Ablynx NV
Limited Liability Company ("Naamloze Vennootschap")
Registered offices: Technologiepark 21, 9052 Zwijnaarde
Company number: 0475.295.446

(the "Company")

Annual report of the Board of Directors

in respect of the accounting year ending

31 December 2016 to

the Annual General Meeting of

Shareholders to be held on 27 April 2017

Dear Shareholders,

We are pleased to present the financial statements for the fiscal year ended 31 December 2016 which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

1. Strategic highlights

In 2016, total revenues increased by 10% to €85.2 million (2015: €77.5 million).

Total research and development costs increased to €100.3 million (2015: €83.1 million) in line with growth in external development costs, which are largely related to clinical trials expenditure for caplacizumab, vobarilizumab and ALX-0171. General and administrative costs increased to €13.5 million (2015: €11.4 million). The operating loss increased to €28.6 million (2015: €17.0 million). The net financial gain for the period was €27.5 million (2015: net financial loss of €37.6 million).

The net cash burn[1] in 2016 (excluding the net proceeds of €71.4 million from the private placement, announced on 1 June 2016) was €72.2 million (2015: €67.2 million). The Company ended the year with €235.4 million in cash[2], cash equivalents, restricted cash and other short-term investments.

R&D update

At the end of 2016 there were 8 Nanobodies in clinical development both internally and as part of collaborations.

In January, Ablynx's partner, Boehringer Ingelheim, initiated a Phase Ib study with an anti-VEGF/Ang2 Nanobody in patients with solid tumours, triggering an €8 million milestone payment. Boehringer Ingelheim is expected to recruit 80 patients into this study.

In February, the positive results from the TITAN Phase II study of caplacizumab in 75 aTTP patients were

[1] Net cash burn is the difference between the cash position of the current and the previous year minus the proceeds (net of issue costs) from the issuance of ordinary shares and/or the issue of convertible bonds.

[2] The cash position consists of cash and cash equivalents, other short-term financial investments and restricted cash.

published in *The New England Journal of Medicine*.

In April, Ablynx's partner, Boehringer Ingelheim, initiated a Phase I study of an anti-CX3CR1 Nanobody being explored as a potential therapeutic for chronic kidney disease, triggering an €8 million milestone payment.

Also in April, Novartis received clearance for its Investigational New Drug (IND) application to begin a Phase I study with a Nanobody to a G-protein coupled receptor (GPCR) target, triggering an undisclosed milestone payment.

In May, Ablynx reported positive topline results for its inhaled anti-RSV Nanobody (ALX-0171) in a Phase I/IIa study in 53 infants hospitalised as a result of a RSV infection.

Also in May, Ablynx reported on a post-hoc analysis of the Phase II TITAN study which showed that 73.6% fewer patients experienced one or more major thromboembolic events, or died, when treated with caplacizumab compared to placebo.

In July, Ablynx announced positive topline results from a Phase IIb study of its anti-IL-6R Nanobody, vobarilizumab, as a monotherapy in 251 RA patients.

In August, Ablynx announced topline results from a Phase IIb study of its anti-IL-6R Nanobody, vobarilizumab, in a combination study with methotrexate in 345 RA patients.

In October, Ablynx announced the initiation of a three-year Phase III follow-up study of aTTP patients who had completed the Phase III HERCULES trial.

In November, Ablynx announced it had achieved an initial discovery milestone with a multi-specific Nanobody as part of its collaboration with Novo Nordisk, triggering a €1 million milestone payment.

In December, Ablynx completed recruitment of 312 patients in a Phase II study of vobarilizumab in patients with SLE. Topline results from this trial are expected in H1 2018.

Corporate developments

In June, Ablynx successfully raised €74.2 million through a private placement of new shares via an accelerated book building procedure. The private placement was oversubscribed and was upsized from the €60 million initially targeted.

In October, Ablynx announced a second extension of its research collaboration with a subsidiary of Merck & Co., Inc. to develop and commercialise Nanobody candidates directed towards an undisclosed voltage gated ion channel. The extension triggered a €1 million payment, and Merck will extend their research funding to September 2018.

Also in October, Ablynx communicated AbbVie's decision not to exercise its opt-in right, at that time, and license vobarilizumab in RA. Ablynx confirmed that it would continue preparations for a Phase III programme with vobarilizumab in RA while in parallel exploring the possibility of a new partnership which would be needed to facilitate rapid, further clinical development of vobarilizumab in this indication.

2. Analysis of results of operations

Total income

Total revenues increased by 10% to €85.2 million (2015: €77.5 million), mainly driven by increased milestone payments from the collaboration with Boehringer Ingelheim, partially offset by lower recognised income compared to last year, mainly from the upfront payment by AbbVie made in 2013.

Research and development expenses

Total research and development costs increased to €100.3 million (2015: €83.1 million) in line with growth in external development costs, largely related to clinical trials expenditure for caplacizumab, vobarilizumab and ALX-0171.

General and administrative expenses

General and administrative costs increased to €13.5 million (2015: €11.4 million), mainly driven by pre-commercialisation expenditure for caplacizumab.

Operating result

As a result of the foregoing, the operating loss increased to €28.6 million (2015: €17.0 million).

Net financial result

The net financial profit of €27.5 million comprises finance income of €34.7 million resulting from a decrease in the fair value of the derivative associated with the convertible bond (following a decrease in the Ablynx share price at year-end compared to that at the end of 2015), and finance costs of €7.2 million, mainly related to the amortisation of the debt component of the convertible bond.

Net result

As a result of the foregoing, the net loss for 2016 decreased to €1.1 million (2015: €54.5 million).

Loss for the period

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

3. Balance sheet analysis

The Company's intangible assets include a portfolio of patents which are fully amortised, and technology licenses which are being amortised over 5, 18 and 20 years. The intangible assets also include software licenses. The Company expenses all its current research and development activities.

The Company's non-current assets include the Company's laboratory and office equipment, the investments in its facilities, €17.6 million in R&D related tax receivables and €1.6 million restricted cash, which is a cash pledge that the Company has provided for the lease of its main office and laboratory building. The Company owns one small facility and continues to invest in equipment for its research activities.

The Company's current assets of €242.2 million consist mainly of cash and cash equivalents and other short-term financial investments. Cash and cash equivalents consist of 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.

Shareholders' equity increased from €27.9 million at the end of 2015 to €103.1 million at the end of 2016, mainly as a result of the €71.4 million net proceeds from the private placement announced on 1 June 2016. Non-current liabilities relate to the senior unsecured convertible bond due on 27 May 2020 with a principal value of €100 million.

Current liabilities consist mainly of trade payables and deferred income related to the upfront payments received from partners.

4. Cash flow analysis

Cash flow from operating activities represented a net outflow of €66.6 million in 2016 compared to a net outflow of €69 million in 2015.

Cash flow from investing activities represented a net inflow of €45.9 million compared to a net outflow of €39.7 million in 2015. The net cash inflow mainly results from the sale of short term financial investments.

Cash flow from financing activities represented a net inflow of €70.4 million compared to a net inflow of €100.6 million in 2015. The difference primarily relates to higher net proceeds from the issue of convertible bonds in 2015 compared to the net proceeds raised via an accelerated book building procedure in 2016.

The Company ended the period with a total liquidity position of €235.4 million (2015: €236.2 million) which consists of cash and cash equivalents of €53.3 million, other short-term financial investments of €180.5 million and restricted cash of €1.6 million.

5. Outlook 2017

During H1 2017, Ablynx expects to hold scientific advice and "end-of-Phase II" meetings with regulators in Europe and the USA to discuss its Phase IIb results with vobarilizumab in RA and plans for a Phase III programme. In parallel, Ablynx will continue to explore the possibility of a new partnership which would be needed to support further clinical development of this molecule in RA.

In the second half of 2017, Ablynx expects to:

- report topline results from its Phase III HERCULES study of caplacizumab in approximately 132 patients with aTTP
- advance its caplacizumab commercialisation strategy and continue preparations for launch in 2018
- start clinical development for Japan with both caplacizumab and the anti-RSV Nanobody (ALX-0171)
- initiate clinical development of ALX-0171 in patients who have undergone stem cell transplantation and have a RSV infection
- complete the ~300 patient trial of vobarilizumab in SLE, with topline results expected in early 2018

During 2017, the Company expects that at least two new partnered programmes could enter clinical development (including the first Nanobody programme arising from the immuno-oncology collaboration with Merck & Co., Inc.) which would trigger milestone payments to Ablynx.

The net cash burn for the full year 2017 is expected to be in the range €75-85 million.

6. Corporate governance statement

6.1. Reference code – Comply or explain

The Corporate Governance of the Company has been organised pursuant to the Belgian Companies Code and the Company's Articles of Association. The Company's Corporate Governance Charter is available on the Ablynx website via the following link: http://www.ablynx.com/investors/corporate-governance/principles-codes-and-guidelines/. The Company's Corporate Governance Charter and this Corporate Governance Statement have 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 subsequently amended on 12 March 2009. The Charter is regularly updated and the date of modification is mentioned each time.

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 Art. 524bis of the Belgian Companies Code and 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.

All transactions involving conflicts of interests were in line with the precisions of the Corporate Governance Charter and are listed in the annual report under point 1.12.

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

- Provision 2.1 CGC: gender diversity. The Board is currently composed of 2 women and 6 men. The Company commits to build a diverse list of candidates for new positions in the future and to comply with the requirements of Art. 518bis Belgian Companies Code in the course of 2017.
- Provision 2.9 CGC: the Company has no Company Secretary. The CFO acts as Company Secretary with the assistance of external counsels.
- Provision 5.2 CGC: the Company has no overall formal internal auditor because of the size of the Company. However, the Audit Committee regularly evaluates the need for this function and/or commissions external parties to conduct specific internal audit missions and report back to the Audit Committee.
- Provision 7.7 CGC: only the independent Directors shall receive a fixed remuneration in consideration of their membership to the Board of Directors and their attendance in the meetings of the 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 recommendation of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders' Meeting to deviate from that principle in application of Art. 554 BCC, if, to the Board of Directors' reasonable opinion, the granting of options or warrants would be necessary or useful to attract or retain independent Directors with the most relevant experience and expertise.

6.2. Capital and shares

The following capital increases took place in 2016:

On 18 January 2016, the Company issued 288,170 new shares in exchange for €1,192,292.70 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €538,877.90 and €653,414.80 respectively.

On 17 February 2016, the Company issued 7,521 new shares in exchange for €34,726.41 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €14,064.27 and €20,662.14 respectively.

On 17 March 2016, the Company issued 210,741 new shares in exchange for €740,375.82 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €394,085.67 and €346,290.15 respectively.

On 20 April 2016, the Company issued 18,400 new shares in exchange for €76,630 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €34,408 and €42,222 respectively.

On 1 June 2016, the Company raised €74.2 million through a private placement of new shares via an accelerated book building procedure. The Company placed 5,533,720 new shares in exchange for €74,151,848. The par value and share premium amounted to €10,348,056.40 and €63,803,791.60 respectively.

On 19 July 2016, the Company issued 39,818 new shares in exchange for €160,489.39 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €77,947.16 and €82,542.23 respectively.

On 18 October 2016, the Company issued 10,050 new shares in exchange for €47,303 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €18,793.50 and €28,509.50 respectively.

On 9 November 2016, the Company issued 938 new shares in exchange for €5,102.72 as a result of the exercise of warrants by some employees and consultants of the Company. The par value and share premium amounted to €1,754.06 and €3,348.66 respectively.

The share capital consists of shares, which are fully paid up, with a par value of €1.87 per share

• Number of shares on 31 December 2015	54,812,374
• Number of new shares (exercise of warrants)	575,638

- Number of new shares (private placement) 5,533,720
- Number of shares on 31 December 2016 60,921,732

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 429,479 have been accepted on 20 May 2016, on 19 July 2016 and 9 September 2016 (326,521 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 shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate preceding the Date of the Offer. The warrants vest over 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 term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. 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 of 1 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, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth 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.

During the Board Meeting of 9 September 2016, the issuance of a maximum number of 320,000 warrants was approved and 42,500 warrants have subsequently been granted. All granted warrants had been refused on 31 December 2016.

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 lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (b) the last closing rate prior to 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 term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. 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 offered (thus starting as of 1 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, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth 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.

The Company had a total of 2,609,130 outstanding warrants at the end of 2016.

6.3. Shareholders and shareholder structure

As at 31 December 2016, the shareholding structure is as follows (based on the most recent transparency declarations):

Investor	Address	% of total	# shares
Bank of America (US)	Wilmington, DE USA	5.24%	3,190,018
Boehringer Ingelheim (DE)	Binger Strasse 173 55216, Ingelheim am Rhein Germany	3.52%	2,142,857
Fidelity Management Research (US)	245, Summer Street Boston, MA 02210 USA	9.14%	5,571,055
Gam International (UK)	20, King Street London, SW1Y 6QY UK	3.95%	2,408,585
Perceptive Advisors (US)	51, Astor Place 10th floor New York, NY 10003 USA	4.55%	2,773,439
Van Herk Investments (NL)	Lichtenauerlaan 30 Rotterdam, 3062ME The Netherlands	5.40%	3,290,357
Other shareholders		68.19%	41,545,421

6.4. Board of directors

6.4.1. Composition of the board

The Board of Directors consists of eight members, one of whom is an executive Director, seven of whom are independent non-executive Directors.

   

From left to right: Dr Peter Fellner, Dr Edwin Moses, Dr Russell G. Greig, Dr Bo Jesper Hansen,
Dr William Jenkins, Mrs Catherine Moukheibir, Prof Dr Lutgart Van den Berghe and Mr Remi Vermeiren,

Peter Fellner

Chairman of the Board

Dr Peter Fellner is Chairman of the Boards of the medical technology company Consort Medical plc, and the biotech companies Vernalis plc and Mereo BioPharma Group plc. He was also, until January 2016, a member of the Novo A/S Advisory Group. He was Chairman of Optos plc until its acquisition by Nikon Corporation during 2015, and served as Vice Chairman of Astex Pharmaceuticals Inc. until its acquisition by Otsuka Pharmaceuticals in 2013. He was a Director of the global biopharmaceutical company UCB sa from 2005 to 2014. Dr Fellner previously served as Chairman of Acambis plc from 2006 until its acquisition by Sanofi in 2008, and of Premier Research Group plc from 2007 to 2008 when it was acquired by a private equity-backed group. He was Chairman of Celltech Group plc from 2003 to 2004, when it was acquired for €2.3 billion by UCB having been CEO from 1990 onwards. During this time he oversaw the company's growth from a small research-based company into the UK's largest biotech company. Before joining Celltech, he was CEO of Roche UK from 1986 to 1990. He was appointed as Chairman of the Board of Ablynx in November 2013.

Edwin Moses

Member of the Board of Directors and Chief Executive Officer

After completing his post-doctoral research in Germany, Dr Edwin Moses began a successful commercial career 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 fifteen 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 was Chairman of Ablynx from 2004 till 2013, and in 2006 he was appointed Chief Executive Officer of the Company.

In addition to Ablynx, Edwin has held Board memberships with the following companies: Capricorn Health-tech Fund (Belgium), 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), ProPharma Ltd (UK), Lectus Therapeutics Ltd (UK) and European Biopharmaceutical Enterprises.

Russell G. Greig

Independent Director

Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc., has more than 35 years' experience in the pharmaceutical industry, with knowledge and expertise in research and development, business development and commercial operations. He spent the majority of his career at GlaxoSmithKline, where he held a number of positions including GSK's President of Pharmaceuticals International from 2003 to 2008 and Senior Vice President Worldwide Business Development. From 2008 to 2010, Dr Greig was also President of SR One, GSK's Corporate Venture Group. He is currently Chairman of AM Pharma (The Netherlands), Mint Solutions (The Netherlands), Sanifit (Spain) and eTheRNA (Belgium), a Board Member of Onxeo (France), as well as a Director of Tigenix (Belgium). He also acts as Venture Partner to Kurma Life Sciences (France). He served as acting CEO at Genocea and Isconova for an interim period. He was a member of the Scottish Scientific Advisory Committee, reporting to Scotland's First Minister. He was also Chairman of Bionor (Norway), Syntaxin (UK), which was acquired by Ipsen (France), Novagali (France) sold to Santen (Japan), and of Isconova (Sweden), acquired by Novavax (USA).

Remi Vermeiren

Independent Director

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, Mr Vermeiren is also member of a number of non-quoted companies and of charitable organisations, such as Pro Vives, Vives and 'Foundation RV' set up and funded by himself. He is currently a member of the Board of ACP II SCA (Luxembourg) (Liquidator). In the past five years, he has held positions as a member of the Board or governing, management or supervisory bodies of the following companies: Devgen nv (Belgium), Afinia Plastics nv (Belgium), IFB SPA (Italy), Cumerio nv (Belgium) and MCS nv (Belgium). Remi Vermeiren holds a degree in Commercial and Financial Sciences.

Catherine Moukheibir

Independent Director

Catherine Moukheibir held C-level positions in several European biotech companies after an initial career in strategy consulting and investment banking in Boston and London. Her particular experience lies in aligning corporate and financial strategies appropriate to various stages of a biotech's development, on the continuum from venture capital funding to public market or M&A. She is currently non-executive Chairman of MedDay Pharma sa, non-executive Board member and Chair of the Audit Committee at Zealand Pharma, non-executive Board member and member of the Audit Committee at Cerenis and Ablynx and Advisory Board member at the Imperial College Business School and the Yale School of Management. Catherine Moukheibir holds an MBA from Yale University.

Bo Jesper Hansen

Independent Director

Dr Bo Jesper Hansen, M.D., PhD, permanent representative of Orfacare Consulting, is currently Chairman of

Karolinska Development AB, Chairman of Laborie Inc., and is also non-executive Director of a number of biotech and pharma companies including Orphazyme ApS, Newron Pharmaceuticals SpA, CMC AB, Genspera Inc. and Azanta A/S. Dr Hansen served as CEO and President and as Director to the Board of Swedish Orphan International AB until the merger with Biovitrum, forming Swedish Orphan Biovitrum AB (SOBI AB). Dr Hansen was executive Chairman of the Board of SOBI AB. He also was non-executive Director of Gambro until its acquisition by Baxter, and of Zymenex, until its acquisition by Chiesi. Dr Hansen was the Executive Chairman of Topotarget and in this role led the merger with BioAlliance forming OnXeo. He founded Scandinavian Medical Research during which he served as Medical Advisor for Synthélabo, Pfizer, Pharmacia and Yamanouchi Pharmaceutical.

William J. Jenkins

Independent Director

Dr William J. Jenkins, M.D., is Principal of William Jenkins Pharma Consulting and has been advising a wide range of pharma and biotech companies and investment and venture capital firms in the healthcare sector since 1999. Formerly, he was Head of Worldwide Clinical and Regulatory Affairs for Novartis Pharma and held a similar position with Glaxo Group Research Limited. He was also a member of the Board of Allocyte Pharmaceuticals. He is currently Senior Independent Director of Consort Medical, a member of the Board of Allecra Therapeutics GmbH and of Ablynx nv, and a member of the Strategic Advisory Board of Chiesi Farmaceutici. In addition, he is a member of the Scientific Advisory Boards of BB Biotech Ventures II and III funds.

Lutgart Van den Berghe

Independent Director

Prof Dr Lutgart Van den Berghe is Managing Director of GUBERNA (Belgian Governance Institute) and Extra-Ordinary Professor in Corporate Governance at the University of Ghent. She is a Partner of the Vlerick Business School where she served as Chairman of the Competence Center "Entrepreneurship, Governance and Strategy" for many years.

Lutgart Van den Berghe has an extensive governance experience gained as member of the Belgian Commission for Corporate Governance and as non-executive Director in several companies, such as Belfius.

She is a Member of the Board and Chairman of the policy committee at EcoDA (European Confederation of Directors' Association). Formerly she served as a non-executive Director of Proximus, (Belgium, 2004-2016), Electrabel (Belgium, 2003-2014), the ING Group (The Netherlands, 1991-2003), KLM (The Netherlands, 2001-2004), Solvay (Belgium, 2003-2007), CSM (The Netherlands, 1998 -2010), SHV (The Netherlands, 1997-2013), Capco nv (Belgium, 2000-2003), DVV (Belgium, 1995-1997), member of the Audit Committee of the Flemish Government (2000-2004) and Chairman of the Proximus Foundation (until 2005). She was also a Member of the Advisory Board of Lazard (Benelux, 2007-2010).

Lutgart Van den Berghe is doctor in Business Economics of the University of Ghent.

Name	Year of birth	Position	Term(1)	Board Committee Memberships
Dr Peter Fellner	1943	Independent Director and Chairman	2017	
Dr Edwin Moses(2)	1954	Director and Chief Executive Officer	2019	Member of the Research and Development Committee
Remi Vermeiren	1940	Independent Director	2019	Chairman of the Audit Committee
Catherine Moukheibir	1959	Independent Director	2017	Member of the Audit Committee
Greig Biotechnology Global Consulting Inc. represented by its permanent representative Dr Russell Greig	1952	Independent Director	2020	Chairman of the Nomination and Remuneration Committee Member of the Audit Committee
William Jenkins Pharma Consulting represented by its Principal Dr William J. Jenkins	1947	Independent Director	2017	Chairman of the Research and Development Committee Member of the Nomination and Remuneration Committee
Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen	1958	Independent Director	2017	Member of the Nomination and Remuneration Committee Member of the Research and Development Committee
Feadon nv represented by its permanent representative, Baroness Prof Dr Lutgart Van den Berghe	1951	Independent Director	2019	

(1) The term of the mandate of the Director will expire immediately after the Annual General Meeting of Shareholders held in the year indicated.

(2) First appointed as independent Director by the Extraordinary General Meeting of Shareholders held on 21 October 2004. He has been re-appointed as executive Director by the Extraordinary General Meeting of Shareholders held on 23 August 2006 and by the Annual General Meeting of Shareholders held on 30 April 2015. Dr Moses has taken up the position of CEO on 6 June 2006. Dr Moses was also Chairman of the Board until November 2013.

6.4.2. Activity report

In 2016, ten Board meetings have been held.

In four of these meetings, the strategy and/or the Company results have been discussed. All members of the Board were present at these meetings.

During the Board meeting of 22 November 2016 the Board approved the Dealing Code which has been revised in line with the latest European and Belgian regulations. The Board also mandated the Executive Committee to update the code once the applicable criminal sanctions will have been published. On the same date the Board also approved the revised Authorization scheme.

All other Board meetings were related to the issue of warrants, the private placement and the preparation of the General Assembly.

6.4.3. Performance evaluation of the board

Under the lead of the Chairman, the Board regularly evaluates its performance to determine whether the Board and its Committees are functioning effectively. The evaluation process has the following objectives: assessing how the Board operates; verifying that important issues are adequately prepared and discussed; evaluating the actual composition of each Director's work, the Director's presence in the Board and Committee meetings and his/her constructive involvement in discussions and decision- making and verifying the Board's current composition against the Board's desired composition.

The non-executive Directors will assess their interactions with the Executive Committee. At least once a year, they meet in the absence of the CEO. No formal Board decision can be taken in such a meeting.

The Board has discussed its composition and performance on several occasions during 2016.

At the time of their re-election, the Directors' commitments and contributions are evaluated within the Board, and the Board ensures that any appointment or re-election allows an appropriate balance of skills and experience to be maintained in the Board. The same applies at the time of the appointment or the re-election of the Chairman (of the Board and of the Board's Committees). The Board shall act on the results of the performance evaluation by recognising its strengths and addressing its weaknesses. Where appropriate, this will involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the Board.

6.5. Audit Committee

As of 8 January 2009 (the date on which the Law of 17 December 2008 with regard to the incorporation of an Audit Committee in listed companies and financial companies entered into effect), "large" listed companies (as defined in Art. 526bis of the Belgian Companies Code) are legally obliged to establish an Audit Committee within their Boards of Directors.

The Board of Directors has set up an Audit Committee. In 2016 the Audit Committee was composed of three members, which are exclusively non-executive Directors. All of its members are independent Directors and two of its members have an expertise in the field of accounts and audit. The Chairman of the Audit Committee is not the Chairman of the Board of Directors.

6.5.1. Composition

The following Directors are members of the Audit Committee: Remi Vermeiren (Chairman), Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc. and Catherine Moukheibir. Remi Vermeiren and Catherine Moukheibir have expertise in the field of accounts and audit and are both independent Directors.

These three Directors have many years of experience in the biotechnology sector in general and have gained extensive knowledge of Ablynx's business in particular.

6.5.2. Activity report

The Audit Committee met four times in 2016. During these meetings the financial results, budgets, treasury, topics related to risk management and the financial press releases were discussed.

The attendance was as follows: Remi Vermeiren (100 %), Dr Russell Greig (100%) and Catherine Moukheibir (75%).

The Audit Committee is responsible for the financial reporting, the internal control and risk management, the internal audit and the external audit, and for the reporting and communication between the statutory auditor and the Board. More detailed information on these responsibilities can be found on Ablynx's website in the Corporate Governance Charter and in the Terms of Reference of the Audit Committee.

6.6. Nomination and remuneration committee

The Nomination and Remuneration Committee is appointed by the Board of Directors of Ablynx to advise the Board in its duties and responsibilities relating to the Nomination and the Compensation and Benefit programmes of executive & non- executive Directors, the Chief Executive Officer and the Executive Committee including other terms of employment for the CEO and the Executive Committee. The Nomination and Remuneration Committee at the same time reviews possible warrant plans for employees.

The basic principle is that the level of remuneration should be sufficient to attract, retain and motivate on each level the most talented individuals for the job.

6.6.1. Composition

The Nomination and Remuneration Committee consists of three members: Greig Biotechnology Global Consulting Inc., represented by its permanent representative, Dr Russell Greig (Chairman); William Jenkins Pharma Consulting, represented by its principal Dr William J. Jenkins and Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen.

All members of the Nomination and Remuneration Committee are also a member of the Board of Directors.

All members are independent non-executive Directors. Each member of the Committee has appropriate knowledge and experience in compensation- and benefit- related matters, since they are associates of Boards of other companies and as a result have knowledge of remuneration policies across the world.

The CEO and the Vice President Human Resources are invited to attend the meetings of the Nomination and Remuneration Committee in an advisory and non- voting capacity on all matters. They do not attend discussions concerning their own remuneration.

The Chairman leads all meetings of the Committee, coordinates the evaluation of the performance of the CEO and acts as Secretary, although he can delegate this duty or parts thereof to the Vice President Human Resources.

The members of the Committee declare that they dedicate a significant amount of their time to the Committee's activities.

The Nomination and Remuneration Committee of Ablynx advises the Board of Directors on all aspects of the Compensation and Benefit programmes for the executive and non-executive Directors, the CEO and the Executive Committee and other terms of employment for the CEO and the Executive Committee. The Committee makes recommendations to the Board on appropriate Compensation and Benefit programmes (in respect of both amounts and composition) of:

- The CEO and the other members of the Executive Committee, upon proposal by the CEO (except when it concerns his own remuneration), such as: (i) the principal contractual terms and arrangements for the termination of employment; and (ii) the principal components of the remuneration package (including, the relative importance of each component, the performance criteria applying to the variable elements, the benefits in kind, bonuses and long-term incentives, whether stock- related or not, in the form of stock options or other financial instruments); as well as Directors;
- Drawing up the policy regarding warrant plans and overseeing the general policy for the granting of warrants to employees, executive and non-executive Directors and members of the Executive Committee. The CEO shall propose the identity of the beneficiaries and the number of warrants to be allocated to each of them (individually in the case of members of the Executive Committee, and individually or per category in the case of other Employees) to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall evaluate such proposals. In the case of grants of warrants to the CEO, the initial proposal shall be made by the Committee itself.
- Ensuring that remuneration levels take into account risks involved, demands and time requirements of each role, and relevant industry benchmarks.
- Preparing the annual remuneration report.
- Explaining the remuneration report during the Statutory General Meeting.

As it is the Nomination and Remuneration Committee's duty to oversee the search for appropriate candidates for appointment to the Executive Committee or non-executive Director membership to the Board of Directors, the Committee receives detailed and regular updates (while diligently respecting any confidentiality and conflict of interest issues) on the hiring of Executive Committee members from the CEO and is given the opportunity (or designated members) to interview the final candidate(s) before their appointment.

The Nomination and Remuneration Committee is, together with the Executive Committee, engaged in the Succession Planning of Executive Committee members, including the CEO. In the latter case the Nomination & Remuneration Committee coordinates closely with the Chairman any and all activities involved in planning for CEO succession.

Any recommendations made in respect of the recruitment or succession planning requires discussion and endorsement by the Board of Directors before becoming effective.

The Nomination and Remuneration Committee (or designated members) has the option to schedule exit interviews with departing members of the Executive Committee.

The Nomination and Remuneration Committee, with the input of the Executive Committee, annually reviews and presents the annual goals/objectives for the Board of Directors in order to finalise and approve the final goals and objectives by the Board of Directors.

The Nomination and Remuneration Committee also advises the Board of Directors on the accomplishment of the targets set earlier and consequently initiates a discussion on the Board which finally adjusts and/or approves the recommendations of the Nomination and Remuneration Committee.

6.6.2. Activity report

In 2016 the Nomination and Remuneration Committee officially met four times to fulfill its functions. Meeting minutes circulated after the meeting among all members of the Board of Directors.

During the meetings, the minutes of the previous meeting, the goals of the Company, the performance against the goals of the Company and the goals of the Executive Committee, the warrant plans, the salary evolution, the benchmark of salaries in general and more specifically of the Executive Committee members and the independent Directors and the nomination of new members of the Board of Directors were discussed.

On top of these meetings, the Nomination and Remuneration Committee held several teleconferences to discuss ad hoc nomination and remuneration topics.

The attendance was as follows: Dr Russell Greig (100%), Dr William Jenkins (100%) and Dr Bo Jesper Hansen (100%).

6.7. The research and development committee

The Research and Development Committee of the Board advises the Board on its duties and responsibilities related to the long term Research and Development strategy of the Company in general and the development of the Company's Nanobody platform and programmes in particular.

6.7.1. Composition

The Research and Development Committee consists of three members: William Jenkins Pharma Consulting, represented by its principal Dr William J. Jenkins (Chairman), Orfacare Consulting GmbH, represented by its permanent representative Dr Bo Jesper Hansen, and Dr Edwin Moses. Dr Jenkins and Dr Hansen are independent Directors.

All the members of the Committee have relevant scientific, research, medical or other related expertise.

6.7.2. Activity report

The Research and Development Committee officially met four times in 2016. During these meetings the projects in research and development were discussed in detail and strategic decisions were prepared to be discussed at the Board Meeting.

The attendance was as follows: Dr Edwin Moses (100%), Dr William Jenkins (100%) and Dr Bo Jesper Hansen (100%).

6.8. Executive Committee

6.8.1. Composition

From left to right: Dr Edwin Moses, Dr Robert K. Zeldin, Dr Antonin de Fougerolles, Mr Johan Heylen, Mr Wim Ottevaere, Mr Guido Gielen, Mr Gerrit Franciscus Landolt

The Board of Directors has established an Executive Committee ("Directiecomité") within the meaning of Art. 524bis of the Belgian Companies Code and Art. 24 of the Company's Articles of Association.

The Executive Committee currently consists of seven members: the Chief Executive Officer (CEO), the Chief Medical Officer (CMO), the Chief Scientific Officer (CSO), the Chief Commercial Officer (CCO), the Chief Financial Officer (CFO), the VP Human Resources and the VP IP and Legal.

The current members of the Executive Committee are listed in the table below.

Name	Function	Date of Birth	Nationality
Edwin Moses	Chief Executive Officer	1954	British
Johan Heylen	Chief Commercial Officer	1967	Belgian
Wim Ottevaere(*)	Chief Financial Officer	1956	Belgian
Antonin Rollet de Fougerolles	Chief Scientific Officer	1965	Canadian
Robert Zeldin	Chief Medical Officer	1963	American
Gerrit Franciscus Landolt	VP IP and Legal	1964	Dutch
Guido Gielen	VP Human Resources	1960	Belgian

(1) Mr Ottevaere acts as the permanent representative of Woconsult BVBA

6.8.2. Activity report

In principle, the Executive Committee meets at least once every 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 in its next meeting.

6.9. Remuneration report

6.9.1. Directors

Procedure applied in 2016 in order to create a remuneration policy and to determine the individual remuneration.

The Nomination and Remuneration Committee recommends the level of remuneration for Directors, including the Chairman of the Board, which is subject to approval by the Board and, subsequently, by the General Meeting of Shareholders.

The Nomination and Remuneration Committee benchmarks the Directors' compensation against peer companies to ensure competitiveness. Without prejudice to the powers granted by law to the Shareholders Meeting, the Board sets and revises at regular intervals the rules and the level of compensation for Directors executing a special mandate or having a seat in one of the committees, as well as the rules for reimbursement of the Directors' business-related out-of-pocket expenses. Apart from the remuneration for independent Directors, all Directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred as a result of their participation in meetings of the Board of Directors.

The remuneration of the Directors will be disclosed to the Company's shareholders in accordance with the applicable laws and regulations.

The level of remuneration should be sufficient to attract, retain and motivate Directors who match the profile determined by the Board.

Only independent Directors received a fixed remuneration in consideration of their membership of the Board and the Committees of which they are members. They have not received, any performance-related remuneration, nor have any options or warrants been granted to them.
Given the fact that the Company acts in a highly competitive and international environment and is at the same time cost-conscious because it does not yet generate profits, the Board has - until the end of 2013 and upon advice of the Nomination and Remuneration Committee - proposed to the Shareholders Meeting to deviate from the latter principle and grant warrants in order to attract and retain highly qualified independent Directors.

The CEO as member of the Board did not receive any compensation for serving as member of the Board.

Executive Committee members receive no additional compensation when invited to the Board.

The Directors' mandate may be terminated *ad nutum* (at any time) without any form of compensation.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and the 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 Committee below.

Remuneration policy applied during 2016

During 2016 Ablynx obtained salary market data for the members of the Board via a benchmark study of PwC.

The General Meeting of Shareholders of 28 April 2016 decided to increase all fixed annual remunerations of independent Directors by 2%.

The fixed annual remuneration of the Chairman of the Board increased from €100,000 to €102,000. No additional remuneration is foreseen for membership of other Board committees.

The fixed annual remuneration of independent Directors as part of their membership of the Board of Directors increased from €30,000 to €30,600, and the additional fixed annual remuneration of the Chairman of the Nomination and Remuneration Committee, the Chairman of the Audit Committee and the Chairman of the Research and Development Committee increased from €10,000 to €10,200

For other independent non-executive Directors the additional fixed remuneration related to the membership of the Nomination and Remuneration Committee, the Audit Committee or the Research and Development Committee increased from €5,000 to €5,100 per committee.

The total amount of the remunerations and the benefits to which the independent Directors (in such capacity) were entitled in 2016 was €340,025 (gross, excluding VAT), see table below.

Name	Board	Committee R&D	Committee Audit	Committee Remuneration	Total
Dr Peter Fellner	101,500				101,500
Remi Vermeiren	30,450		10,150		40,600
Greig Biotechnology Global Consulting Inc. represented by its permanent representative Dr Russell Greig	30,450		5,075	10,150	45,675
Catherine Moukheibir	30,450		5,075		35,525
William Jenkins Pharma Consulting represented by its Principal Dr William J. Jenkins	30,450	10,150		5,075	45,675
Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen	30,450	5,075		5,075	40,600
Feadon nv represented by its permanent representative Dr Baroness Prof Lutgart Van den Berghe	30,450				30,450
	284,200	**15,225**	**20,300**	**20,300**	**340,025**

There is no performance-related remuneration for non-executive Directors.

The table below provides an overview of the shares and warrants held by the members of the Board. This overview should be read together with the notes listed below.

	Total shares and warrants[1]		Shares		Warrants [1]	
Name	**Number**	**%[3]**	**Number**	**%[3]**	**Number**	**%[3]**
Dr Peter Fellner	50,000	0.07			50,000[2]	0.07
Dr Edwin Moses	724,839	1.02	334,200	0.47	390,639[5]	0.55
Remi Vermeiren	28,571	0.04	25,000	0.04	3,571[6]	0.01
Catherine Moukheibir	5,028	0.01			5,028[2]	0.01
Greig Biotechnology Global Consulting Inc. represented by its permanent representative Dr Russell Greig	6,434	0.01	6,165	0.01	269[7]	0.00
William Jenkins Pharma Consulting represented by its Principal Dr William J. Jenkins	4,781	0.01			4,781[4]	0.01
Orfacare Consulting GmbH represented by its permanent representative Dr Bo Jesper Hansen	4,781	0.01			4,781[4]	0.01

(1) Reflecting the number of shares of the Company to which such warrants give right to subscription

(2) Warrants granted in 2013 with an exercise price of €7.32

(3) Percentage on a fully diluted basis

(4) Warrants granted in 2013 with an exercise price of €7.32

(5) Warrants granted from 2006 onwards with an exercise price between €2 and €10.22

(6) Warrants granted in 2007 with an exercise price of €7.00

(7) Warrants granted in 2012 with an exercise price of €5.44

During 2016 Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc., exercised 6,165 warrants. Dr Edwin Moses exercised 150,000 warrants during this period.

The exercised warrants had the following characteristics:

	# Warrants (in # shares)	**Warrant Plan**	**Exercise Price (€)**
Dr Russell Greig, permanent representative of Greig Biotechnology Global Consulting Inc.	6,165	6/11/2012	5.44
Edwin Moses	150,000	1/02/2012	3.21

With respect to the following two years, Ablynx does not foresee changes in its remuneration policy

6.9.2. Executive committee

Procedure applied in 2016 in order to create a remuneration policy and to determine the individual remuneration

The remuneration of the members of the Executive Committee is determined by the Board of Directors upon recommendation of the Nomination and Remuneration Committee and subsequent to the CEO's recommendation to this Committee (except for his own remuneration). Ablynx strives to be competitive in the European biotech market.

Remuneration policy applied during 2016

In the compensation strategy of Ablynx, the starting salary is primarily based on input from the market and the merit increase on individual performance. Via own research Ablynx obtained in 2016 salary market data for the members of the Executive Committee, in order to understand the compensation market. The data confirm the remuneration policy is in line with the market practice.

The level and structure of the remuneration of the members of the Executive Committee is such that qualified and expert professionals can be recruited, retained and motivated taking into account the nature and scope of their individual responsibilities.

An appropriate proportion of the remuneration package of a member of the Executive Committee shall be structured so as to link rewards to corporate and individual performances, thereby aligning on an annual basis the interests of a member of the Executive Committee with the interests of the Company and its shareholders.

Since any Short Term Compensation component should include a maximum award limit, an Executive Committee member can receive maximum 30% of the annual base remuneration as a performance-driven bonus. Given the competitive landscape, the CEO's bonus will be maximum 50% of the annual base salary.

The Extraordinary General Meeting of 26 April 2012 has approved that the CEO's variable remuneration, which is part of his yearly remuneration, will be spread over a period of one year. This means that the bonus is spread over a period that is shorter than the periods determined in Art. 520ter, second paragraph of the Belgian Companies Code. This deviation has been incorporated in Art. 25bis of the Ablynx Articles of Association.

The corporate and individual goals are based on the operation performance of the Company as measured by a.o. financial indicators, progress in the pipeline, the completion and/or extension of important collaborations and other measures. More specifically the following areas, not disclosed in great level of detail because of the competitive nature of the business, are part of the corporate goals and subsequently part of the individual goals of the members of the Executive Committee:

- Control of the cash burn versus a predefined target;
- Completion of (a) new discovery deal(s) generating an upfront defined income;
- Control of expenditure of internal development programs while delivering on time and against earlier agreed standards;
- Initiation of new internal discovery programmes and access to complementary technologies.

The above goals and the criteria for the variable remuneration of the CEO and members of the Executive

Committee are in advance and explicitly spelled out in a software system, which automates the performance management and appraisal process at Ablynx and binds the Company and the individuals. The variable remuneration will only be paid when the KPIs are effectively met. The Remuneration Committee evaluates the performance and makes a proposal to the Board.

Schemes under which members of the Executive Committee are remunerated in shares, warrants or any other rights to acquire shares, shall be subject to prior shareholder approval by way of a resolution taken by the General Meeting of Shareholders (except for warrants issued under the authorised capital). The approval shall relate to the scheme itself and not to the grant to individuals of share-based benefits under the scheme. As a rule, plans issued until September 2015 stated that 25% of the warrants granted vested after 1 year, 2.08% vested additionally after each full month, however, vested warrants would in principle not be exercisable within less than three full calendar years.

From September 2015 new plans state that as a rule, 28% of the warrants will vest after 1 year from the date of the offer, 9% vest additionally after each full quarter, however vested warrants shall in principle not be exercisable within less than three full calendar years.

In order to avoid a subjective and discretionary benefit, the grant of warrants to Executive Committee members (similar to the grant to certain levels of employees) is based on a formula.
Whereas the Short Term Incentive (bonus) is based on contributing to the corporate goals, the Long Term Incentive Plan is based on the performance against the key responsibilities in the job description of the individual or group of individuals as well as based on the observed attitude versus the values of the Company. The outcome of this yearly evaluation can vary between 2 (low) and 10 (high) points. Based on the ultimate performance score between 6 and 10 points, based on the share price and the yearly base salary of the individual, the exact number of warrants is calculated (number of warrants = (yearly salary/grant price)*performance coefficient). A performance score below 6 does not qualify for a Long Term Incentive.

The CEO presents his proposal regarding performance against key responsibilities and values to the Nomination and Remuneration Committee, which submits a final proposal regarding the offering of warrants to members of the Executive Committee and the CEO to the Board of Directors which takes a final decision.

The remuneration policy for the Executive Committee shall at least include the main contractual terms including the main characteristics of pension schemes, termination arrangements and the key elements for determining the remuneration, including (i) the relative importance of each component of the remuneration, (ii) the performance criteria chosen for the variable elements and (iii) the fringe benefits.

In 2016 the total amount of remunerations and benefits paid to the CEO and the other members of the Executive Committee and to the persons they are represented by, amounted to €2,359,240.44 (gross, excluding VAT and share-related payments), of which a detailed breakdown is shown in the table below:

	Total	of which CEO
Basic Salary	1,752,677.70	494,210.79
Variable Remuneration(1)	462,421.56	243,453.60
Group Insurance (pension, invalidity, life)	87,343.32	50,833.08
Other (car, cell phone, hospitalisation insurance)(2)	56,797.86	12,143.88
Total	2,359,240.44	800,641.35

(1) paid in cash

(2) not including share based compensations mentioned under point 8.15

The insurance plan, for which the above amounts have been paid, is a defined contribution plan for which 10 % of the base salary is contributed on a yearly basis. Given the nature of the contract of the Executive Committee members there is no liability for the Company regarding the defined interest rate or total benefit during or at the end of the collaboration.

With respect to the two financial years to come, Ablynx does not foresee changes in its remuneration policy regarding the Executive Committee.

The table below provides an overview of the shares and warrants held by the members of the Executive Committee, including the Executive Director.

Name	Function	Shares	Warrants
Edwin Moses	Chief Executive Officer	334.200	565,639 warrants giving the right to subscribe for 390,639 shares
Johan Heylen	Chief Commercial Officer		188,907 warrants giving the right to subscribe for 188,907 shares
Wim Ottevaere/Woconsult BVBA	Chief Financial Officer	68.605	324,452 warrants giving the right to subscribe for 219,452 shares
Antonin Rollet de Fougerolles	Chief Scientific Officer		206,800 warrants giving the right to subscribe for 206,800 shares
Robert Zeldin	Chief Medical Officer		250,000 warrants giving the right to subscribe for 250,000 shares
Gerrit Franciscus Landolt	VP IP and Legal		149,500 warrants giving the right to subscribe for 149,500 shares
Guido Gielen	VP Human Resources		138,961 warrants giving the right to subscribe for 138,961 shares

During 2016 Edwin Moses, CEO, exercised 150,000 warrants; Wim Ottevaere, permanent representative of Woconsult BVBA, CFO, exercised 85,000 warrants and sold 38,000 shares. Guido Gielen, VP HR, exercised 4,814 warrants and sold 4,814 shares.

The exercised warrants had the following characteristics:

	Warrant Plan	# Warrants exercised (in # shares)	Exercise Price (€)	# Shares sold
Edwin Moses, CEO	1/02/2012	150,000	3.21	
Wim Ottevaere, permanent representative of Woconsult BVBA, CFO/ Woconsult BVBA	30/10/2009	10,000	8.19	38,000
	28/04/2011	25,000	8.68	
	1/02/2012	50,000	3.21	
Guido Gielen, VP HR	1/02/2012	4,821	3.21	4,821

The most important characteristics of the warrants, which were allocated in 2016 are detailed below

During the Board Meeting of 24 February 2016 the issuance of a maximum number of 590,000 warrants was approved and 215,844 warrants with an exercise price of €12.02/warrant have subsequently been granted to the members of the Executive Committee.

In total 215,844 warrants were accepted by members of the Executive Committee of which 41,903 by Edwin Moses, CEO; 13,907 by Johan Heylen, CCO; 15,500 by Wim Ottevaere, permanent representative of Woconsult BVBA, CFO; 17,292 by Antonin Rollet de Fougerolles, CSO; 100,000 by Robert Zeldin, CMO; 12,300 by Guido Gielen, VP HR and 14,942 by Gerrit Franciscus Landolt, VP IP & Legal.

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 shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate preceding the Date of the Offer. The warrants vest over 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 term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. 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 of 1 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, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth 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.

Severance payments

Currently, all members of the Executive Committee are employed on the basis of a service agreement, which can be terminated at any time provided that a previously determined term of notice is observed, which, at the Company's discretion, can be replaced by a corresponding termination allowance. No other termination remunerations are foreseen.

All service agreements contain non-competition clauses, as well as confidentiality obligations and obligations relating to the transfer of intellectual property.

The Corporate Governance Charter requires that every contractual settlement agreed upon before or after 1 July 2009 concerning the remuneration of the CEO or any other member of the Executive Committee, clearly states that the amount of the exit remuneration, which is granted when the contract is prematurely terminated, should not exceed the basic and variable remuneration of twelve months. All existing contractual settlements reached with the CEO, or any other member of the Executive Committee, do not contain any exit remuneration higher than 12 months. Except for Dr Edwin Moses, who is entitled to an exit remuneration which is equal to one (1) time his fixed annual compensation and Mr Wim Ottevaere permanent representative of Woconsult BVBA, CFO who is entitled to an exit remuneration of half (1/2) his fixed annual compensation all other Executive Committee members (Dr Robert K Zeldin, CMO; Dr Antonin Rollet de Fougerolles; CSO; Mr Johan Heylen, CCO; Mr Gielen, VP HR and Mr Gerrit Franciscus Landolt, VP IP and Legal) are entitled to an exit remuneration of one quarter (1/4) of their fixed annual compensation.

Claw-back provisions

There are no provisions allowing the Company to reclaim any variable remuneration paid to the executive management based on incorrect financial information.

Miscellaneous

Furthermore the Company has no intention to compensate in a subjective or discretionary manner.

6.10. Most important characteristics of the Company's internal control systems and risk management

The Executive Committee should lead the Company within the framework of prudent and effective control, which enables to assess and manage risks. The Executive Committee should develop and maintain adequate internal control systems so as to offer a reasonable assurance concerning the realisation of the goals, the reliability of the financial information, the observance of applicable laws and regulations and to enable the execution of internal control procedures. The Audit Committee assists the Board of Directors in the execution of its task to control the Executive Committee.

The Company has opted for a "two-tier" governance structure. As a result, the principal 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 Art. 524bis of the Belgian Companies Code, within the framework of the general strategy defined by, and under the supervision of the Board; 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 Articles of Association and the Corporate Governance Charter which fall within the powers of the Board.

Control Environment

The Executive Committee has organised the internal control environment, based upon "COSO's internal Control-integrated Framework of 2013" which is monitored by the Audit Committee. The role of the Audit Committee is stipulated in the Corporate Governance Statement and in the terms of reference of the Audit Committee.

The Audit Committee decided not to create an internal audit role for the time being, since the scope of the business does not justify a full-time role.

The role of the Audit Committee shall be to assist the Board in fulfilling its monitoring responsibilities in respect of control in the broadest sense, including responsibilities for the financial reporting process, the system of internal control and risk management (including the Company's process for monitoring compliance with laws and regulations) and the external audit process.

Risk analysis

During 2016, the management of the Company assessed its operational risks and challenged and compared these with the COSO 2013 risk intelligence framework. Following this annual exercise, new appropriate actions will be proposed to the Executive Committee.

The Company is potentially subject to the following inherent risks:

- 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, one of the Company's drug candidates has 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 on 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 revenue is generated by a limited number of clients.
- Tax legislation in Belgium might change over time.
- Fair value measurements that cannot be fully based on market parameters are based on judgment and could potentially affect the fair value estimation, including the embedded derivative linked to the convertible bond issued in May 2015.

Our financial risk management consists of:

Liquidity risk management
The Company makes use of term accounts and treasury notes. The maturities of the term deposits are limited to a maximum of one year.

The Company has €1.6 million restricted cash related to a cash pledge.

On 27 May 2015, the Company raised €100 million through a private placement of €100 million senior unsecured bonds due 27 May 2020. The bonds will mature on 27 May 2020 (5 years) and will pay a coupon of 3.25% payable semi-annually.

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. Because 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 ("FVTPL") according to IAS 39 and not an own equity instrument (cf. IAS 32.26).

Interest rate risk
As the Company has no other significant interest-bearing assets or liabilities, its income and operating cash flows are independent of changes in the market interest rates.

Credit risk
The credit risk arises from outstanding transactions with customers. It is the Company's policy to deal with creditworthy partners to avoid significant risk exposure. The trade receivables relate to a limited number of high-ranked international customers for whom there is no recent history of default. The credit risk is highly concentrated around a limited number of customers.

The financial institutions have credit ratings varying from A+, over A to A-.

Available liquidities are placed with several banks.

No cash credit lines were available.

Foreign exchange risk
The Company has sales transactions from research and collaboration agreements denominated in USD and purchase transactions denominated in AUD, BGN, CAD, CHF, COP, DKK, GBP, HUF, JPY, MXN, MYR, NOK, PHP, RUB, SEK, THB, USD and ZAR. The Company did not enter into any currency hedging arrangements in order to cover this risk.

Control activities
The Board of Directors yearly approves the strategy and the goals. Each year, a business plan is elaborated for the next three years, as well as a detailed budget for the next year, which is submitted to the Board of Directors for approval. The budget is systematically followed up at each Audit Committee and Board of Directors meeting, and regularly adjusted to changing prospects.

A process is in place which enables the finance department to prepare financial statements on a quarterly basis.

ERP support systems have been implemented generating consistent financial and operational information.

Systems are in place in order to verify the accuracy of the reporting figures and are compared with the previous year, budgets and forecasts.

Supervision and monitoring
Supervision and monitoring activities are performed by the senior management on a daily basis.

6.11. Statutory auditor

Deloitte Bedrijfsrevisoren BV o.v.v.e. CVBA, a civil company having the form of a co-operative company with limited liability ("burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid") and existing under the laws of Belgium, with registered offices at: Luchthaven Nationaal 1 J, 1930 Zaventem, Belgium, represented by Gert Vanhees, was reappointed as Statutory Auditor of Ablynx on 24 April 2014 for a term of three years ending immediately after the Shareholders Meeting to be held in 2017.

6.12. Statements required by Art. 34 of the Royal Decree of 14 November 2007

All Ablynx shares are ordinary and confer equal rights. The shares are either in dematerialised or registered form. Each share gives right to one vote.

The capital of the Company can be increased by a decision of the Extraordinary General Meeting of Shareholders or within the framework of the Authorised Capital by a decision of the Board of Directors.
The Articles of Association can only be changed by a decision of the Extraordinary General Meeting of Shareholders or within the framework of the Authorised Capital by a decision of the Board of Directors.

According to Article 14 of the Articles of Association the Company can acquire, dispose of or take a pledge on its own shares, profit certificates or certificates relating thereto, subject to compliance with the relevant legal provisions.

The Company is managed by a Board of Directors, acting as a collegiate body, composed of minimum three (3) Directors, physical or legal persons, whether or not shareholders.

The Board of Directors proposes, based on the recommendation of the nomination and remuneration committee candidates for Board membership to the General Meeting of Shareholders.

The General Meeting of Shareholders appoints the Directors for a maximum term of four (4) years. The mandate can be revoked by the General Meeting of Shareholders at all times. Outgoing Directors may be re-elected.

When an independent Director has served on the Board for three terms, he is in principle not eligible for a fourth term in the capacity as an independent Director subject to exceptional circumstances in the interest of the Company recognized by the Board. In such case the proposal to renew his mandate as independent Director will expressly indicate why the Board considers that his independence as a director is preserved.

When dealing with a new appointment, the Chairman of the Board shall ensure that, before considering the candidate, the Board has received sufficient information such as the candidate's résumé (CV), the assessment of the candidate based on the candidate's initial interview, a list of the positions the candidate currently holds, and, if applicable, the necessary information for assessing the candidate's independence.

Appointments to the Board shall be made on merit and on the basis of objective criteria. Directors should attain high standards of professional ability and judgment and should be committed, in conjunction with the other Directors, to serving the long-term interests of the Company.

Some of the important agreements that Ablynx has entered into may be amended or terminated in the event of a change of control over Ablynx.

6.12.1. Boehringer Ingelheim Agreements

The Boehringer Ingelheim Alzheimer's disease agreement signed in January 2007 states that in the event of a change of control over Ablynx, Boehringer Ingelheim is entitled to terminate the research (as a result of which each party is released from paying any research license fees and Ablynx is no longer entitled to the research license from Boehringer Ingelheim), and is no longer held to participate in joint committees or to share its

development and commercialisation plans.
This clause was approved by the Company's Annual General Meeting of Shareholders held on 29 April 2010 in accordance with Art. 556 of the Belgian Company Code.

However, this clause is no longer applicable as the Company announced on 28 August 2014 that, following the termination of the Phase I study with BI 1034020 in Alzheimer's disease, and after a full review of the programme, Boehringer Ingelheim (BI) decided not to move forward with the development of this anti-Abeta Nanobody, thereby ending the collaboration in Alzheimer's disease that both companies entered into in January 2007.

Under the Boehringer Ingelheim Strategic Alliance agreement signed in September 2007, it is stated that in the event of a change of control over Ablynx, Boehringer Ingelheim 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, Boehringer Ingelheim is entitled to continue the research independently, and Ablynx' option to co-promotion rights expires. This clause was approved by the Extraordinary General Meeting of Shareholders of 12 October 2007 in accordance with Art. 556 of the Belgian Company Code. The Agreement was extended with two years in March 2012 and the same change of control clause was approved by the Company's Annual General Meeting of Shareholders on 26 April 2012. On 21 August 2014 the agreement was extended one last time until 31 December 2014, being the end of the Discovery Term of this Agreement.

6.12.2. Merck KGaA agreements

The Merck KGaA agreement signed in September 2008 states 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. In the event of further advanced joint research and development programmes, Merck KGaA may at its sole discretion invite the controlling shareholder of Ablynx to continue to contribute to such joint research and development programme. If Merck KGaA 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.
This clause was approved by the Company's Annual General Meeting of Shareholders on 29 April 2010 in accordance with Art. 556 of the Belgian Company Code.

The Merck KGaA agreement signed in October 2010 states that (i) in the event of a change of control over Ablynx during the research term, Merck KGaA is entitled to terminate the programmes and to assume sole responsibility for further discovery, development and commercialisation; and (ii) in the event of a change of control over Ablynx (a) in respect of early programmes, Ablynx will be deemed to have exercised its opt-out right in full (if the first opt-out point had been reached; if the first opt-out point had not yet been reached, as of the time that the first opt-out point will have been reached); and (b) in respect of further advanced programmes, Ablynx will be deemed to have exercised its opt-out right under the agreement in full, provided that Merck KGaA may then, at its sole discretion, invite the new controlling shareholder of Ablynx to continue to contribute to such programme.

If Merck KGaA does not extend such invitation or if Ablynx's new controlling shareholder does not accept such invitation, the change of control results in an opt-out in full by Ablynx (in which case, however, the entitlement to royalties will be replaced by an entitlement to a share of net income calculated according to the percentage of resources provided by Ablynx to a programme until the first commercial sale). The clauses under (ii) cease to have effect, on a programme-by-programme basis, as of the first commercial sale of a product resulting from a programme.

This clause was approved by the Company's Extraordinary General Meeting of Shareholders of 11 January 2011 in accordance with Art. 556 of the Belgian Company Code.

In November 2011, a third agreement with Merck KGaA was signed with the same change of control clause as mentioned above.

This clause was approved by the Company's Annual General Meeting of Shareholders on 26 April 2012 in accordance with Art. 556 of the Belgian Company Code.

The Merck KGaA collaboration agreement which was signed in September 2013 states that in certain cases of change of control of the Company Merck KGaA is entitled at their option either to (i) proceed with the relevant collaboration, it being understood that Merck KGaA shall have the right to unilaterally decide upon the composition and the continued existence of the joint committees in respect of this collaboration agreement, or (ii) terminate the collaboration agreement and to oblige the Company to transfer all or parts of the ongoing programmes under this collaboration agreement, in which case the Company and Merck KGaA shall enter into separate agreements in respect of these programmes and Merck KGaA shall be exempted

from further payments (without any right, however, to reimbursement by the Company).
This clause was approved by the Company's Extraordinary General Meeting of Shareholders on 7 November 2013 in accordance with Art. 556 of the Belgian Company Code.

6.12.3. Merck & Co., Inc. Agreements

The agreement Ablynx entered into in 2012 with Merck & Co., Inc. (known as MSD outside the United States and Canada), through a subsidiary of Merck, states that in the event of a change of control over Ablynx, Merck is entitled to elect any one or more of the following options: (i) to immediately discontinue any or all then-ongoing research programmes under the agreement; (ii) terminate Ablynx's involvement on any joint committees; (iii) limit Merck's reporting obligations such that Merck is only required to provide reports relating to Merck's obligation to pay royalties; and/or (iv) if such change of control involves a Company that has initiated an IND enabling study for a competing product (i.e. a compound or molecule directed against the same target), to terminate the agreement.
The clause was approved during the Extraordinary General Meeting of Shareholders on 5 August 2013 in accordance with Art. 556 of the Belgian Company Code.

The agreement Ablynx entered into in February 2014 with Merck & Co., Inc. (known as MSD outside the United States and Canada), through a subsidiary of Merck, states that in the event of a change of control over Ablynx, Merck is entitled to elect any one or more of the following options: (i) to immediately discontinue any or all then-ongoing research programmes under the agreement; (ii) terminate Ablynx's involvement on any joint committees; (iii) limit Merck's reporting obligations such that Merck is only required to provide reports relating to Merck's obligation to pay royalties; and/or (iv) if such change of control involves a company that has initiated an IND enabling study for a competing product (i.e. a compound or molecule directed against the same target or combination of targets), to terminate the agreement.
This clause was approved during the Extraordinary General Meeting of Shareholders on 4 April 2014 in accordance with Art. 556 of the Belgian Company Code.

In July 2015, Ablynx significantly expanded its immuno-oncology partnership with Merck & Co., Inc. which was originally signed in February 2014, to include a total of up to 17 programmes with a focus on multi-specific Nanobodies.

6.12.4. AbbVie Agreements

The agreement with AbbVie which was signed in September 2013, states that in certain cases of a change of control over the Company, and depending on the stage of the research of the programmes under this collaboration agreement AbbVie is entitled to:

- terminate the joint committees in respect of these programmes and assume their tasks;
- oblige the Company to take the appropriate measures to avoid the disclosure of confidential information;
- terminate co-promotion rights;
- decide to either (i) assume or (ii) allow the Company to continue, the initial development activities in respect of the programme;
- oblige the Company to either transfer or terminate the ongoing clinical trials.

This clause was approved by the Company's Extraordinary General Meeting of Shareholders on 7 November 2013 in accordance with Art. 556 of the Belgian Company Code.

6.12.5. Issuance of a 3.25% convertible bond

The Terms and Conditions of the 3.25% Convertible Bond issued by the Company on 27 May 2015 and maturing on 27 May 2020 (ISIN BE 6278650344) state that in case of a change of control over the Company:

- the conversion price will be adjusted in proportion to the already elapsed time since the issue date (ie 27 May 2015); and
- the bondholders may request the early redemption of their bonds at the redemption price plus accrued interest.

This clause was approved by the Company's Special General Meeting of Shareholders on 10 July 2015 in accordance with Art. 556 of the Belgian Company Code.

6.12.6. Novo Nordisk Agreement

The agreement with Novo Nordisk signed on 25 November 2015 states that during the research programme, Novo Nordisk will have the right to terminate the agreement in full or on a programme-by-programme basis in the event of a change of control of Ablynx.

This clause was approved by the Company's General Meeting of Shareholders on 28 April 2016 in accordance with Art. 556 of the Belgian Company Code.

7. Transactions within authorised capital

In 2016, three transactions have occurred within the framework of the authorised capital that are required to be reported in accordance with Art. 608 of the Belgian Companies Code.

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 429,479 have been accepted on 20 May 2016, on 19 July 2016 and 9 September 2016 (326,521 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 shares on Euronext Brussels during the period of thirty days preceding the Date of the Decision, as mentioned in a letter to be sent to the Selected Participants subsequently to the Date of the Decision, and (ii) the lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days preceding the Date of the Offer, or (b) the last closing rate preceding the Date of the Offer. The warrants vest over 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 term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. 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 of 1 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, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth 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.

On 1 June 2016, the Company raised €74.2 million through a private placement of new shares via an accelerated book building procedure. The Company placed 5,533,720 new shares in exchange for €74,151,848. The par value and share premium amounted to €10,348,056.40 and €63,803,791.60 respectively.

During the Board Meeting of 9 September 2016, the issuance of a maximum number of 320,000 warrants was approved and 42,500 warrants have subsequently been granted. All granted warrants had been refused on 31 December 2016.

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 lower of the following two values: (a) the average closing rate of the share on Euronext Brussels during a period of thirty days before the Date of the Offer or (b) the last closing rate prior to 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 term of the Warrants shall be seven years as of the Date of the Decision, irrespective of the relevant Date of the Offer in respect of a Selected Participant. 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 offered (thus starting as of 1 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, Consultant Agreement or Director's Appointment falls, even if such exercise period precedes the beginning of the fourth 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.

The Company had a total of 2,609,130 outstanding warrants at the end of 2016.

8. Acquisition of own securities

Neither Ablynx nv nor any direct affiliate or any nominee acting in his own name but on behalf of the Company or of any direct affiliate, have acquired any of the Company's shares. Ablynx nv has not issued profit-sharing certificates or any other certificates.

9. Use of financial instruments by the company

In May 2015, Ablynx raised gross €100 million through the placement of 1,000 senior unsecured convertible bonds due May 2020, with a 3.25% coupon rate and a conversion price of €12.93, representing a 26.5% premium above the reference price of €10.2219 being the VWAP ("Volume Weighted Average price") of Ablynx' Ordinary Shares on the Brussels Stock Exchange (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 Ablynx.

10. Circumstances that could considerably affect the development of the Company

No special events have occurred that could considerably affect the development of the Company.

11. Research and development

The Company 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. It will continue to leverage the advantages of the Company's Nanobody technology in view of identifying potential drug candidates across a range of therapeutic areas and exploring and developing the potential of Nanobodies in areas where they have specific advantages. It will invest in further advancing the technology platform in terms of performance, applicability and scale.

The Company expects that research and development expenditures for the discovery, development and commercialisation of drug candidates will continue to increase as the Company progresses its clinical and pre-clinical programmes into the next phases. In addition, Ablynx intends to initiate new discovery programmes and is committed to seek to maintain and expand its proprietary Nanobody technology and intellectual property position.

12. Conflicting interests of directors (Art. 523 of the Belgian Companies Code)

The Directors report that since the last General Meeting two decisions have been taken which fall within the provisions of Art. 523 of the Belgian Companies Code.

As required by Art. 523 of the Belgian Companies Code, the full minutes of said meeting of the Board of Directors relating to such conflict of interests are to be reproduced hereunder:

Meeting of the Board of Directors of 22 February 2017

Mr Moses did not participate in the deliberations and resolution of the Board with respect to this item on the agenda.

Prior to the deliberation on this item, the other members of the Board acknowledge that they have been informed, in accordance with Art. 523 of the Belgian Companies Code, by e-mail dated 15 February 2017, of the declaration by Edwin Moses in respect of his conflict of interest in relation to this item on the agenda, as follows:

"Dear Mr. Vanhees and Board members,

I write to you in my capacity as member of the Board of Directors (the "Board") of Ablynx nv (the "Company"). I refer to the meeting of the Board scheduled for 22 February 2017, which will resolve on the issue of warrants for the benefit of certain employees and consultants of the Company (the "Stock Option Plan").

In accordance with Article 523 of the Belgian Company Code, I would like to report that I have a financial conflict of interest in respect of this agenda item. In my capacity of member of the Executive Committee of the Company, I am selected as one of the beneficiaries of the Stock Option Plan and will accordingly be offered a certain number of warrants.

However, I believe that the approval by the Board of the Stock Option Plan is in the interest of the Company, given the limited financial consequences for the Company (as the issue of the warrants shall have no immediate financial impact on the Company), as well as the purpose thereof.

The purpose of this Stock Option Plan is (i) to create a long-term incentive for the selected employees and consultants who are able to contribute substantially to the success and growth of the Company; (ii) to provide the Company with the necessary means to recruit and retain competent and experienced staff members; and (iii) to create a common interest between the selected participants on the one hand and the shareholders of the Company on the other, aimed at an increase in the value of the Company's shares.

The consequences of the Stock Option Plan for the existing shareholders and warrant holders, and more in particular the dilution that would result from the exercise of all offered warrants, are clearly indicated in the special report of the Board in accordance with Article 583 of the Belgian Company Code."

De Board of Directors took note of the financial conflict of interest, as defined Article 523 of the Belgian Company Code, of Mr. Edwin Moses, Director, regarding the Issue, as Mr Moses in his capacity of member of the Executive Committee of the Company will be selected as one of the beneficiaries of the Stock Option Plan and as a consequence will be offered a certain amount of warrants

The Board is of the opinion that the approval by the Board of Directors of the Issue is in the interest of the Company, taking into account the limited financial consequences for the Company (as the Issue of the warrants will not have an immediate financial impact on the equity of the Company) as also the purpose, as described in the report of the Board of Directors which has been drafted in accordance with Article 583 of the Belgian Company Code and that is cited underneath:

The Board of Directors intends to achieve the following purposes with the issue of the warrants: (i) creating a *long-term incentive for the selected employees and consultants who are able to contribute substantially to the success and growth of the Company; (ii) providing the Company with the necessary means to recruit and retain competent and experienced staff members; and (iii) creating a common interest between the Selected Participants on the one hand and the shareholders of the Company on the other, aimed at an increase in the value of the Company's shares.*

The Board considers it justified to indicate Mr Edwin Moses as beneficiary of this Issue, taking into account (i) the crucial role of CEO he has within the Company, (ii) the services he has already provided to the company and (iii) the added value which he can possible have for the Company in the future.

The Board of Directors is of the opinion that the allocation of warrants creates a common interest between Mr Edwin Moses and the Company and can therefore be an important contribution to the success and growth of the Company.

Taking into account the foregoing and the market conform character of the Issue, the Board is of the opinion that this Issue is (and more in particular the Issue of Warrants to Mr Edwin Moses) in the interest of the Company.

The consequences of the Stock Option Plan for the existing shareholders and warrant holders, and more in particular the dilution that would result from the exercise of all offered warrants, are clearly indicated in the special report of the Board in accordance with Article 583 of the Belgian Company Code.

Meeting of the Board of Directors of 23 March 2017

Mr Moses did not participate in the deliberations and resolution of the Board with respect to this item on the agenda.

Prior to the deliberation on this item, the other members of the Board acknowledge that they have been informed, in accordance with Art. 523 of the Belgian Companies Code, by e-mail dated 17 March 2017, of the declaration by Edwin Moses in respect of his conflict of interest in relation to this item on the agenda, as follows:

"Dear Mr Vanhees and Board members,

In accordance with Art. 523 of the Belgian Company Code, I wish to report that I am faced with a conflict of interest of a financial nature in respect of the proposed decision of the Board of Directors to grant discharge to the members of the Executive Committee.

The decision to grant discharge to the members of the Executive Committee entails in principle a lapse of the right of the Company to submit a liability claim against (the members of) the Executive Committee in respect of the actions or decisions (in their capacity as members) of the Executive Committee during the 2016 fiscal year.

As I am a member of the Executive Committee, the decision to grant discharge to the members of the Executive Committee entails a conflict of interest of a financial nature between the Company and myself: as a result of such decision, I will no longer be subject to such liability claims in respect of my function as a member of the Executive Committee in the 2016 fiscal year, while the Company loses the opportunity to claim against me and the other members of the Executive Committee, which may lead to potential negative financial consequences for the Company.

The exact amount of the financial impact on the Company of this decision cannot be determined at this time, as it cannot be known, at this time, whether the Company would wish, in the future, to assert any liability claim vis-à-vis myself or the Executive Committee and, if so, in what amount. The financial impact on the Company consists of the loss of this particular possibility.

However, I believe that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company. Through such decision, the Company expresses its confidence in the members of the Executive Committee and offers such members a measure of security, which will allow the Company to attract and retain capable managers within the Company, as well as keep the current members of the Executive Committee motivated, committed and focused on their tasks.

The Company's statutory auditor has been copied on this e-mail, thereby notifying him of this conflict of interest."

The Board confirmed that the financial impact on the Company of the decision to grant discharge to the members of the Executive Committee cannot be determined at this time, but consists in the lapse of the right of the Company to submit a liability claim against the (members of the) Executive Committee.

The Board was of the opinion that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company, because it expresses the confidence in the members of the Executive Committee, which will allow the Company to attract and retain capable managers.
The Board of Directors considered that the decision to grant discharge is in the interest of the Company, because it keeps the current members of the Executive Committee motivated, committed and focused on their tasks. In that perspective, the Board declared that it believes that the decision to grant discharge to the members of the Executive Committee is in the interest of the Company.

After deliberation on the basis of the draft of the annual accounts and the annual report of the fiscal year 2016, which counts as "Annual Activity Report" as described in the Charter of the Executive Committee, the Board of Directors unanimously granted discharge to the members of the Executive Committee for 2016.

13. Independence and expertise of at least one member of the Audit Committee

Remi Vermeiren

Remi Vermeiren is an independent Director of Ablynx and is Chairman of its Audit Committee. Before he 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. Currently, Mr Vermeiren is also member of a number of non-quoted companies and of charitable organisations, such as Pro Vives, Vives and 'Foundation RV' set up and funded by himself. He is currently a member of the Board or supervisory bodies of ACP II SCA (Luxembourg) (Liquidator). In the past five years, he has held positions as a member of the Board or governing, management or supervisory bodies of the following companies: Devgen nv (Belgium), Afinia Plastics nv (Belgium), IFB SPA (Italy), Cumerio nv (Belgium) and MCS nv (Belgium).
Remi Vermeiren holds a degree in Commercial and Financial Sciences.

Russell Greig

Greig Biotechnology Global Consulting Inc., represented by its permanent representative, Dr Russell Greig, has been appointed as independent Director of Ablynx in 2012 and joined the Audit Committee in February 2013. Dr Greig has more than 35 years experience in the pharmaceutical industry, with knowledge and expertise in research and development, business development and commercial operations. He spent the majority of his career at GlaxoSmithKline, where he held a number of positions including GSK's President of Pharmaceuticals International from 2003 to 2008 and Senior Vice President Worldwide Business Development. From 2008 to 2010, Dr. Greig was also President of SR One, GSK's Corporate Venture Group. He is currently Chairman of AM Pharma (The Netherlands), Mint Solutions (The Netherlands), Sanifit (Spain) and eTheRNA (Belgium), a Board Member of Onxeo (France), as well as a Director of Tigenix (Belgium). He also acts as Venture Partner to Kurma Life Sciences (France). He served as acting CEO at Genocea and Isconova for an interim period. He was a member of the Scottish Scientific Advisory Committee, reporting to Scotland's First Minister. He was also Chairman of Bionor (Norway), Syntaxin (UK), which was acquired by Ipsen (France), Novagali (France) sold to Santen (Japan), and of Isconova (Sweden), acquired by Novavax (USA).

Catherine Moukheibir

Catherine Moukheibir has been appointed as independent Director of Ablynx on 2 September 2013 and joined the Audit Committee on 12 November 2013. She has been in C-level positions in several European biotech companies after an initial career in strategy consulting and investment banking in Boston and London. Her particular experience lies in aligning corporate and financial strategy appropriate to various stages of a biotech's development, on the continuum from venture capital funding to public market or M&A. She is currently non-executive Chairman of MedDay Pharma sa, a non-executive Board member at Zealand Pharma and Chair of the Audit Committee, non-executive Board member and member of the Audit Committee at Cerenis and Ablynx and Advisory Board member at the Imperial College Business School and the Yale School of Management.

Catherine Moukheibir holds an MBA from Yale University.

14. Justification of valuation rules

Ablynx, established in 2001, is a biotechnology company. For the further successful expansion of the research and development activities, the Company is, among others, dependent on sufficient financial funding, the results obtained from research and the Company's capacity to obtain and maintain adequate protection of its intellectual property.

In addition, several clinical tests are planned in the next years, which will increase the operational costs. On the other hand, major commercial deals were closed which have already generated and which will generate important revenues as milestones have been achieved. In view of the above, the Company initiated an IPO on Euronext in November 2007 and raised €85.2 million and initiated an SPO on Euronext in March 2010 and raised €50 million.

On 28 February 2013, the Company raised an additional €31.5 million through a private placement of new shares via an accelerated book building procedure.

In June 2014, the Company raised another €41.7 million through a private placement of new shares via an accelerated book building procedure.

In May 2015, Ablynx raised €100 million gross through the placement of 1,000 senior unsecured convertible bonds due 27 May 2020, with a 3.25% coupon rate and a conversion price of €12.93, representing a 26.5% premium above reference price of €10.2219 being the VWAP ("Volume Weighted Average price") of Ablynx's Ordinary Shares on the Brussels Stock Exchange 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 Ablynx.

In June 2016, the Company raised again €74.2 million through a private placement of new shares via an accelerated book building procedure.

The cash position at 31 December 2016 of €235.4 million, which includes cash, other short-term investments, restricted cash and cash equivalents, will allow the Company to keep up with the financial obligations for at least the following 12 months. Consequently, the annual accounts have been prepared on the assumption that the Company is a going concern.

The Company's equity under IFRS amounted to €103.1 million at 31 December 2016. Based on the projected cash burn for 2017 and the volatility of the share price which impacts the fair value of the embedded derivate of the convertible bond, the equity could substantially change.

15. Appropriation of results

Ablynx nv ended according to Belgian GAAP, the financial year 2016 with a net loss of €74,545,019.

The Board of Directors proposed to appropriate the loss of the year of €74,545,019 to retained losses, the latter amounting to €124,981,706.

This brings the total amount of retained losses to €199,526,726

16. Important events subsequent to the accounting reference date

On 11 January 2017, Ablynx announced that it had dosed the first patient in the Phase IIb "RESPIRE" dose-ranging efficacy study of ALX-0171, its novel inhaled drug candidate to treat RSV infections. Topline results from this Phase IIb study of inhaled ALX-0171 are expected in the second half of 2018.

On 18 January 2017, Ablynx announced the issuance of an additional 154,342 common shares in exchange for €1,011,939.05 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 61,076,074 shares outstanding.

On 26 January 2017, Ablynx announced that its partner, Merck KGaA (Darmstadt, Germany), had reported encouraging results from a study in psoriasis patients with the bi-specific Nanobody anti-IL-17A/F (ALX-0761/M1095), via a clinical trials website (https://clinicaltrials.gov/NCT02156466).

On 6 February 2017, Ablynx announced that it had submitted a Marketing Authorisation Application (MAA) to the European Medicines Agency (EMA) for approval of caplacizumab, its first-in-class anti-von Willebrand factor (vWF) Nanobody for the treatment of acquired thrombotic thrombocytopenic purpura (aTTP), an ultra-rare, acute, life-threatening blood clotting disorder with a high unmet medical need.

During the Board Meeting of 22 February 2017, the issuance of a maximum number of 740,000 warrants for the benefit of certain employees and consultants was approved. 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 offered.

17. Grant of discharge to the directors and statutory auditor

You are requested, for Ablynx nv, in accordance with the law and the Articles of Association, to grant discharge to the Directors and the Statutory Auditor for the duties carried out by them during the financial year ending 31 December 2016.

This report will be deposited according to the legal requirements and can be consulted at the Company's address.

Ghent, 23 March 2017

For the Board of Directors,

Remi Vermeiren

Director