2016 HALF YEAR MANAGEMENT REPORT

25 August 2016

1. REPORT OF THE BOARD OF DIRECTORS

Total revenues and grant income in the first six months of 2016 increased by 39% to €53.5 million as compared to €38.4 million in the first six months of 2015. The operating loss for the period amounted to €2.0 million as compared to €7.4 million in 2015. The net financial result came in at €24.9 million as compared to -€7.7 million in 2015. As a result, the Company ended the period with a profit of €22.8 as compared to a loss of €15.2 million in 2015.

The Company ended the first six months of 2016 with €288.7 million in cash, cash equivalents, restricted cash and short-term investments, strengthened by a successful private placement of new shares announced and completed on 1 June 2016, which raised €71.4 million in net proceeds. The capital was raised through an oversubscribed private placement of new shares via an accelerated book building procedure where a total of 5,533,720 new shares were placed with domestic and international institutional investors at a price of €13.40 per share, i.e. a 6.29% discount to the same day's closing price. The new shares represented 10% of the outstanding shares (pre-transaction) and brought the total number of shares in issue (post-transaction) to 60,870,926.

At present, there are more than 45 programmes in the R&D pipeline of which eight are in clinical development. The Company has ongoing collaborations with nine pharmaceutical companies across multiple disease indications and development stages which, cumulatively to date, have generated more than €380 million in non-dilutive cash and which have the potential to generate more than €7 billion in future milestone payments alone, in addition to royalties.

OPERATIONAL REVIEW FOR THE PERIOD 1 JANUARY 2016 TO 30 JUNE 2016

The six-month period ending 30 June 2016 was a period of significant progress across the Company's product pipeline:

Caplacizumab (anti-vWF) (wholly-owned)	• Publication in *The New England Journal of Medicine* of the Phase II TITAN study results in patients with acquired TTP (11 February 2016) • Presentation at the European Hematology Association Congress (EHA) in May of a post-hoc analysis of the TITAN data which showed that a significantly lower proportion of subjects treated with caplacizumab experienced one or more major thromboembolic events, or died, as compared to placebo (11.4% versus 43.2%) • Good progress in the recruitment of patients with acquired TTP in the Phase III HERCULES study with target enrolment now increased to 132 patients (from 92 initially planned) and topline results still expected before the end of 2017 • On track to file in Q1 2017 for conditional approval of caplacizumab in Europe
Vobarilizumab (anti-IL-6R) (exclusive option licensing deal with AbbVie)	• Completed recruitment of 251 patients with moderate to severe RA in Phase IIb study of vobarilizumab as a monotherapy • Completed recruitment of 345 patients with moderate to severe RA in Phase IIb study of vobarilizumab as a RA combination therapy with methotrexate • 94% of eligible patients from the two Phase IIb RA studies rolled-over into the open-label extension study of vobarilizumab with results expected in 2018

	• Recruitment of the target 300 patients in the Phase II SLE study of vobarilizumab further advanced and the Company is on track to communicate topline results in 2018
ALX-0171 (anti-RSV) (wholly-owned)	• Successfully completed a Phase I/IIa study in 53 infants, aged 1-24 months, hospitalised with an RSV infection which showed that inhaled ALX-0171 was well-tolerated with no serious adverse events related to ALX-0171 reported. In addition, inhaled ALX-0171 had an immediate and significant impact on viral replication and an encouraging initial indication of therapeutic effect was observed. These results also support the general proof-of-concept for the administration of Nanobodies® by inhalation • Preparations progressed to initiate the Phase II dose-ranging efficacy study in approximately 180 hospitalised infants with an RSV infection, aged 1-24 months, in Q4 2016
BI 836880 (anti-VEGF/Ang2) (Boehringer Ingelheim)	• Boehringer Ingelheim initiated a Phase I study with the bi-specific anti-VEGF/Ang2 Nanobody in patients with solid tumours, triggering a €8 million milestone payment to Ablynx
BI 655088 (anti-CX3CR1) (Boehringer Ingelheim)	• Boehringer Ingelheim initiated a Phase I study in healthy volunteers with a Nanobody against the GPCR, CX3CR1, triggering a €8 million milestone payment to Ablynx
Anti-CXCR2 (Novartis)	• Novartis received clearance from the FDA to start a Phase I study in healthy volunteers with a Nanobody targeting the GPCR, CXCR2, triggering an undisclosed milestone payment to Ablynx
Multiple programmes	• Initiated >10 pre-clinical programmes with now more than 40 programmes in the product pipeline, both wholly-owned and with pharmaceutical partners

In addition to the substantial progress made in the R&D pipeline, the Company further strengthened its balance sheet through the successful oversubscribed private placement of new shares, which raised €71.4 million in net proceeds, which will be used to:

- Fund optimal clinical development and commercialisation of the Company's most advanced assets:
  - potentially expand indications for caplacizumab and ALX-0171;
  - allow increased strategic and financial flexibility in the further development of vobarilizumab;
- Initiate, continue to advance, and/or accelerate the pre-clinical and clinical development of the other wholly- and co-owned programmes to further expand the Company's diverse portfolio;
- Explore the acquisition of complementary assets;
- Continue to build momentum for the Nanobody platform in therapeutic areas which involve novel delivery routes and multi-functional approaches such as T-cell engagers;
- Further develop the Company's manufacturing capabilities, and;
- Fund general corporate purposes.

IMPORTANT EVENTS AFTER 30 JUNE 2016

On 7 July 2016, Ablynx announced compelling topline results from the 12 week Phase IIb study of its anti-IL-6R Nanobody, vobarilizumab, partnered with AbbVie, as a monotherapy in patients with moderate to severe RA. The topline results demonstrated that vobarilizumab was very effective and resulted in ACR20, ACR50 and ACR70 scores of up to 81%, 49% and 24% respectively at week 12. Importantly, vobarilizumab induced clinical remission (based on $DAS28_{CRP}$[1]) in up to 41% of patients as compared to 27% for tocilizumab-treated patients, and it had a favourable safety profile at all administered doses.

[1] Remission: $DAS28_{CRP}<2.6$

On 9 August 2016, Ablynx announced compelling results from the 24 week Phase IIb study of vobarilizumab administered as a combination therapy with methotrexate (MTX) in patients with moderate to severe RA. ACR20, ACR50 and ACR70 scores were 79%, 59% and 43% respectively at week 24, and vobarilizumab had a rapid and strong impact on disease activity with up to 49% of vobarilizumab-treated patients achieving clinical remission at week 24 (based on $DAS28_{CRP}$[1]). Whilst the primary endpoint of a statistically significant difference in the number of patients who achieved an ACR20 at week 12 with vobaralizumab plus methotrexate compared to placebo plus methotrexate was not achieved due to an unusually high placebo response, this has no impact on the future development potential for vobarilizumab since its impressive effect on clinically relevant efficacy endpoints, such as ACR70 and DAS28 remission, confirm its potential to be a best-in-class drug candidate in RA. (The recently updated European Medicine Agency (EMA) guideline on clinical investigation of products for the treatment of RA indicates that EULAR remission/low disease activity (i.e. DAS28) scores should be the primary endpoint[2]). Importantly, the results also confirmed the favourable safety profile of vobarilizumab in a larger patient population and the potential for convenient monthly administration.

ANALYSIS OF THE INCOME STATEMENT

During the first six months of 2016, total revenue and grant income increased by 39% to €53.5 million (2015: €38.4 million), mainly driven by milestone payments received from Boehringer Ingelheim and increased recognised income from the upfront payments received from Merck & Co., Inc. and Novo Nordisk.

Research and development expenses increased by 22% to €49.0 million (2015: €40.3 million), mainly attributable to investment in personnel and external development costs, and largely reflects higher clinical trials expenditure associated with the Company's maturing product pipeline. General and administrative expenses were up 16% to €6.5 million (2015: €5.6 million), mainly related to personnel related costs and share based compensations.

As a result of the above, the operating loss was €2.0 million in the first half of 2016 (2015: €7.4 million).

The net financial result of €24.9 million primarily relates to the (mainly non-cash) fair value impact of the convertible bond (in line with a lower share price on 30 June 2016 as compared to 31 December 2015).

As a result of the above, the Company ended the first six months of 2016 with a profit of €22.8 million (2015: loss of €15.2 million).

ANALYSIS OF THE BALANCE SHEET

The Company's non-current assets of €20.4 million are €1.3 million higher than at 31 December 2015, mainly related to increased investments in equipment for its research facilities.

The Company's current assets increased from €246.1 million at 31 December 2015 to €294.8 million at 30 June 2016, mainly driven by the private placement of new shares, which raised €71.4 million in net proceeds. The Company's current assets mainly consist of cash and cash equivalents and other short-term financial investments. Cash and cash equivalents consist of cash, restricted cash and deposits held on call with several banks. The Company also places cash in term accounts with maturities limited to a maximum of one year.

The Company's equity increased from €27.9 million at 31 December 2015 to €125.5 million at 30 June 2016, mainly as a result of the capital increase through the private placement of new shares which was announced and completed on 1 June 2016, and the net profit of €22.8 million.

Non-current liabilities of €108.6 million relate to the senior unsecured bonds due on 27 May 2020 with a principal value of €100 million.

[2] European Medicines Agency (EMA) – Guideline on clinical investigation of medicinal products other than NSAIDs for treatment of RA

Current liabilities, which mainly consist of trade payables and deferred income related to the upfront payments received from pharmaceutical partners, decreased from €102.5 million at 31 December 2015 to €81.2 million at 30 June 2016, mainly driven by the revenue recognition of upfront payments received from AbbVie and Merck & Co, Inc.

ANALYSIS OF THE CASH FLOW STATEMENT

Net cash outflow from operating activities was €17.2 million as compared to a net outflow of €36.5 million during the six months ending 30 June 2015. The difference primarily relates to a higher operating result for the current period.

Cash flow from investing activities represented a net inflow of €31.6 million as compared to a net outflow of €35.0 million during the first six months ending 30 June 2015. The net cash inflow primarily relates to the movements in short-term financial investments from deposits with a term greater than 1 month to deposits with a term of less than 1 month.

Cash flow from financing activities represented a net inflow of €71.9 million compared to a net inflow of €99.8 million during the first six months of 2015. The difference primarily relates to the lower net proceeds from the private placement of new shares in June 2016 as compared to the net proceeds from the issuance of the convertible bond in May 2015.

The Company ended the period with a total liquidity position of €288.7 million (2015: €268.4 million) which consists of cash and cash equivalents of €89.9 million, other short-term financial investments of €197.5 million and restricted cash of €1.3 million.

OUTLOOK FOR THE REMAINDER OF 2016

In Q3 2016, Ablynx expects to start the three year follow-up study with patients that completed the Phase III HERCULES study of its wholly-owned anti-vWF Nanobody, caplacizumab. In parallel, the Company will continue the preparations to file the dossier for conditional approval of caplacizumab in Europe in early 2017.

In Q4 2016, Ablynx plans to initiate a Phase II dose-ranging efficacy study of ALX-0171 in infants aged 1-24 months who have been hospitalised as a result of an RSV infection.

Following the successful completion of the two Phase IIb studies of vobarilizumab, partnered with AbbVie, in a total of 596 RA patients, the Company is on track to transfer the complete RA data package to AbbVie and to start the preparations to initiate a Phase III programme with vobarilizumab. AbbVie's decision on whether they will opt-in and license the programme in RA is expected before the end of the year, and if they do, Ablynx would be eligible to receive a US$75 million opt-in fee as well as regulatory and sales milestones plus tiered double-digit royalties. In the event AbbVie do not decide to opt-in, Ablynx is committed to initiating a Phase III programme itself while in parallel exploring new relationships which will allow the Company to develop this asset in RA.

Additionally, various pre-clinical milestones may be received by Ablynx in other partnered programmes.

The Company reiterates its net cash burn guidance for the full year 2016 which is expected to be in the range of €65-75 million, not including the potential licensing payment of US$75 million by AbbVie for opting-in and licensing vobarilizumab in RA.

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 financial statements for the six-month period ended 30 June 2016, which have been prepared in accordance with IAS 34 “Interim Financial reporting” as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company, and 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 financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors

Edwin Moses
CEO

Wim Ottevaere, on behalf of BVBA Woconsult
CFO

3. FINANCIAL STATEMENTS 30 JUNE 2016

3.1 CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30 June		
(€ '000)	**2016**	**2015**	
Revenue			
Research and development	53,116	38,012	(Note 3.5.2)
Grants	391	406	
Total revenue and grant income	**53,507**	**38,418**	
Research and development expenses	(49,015)	(40,271)	(Note 3.5.3)
General and administrative expenses	(6,507)	(5,583)	(Note 3.5.4)
Other operating expenses	(9)	(5)	
Total operating expenses	**(55,531)**	**(45,854)**	
Operating result	**(2,024)**	**(7,441)**	
Financial result (net)	**24,852**	**(7,746)**	
Finance income	28,387	1,101	
Finance income convertible bond	28,122		
Changes Fair Value Derivative	28,122		
Finance income other	265	1,101	
Finance cost	(3,535)	(8,847)	
Finance cost convertible bond	(3,492)	(8,807)	
Interest Amortisation	(3,492)	(628)	
Changes Fair Value Derivative		(7,630)	
Financing charges		(549)	
Finance cost other	(43)	(40)	
Profit/(loss) before taxes	**22,828**	**(15,187)**	
Profit/(loss) for the period	**22,828**	**(15,187)**	
Total comprehensive income/(loss) for the period	**22,828**	**(15,187)**	
Gain/(loss) attributable to equity holders	22,828	(15,187)	
Total comprehensive gain/(loss) attributable to equity holders	22,828	(15,187)	
Basic gain/(loss) per share	0.41	(0.28)	
Diluted gain/(loss) per share	0.40	(0.28)	

3.2 CONDENSED BALANCE SHEET

(€'000)	As at 30 June 2016	As at 31 December 2015
Non-current assets	**20,440**	**19,124**
Intangible fixed assets	310	339
Property, plant and equipment	3,945	2,620
Restricted cash	1,308	1,648
Tax receivables	14,877	14,517
Current assets	**294,830**	**246,148**
Trade receivables	1,195	6,782
Other current assets	1,229	1,976
Tax receivables	2,083	1,766
Accrued income and deferred charges	2,896	1,030
Other short-term financial investments	197,548	230,992
Cash and cash equivalents	89,879	3,602
Total assets	**315,270**	**265,272**
Equity attributable to equity holders	**125,530**	**27,909**
Share capital	105,884	96,287
Share premium account	252,182	187,316
Share-based compensation reserve	6,940	6,610
Retained earnings	(239,476)	(262,304)
Non-current liabilities	**108,573**	**134,828**
Borrowings host debt	82,549	80,682
Borrowings embedded derivative	26,024	54,146
Current liabilities	**81,167**	**102,535**
Trade payables	19,529	11,656
Other current liabilities	5,426	4,756
Deferred income	56,212	86,123
Total liabilities	**189,740**	**237,363**
Total equity and liabilities	**315,270**	**265,272**

3.3 CONDENSED CASH FLOW STATEMENT

(€'000)	Period ended 30 June 2016	2015
Cash flows from operating activities		
Profit/(loss) before income tax	22,828	(15,187)
Adjustments for:		
Amortisation	99	102
Depreciation	786	543
Share-based compensation expense	1,308	832
Net financial income	(223)	(1,061)
Net (gain)/loss arising on convertible bond designated as at fair value through P&L	(28,122)	7,630
Finance expense recognised in respect of the convertible bond	3,492	874
Net movement in trade and other receivables	3,796	(6,940)
Net movement in trade and other payables	(21,377)	(24,314)
Cash used in/provided by operations	**(17,413)**	**(37,521)**
Interest paid	(43)	(40)
Interest received	266	1,101
Net cash (used in)/provided by operating activities	**(17,190)**	**(36,460)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,112)	(1,041)
Purchases of intangible assets	(69)	(58)
Purchase of short-term financial investments	(45,053)	(33,906)
Sale of short-term financial investments	78,840	
Net cash (used in)/provided by investing activities	**31,606**	**(35,005)**
Cash flows from financing activities		
Net proceeds from issuance of ordinary shares	71,442	
Net proceeds from exercise of warrants	2,044	2,725
Net proceeds from issue of convertible bond		97,185
Interest paid Convertible Bond	(1,625)	
Repayments of borrowings		(141)
Net cash generated from financing activities	**71,861**	**99,769**
Net (decrease)/increase in cash and cash equivalents	**56,277**	**28,304**
Cash and cash equivalents at beginning of the period	3,601	11,661
Cash and cash equivalents at end of the period	**89,878**	**39,965**

3.4 CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(€'000)	Share capital	Share premium	Share- based compensations	Retained loss	Total equity
Balance at 31 December 2014	**91,975**	**183,645**	**7,615**	**(207,761)**	**75,474**
Loss of the period				(15,187)	
Other comprehensive income					
Available-for-sale financial assets					
Total comprehensive Income					
Warrant plans					
Share-based compensations			828	4	
Transactions with owners					
Capital increase					
Issuance costs					
Exercise of warrants	2,149	1,990	(1,413)		
Balance at 30 June 2015	**94,124**	**185,635**	**7,030**	**(222,944)**	**63,845**
Balance at 31 December 2015	**96,286**	**187,316**	**6,611**	**(262,304)**	**27,909**
Profit/(loss) of the period				22,828	
Other comprehensive income					
Available-for-sale financial assets					
Total comprehensive income					
Warrant plans					
Share-based compensations			1,307		
Transactions with owners					
Capital increase	10,348	63,804			
Issuance costs	(2,710)				
Exercise of warrants	1,959	1,063	(978)		
Balance at 30 June 2016	**105,883**	**252,183**	**6,940**	**(239,476)**	**125,530**

3.5 NOTES TO CONDENSED FINANCIAL STATEMENTS

3.5.1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 31 December 2015. The financial statements are presented in thousands of Euro (unless stated otherwise). The financial statements were approved for issue by the Board of Directors on 24 August 2016.

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

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2015.

3.5.2 REVENUE RECOGNITION

	Period ended 30 June	
(€'000)	**2016**	**2015**
Upfront payments	29,696	28,335
FTE funding	6,832	9,457
Milestone payments	16,400	0
License fees & other	188	220
Total	**53,116**	**38,012**

3.5.3 RESEARCH AND DEVELOPMENT EXPENSES

	Period ended 30 June	
(€'000)	**2016**	**2015**
Consumables	2,952	2,140
Outsourcing	32,031	26,101
Patent costs	936	1,059
Personnel costs	13,191	11,024
Share-based compensations	408	347
Other operating expenses	2,943	2,581
Retribution	(1,837)	(1,666)
R&D tax credit	(2,277)	(1,779)
Subtotal	**48,347**	**39,807**
Depreciation and amortisation	668	463
Total research and development expenses	**49,015**	**40,270**

3.5.4 GENERAL ADMINISTRATIVE EXPENSES

	Period ended 30 June	
(€'000)	**2016**	**2015**
Personnel costs	1,840	1,484
Share-based compensation	899	485
Executive Committee compensation	1,660	1,647
Consultancy	945	990
Other operating expenses	1,039	888
Retribution	(93)	(93)
Subtotal	**6,290**	**5,401**
Depreciation and amortisation	217	182
Total general and administrative expenses	**6,507**	**5,583**

3.5.5 RELATED-PARTY TRANSACTIONS

a. Remuneration of key management personnel

	Period ended 30 June	
	2016	**2015**
Number of management members	7	7

(€'000)		
Short-term employee benefits (salaries, social security bonuses, lunch vouchers)	1,180	1,149
Post-employment benefits (group insurance)	94	85
Share-based compensation	801	353
Other employee costs	77	60
Management fees	147	222
Retribution	(17)	(17)
Total	**2,282**	**1,852**

Number of warrants granted (in units)	215,844	293,311
Cumulative outstanding warrants (in units)	1,824,259	1,724,478
Exercised warrants (in units)	239,814[(1)]	168,750[(2)]
Shares owned (in units)	335,305	138,305

[(1)] The weighted average exercise price per share of the warrants exercised during the period was €3.99 and the weighted average price per share during that period was €12.85.

[(2)] The weighted average exercise price per share of the warrants exercised during the period was €6.58 and the weighted average price per share during that period was €9.93.

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

b. Transactions with non-executive directors

(€'000)	Period ended 30 June 2016	2015
Share-based compensation	9	25
Management fees	178	131
Total benefits	**187**	**156**

Cumulative outstanding warrants (in units)	69,368	74,595
Non-vested warrants	11,200	33,794
Shares owned (in units)	25,000	25,000

3.5.6 CONVERTIBLE BONDS

General information

On 20 May 2015, Ablynx completed the placement of €100 million senior unsecured convertible bonds due May 2020.

The bonds were placed through an accelerated book building procedure with qualified investors outside the United States, in accordance with Regulation S under the Securities Act.

The bonds will mature on 27 May 2020 (5 years), will be in dematerialised form in the denomination of €100,000 each, will be issued at par and will be redeemed at par at maturity.

The Bonds pay a coupon of 3.25% per annum, payable semi-annually in arrears on 27 November and 27 May of each year, beginning on 27 November 2015. The annual yield to maturity of the Bonds is 3.25%.

The convertible bonds are convertible in Ablynx ordinary shares at the option of the holder. In case of conversion, a cash alternative election (at the option of the issuer) is available including a number of restrictions. As the issuer has the cash alternative election, it has a choice over how the share conversion option will be settled (i.e. net in cash or by exchanging shares for cash). Therefore the share conversion option is a derivative at Fair Value Through Profit and Loss according to IAS 39 and not an equity instrument (cf. IAS 32.26).

The initial price for the conversion of the bonds into Ordinary Shares of the Issuer shall be €12.93, representing approximately a 26.5% premium above the reference price of €10.2219, being the VWAP of the Ordinary Shares on Euronext Brussels on 20 May 2015. At the initial conversion price, the Convertible Bonds will be convertible into 7,733,952 fully paid up Ordinary Shares of the Issuer.

More information is available in the Ablynx website under the investors section.

Fair value measurement

IFRS 7 requires disclosure of fair value measurements by level of the following hierarchy:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The characteristics of the convertible bond issued in May 2015 are such that, in accordance with "IAS 39, Financial Instruments: Recognition and Measurement", it is broken down into two components in the balance sheet: (1) the host contract or plain vanilla debt (i.e. without the conversion option), which is measured at amortised cost and (2) the embedded derivative, i.e. the conversion option, which is measured at fair value through profit or loss. The fair value of the

host contract is determined by discounting the contractual cash flows with the reference swap rate plus the appropriate credit spread and the transaction costs allocated to the host debt component. This fair value at inception is also the initial amortised cost of the plain vanilla debt. The fair value of the embedded derivative (i.e. the conversion option) is determined as the difference between the fair value of the total convertible debt and the fair value of the plain vanilla debt.

In accordance with "IFRS 13, Fair Value Measurement", Ablynx presents information on fair value measurement of financial assets and liabilities in its interim financial statements as follows:

(€'000)	Level 1	Level 2	Level 3	Total
Financial Liabilities Measured at Amortised Cost				
Convertible Bond - Host Debt		82,549		82,549
Financial Liabilities at Fair Value Through Profit or Loss				
Convertible Bond - Embedded derivative			26,024	26,024
Total liabilities		**82,549**	**26,024**	**108,573**

The level-3 input with the most significant effect on the fair value calculation of the embedded derivative of the convertible bond is the applied credit spread of Ablynx. The potential effect of using reasonable assumptions to the most significant level 3 inputs is as follows:

Assumptions at 30 June 2016

			Impact on Fair Value of the Convertible Bond (€'000)
Sensitivity analysis			
Credit spread			
	+200 bps	900 bps	(3,631)
	-200 bps	500 bps	4,141
Share price			
	+1 €	12.72 €	5,246
	-1 €	10.72 €	(4,960)

An increase (decrease) in fair value of the convertible bond will result in a loss (profit). An increase of the credit spread with 200bps would have a positive P&L impact of €3.6 million, an increase of the share price with 1€ would have a negative P&L impact of €5.2 million. There will be no impact in other comprehensive income.

Additional information with regard to fair value of the financial instruments

The table below lists the different classes of financial assets and liabilities with their carrying amounts in the balance sheet and their respective fair value and analysed by their measurement category in accordance with "IAS 39, Financial Instruments".

Cash and cash equivalents, short-term deposits, trade and other receivables, loans and receivables primarily have short terms to maturity; hence, their carrying amounts at the reporting date approximate the fair values. Trade and other payables also generally have short times to maturity and, hence, their carrying amounts also approximate their fair values.

The following categories and abbreviations are used in the table below:

Abbreviation	Category in accordance with IAS 39
FLMaAC	Financial Liabilities Measured at Amortised Cost
FLFVTPL	Financial Liabilities at Fair Value Through Profit or Loss
FVTPL	Fair Value Through Profit or Loss

(€'000)		Carrying amount	Amounts recognised in balance sheet		Fair value
			Amortised cost	FVTPL	
At 30 June 2016					
Financial liabilities					
Convertible Bond					
Host Debt	FLMaAC	82,549	82,549		82,549
Embedded derivative	FLFVTPL	26,024		26,024	26,024
Trade payables	FLMaAC	20,010	20,010		20,010
Other current liabilities	FLMaAC	4,945	4,945		4,945
Aggregated by category in accordance with IAS 39					
Financial liabilities measured at amortised cost*	FLMaAC	107,504	107,504		107,504
Financial liabilities at fair value through profit or loss	FLFVTPL	26,024		26,024	26,024

* Interest rate: 6.78%

At 31 December 2015					
Financial liabilities					
Convertible Bond					
Host Debt	FLMaAC	80,682	80,682		84,798
Embedded derivative	FLFVTPL	54,146		54,146	54,146
Trade payables	FLMaAC	11,664	11,664		11,664
Other current liabilities	FLMaAC	4,756	4,756		4,756
Aggregated by category in accordance with IAS 39					
Financial liabilities measured at amortised cost	FLMaAC	97,102	97,102		97,102
Financial liabilities at fair value through profit or loss	FLFVTPL	54,146		54,146	54,146

Overview mutations of level 3 financial instruments measured at fair value in the balance sheet

At the balance sheet date, the quotation of the convertible bond on Bloomberg was deemed reliable as a fair value measurement. The decrease in fair value of the embedded derivative amounted to a gain of €28.1 million in the condensed income statement reported as:

Derivative liability w.r.t. the conversion option (€'000)	
At 31 December 2015	54,146
Gain/(loss) in fair value	(28,122)
At 30 June 2016	26,024

3.5.7 SHARE-BASED COMPENSATIONS

Warrants	**2014**	**2015**	**30 June 2016**
Number of warrants granted	327,224	675,801	419,479
Number of warrants not vested at 30/06/2016	130,126	537,426	419,479
Exercise price (in €)	8.81	10.21	12.06
Expected dividend yield			
Expected stock price volatility	40.9%	40.8%	42.6%
Risk-free interest rate	0.91%-1.50%	0.22%-0.57%	0.20%
Expected duration (years)	5-7	7	7
Fair value (in €) at grant date	3.06-3.80	3.71-5.2	4.92

Warrants	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**30 June '16**	**Total number**	**Average Exercise price (€)**
At 31 December 2014										
Outstanding	171,064	229,459	329,381	667,923	629,939	377,224			**2,404,990**	**6.44**
Non-vested		0	21,800	162,775	373,763	359,168			**917,524**	**6.89**
Exercisable	171,064	229,459	307,581	505,148	256,176	18,056			**1,487,466**	**6.16**
Granted							525,801		**525,801**	**10.31**
Forfeited				1,660	49,857	16,052			**67,569**	**7.16**
Exercised	153,614	193,627	207,307						**554,548**	**7.95**
Expired		82	882						**964**	**8.59**
At 31 December 2015										
Outstanding	17,450	35,750	121,192	666,263	580,082	361,172	525,801		**2,307,710**	**6.89**
Non-vested				1,191	95,377	137,070	537,426	419,479	**1,190,543**	**10.43**
Exercisable	17,450	35,750	121,192	665,072	484,705	224,102			**1,548,271**	**5.65**
Granted							150,000	419,479	**569,479**	**11.69**
Forfeited				252	22,168	11,036			**33,456**	**7.42**
Exercised	17,400	10,500	39,550	456,882					**524,332**	**3.89**
Expired										
At 30 June 2016										
Outstanding	50	25,250	81,642	209,129	557,914	350,136	675,801	419,479	**2,319,401**	**7.86**
Non-vested				1,191	95,377	137,070	537,426	419,479	**1,190,543**	**8.34**
Exercisable	50	25,250	81,642	207,938	462,537	213,066	138,375		**1,128,858**	**5.30**

Warrants issued in February 2016 for employees and members of the Executive Committee

During the Board Meeting of 24 February 2016 the issuance of a maximum number of 590,000 warrants was approved and 556,365 warrants have subsequently been granted of which 419,479 have been accepted on 20 May 2016 and on 19 July 2016 (189,635 warrants at €12.02/warrant, 14,000 warrants at €13.31/warrant for employees and 215,844 warrants at €12.02/warrant for consultants).
Each warrant gives the beneficiary the right to subscribe to one share of the Company (equity-settled). The warrants are granted for free and have an exercise price equal to the highest of the following two values (i) the average closing rate of the share on Euronext Brussels during the period of thirty days preceding the Date of the Decision , as mentioned in a letter sent to the selected participants subsequently to the Date of the Decision, and (ii) the lowest of the flowing two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate preceding the Date of the Offer. The warrants vest over 3 years: 28% of the warrants vest after one year; after that date the remaining 72% become vested on a quarterly basis (9% per quarter).

The duration of the warrants is 7 years as of the issue date of the warrants. The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants were granted (thus starting as from the 1st of January 2020 until 15 January 2023). In the case of a normal termination of the employee contract or the consulting agreement, all the vested warrants need to be exercised during the first fifteen days of the quarter in which the End of the Employment Agreement, the Consultancy Agreement or the Director's appointment as the case may be falls, even if such Exercise Period precedes the beginning of the fourth calendar year following the calendar year in which the Date of the Offer lies. The tax consequences of such exercise will exclusively be borne by the relevant Warrant holder. Vested warrants which have not been exercised in the foreseen period cannot be transferred to future exercise periods and become lapsed. All non-vested warrants become lapsed at the moment of termination of the agreement. Warrants that have not been exercised within 7 years of their creation become null and void.

3.5.8 EFFECTS OF ECONOMIC TURBULENCE AND MARKET CONDITIONS

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

3.5.9 COMMITMENTS

No changes compared to the situation already disclosed in the annual report 2015 have been noted.

4. LIMITED REVIEW REPORT

LIMITED REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the interim condensed financial information. This interim condensed financial information comprises the condensed balance sheet as at 30 June 2016, the condensed statement of comprehensive income, the condensed statement of changes in shareholders' equity and the condensed cash flow statement for the period of six months then ended, as well as selective notes 3.5.1 to 3.5.9.

Report on the interim condensed financial information
We have reviewed the interim condensed financial information of Ablynx NV ("the company"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The condensed balance sheet shows total assets of 315,270 (000) EUR and the condensed statement of comprehensive income shows a profit for the period then ended of 22,828 (000) EUR.
The board of directors of the company is responsible for the preparation and fair presentation of the interim financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review
We conducted our review of the interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial information.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information of Ablynx NV has not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 24 August 2016

The statutory auditor

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

FINANCIAL CALENDAR 2016-2017

23 November 2016 – Q3 results 2016
23 February 2017 – full year results 2016
27 April 2017 – annual general meeting
11 May 2017 – Q1 results 2017
24 August 2017 – half year results 2017
16 November 2017 – Q3 results 2017

GLOSSARY OF TERMS

ACR	American College of Rheumatology RA disease activity score that measures improvement in tender and swollen joint counts and improvement in three of five other disease-activity measures; ACR20 measures % of patients with 20% improvement; ACR50 measures % of patients with 50% improvement and ACR70 measures % of patients with 70% improvement
Cash burn	Net cash (used in)/provided by operating activities deducted by purchases of property, plant, equipment, and purchases of intangible assets
$DAS28_{CRP}$	RA disease activity score based on C-reactive protein (CRP), tender and swollen joint counts of 28 defined joints and patient's global assessment of disease activity; a score of >5.1 is associated with high disease activity, 5.1 to 3.2 moderate disease activity, 3.2 to 2.6 low disease activity, and <2.6 is associated with remission
GPCR	G-Protein Coupled Receptor
IL-6R	Receptor of Interleukin-6
RA	Rheumatoid Arthritis
RSV	Respiratory Syncytial Virus
SLE	Systemic Lupus Erythematosus
TTP	Thrombotic Thrombocytopenic Purpura
vWF	von Willebrand Factor

ABOUT ABLYNX

Ablynx is a biopharmaceutical company engaged in the development of Nanobodies®, proprietary therapeutic proteins based on single-domain antibody fragments, which combine the advantages of conventional antibody drugs with some of the features of small-molecule drugs. Ablynx is dedicated to creating new medicines which will make a real difference to society. Today, the Company has more than 45 proprietary and partnered programmes in development in various therapeutic areas including inflammation, haematology, immuno-oncology, oncology and respiratory disease. The Company has collaborations with multiple pharmaceutical companies including AbbVie, Boehringer Ingelheim, Eddingpharm, Genzyme, Merck & Co., Inc., Merck KGaA, Novartis, Novo Nordisk and Taisho Pharmaceuticals. The Company is headquartered in Ghent, Belgium. More information can be found on www.ablynx.com.

DISCLAIMER

Certain statements, beliefs and opinions in this half year management report are forward-looking, which reflect the Company or, as appropriate, the Company directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, can cause actual events, performance or results to differ significantly from any anticipated development. Forward looking statements contained

in this half year management report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, the Company expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements in this half year management report as a result of any change in expectations or any change in events, conditions, assumptions or circumstances on which these forward-looking statements are based. Neither the Company nor its advisers or representatives nor any of its parent or subsidiary undertakings or any such person's officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this half year management report or the actual occurrence of the forecasted developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of this half year management report.