ABLYNX HALF YEAR REPORT 2010

1. REPORT OF THE BOARD OF DIRECTORS

The Company had €121.3 million in cash, cash equivalents and other short term investments at 30 June 2010 and revenues reached €10.1 million.

The Nanobody product portfolio continues to advance and expand and we are encouraged by the positive progress of our two anti-vWF programmes. The first clinical centres for the Phase II study in TTP will soon be open for patient recruitment and we hope the study treatment will have a substantial impact in improving patients' lives in this rare disease. The anti-RANKL Phase I programme in healthy post-menopausal women will report safety data in the next month. We are intrigued by the higher than expected potency of this drug and look forward to completing the study which will now require extended follow-up, probably into 2011.

Pfizer continues with its Phase II study in RA using Nanobodies directed against TNF-alpha. They could obtain PoC data during the first half of 2011. We are delighted that we have extended our collaboration with them where we are investigating other anti-TNF-alpha Nanobodies. In our Alzheimer's programme with Boehringer Ingelheim, the recent €2 million milestone payment marked very significant progress as the first lead candidate has been identified. The licensing by Novartis of two Nanobody programmes focussed on complex targets is further evidence of the power and broad applicability of the Nanobody platform."

Ablynx has successfully completed its Secondary Public Offering (the "SPO" or "Offering") raising €50 million on 18 March 2010. The offered shares were priced at €7.5 per share. As a result of the Offering, 6,666,667 new shares, equivalent to €50 million, were issued by Ablynx.

On 2 June 2010, Ablynx and reMYND have reached a settlement concerning a dispute relating to a collaboration agreement to discover and commercialize new Nanobodies which Ablynx and reMYND entered into in 2003.

At the end of June, the Company moved to new R&D facilities located on the Technologiepark in Zwijnaarde, near Ghent.

ANALYSIS OF RESULTS OF OPERATIONS

Revenue decreased from €12.0 million to €10.1 million. This revenue is attributable to research and development revenues, resulting mainly from the collaborative agreements with Pfizer, Novartis, Wyeth, Boehringer Ingelheim and Merck Serono and income from grants. The decrease was primarily attributable to timing variances in milestones received from our partners.

Research and development expenses increased by 7% to €21.4 million (2009: €20.0 million). This increase was primarily attributable to the increase in personnel costs as research and development staff increased to 211 at the end of June 2010 and an increase in external development costs related to clinical trials.

General and administrative expenses increased to €4.6 million (2009: €4.2 million). This increase primarily resulted from an increase in personnel costs, including share-based payment costs.

Finance income primarily comprises interest from deposits, floating and fixed rate notes. Finance income decreased to €0.5 million (2009: €1.8 million). The decrease was principally due to lower interest rates and the decrease in the cash position over the period. The €50 million additional funds from the Secondary Public Offering (SPO) positively impacted the cash position at the end of June 2010.

As a result of the foregoing, the Company's loss increased to €15.3 million (2009: €10.5 million).

BALANCE SHEET ANALYSIS

The Company's intangible assets of €1.5 million include a portfolio of patents, licenses and IT investments. The Company has not capitalized any other patents and it expenses all of its research and development activities. The Company’s non-current tangible assets of €4.7 million include the Company's laboratory and office equipment. The Company does not own any real estate property.

The non-current liabilities of €1.3 million consist of the long term part of the financial lease relating to the additional capital expenditures in the new building.

The Company's current assets of €126.5 million essentially consist of short term investments and cash and cash equivalents. The increase in 2010 primarily relates to the additional funds from the SPO in March 2010.

The Company's current liabilities of €22.0 million primarily relate to deferred income from collaborative arrangements and trade payables. The decrease is related to a decrease in deferred income and lower outstanding trade payables.

CASH FLOW ANALYSIS

Cash flow from operating activities represented a net outflow of €11.6 million in the first half of 2009 and a net outflow of €16.6 million in the first half of 2010. The increase is related to the increase of the loss over the period.

Cash flow from investing activities represented a net outflow of €18.6 million in 2010 (2009: €16.8 million inflow). This change primarily reflected fluctuation in short term investments and available-for-sale financial assets and investments in laboratory and office equipment.

Cash flow from financing activities was a net inflow of €47.3 million in the first half of 2010 (2009: €0.5 million) and is primarily related to the net proceeds from the SPO in March 2010.

RISKS AND PROSPECTS FOR THE REMAINING SIX MONTHS

The Phase II study of Ablynx's anti-von Willebrand Factor (vWF) Nanobody (using both the intravenously administered ALX-0081 and the subcutaneously administered ALX-0681) for the treatment of thrombotic thrombocytopenic purpura (TTP) will enter the active recruitment phase with the first clinical centres opened in the third quarter of 2010. ALX-0081 is also currently in a Phase II study in patients with acute coronary syndrome (ACS) undergoing percutaneous coronary intervention (PCI). This study is progressing and Ablynx anticipates that recruitment should be completed by early 2011 and primary endpoint data will be reported 3 months after the last patient reaches the primary safety endpoint at day 30.

Initial safety data from the Phase I study with Ablynx's ALX-0141 (anti-RANKL Nanobody) will be announced during the third quarter 2010, though pharmacodynamic data will not be available until 2011 as the Nanobody drug product has shown even greater potency (measured by biomarkers) than had been anticipated based on the animal studies and so longer follow-up of the prolonged drug effect is required.

Ablynx is on track to submit an IMPD for ALX-0061 (anti-IL-6R Nanobody) by the end of 2010, with the goal of entering into a Phase I/II study in rheumatoid arthritis (RA) patients early in 2011.

It is anticipated that Pfizer will complete recruitment for the Phase II study in RA with the anti-TNF-alpha Nanobody, ATN-103, during the fourth quarter of 2010 and would be expected to have completed the follow-up and data analysis by the first or second quarter of 2011. If Pfizer take a second anti-TNF-alpha Nanobody into Phase I trials this would trigger another multi-million Euro milestone payment to Ablynx.

Ablynx anticipates obtaining additional milestones from its current partnerships during 2010 and may seek to expand existing partnerships during the year and/or seek new partnerships but on a very selective basis. It also expects to report further developments with its Nanobody technology platform including new data on alternative routes of administration.

IMPORTANT TRANSACTIONS WITH RELATED PARTIES

There were no important transactions with related parties.

2. RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2010 which has been prepared in accordance with IAS 34 ”Interim Financial Reporting” as adopted by the European Union, gives a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation as a whole, and that the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors

Edwin Moses Chairman & CEO	Wim Ottevaere, on behalf of NV Woconsult CFO

3. Condensed Consolidated financial statements 30 June 2010

3.1 Condensed consolidated balance sheet

(€'000)	As at 30 June 2010	As at 31 December 2009
Non-current assets	6,201	4,277
Intangible assets	1,459	799
Property, plant & equipment	4,742	3,478
Current assets	126,520	97,645
Trade receivables	1,502	1,697
Other current assets	1,945	1,500
Accrued income and deferred charges	1,758	2,127
Available-for-sale financial assets	-	20,012
Other short-term investments	65,000	28,000
Cash and cash equivalents	56,315	44,309
Total assets	**132,721**	**101,922**
Equity attributable to equity holders	109,419	76,126
Share capital	73,010	63,189
Share premium account	126,409	88,851
Share-based payments	4,696	3,489
Fair value reserves	-	12
Retained loss	(94,696)	(79,415)
Non-current liabilities	1,295	-
Borrowings	1,295	-
Current liabilities	22,007	25,796
Borrowings	320	3
Trade payables	6,383	7,200
Other current liabilities	2,982	2,647
Deferred income	12,322	15,946
Total liabilities	23,302	25,796
Total equity and liabilities	**132,721**	**101,922**

The notes on pages 9 to 16 are an integral part of these condensed consolidated financial statements.

3.2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30 June	
(€ '000)	**2010**	**2009**
Revenue:		
Research and development	8,769	11,218
Grants	1,324	732
Total revenue	**10,093**	**11,950**
Research & development expense	(21,355)	(20,031)
General & administrative expense	(4,562)	(4,159)
Total operating expenses	**(25,917)**	**(24,190)**
Other operating income/(expense)	-	-
Operating result	**(15,824)**	**(12,240)**
Finance income (net)	**541**	**1,778**
Loss before taxes	**(15,283)**	**(10,462)**
Income taxes	-	**-**
Loss for the period	**(15,283)**	**(10,462)**
Other comprehensive loss :		
Fair value gains on available-for-sale financial assets, net of tax	(12)	25
Total comprehensive income for the period	**(15,295)**	**(10,437)**
Loss attributable to equity holders	(15,283)	(10,462)
Total comprehensive loss attributable to equity holders	(15,295)	(10,437)
Basic and diluted loss per share	(0.37)	(0.28)

The notes on pages 9 to 16 are an integral part of these condensed consolidated financial statements.

3.3 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(€'000)	Share capital	Share premium	Share based payments	Retained loss	Fair Value Reserve	Total Equity
Balance at 30 June 2009	**63,143**	**88,851**	**2,521**	**(69,882)**	**(74)**	**84,559**
Loss of the period				**(9,533)**		
Other comprehensive income						
Available-for-sale financial assets					86	
Total Comprehensive Income				**(9,533)**	**86**	
Warrant plans						
Share-based Payments			986			
Transactions with owners						
Exercise of warrants	46		(17)			
Balance at 31 December 2009	**63,189**	**88,851**	**3,490**	**(79,415)**	**12**	**76,127**
Loss of the period				**(15,282)**		
Other comprehensive income						
Available-for-sale financial assets						
Total Comprehensive Income					**(12)**	
Warrant plans					**(12)**	
Share-based Payments			1,303			
Transactions with owners						
Capital increase	12,459	37,541				
Issuance costs	(2,818)					
Exercise of warrants	179	17	(96)			
Balance at 30 June 2010	**73,009**	**126,409**	**4,697**	**(94,697)**	**-**	**109,418**

The notes on pages 9 to 16 are an integral part of these condensed consolidated financial statements.

3.4 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Period ended 30 June	
(€'000)	**2010**	**2009**
Cash flows from operating activities		
Loss before income tax	(15,283)	(10,462)
Adjustments for:		
Amortization	159	94
Depreciation	1,175	1,211
(Profit)/loss on disposal of property, plant and equipment	-	-
Share-based payment expense	1,303	629
Finance income – net	(621)	(1,761)
Net movement in trade and other receivables	119	2,439
Net movement in trade and other payables	(4,106)	(5,536)
Cash used in operations	**(17,254)**	**(13,386)**
Interest paid	(1)	(2)
Interest received	622	1,763
Income tax paid	-	-
Net cash used in operating activities	**(16,633)**	**(11,625)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,383)	(682)
Proceeds from sale of property, plant and equipment	-	-
Purchases of intangible assets	(232)	-
Purchases of available-for-sale financial assets	-	-
Purchases of short-term investments	(37,000)	-
Sale of available-for-sale financial assets	20,000	-
Sale of short term investments	-	17,500
Net cash used in investing activities	**(18,615)**	**16,818**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	47,181	-
Proceeds from exercise of warrants	102	498
Repayments of borrowings	(29)	(30)
Net cash generated from financing activities	**47,254**	**468**
Net (decrease)/increase in cash and cash equivalents	**12,006**	**5,661**
Cash and cash equivalents at beginning of the period	*44,309*	*48,133*
Cash and cash equivalents at end of the period	**56,315**	**53,794**

The notes on pages 9 to 16 are an integral part of these condensed consolidated financial statements.

3.5 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.5.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2009. The condensed consolidated financial statements are presented in thousands of Euro (unless stated otherwise). The condensed consolidated financial statements have been approved for issue by the Board of Directors on 25 August 2010.

The condensed consolidated interim financial information has been reviewed, but not audited, by an independent auditor.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2009.

New standards or interpretations applicable from 1 January 2010 do not have any impact on the condensed interim financial statements.

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

3.5.2 SHARE-BASED PAYMENTS

Warrants	2009	2010
Number of warrants granted	170,000	156,450
Number of warrants not vested at 30/06/10	170,000	156,450
Exercise price (in Euro)*	8.19	7.59
Expected dividend yield	0	0
Expected stock price volatility	60%	50%
Risk-free interest rate	3.10%	2.75%
Expected duration	5	5
Fair value (in Euro)	5.07	3.23

Warrants	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**	**2007**	**2007**	**2008**	**2009**	**2009**	**2009**	**2009**	**2010**	**Total number**	**Average exercise price (in €)**
At 31 December 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**
Granted	-	-	-	-	-	-	-	-	-	-	-	-	170,000	156,450	326,450	**7.90**
Forfeited	-	-	-	-	1	9,812	2,188	-	12,919	-	-	4,200	-	-	29,120	**-**
Exercised	-	-	314	5,812	54,684	29,872	-	-	-	-	-	-	-	-	90,682	**1.13**
Expired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
At 30 June 2010																
Outstanding	-	35,000	254,000	91,500	1,651,252	69,814	402,759	10,713	350,415	135,000	182,500	201,200	170,000	156,450	3,710,603	**2.72**
Non-vested	-	-	-	-	34,689	10,813	97,500	-	185,087	135,000	182,500	201,200	170,000	156,450	1,173,239	**5.75**
Exercisable	-	35,000	254,000	91,500	1,616,563	59,001	305,259	10,713	165,328	-	-	-	-	-	2,537,364	**1.32**

Warrants issued in October 2009 and granted in January 2010 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.

Warrants issued in April 2010 for employees and members of the Executive Committee

During the General Shareholders meeting of 29 April 2010, abovementioned warrant plan was approved. The General Shareholders meeting was allowed to issue a total number of 500,000 warrants to members of the Executive Committee and consultants.

Each warrant gives the beneficiaries the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the average closing rate of the share over a period of 30 days before the date of the grant (€7.59 per warrant). The warrants vest ratably over 4 years: 25% of the warrants vest after one year; after that date the remaining 75% become vested on a monthly basis (2.083% per month).

The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants have been granted (thus starting as from the 1st of January 2014 until 15 April 2015). In case of a normal termination of the employee contract or the consulting agreement, all the vested warrants need to be exercised during the current or next exercise period. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed on the moment of termination of the agreement. The duration of the warrants is five years as of the issue date of the warrants. Any warrants that have not been exercised within 5 years of their creation become null and void.

3.5.3 RESEARCH AND DEVELOPMENT EXPENSES

	Period ended 30 June	
(€'000)	**2010**	**2009**
Consumables	2,146	2,635
Outsourcing	9,067	7,843
Patent costs	728	1,088
Personnel costs	6,455	5,684
Sharebased payments	287	165
Other operating expenses	1,569	1,435
Subtotal	**20,252**	**18,850**
Depreciation and amortization	1,103	1,181
Total research and development expenses	**21,355**	**20,031**

3.5.4 GENERAL AND ADMINISTRATIVE EXPENSES

	Period ended 30 June	
(€'000)	**2010**	**2009**
Personnel costs	1,317	1,180
Share-based payments	1,016	465
Executive Committee compensation	815	899
Consultancy	575	834
Other operating expenses	653	657
Subtotal	**4,376**	**4,035**
Depreciation and amortization	186	124
Total general and administrative expenses	**4,562**	**4,159**

3.5.5 RELATED-PARTY TRANSACTIONS

a. Remuneration of key management personnel

	As at 30 June	
	2010	**2009**
Number of management members	5	5
(€'000)	**2010**	**2009**
Short term employee benefits (salaries, social security bonuses, lunch vouchers)	471	496
Post employee benefits (group insurance)	62	57
Share-based compensation	907	258
Other employee costs	151	152
Management fees	162	162
Total	**1,753**	**1,125**
Number of warrants granted (in units)	207,500	70,000
Cumulative outstanding warrants (in units)	2,730,000	2,332,500
Exercised warrants (in units)	-	-
Outstanding payables	29	29
Shares owned (in units)	11,805	2,605

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

b. Transactions with non-executive directors

	As at 30 June	
(€'000)	**2010**	**2009**
Other employment costs	6	-
Management fees	33	33
Total benefits	**39**	**33**
Cumulative outstanding warrants (in units)	10,713	10,713
Warrants excercised	-	-
Shares owned	5,946,487	5,947,287

3.5.6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Ablynx amended its initial accounting estimate for the initial recognition of the €10 million upfront fee received as part of the Merck Serono joint discovery and development agreement entered into on 3 September 2008, on a straight-line basis, re-considering the 27-month period during which the Company estimated its hands-on involvement in discovery. Based on a decision jointly taken with Merck Serono at the end of March 2010, Ablynx will be involved longer in the project than originally anticipated. The effect of this has been recognized prospectively and therefore the remaining deferred revenue of €3.0 million will be spread over a 21-month period starting as from end of March 2010.

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

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

3.5.7 EFFECTS OF ECONOMIC TURBULENCE AND MARKET CONDITIONS

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

3.5.8 COMMITMENTS

On 2 June 2010, Ablynx and reMYND have reached a settlement concerning a dispute relating to a collaboration agreement to discover and commercialize new Nanobodies which Ablynx and reMYND entered into in 2003. reMYND could receive up to €2 million in payments based on successful achievements of milestones in Ablynx’s Alzheimer collaboration with Boehringer Ingelheim as well as 1% royalty on sales of any products potentially arising from this collaboration. A first payment of €650,000 has been made as per 30 June 2010.

At the end of June, the Company moved to new R&D facilities located on the Technologiepark in Zwijnaarde, near Ghent. Ablynx has signed contracts with Bio-Versneller NV who provided the Company with 8,000 m^2 of laboratory and office facilities as from June 2010 with an initial term of 8 years which can be extended. The monthly fee includes several services provided by Bio-Versneller NV. The contract also includes additional capital expenditures for an amount of €1.6 million. These capital expenditures qualify as a financial lease under IFRS as at 30 June 2010. In order to secure this contract, a bank guarantee of €1,3 million has been given to Bio-Versneller NV as well as a pledge of €1.6 million, covering the additional expenditures of €1.6 million. This pledge is systematically reduced over the 5 year pay-back period.

3.5.9 EVENTS AFTER THE BALANCE SHEET DATE

5 July 2010 – Ablynx has been awarded a grant worth €1.1 million by the Flemish agency for Innovation by Science and Technology (IWT) and a second grant worth €0.4 million from the Portuguese government, as part of a consortium.

12 July 2010 – Novartis has obtained licenses to further develop and commercialise Nanobodies against two complex targets. This has triggered a total of €1 million in upfront fees and license payments to Ablynx.

23 July 2010 – An additional 1,780 common shares have been issued by the Company in exchange for €3,609.60 as the result of the exercise of warrants by some employees and consultants of the Company. As a result of this transaction, Ablynx now has 43,603,577 shares outstanding.

27 July 2010 - Ablynx announced that its Chief Scientific Officer, Debbie Law, has resigned from her position at Ablynx, effective 31 August, as she will be returning to the USA with her family for personal reasons.

4. AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2010

We have reviewed the condensed consolidated balance sheet of Ablynx NV and its subsidiary, as of 30 June 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended, as well as the explanatory notes, and set forth on pages 5 to 16. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated financial information based on our review.

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

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

25 August 2010

The statutory auditor
PricewaterhouseCoopers Bedrijfsrevisoren bcvba
Represented by

Raf Vander Stichele
Bedrijfsrevisor