.S. 61/004,332 27-11-2007 | PCT application pending | 2028 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against Growth Factor receptors and polypeptides comprising the same for treatment of diseases and disorders associated with growth factors and their receptors | U.S. 60/931,639 24-05-2007 | Pending in EP, U.S., AU, CA | 2028 | Ablynx | |

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| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Target-specific Nanobodies | Amino acid sequences directed against heterodimeric cytokines and/or their receptors and polypeptides comprising the same | U.S. 61/004,332 27-11-2007 U.S. 61/005,265 04-12-2007 U.S. 61/005,324 04-12-2007 U.S. 61/005,331 04-12-2007 | PCT application pending | 2028 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against Toll-like receptors and polypeptides comprising the same for the treatment of diseases related to Toll-like receptors | U.S. 61/053,517 15-05-2008 U.S. 61/078,486 07-07-2008 | PCT application pending | 2029 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against integrins and uses thereof | U.S. 61/051,763 09-05-2008 U.S. 61/051,793 09-05-2008 | PCT application pending | 2029 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against envelope proteins of a virus and polypeptides comprising the same for the treatment of viral diseases | U.S. 61/059,055 05-06-2008 U.S. 61/092,991 29-08-2008 U.S. 61/139,130 19-12-2008 U.S. 61/144,653 14-01-2008 U.S. 61/172,914 27-04-2009 U.S. 61/174,108 30-04-2009 | PCT application pending | 2029 | Ablynx | |
| Target-specific Nanobodies | Polypeptides directed against the Notch pathways and uses thereof | U.S. 61/042,854 07-04-2008 | PCT application pending | 2029 | Ablynx | |
| Target-specific Nanobodies | Amino acid sequences directed against CXCR4 and other GPCRs and compounds comprising the same | U.S. 61/053,847 16-05-2008 U.S. 61/102,142 02-10-2008 | PCT application pending | 2029 | Ablynx | |

* Without taking into account any supplemental protection certificate which may be issued.

| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/082,614 22-07-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/102,105 02-10-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/103,350 07-10-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/105,259 14-10-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/121,221 10-12-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | U.S. 61/121,228 10-12-2008 | Not yet published PCT application filed | 2029 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 05-05-2009 30-11-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 15-05-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 15-05-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 20-05-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 27-05-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | 12-06-2009 | Not yet published In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target class* | 12-06-2009 | Not yet published In priority year | 2030 | Ablynx | |

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| Field | Title | Priority numbers/ dates | Status | Expiration Date* | Owner | Comments |
|---|---|---|---|---|---|---|
| Target-specific Nanobodies | *Nanobodies against specific target* | 30-11-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 14-12-2009 | Not yet published<br>In priority year | 2030 | Ablynx | |
| Target-specific Nanobodies | *Nanobodies against specific target* | 16-01-2010 | Not yet published<br>In priority year | 2030 | Ablynx<br>Merck-Serono | |

* Without taking into account any supplemental protection certificate which may be issued.

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**ANNEX B — ABLYNX'S EXTERNAL COLLABORATIONS**

The Company has entered into various external collaborations, including collaborations with the following researchers:

- Prof. Dr Aarden, Sanquin Blood Supply Foundation, Amsterdam, the Netherlands
- Prof. Abott, Department of Neuroscience, King's College London, London, United Kingdom
- Prof. Augustijns, Laboratory of Farmacotechnology and Biofarmacy, KU Leuven, Belgium
- Prof. Bartunek, CVBA Cardiovascular Research, Aalst, Belgium
- Prof. Dr Beyaert, Prof. Dr Brouckaert, Prof. Dr Callewaert, Prof. Dr Grooten, Dr Rottiers, Prof. Dr Saelens, VIB Department of Molecular Biomedical Research, UGent, Belgium
- Prof. Dr Boonen, UZ Leuven, Leuven, Belgium
- Prof. Bussolino, Prof. Comoglio, University of Turin, Turin, Italy
- Dr Cambillau, Department of Architecture et function des Macromolecules Biologiques, University of Marseilles, France
- Dr Debaetselier, Prof. Dr Steyaert, VIB Department of Molecular and Cellular Interactions, UGent, Belgium
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- Dr Fisher, University of Regensburg, Regensburg, Germany
- Prof. Fox, British Heart Foundation, Edinburgh, United Kingdom
- Prof. Dr. Gasthuys and Prof. Dr. Christiaens, Faculty of Veterinary Science, University of Ghent, Belgium
- Prof. Gewillig, Department of pediatrics, UZ Leuven, Leuven, Belgium
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- Prof. Hoekstra, UMC Groningen, Groningen, The Netherlands
- Prof. Dr Hudson, CSIRO, Melbourne, Australia
- Prof. Rose John, Department of Biochemistry, Medical Faculty, Christian-Albrecht University of Kiel, Germany
- Dr Kalk, Dr Nagelkerken, Dr Ostendorf, TNO, Leiden, The Netherlands
- Prof. Kamphuizen, Academic Medical Centre, Amsterdam, The Netherlands
- Dr Kelly, Division of Gastroenterology, Beth Israel Deaconess Medical Center, Harvard Medical School, Boston, United States
- Prof Knol, University Medical Center Utrecht, Dept. Dermatology/Allergology, Utrecht, The Netherlands
- Dr Koch-Nolte, UMC, Hamburg, Germany
- Prof. Dr Kollias, Institute of Immunology, Vari, Greece
- Prof. Dr Lambrecht, University Ghent, Vakgroep inwendige ziekten, Ghent, Belgium
- Prof. Lämmle, University Clinic of Haematology, University of Bern, Bern, Switzerland
- Dr Larrick, PRI, Mountain View, California, United States
- Prof. Dr Leurs, Leiden/Amsterdam Center for Drug Research (LACDR) of the Vrije Universiteit Amsterdam, the Netherlands
- Dr Lorusso, Karmanos Cancer Center, Detroit, United States
- Prof. Dr Mack, University of Regensburg, Regensburg, Germany

- Dr MacKenzie and Dr. Tanha, Institute for Biological Sciences, National Research Council of Canada, Ottawa, Canada
- Dr Melacini, Mario Negri Institute, Milan, Italy
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- Prof. Peyvandi, Department of Medicine and Medical specialities, UMIL, Milan, Italy
- Dr Piccart, Dr Awada and Dr Durbecq, Institut Jules Bordet, Brussels, Belgium
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- Dr Plum, Department of Clinical Biology, Microbiology and Immunology, Ghent University, Ghent, Belgium
- Prof. Roodt, University of the Free State, Bloemfontein, South Africa
- Prof. Dr Sandlie, University of Oslo, Oslo, Norway
- Prof. Schols, Rega Institute, Leuven, Belgium
- Dr Simoons, Dr. de Jaegere and Dr. Leebeek, Department of Interventional Cardiology and Haematology, Erasmus UMC, Rotterdam, The Netherlands
- Prof. Dr Smit, University of Amsterdam, Amsterdam, The Netherlands
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- Prof. Dr Sunkel, IBMC, Instituto de Biologia Molecular e Celular, Universidade do Porto, Porto, Portugal
- Prof. Dr Tavernier, VIB Department of Medical Protein Research, UGent, Belgium
- Prof. Dr Thielemans, University of Brussels, Brussels, Belgium
- Dr Tybulewicz, National Institute for Medical Research, London, United Kingdom
- Dr van Bergen en Henegouwen, University of Utrecht, Utrecht, The Netherlands
- Dr van der Heijden, Imaging Rheumatology, Meerssen, The Netherlands
- Prof. Dr van Dongen, Section Tumour Biology, Department of Otolaryngology/Head and Neck Surgery, VUMC, Amsterdam, The Netherlands
- Prof. Dr Van Hul, University of Antwerp, Antwerp, Belgium
- Prof. Dr Vanderhaeghen, University of Brussels, Brussels, Belgium
- Prof. Dr Verrips, Department of Cellular Architecture & Dynamics, University of Utrecht, the Netherlands
- Prof. Westhovens, UZ Leuven, Leuven, Belgium
- Prof. Dr Weyenbergh, University Antwerp, Antwerp, Belgium
- Dr Zlotnik, Institute of Immunology, University of California, Irvine, United States

## GLOSSARY

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| **Acute Coronary Syndrome (ACS)** | Term including a range of clinical conditions resulting from insufficient blood supply to the heart muscle, including unstable angina and myocardial infarction. |
| **A1 domain** | Part of the von Willebrand Factor which binds to the glycoprotein (GP)Ib receptor on the surface of platelets. |
| **Abciximab** | Commercially available monoclonal antibody directed against the glycoprotein (GP)IIb/IIIa on the surface of platelets. It is used as an inhibitor of platelet aggregation and its trade name is ReoPro. |
| **ACR** | American College of Rheumatology. Also the response criteria for achievement of clinical response after treatment with anti-rheumatoid therapeutics (i.e. ACR20). |
| **Adalimumab** | Fully human monoclonal antibody directed against TNFα. |
| **ADAMTS13** | Enzyme that cleaves von Willebrand Factor. |
| **ADP receptor antagonists** | Class of platelet activation inhibitors used for the management of thrombotic events. |
| **Affinity** | Measure of the binding strength between an antibody and its antigen. |
| **Alternative scaffold therapeutics** | Protein, other than an antibody, which is used as a backbone for displaying target specific binding sites for use as therapeutics. |
| **Ankylosing spondilitis** | Disease characterised by the chronic inflammation of the joints in the spine. |
| **Antibody** | Y shaped protein that is produced as the result of the introduction of an antigen into the body and that has the ability to specifically bind said antigen, triggering an immune response. |
| **Antibody dependent cellular cytotoxicity** | Mechanism of cell-mediated immunity whereby an effector cell of the immune system actively lyses a target cell that has been bound by specific antibodies. |
| **Anticoagulant** | Substance that prevents the clotting of blood. |
| **Antigen** | Any substance that can cause the production of antibodies. |
| **Anti-IL-6R programme** | Internal programme at Ablynx for the development of Nanobodies targeting the receptor for interleukin-6. |
| **Anti-platelet agent** | Substance that prevents the adhesion and aggregation of platelets, thereby preventing the formation of blood clots. |
| **Anti-RANKL** | Nanobodies or antibodies targeting RANKL. |
| **Anti-Resorptive drugs** | Drugs which reduce bone resorption. |
| **Anti-thrombotic** | Drug which prevents or reduces the formation of blood clots or thrombi. |
| **ARC-1779** | A peptide molecule (Aptamer) developed and owned by Archemix Corporation, targeting von Willebrand Factor. |
| **Arterial thrombosis** | Formation of blood clots (thrombi) in one or more arteries. |
| **Assay** | Procedure in molecular biology for testing and/or measuring the activity of a drug or biochemical in any organism or organic sample. |

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| **Atherosclerosis** | Condition in which an artery wall thickens as the result of a chronic inflammatory reaction promoted by the build-up of fatty materials such as cholesterol. |
| **Auranofin** | Organogold compound, antirheumatic agent. |
| **Avidity** | Overall binding strength between an antibody and its antigen, determined by the number of binding sites between them. |
| **BAP** | Bone Alkaline Phosphatase. An enzyme produced by osteoblasts. It has a role in the mineralisation of bone. |
| **B-cell** | Type of white blood cell that produces antibodies. |
| **Biomarker** | Characteristic that is objectively measured and evaluated as an indicator of normal biological processes, pathogenic processes, or pharmacologic responses to a therapeutic intervention. |
| **Biparatopic Nanobodies** | Nanobody constructs which bind to two different epitopes on the same target. |
| **Bi-specific constructs** | Nanobody constructs which bind to two different targets. |
| **Bisphosphonates** | Class of drugs that prevent and treat the loss of bone mass. |
| **BLA** | Biologic License Application. Application that the US Food and Drug Administration (FDA) must approve before a biologic can enter US market. |
| **Black box warning** | Type of warning that is used in the US on the package insert for prescription drugs that may cause serious adverse effects. |
| **Blood-brain barrier** | Separation of circulating blood and cerebrospinal fluid in the central nervous system. |
| **Blue tongue disease** | Non-contagious, insect-borne viral disease of ruminants, caused by the Bluetongue virus. |
| **Bolus injection** | Rapid injection of a drug, medication or other substance directly into a blood vessel. |
| **Bone metastases** | Tumours in the bones, arising from the spreading (metastasis) of a primary tumour from another organ. |
| **Bone re-modelling** | Life long process where old bone is removed (bone resorption) and new bone is added (bone formation). |
| **Bone resorption** | Process in which osteoclasts break down bone. |
| **Boss patents** | Patents belonging to the same patent family as the U.S. patent 4,816,397. |
| **BSE** | Bovine spongiform encephalopathy, a neurological disease commonly known as “mad cow disease”. |
| **Cabilly patents** | Patents belonging to the same patent family as the U.S. patent 4,816,597. |
| **Camelidae** | Belonging to the class of mammals, this family comprises camels, dromedaries, llamas, alpacas, vicunas and guanacos. |
| **Carotid endoarterectomy** | Surgical procedure used to prevent stroke, by correcting stenosis in the common carotid artery. |

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| **Castleman's disease** | Very rare disorder characterised by non-cancerous growths (tumours) that may develop in the lymph node tissue at a single site or throughout the body and linked to overproduction of IL-6. |
| **CD-20** | Non-glycosylated phosphoprotein expressed on the surface of all mature B-cells. |
| **CDR** | Complementarity determining region. Relatively short amino acid sequence found in the variable domains of antigen receptors (e.g. immunoglobulins) that determine their specificity and make contact with a specific ligand. |
| **Certolizumab pegol** | Commercially available TNFα inhibitor. |
| **Clinical Trial** | Rigorously controlled test of a drug candidate or a new invasive medical device on humans. |
| **Clopidogrel** | Oral antiplatelet agent which targets the P2Y12 ADP receptor to inhibit thrombus formation. |
| **Clotting or Coagulation cascade** | Complex process consisting of a series of successive reactions resulting in the formation of a blood clot. |
| **CMO** | Contract Manufacturing Organisation. |
| **Cohort** | Group of subjects receiving treatment in a clinical trial. |
| **Collagen** | A group of naturally occurring proteins which are a natural constituent of connective tissue. |
| **Complement activation** | Activation of blood proteins leading to cell lysis or hypersensitivity reaction. |
| **C-reactive protein** | Protein found in the blood, the levels of which rise in response to inflammation. |
| **CRO** | Contract Research Organisation. |
| **Crohn's disease** | Inflammatory disease of the intestines that may affect any part of the gastrointestinal tract from anus to mouth, causing a wide variety of symptoms. |
| **CTX-1** | Cross linked C-terminal telopeptides of type I collagen. Degradation product of type I collagen, used as a marker for bone resorption. |
| **Current Good Manufacturing Practice (cGMP)** | cGMP standards are a part of the guarantee of the pharmaceutical quality of the drug and guarantee that drugs are made up and controlled in a consistent fashion, according to a standard of quality adapted to the considered use and in compliance with provisions on drugs. |
| **CVE** | Cerebrovascular Event or stroke. |
| **Cytokine** | Proteins that are secreted by specific cells of the immune system which carry signals locally between cells and thus have an effect on other cells. |
| **D** | Dalton, a measure of M.W. or mass. One hydrogen atom has a mass of 1 Dalton. Proteins and other macromolecules are usually measured in kilo Daltons (1000 Dalton). |
| **DAS 28** | Disease Activity Score involving the count of 28 joints determining disease activity in rheumatoid arthritis. |

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| **Denosumab** | anti-RANKL monoclonal being developed by Amgen. |
| **Dimeric fusion protein** | A molecule consisting of two binding arms linked to a protein backbone. |
| **DMARDS** | Disease-modifying antirheumatic drugs. A category of otherwise unrelated drugs defined by their use in rheumatoid arthritis to slow down disease progression. |
| **EMEA** | European Agency for Evaluation of Medicinal Products. |
| **Endarterectomy** | Surgical procedure to remove the atheromatous plaque material, or blockage, in the lining of an artery constricted by the buildup of soft/hardening deposits. |
| **Engineered antibody scaffolds** | Antibody molecules that have been altered to have desired properties. |
| **Epitope** | Site on an antigen recognised by an antibody. |
| **Etanercept** | Commercially available TNFα inhibitor. |
| **EULAR** | European League Against Rheumatism. |
| **European Winter-II patent** | The European Patent 0 368 684. |
| **Expression library** | A library of DNA or RNA sequences in a format (for example, present in expression vectors) that allows said sequences to be expressed. |
| **Expression systems** | System specifically designed for the production of a gene product of choice. |
| **Extracellular ligand** | Protein which is secreted or located outside of a cell and which binds and activates a receptor. |
| **Fab** | Fragment antigen binding portion of an antibody. |
| **Factor VIII** | An essential blood clotting factor. |
| **Fc** | Fragment crystallisation region, the tail region of an antibody that interacts with cell surface receptors and some proteins of the complement system. This property allows antibodies to activate the immune system. |
| **Fc function** | Function that is specifically mediated by the Fc region of an antibody molecule. |
| **FDA** | Food and Drug Administration, a Rockville, Maryland US based agency responsible for the drug approval process in the United States. |
| **Flow cytometry** | Analysis of biological material by detection of the light-absorbing or fluorescing properties of cells or cell fractions passing in a narrow stream through a laser beam. |
| **Freedom to operate** | Means that a particular action, such as testing or commercialising a product, can be done without infringing valid intellectual property rights of others. |
| **Germline** | The body's reproductive cells (egg or sperm). Germline DNA becomes incorporated into the DNA of every cell in the body of offspring. |
| **Golimumab** | Fully human monoclonal antibody directed against TNF. |

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| **GPIb-GPIX-GPV receptor complex** | Glycoprotein complex on the cell surface of platelets, which binds von Willebrand Factor (also called GP1b receptor). |
| **GPIIb/IIIa inhibitor** | A class of antiplatelet agents inhibiting GPIIb/IIIa on the cell surface of platelets. |
| **G-Protein Coupled Receptors (GPCRs)** | Cell membrane proteins of high medical and pharmacological importance. |
| **Haematopoiesis** | The formation of blood cellular components. |
| **Half-life** | The length of time it takes for half of the drug molecules to get cleared from systemic circulation. |
| **Hamers-I patent family** | Patents covering the basic structure, composition, preparation and uses of Nanobodies. |
| **Heavy chain antibody** | Antibody which consists of two heavy chains only. |
| **Hepatotoxicity** | Treatment or intervention induced liver damage. |
| **Heterodimeric cytokine** | Cytokine consisting of two different subunits. |
| **Homologous** | Similar in linear sequence and structure. |
| **Human single domain antibodies (dAbs)** | Smaller fragments of mAbs being evaluated for their therapeutic potential (developed by Domantis Ltd., now owned by GlaxoSmithKline) that comprise either a mutated human heavy chain binding domain or a mutated human light chain binding domain. |
| **Humanisation** | Process by which a therapeutic protein of non-human origin is altered to more closely resemble a related human protein, intended to reduce the immunogenic potential of the drug. |
| **Humate P** | Freeze-dried human coagulation Factor VIII/ von Willebrand Factor complex. |
| **Hydroxychloroquine** | Antimalarial drug also used to reduce inflammation in the treatment of rheumatoid arthritis. |
| **Idiopathic Thrombocytopenic Purpura (ITP)** | Autoimmune disease in which the body makes antibodies against its own platelets, leading to low platelet counts (thrombocytopenia). |
| **IL-1 (Interleukin-1)** | Cytokine involved in inflammatory diseases. |
| **IL-6 (Interleukin-6)** | Cytokine involved in inflammatory diseases. |
| **Immunisation** | Process by which an antigen is introduced in the body in order to raise an antibody response. |
| **Immunogenic** | Having the ability to raise an antibody response. |
| **Immunoglobulin** | See antibody. |
| **IMPD** | Investigational Medicinal Product Dossier. An application that a drug sponsor must submit to competent regulatory European agencies before beginning tests of a new drug on humans. The IMPD contains the plan for the study and is supposed to give a complete picture of the drug, including its structural formula, animal test results, and manufacturing information. The equivalent in the United States is called Investigational New Drug Application (IND). |

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| **Intravenous bolus** | A relatively large dose of medication administered into a vein in a short period, usually within 1 to 30 minutes. |
| ***In vitro*** | In glass or plastic vessels rather than in living systems. |
| ***In vivo*** | In living systems. |
| **Inflammatory bowel disease (IBD)** | Group of chronic intestinal diseases characterised by inflammation of the bowel. The most common types of inflammatory bowel disease (IBD) are ulcerative colitis and Crohn's disease. |
| **Infliximab** | A commercially available TNFα inhibitor. |
| **Intravenous injection** | The administration of a drug, medication or other substance directly into a vein. |
| **Investigational New Drug Application (IND)** | Investigational New Drug Application. An application that a drug sponsor must submit to FDA before beginning tests of a new drug on humans. The IND contains the plan for the study and is supposed to give a complete picture of the drug, including its structural formula, animal test results, and manufacturing information. The equivalent in Europe is called a Investigational Medicinal Product Dossier (IMPD). |
| **ion channels** | Pore-forming proteins that help establish and control the small voltage gradient across the plasma membrane of all living cells. |
| **Ischemic stroke** | Dysfunction of brain tissue due to decreased blood supply to a part of the brain. |
| **kD** | Kilo daltons (1000 Daltons). |
| **Leflunomide (a small molecule DMARDs)** | Medication of the DMARD type used in active moderate to severe rheumatoid arthritis and psoriatic arthritis. |
| **M.W.** | Molecular weight. |
| **MACE** | Major Adverse Cardiac Event. Criteria for evaluating cardiac treatments such as PCI. |
| **McCafferty patent family** | The European patents owned by the Medical Research Council, UK, that relate to certain aspects of the use of phage display techniques. |
| **Methotrexate** | Medication of the DMARD type used to treat cancer and auto-immune diseases. |
| **Monoclonal Antibody (mAb)** | An antibody produced in a laboratory from a single clone that recognises only one antigen. |
| **Multiple myeloma** | Cancer of the white blood cells known as plasma cells. |
| **Multi-valent** | Having more than one binding site. |
| **Myocardial Infarction (MI)** | Heart attack, caused by a severely reduced or stopped blood supply to part of the heart muscle (the myocardium). |
| **Myocardial ischemia** | A disease characterised by reduced blood supply to the heart muscle, usually due to atherosclerosis of the coronary arteries. |
| **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. |

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| **Nanobody Technology Platform** | Ablynx's know-how, expertise, patents and capabilities in relation to the discovery and development of Nanobodies for healthcare applications. |
| **Nanoclone** | Ablynx's proprietary Nanobody discovery method based on the sorting of B cells originating from immunised lamas. |
| **NExpedite** | Novel proprietary half-life extension technology. |
| **NRC** | National Research Council, Canada. |
| **NSAIDS** | Nonsteroidal anti-inflammatory drugs. |
| **NSTEMI** | non-ST-elevation myocardial infarction. |
| **NTX-1** | Cross-linked N-telopeptides of type I collagen. Specific breakdown product of the type-I collagen found in bone cartilage, used as a marker of bone turnover. |
| **Occlusion** | The state of something which is normally open, being closed. |
| **Ocular delivery** | Drug administration via the eyes. |
| **Oligonucleotides** | Short nucleic acid polymer. |
| **Oral to systemic delivery** | Systemic drug delivery after oral administration. |
| **Oral-to-topical** | Local effect of drug in the oral canal after oral administration. |
| **Orphan disease** | Rare medical condition. |
| **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 United States. |
| **Orphan Drug Designation** | Acknowledgement of drug development and commercialisation of a therapeutic in a rare disease or condition by competent health authorities. Associated with several benefits for the pharmaceutical company during development and after registration including market exclusivity of ten years in Europe and seven years in the United States. |
| **Osteoblast** | Cells responsible for bone formation. |
| **Osteoclast** | Cells responsible for removal of bone issue (bone resorption). |
| **Osteonecrosis of the jaw** | Severe bone disease that affects the jaws. |
| **Osteopenia** | A condition where bone mineral density is lower than normal. |
| **Osteoprotegerin (OPG)** | Cytokine, which can inhibit the production of osteoclasts. |
| **Osteosarcoma** | A type of bone tumour. |
| **P1NP** | Amino-terminal procollagen propeptides of type I collagen, used as a marker for bone formation. |
| **P2Y12 ADP receptor** | Protein on the surface of blood platelet cells and an important regulator in blood clotting. |
| **Parathyroid hormone** | Hormone secreted by the parathyroid glands. |
| **PCI** | Percutaneous coronary intervention. Surgical technique used to widen narrowed arteries. It is usually done by means of a balloon that, when deflated, is threaded into the affected area, then inflated |

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| | compressing the plaque and dilating (widening) the narrowed coronary artery so that blood can flow more easily. This is often accompanied by inserting an expandable metal stent. |
| **Pegylation** | Addition of polyethylene glycol polymer chains to another molecule. |
| **Peripheral artery occlusive disease (PAOD)** | Condition that develops when the arteries that supply blood to the internal organs, arms, and legs become completely or partially blocked by a thrombus. |
| **Phage display** | Technique using recombinant DNA technology to create bacteriophages with a desired peptide or protein embedded in the surface of their protein coat. Agonists and antagonists of the target peptide can then be identified experimentally, enabling the engineering of antibodies and development of new drugs. |
| **Pharmacokinetics** | The study of the bodily absorption, distribution, metabolism, and excretion of drugs. |
| **Pharmocodynamic** | The action or effect of drugs on living organisms. |
| **Phase I clinical trial** | Clinical trial to test a new biomedical intervention in a small group of people for the first time to evaluate safety (for example, to determine a safe dosage range and to identify side-effects). |
| **Phase II clinical trial** | Clinical trial to study a new biomedical intervention in a larger group of people to determine efficacy and to further evaluate its safety. |
| **PK profile** | Pharmacokinetic profile. |
| **Placebo** | Medically inert substance given in connection with a controlled, double blinded clinical study. |
| **Platelet** | Also known as thrombocytes, are the smallest cells of the blood. They are involved in haemostasis and lead to the formation of blood clots. |
| **Platelet adhesion** | Binding of platelets to collagen, which is exposed after endothelial damage. Platelet adhesion is an early stage in the clotting cascade. |
| **Platelet aggregation** | The clumping together of platelets, one of the steps of the clotting cascade. |
| **Prasugrel** | New anti-platelet agent that targets the platelet ADP receptor P2Y12. |
| **Pre-Clinical Trial** | Laboratory test of a new drug candidate or a new invasive medical device on animals or cell cultures that is conducted to gather evidence justifying a clinical trial. |
| **Protein** | Molecule consisting of a chain of amino acids. Each protein has unique biological functions. |
| **Psoriaris** | Common skin disease characterised by thickened patches of inflamed, red skin covered with thick, silvery scales. |
| **RANK** | Receptor Activator of Nuclear Factor kappa B. A membrane protein that is expressed on the surface of osteoclasts and is involved in their activation. |
| **RANKL** | Receptor Activator of Nuclear Factor kappa B ligand. A membrane molecule expressed on the surface of osteoblasts and stromal cells that activates osteoclasts. |

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| **Rheumatoid arthritis (RA)** | Autoimmune disease that causes chronic inflammation of the joints, the tissue around the joints, as well as other organs in the body. |
| **RICO** | Ristocetin cofactor activity. A laboratory assay to evaluate von Willebrand Factor mediated platelet aggregation. |
| **RIPA** | Ristocetin induced platelet aggregation. A laboratory assay to evaluate von Willebrand Factor mediated platelet aggregation. |
| **Rituxan** | A chimaeric monoclonal antibody against the protein CD20, used in the treatment of many lymphomas, leukaemias, and some autoimmune disorders. |
| **Rituximab** | (see Rituxan) |
| **RNA** | Ribonucleic acid. |
| **Scaffold/fragment-based technologies** | An alternative to full length antibodies. These include using fragments of classical antibodies such as Fab's (as developed by Genentech/Roche and UCB Pharma), single domain antibodies of human origin (dAbs as developed by Domantis Ltd. (acquired by GlaxoSmithKline)), single domain antibodies of shark origin (as developed by Haptogen (acquired by Wyeth Pharmaceuticals)) and engineered antibody scaffolds (for example, SMIP's as developed by Trubion. |
| **Serum CTX-1** | (see CTX-1) |
| **Small molecule** | Non-protein molecule drug. |
| **SMIPs** | Small Modular Immuno-Pharmaceuticals. |
| **Spiegelmers** | Novel, mirror-reversed RNA-like building blocks. |
| **Splenectomy** | Surgical procedure that partially or completely removes the spleen. |
| **Stenotic atherosclerotic arteries** | Narrowed arteries with atherosclerotic lesions. |
| **Stroke** | A stroke occurs when an artery carrying blood to the brain is either blocked by a blood clot or bursts. |
| **Subcutaneous administration** | Drug administration via injection just beneath the skin. |
| **Sub-endothelial collagen** | Collagen underneath the endothelium, which lines vessel walls. |
| **Sulfasalazine** | Medication of the DMARD type used to treat inflammatory bowel disease and rheumatoid arthritis. |
| **Systemic administration** | Administration of a therapeutic with a pharmacological effect on the entire body, e.g. via infusion or oral administration. |
| **Systemic lupus erythematosus** | Chronic autoimmune connective tissue disease that can affect any part of the body. |
| **T-cells** | Type of white blood cells that play a central role in cell-mediated immunity. |
| **Therapeutic antibody** | Monoclonal antibody, typically humanised or fully human, used as a medicament. |
| **Therapeutic peptide** | Short protein consisting of at least two amino acids which has therapeutic activity. |
| **Thrombocytopenia** | Low platelet concentration in the blood. |

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| **Thrombolytic agent** | Drug that is able to dissolve a clot (thrombus). |
| **Thrombosis** | Formation of a blood clot locally within a blood vessel. |
| **Thrombotic microangiopathy** | Category of pathologies that result in thrombosis in capillaries and arterioles. |
| **Thrombotic thrombocytopenic purpura (TTP)** | Thrombotic thrombocytopenic purpura (TTP or Moschcowitz syndrome) is a rare disorder of the blood-coagulation system, causing extensive microscopic thromboses to form in small blood vessels throughout the body (thrombotic microangiopathy). |
| **Thrombus** | Blood clot. |
| **Ticlopidine** | Antiplatelet drug in the thienopyridine family. |
| **TIMI** | Thrombolysis In Myocardial Infarction. A scoring system referring to levels of coronary blood flow assessed during percutaneous coronary angioplasty. |
| **TNFα** | Protein named Tumour Necrosis Factor-alpha produced by several of the body's cell types, involved, amongst others, in systemic inflammation. |
| **Transdermal delivery** | Drug delivery through the skin. |
| **Transgenic** | Where cloned genetic material from one species or breed has been transferred to another. |
| **Transient ischemic attack** | Change in the blood supply to a particular area of the brain, resulting in brief neurologic dysfunction. |
| **UL-vWF** | Ultra large von Willebrand Factor multimers. |
| **Urine NTX-1** | (see NTX-1) |
| **VH3-JH5 germline immunoglobulin sequence** | Sequence of specific V and J regions of human immunoglobulin. |
| **$V_{HH}$** | Variable or binding domain of a naturally occurring heavy chain antibody. |
| **VIB** | Flanders Institute for Biotechnology. |
| **Von Willebrand Factor (vWF)** | Substance in the blood that helps platelets stick to damaged vessel walls under high shear conditions, for example, in arteries. |
| **VUB** | Free University of Brussels. |

**DEFINITIONS**

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| **ABLX** | the Euronext symbol for the shares. |
| **ABLXS** | the Euronext symbol for the VVPR strips. |
| **Ablynx or Company** | Ablynx NV, a public limited liability company (*naamloze vennootschap*) incorporated under Belgian law, having its registered office at Technologiepark 4, B-9052 Zwijnaarde and registered with the Belgian register for legal entities under the number 0475.295.446 (RPR Gent). |
| **Annual Shareholders Meeting** | the annual shareholders meeting of the Company. |
| **Belgian Companies Code** | the Belgian Act of 7 May 1999 containing the companies code (*Wetboek van vennootschappen*). |
| **Belgian GAAP** | Belgian Generally Accepted Accounting Principles. |
| **BI** | Boehringer Ingelheim. |
| **Board of Directors** | the board of directors of the Company from time to time. |
| **Business day** | any day, other than a Saturday or Sunday, on which banks are open for general business in Brussels. |
| **CBFA** | Belgian Banking, Finance and Insurance Commission. |
| **CEO** | Chief Executive Officer. |
| **CFO** | Chief Financial Officer. |
| **CGC** | Belgian Corporate Governance Code. |
| **Closing Date** | the Closing Date is the date on which the capital increase associated with the Offering will be established by two directors of the Company acting jointly before a notary in Belgium. The Closing Date is expected to be on or about 18 March 2010. |
| **Code** | Internal Revenue Code of Belgium. |
| **Co-manager** | Piper Jaffray, Ltd. |
| **Company's Dealing Code** | the Company's dealing code as adopted by the Board, available on the Company's website. |
| **Directive 2003/123/EC** | Council Directive 2003/123/EC of 22 December 2003 amending Directive 90/435/EEC on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States. |
| **Directive 2004/109/EC** | the Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC. |
| **DRD** | Dividend received deduction regime. |
| **DRD Conditions** | as explained in section "17.1 Taxation in Belgium — Dividends". |
| **EEA** | European Economic Area. |
| **EU** | European Union. |
| **Euro** | the official currency of the European Union, and is in use in Belgium. |

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| **Euronext Brussels** | the "Euronext Brussels" market of Euronext Brussels. |
| **Exchange Act** | U.S. Securities Exchange act of 1934, as amended. |
| **Executive Committee** | the Executive Committee (*directiecomité*) established by the Board of Directors from time to time within the meaning of Article 524*bis* of the Belgian Companies Code and Article 24 of the Company's articles of association. |
| **Executive Management** | meaning the members of the Executive Committee. |
| **G&A** | General and administrative (expense). |
| **Gimv** | Gimv NV. |
| **Grants (IWT)** | Flemish Government grants funded via the IWT agency for Innovation by Science and Technology. |
| **IFRS** | International Financial Reporting Standards. |
| **Increase Option** | the option to increase the amount of shares in the Offering as more fully described in "4.2 Information on the Offering — Terms and conditions of the Offering". |
| **Institutional Investor** | qualified and/or institutional investors under applicable laws of the relevant jurisdiction (including QIBs) and, in respect of Belgium, investors, other than Retail Investors, that meet the definition of "qualified investors", as defined in article 10 of the law of 16 June 2006 regarding the public offering of investment instruments and the authorisation of investment instruments to trade on a regulated market (*Wet van 16 juni 2006 op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereglementeerde markt*), and as extended by the Belgian Royal Decree of 26 September 2006 regarding the extension of the term qualified investor and the term institutional or professional investor (*Koninklijk besluit van 26 september 2006 tot uitbreiding van het begrip gekwalificeerde belegger en het begrip institutionele of professionele belegger*). |
| **IPO** | the Company's initial public offering of shares, which occurred on 9 November 2007. |
| **IRS** | the U.S. Internal Revenue Service. |
| **Joint Bookrunners** | KBC Securities NV and UBS. |
| **Joint Global Coordinators** | KBC Securities NV and UBS. |
| **Key Geographic Markets** | the United States, Japan, Germany, France, United Kingdom, Italy and Spain. |
| **Lending Shareholders** | ACP IV, LP (in respect of a maximum of 300,000 Company shares), KBC Private Equity NV (in respect of a maximum of 1,589,286 Company shares) and VIB VZW (in respect of a maximum of 70,000 Company shares). |
| **Member State** | a Member State of the European Union. |
| **New Shares** | new common shares in Ablynx with VVPR Strips offered pursuant to the Offering. |
| **Offer Price** | the single price in Euro at which the New Shares shall be subscribed and which shall be determined as set out in "4.1 Information on the Offering — Information related to the capital increase". |

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| **Offered Shares** | the New Shares together with the Over allotment Shares. |
| **Offering** | • a public offering in Belgium to Retail Investors;<br>• a private placement to Qualified Institutional Buyers ("QIBs") in the United States in accordance with Rule 144A; and<br>• a private placement to Institutional Investors (defined further on) (save for QIBs) in Belgium and elsewhere outside the United States in reliance on Regulation S.<br>The Offering will start as of the first day of the Offering Period, which will begin on or about 8 March 2010. |
| **Offering Period** | the period for which the Offering will be open for subscription as described in "4.2 Information on the Offering — Terms and conditions of the Offering". |
| **Order** | Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). |
| **Over-allotment Option** | the option to be granted to the Joint Global Coordinators as described in "4.5 Information on the Offering — Information on the Offering — Over-allotment and stabilisation". |
| **Over-allotment Shares** | the shares in the Company the subject of the Over-allotment Option. |
| **PFIC** | a passive foreign investment company for the purposes of the US tax code sections 1291 through 1297. |
| **PP&E** | property, plant and equipment. |
| **Pricing and Allocation Date** | 15 March 2010, the date on which the Offer Price is expected to be determined, subject to early closure. |
| **Prospectus** | this document. |
| **Prospectus Directive** | Directive 2003/71/EC together with any relevant implementing measure in each Relevant Member State. |
| **QEF** | a qualified electing fund. |
| **QIBs** | Qualified Institutional Buyers. |
| **R&D** | research and development. |
| **Regulation S** | Regulation S under the Securities Act. |
| **Relevant Member State** | each Member State of the EEA which has implemented the Prospectus Directive. |
| **Retail Investor** | A Retail Investor means, (i) an individual person resident in Belgium or (ii) the legal entities in Belgium that apply for shares in an amount of €250,000 or less. |
| **RSA 421-B** | chapter 421-B of the new Hampshire revised Statutes. |
| **Rule 144A** | as defined in Rule 144A of the Securities Act. |
| **Securities Act** | the United States Securities Act of 1933, as amended. |
| **Selling Agent** | KBC Bank NV. |
| **Stabilisation Period** | the period commencing on the Closing Date and expiring 30 calendar days thereafter. |

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| **Statutory Auditor** | PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, represented by Raf Vander Stichele BVBA, itself represented by Mr. Raf Vander Stichele. |
| **The Belgium-U.S. Treaty** | the existing income tax treaty between the United States and Belgium. |
| **UBS or UBS Investment Bank** | UBS Limited. |
| **Underwriters** | the Joint Global Coordinators and Piper Jaffray, Ltd. |
| **Underwriting Agreement** | the Underwriting Agreement to be entered into between the Company, KBC Securities NV, UBS and Piper Jaffray, Ltd. on or about 15 March 2010 in connection with the Offering. |
| **US GAAP** | US Generally Accepted Accounting Principles. |
| **VVPR Strips** | VVPR Strips entitle certain of their holders to a reduced rate of Belgian withholding tax on dividends. |
| **Warrantholder** | a holder of Warrants. |
| **Warrants** | Warrants issued by the Company as described more fully in "15.5 Description of Share capital and corporate Structure — Warrants". |

**SOURCES**

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| (15) | Datamonitor's Stakeholder Opinions: Percutaneous Coronary Intervention, DMHC2391 Publishing Date: April 2008. pg. 76 and pg. 79<br>SDG Life Sciences (Unit of IMS) ALX-0081 and ALX0681 Asset Valuation dated April 2009, pg. 4<br>Internal analysis (Ablynx) |
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