Financial report 2015

argenx

Consolidated financial statements

FOR THE PERIOD ENDED DECEMBER 31, 2015

Responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements of arGEN-X N.V. as of December 31, 2015, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in The Netherlands, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors

Tim van Hauwermeiren, CEO
March 9, 2016

Eric Castaldi, CFO

General information

arGEN-X N.V. is the parent company of a clinical-stage biopharmaceutical group focused on creating and developing differentiated antibody therapeutics for the treatment of cancer and severe autoimmune diseases with unmet medical needs (the Group). The Group has internally generated a preclinical and clinical product pipeline. argenx's proprietary product portfolio currently consists of three clinical stage antibody products: ARGX-113 for targeting severe auto-immune diseases, ARGX-110 for targeting blood and solid tumors and ARGX-111 for targeting tumor metastases. In addition, argenx's product portfolio also comprises ARGX-115, a novel therapeutic antibody for cancer immunotherapy, currently in the preclinical development stage, and various undisclosed discovery programs. The Group has also entered into selective antibody discovery industrial partnerships using its proprietary technology platform in collaboration with pharmaceutical and biotechnology companies on a non-exclusive basis, providing multiple sources of potential revenue. The Group has no products with market approval and has not generated any revenues from product sales.

The Group was incorporated in 2008. From inception through December 31, 2015, the Group's operations have been primarily funded through:

- EUR 46.0 million in equity investments from venture capital investors;
- EUR 41.8 million of gross proceeds from the Group Initial Public Offering completed in July 2014 on Euronext Brussels;
- EUR 20.3 million in upfront payments, milestone payments, and research and development funding from industrial partnerships; and
- EUR 9.3 million of grants and tax incentives received.

The Group has never been profitable and has incurred net losses each year since incorporation. The Group's net losses were EUR 15.3 million and EUR 10.3 million for the years ended 31 December 2015, and 2014 respectively. On 31 December 2015, the Group had an accumulated deficit of EUR 51.1 million. Its losses resulted principally from operating expenses incurred in connection with the development of its product portfolio, its research activities and general and administrative costs associated with its operations.

With EUR 42.3 million in cash and cash equivalents and current financial assets, as of December 31, 2015, the Board is of the opinion that it can submit the annual accounts on a going concern basis. The Group expects its expenses to continue to increase, in line with its strategy of advancing the clinical development of its most advanced products.

The Group employs a business model that relies significantly on outsourcing its research and development activities through external collaborations. The Group believes that this business model allows a minimal infrastructure and an efficient and flexible control of spending that is closely linked to the progress of its development projects.

Consolidated financial statements

Consolidated statement of financial position

Assets (in thousand of euros)	Note	At December 31, 2015	At December 31, 2014
Non-current assets		**1,825**	**1,134**
Intangible assets	4.1	7	7
Property, plant and equipment	4.2	249	166
Financial assets	4.3	1	1
R&D incentive receivables	4.4	1,568	960
Current assets		**44,137**	**57,377**
Trade and other receivables	4.5	1,356	1,312
Prepaid expenses	4.6	454	92
Financial assets	4.7	6,813	23,793
Cash and cash equivalents	4.8	35,514	32,180
Total assets		**45,962**	**58,510**

Equity and liabilities (in thousand of euros)	Note	At December 31, 2015	At December 31, 2014
Equity	4.9		
Equity attributable to owners of the parent			
Share capital		1,580	1,571
Share premium		82,169	81,940
Accumulated deficits		(51,118)	(35,806)
Other reserves	4.12	4,647	2,377
Total equity		**37,278**	**50,082**
Non-current liabilities		**0**	**0**
Current liabilities		**8,684**	**8,428**
Trade and other payables	4.10	4,543	4,977
Deferred revenue	4.11	4,141	3,451
Total liabilities		8,684	8,428
Total equity and liabilities		**45,962**	**58,510**

The notes are an integral part of these consolidated financial statements.

Consolidated statement of profit and loss and other comprehensive income

Consolidated statement of profit and loss and other comprehensive income (in thousand of euros)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Revenue	5.1	6,854	3,756
Other operating income	5.2	3,101	1,621
Total operating income		9,955	5,377
Research and development expenses	5.3	(20,635)	(12,641)
General and administrative expenses	5.4	(4,925)	(3,479)
Operating loss		**(15,605)**	**(10,743)**
Financial income	5.7	112	137
Financial expenses		0	(3)
Exchange gains/(losses)		181	295
Loss before taxes		**(15,312)**	**(10,314)**
Income tax (income/expense)	5.9	0	0
Total comprehensive loss of the period		**(15,312)**	**(10,314)**
Earnings per share	5.10		
Weighted average number of shares outstanding		15,734,007	7,551,576
Basic and diluted loss per share (in €)		(0.97)	(1.37)

There are no non-controlling interests in the Group.

The income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Consolidated statement of cash flows (in thousand of euros)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities			
Operating result		**(15,605)**	**(10,743)**
Adjustments for non-cash items			
Amortisation of intangible assets		5	4
Depreciation of property, plant and equipment		191	128
Expense recognized in respect of share-based payments		2,270	952
		(13,139)	(9,659)
Movements in working capital			
(Increase)/decrease in trade and other receivables	4.5	(651)	(706)
(Increase)/decrease in other current assets	4.6	(362)	14
Increase/(decrease) in trade and other payables	4.10	(434)	2,124
Increase/(decrease) in deferred revenue	4.11	689	2,995
Cash used in operating activities		**(13,897)**	**(5,232)**
Interests paid		0	(3)
Net cash flows used in operating activities		**(13,897)**	**(5,235)**
Cash flows from investing activities			
Purchase of intangible assets	4.1	(5)	(11)
Purchase of property, plant and equipment	4.2	(274)	(174)
(Increase)/decrease in current financial assets	4.7	16,979	(23,293)
Interest received	5.7	112	137
Net cash flows from investing activities		**16,812**	**(23,341)**
Cash flows from financing activities			
Proceeds from issue of shares	4.9	238	41,691
Transaction costs for equity issue	4.9	0	(3,950)
Net cash flows from financing activities		**238**	**37,741**
Net increase (decrease) in cash & cash equivalents		**3,153**	**9,165**
Cash and cash equivalents at the beginning of the period		**32,180**	**22,720**
Exchange gains/(losses) on cash & cash equivalents	5.7	181	295
Cash and cash equivalents at the end of the period		35,514	32,180

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in thousand of euros)	Share capital	Share premium	Retained earnings	Other reserves Equity-settled share-based payment reserve	Total equity attributable to owners of the parent	Total equity
	Attributable to owners of the parent					
Balance Year ended January 1, 2014	**466**	**45,304**	**(25,491)**	**1,426**	**21,704**	**21,704**
Total comprehensive income of the period			(10,314)		(10,314)	**(10,314)**
Issue of share capital	1,105	40,586			41,691	**41,691**
Transaction costs for equity issue		(3,950)			(3,950)	**(3,950)**
Share-based payment				952	952	**952**
Balance Year ended December 31, 2014	**1,571**	**81,940**	**(35,806)**	**2,378**	**50,082**	**50,082**
Total comprehensive income of the period			(15,312)		(15,312)	**(15,312)**
Issue of share capital	9	229			238	**238**
Transaction costs for equity issue					0	**0**
Share-based payment				2,270	2,270	**2,270**
Balance Year ended December 31, 2015	**1,580**	**82,169**	**(51,118)**	**4,648**	**37,278**	**37,278**

Please refer to note 4.9 for more information on the share capital and evolution in number of shares.

See also note 4.12 for more information on the share based payments.

The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statement for the year 2015

1. General information about the company

arGEN-X NV (the Company) is a public company with limited liability incorporated under the laws of the Netherlands. The Company's official seat is in Rotterdam, the Netherlands, and its registered office is at Willemstraat 5, 4811 AH, Breda, the Netherlands. The principal activities of the Company are described in the General Information section. An overview of the Company and its subsidiaries (the Group) are described in note 7.4.

arGEN-X NV is listed on Euronext Brussel since July 2014.

The following financial statements were reviewed and approved by the Board of Directors meeting on March 9, 2016.

2. Summary of significant accounting policies

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with IFRS as adopted by the European Union. The accounting policies described in Note 2 to our consolidated financial statements have been applied in preparing the consolidated financial statements for the year ended December 31, 2015 and for the comparative information for the year ended December 31, 2014.

The consolidated financial statements have been prepared under the assumption that the Group is in a state of going concern.

The preparation of consolidated financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The principal accounting policies applied in the preparation of the above financial statements are set out below. All amounts are presented in thousands of Euro, unless otherwise indicated, rounded to the nearest EUR '000.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.
- 'Annual improvements (2011-2013 cycle)' in response to four issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 January 2015. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.

The above-mentioned Standards and Interpretations do not have a significant impact on the financial statements of the Company.

The following new interpretation and amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2015:

- 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after 1 February 2015. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', 'IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method—proportionate restatement of accumulated depreciation' and IAS 24 'Key management personnel'.

- Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 1 February 2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.

- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

- 'Annual Improvements (2012–2014 cycle)' with amendments to 4 standards, effective for annual periods beginning on or after 1 January 2016. The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.

- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.

- Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2015 and have not been endorsed by the European Union:

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018, subject to EU endorsement.

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These narrow-scope amendments introduce clarifications to the requirements when accounting for investment entities.

- IFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019 which provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The Group anticipates that the above-mentioned Standards and Interpretations will not have a significant impact on the financial statements of the Company in the period of initial application except for IFRS 15 and IFRS 16 for which the impact needs to be investigated.

2.2 SEGMENT REPORTING

The Group manages its activities and operates as one business unit which is reflected in its organizational structure and internal reporting. The Group does not distinguish in its internal reporting different segments, neither business nor geographical segments. The chief operating decision-maker is the Board of Directors.

The Group operates from Belgium and the Netherlands. Revenues are invoiced by the holding company in the Netherlands and are generated by clients geographically located as shown in the table below. In the table next to this, it is indicated where the non-current assets from the group are situated.

(in thousand of euros)	Revenue from external customers		Non-current assets	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Netherlands	275	5	1	1
Belgium			1,824	1,133
Germany	2,190	754		
Denmark	827	0		
Switzerland	3,127	2,198		
United States	435	799		
Total	**6,854**	**3,756**	**1,825**	**1,134**

Information about major clients:
From the KEUR 6,854 (KEUR 3,756 in 2014) received from license fees, milestone payments and R&D fees, KEUR 3,127 (KEUR 2,198 in 2014) come from the Group's largest client, KEUR 2,191 (KEUR 753 in 2014) from its second largest client and KEUR 827 (nil in 2014) from its third largest client.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 – *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.4 FOREIGN CURRENCY TRANSACTIONS

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates *(functional currency)*. The financial statements are presented in Euro, which is the Group's functional and presentation currency.

Transactions and balances
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the income statement part of the statement of profit and loss and other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

2.5 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets related to software are amortised over 3 years.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, research expenditures are recognized in the statement of profit and loss and other comprehensive income in the period in which they are incurred. Due to uncertainties inherent to the development and registration with the relevant healthcare authorities of its products, the Company estimates that the conditions for capitalisation are not met until the regulatory procedures required by such healthcare authorities have been finalised. The Company currently does not own products that have been approved by the relevant healthcare authorities. As such, research expenditures not satisfying the above criteria and expenditures in the research phase of internal projects are recognized in the statement of profit and loss and other comprehensive income as they are incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized either on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost, less accumulated depreciation and accumulated impairment losses.

The cost comprises the initial purchase price plus other direct purchase costs (such as non-refundable tax and transport).

Depreciation is recognized at acquisition date (unless asset is not ready for use) so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Unless revised due to specific changes in the estimated useful life, annual depreciation rates are as follows:

- Office and lab equipment: 3-5 years
- IT equipment: 3 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.7 LEASES

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.8 IMPAIRMENT OF ASSETS

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.
Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.9 FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.
Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Available-for-sale financial assets (AFS) are non-derivatives that are either designated as AFS or are not classified as loans and receivables, at FVTPL or held-to-maturity' investments. AFS financial assets are measured at fair value with changes recognized in other comprehensive income under the heading "available-for-sale" financial assets". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other comprehensive income is reclassified to profit & loss.
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after

the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For AFS financial assets, a significant or prolonged decline in fair value of the investment below its cost is considered to be objective indicator of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

A financial asset and a financial liability are offset if there is a legally enforceable right to set off the recognized amounts and if the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The company has no derivative financial instruments to hedge interest rate and foreign currency risk.

2.11 TRADE RECEIVABLES

Trade receivables are initially recognized at fair value and are subsequently carried at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less and with an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call or short term maturity with banks (three months or less with insignificant risk of changes in value), net of bank overdrafts.

2.13 SHAREHOLDER'S EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

2.14 TRADE PAYABLES

Payables after and within one year are measured at amortised cost, i.e. at the net present value of the payable amount. Unless the impact of discounting is material, the nominal value is taken.

2.15 PROVISIONS

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.16 RETIREMENT BENEFITS

The Company offers a post-employment, death, disability and healthcare benefit scheme. All employees have access to these schemes. The death, disability and healthcare benefits granted to employees of the Company are covered by an external insurance company, where premiums are paid annually and charged to the income statement as they were incurred.
The post-employment pension plan granted to employees of the Company is a defined contribution plan under Belgian Law.

Under defined contribution plans, the Company pays contributions based on salaries to organisations responsible for paying out pensions and social security benefits, in accordance with the laws and agreements applicable in each country.

The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25% on employer contributions and 3.75% on employee contributions. These rates have been modified by the law of 18 December 2015 and effective for contribution paid as from 2016 to a new variable minimum return based on the OLO rates, with a minimum of 1.75% and a maximum of 3.75%.

In theory these plans qualify as defined benefit plans. However, when taken into account the historical discussions on how to account for these specific type of plans where the contributions paid are subject to a minimum guaranteed return at the level of IFRIC, the Company believes the application of the projected unit credit method to these plans is troublesome and will not provide a faithful representation of the liability with respect to these promises.

The Group adopted a retrospective approach whereby the net liability recognized in the statement of financial position was based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

2.17 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include salaries and social security taxes, paid vacation and bonuses. They are recognized as expenses for the period in which employees perform the corresponding services. Outstanding payments at the end of the period are shown as other current liabilities.

2.18 SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 4.12.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payment reserve.

Where the terms of equity–settled share-based payments are modified, the minimum expense recognized is the expense that would have been recognized if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share–based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.19 FINANCIAL LIABILITIES

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified as either "financial liabilities at fair value through profit or loss" or "other financial liabilities".

The Company does not hold any financial liabilities at fair value through profit or loss.
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.20 GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Grants related to research projects received from governmental agencies are recognized at their fair value over the period necessary to match them with the costs that they are intended to compensate, and when there is reasonable assurance the Group will comply with the conditions attached to the grants, but not prior to the formal grant approval. These grants are presented in the income statement as a separate category of other operating income.

2.21 INCOME TAXES

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (e.g. differences between carrying amounts under IFRS and the statutory tax bases). Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and if they relate to income taxes imposed by the same authority on the same taxable entity or in different tax entities that intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

2.22 REVENUE RECOGNITION

The Group generates revenue from Industrial partnerships.

Revenue is recognized when it is probable that future economic benefits will flow to the group and these benefits can be measured reliably. Further, revenue recognition requires that all significant risks and rewards of ownership of the goods included in the transaction have been transferred to the buyer or when the related services are performed and specific criteria have been met for each of the Group's activities as described below.

Industrial Partnerships
Industrial partnerships typically contain license fees, non-refundable up-front fees, research and development service fees and milestone payments and may involve multiple elements. The Group evaluates whether the elements under these arrangements have value to its collaboration partner or client on a stand-alone basis. If the Group determines that multiple deliverables exist, the consideration is allocated to one or more units of accounting based upon the best estimate of the selling price of each deliverable. Deliverables that do not meet these criteria are not evaluated separately for the purpose of revenue recognition.

The Group receives from these industrial partnerships upfront, milestone and other similar payments related to the sale or out-licensing of products. Revenue associated with performance milestones is recognized based upon the achievement of the milestone event if the event is substantive, objectively determinable and represents an important point in the development life cycle of the product. Upfront payments and license fees for which there are subsequent deliverables are initially reported as deferred income and are recognized as revenue when earned over the period of the development collaboration or the manufacturing obligation. Research and development service fees are recognized as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of full-time equivalents (FTE) at a specified rate per FTE.

Commercial collaborations resulting in a reimbursement of research and development (R&D) costs are recognized as revenue as the related costs are incurred. The corresponding research and development expenses are included in research and development expenses in the consolidated financial statements.

Deferred income reflects the part of revenue that has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated. Deferred income is measured at nominal value.

2.23 EARNINGS PER SHARE

Basic net profit / (loss) per share is computed based on the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Diluted net profit / (loss) per share is computed based on the weighted-average number of ordinary shares outstanding including the dilutive effect of options. Options should be treated as dilutive, when and only when their conversion to ordinary shares would decrease net profit per share from continuing operations.

2.24 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.25 FAIR VALUE MEASUREMENTS

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following area are areas where key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Going concern
The Group has incurred net losses since its inception and on December 31, 2015, its consolidated statement of profit and loss and other comprehensive income reflects a net loss, and its consolidated statement of financial position includes a loss carried forward. On March 9, 2016, the Board has reviewed and approved the consolidated financial statements and accounting standards. Taking into account the cash position of EUR 42.3 million on December 31, 2015 and the EUR 16.0 million of proceeds from the subsequent increase of capital in January 2016, the Board is of the opinion that it can submit the annual accounts prepared for the Group on a going concern basis.
Whilst the current cash position is sufficient for the Group's immediate and mid-term needs, the Board pointed out that if the R&D activities continue to deliver added value, argenx may seek additional funding to support the continuing development of its portfolio of products or to be able to execute other business opportunities.

Revenue recognition

For revenue recognition, the significant estimates relate to allocation of value to the separate elements in multiple-element arrangements. With respect to the allocation of value to the separate elements, the Company is using the stand-alone selling prices or management's best estimates of selling prices to estimate the fair value of the elements and account for them separately. Revenue is allocated to each deliverable based on the fair value of each individual element and is recognized when the revenue recognition criteria described above are met.

Upfront fees under collaboration or licensing agreements are recognized over the expected duration of the performance obligations, unless there is no continuous involvement required. Management estimates this period at the start of the collaboration and validates the remaining estimated collaboration term at each closing date.

Measurement of share-based payments

In accordance with IFRS 2 – *Share-based Payment*, the fair value of the options at grant date is recognized as an expense in the statement of profit and loss and other comprehensive income over the vesting period, the period of delivery of work. Subsequently, the fair value equity-settled is not re-measured.

The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions, which are detailed in note 4.12.

Recognition of deferred tax assets

Deferred tax assets are recognized only if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future.

This judgment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

Since inception, the Company has reported losses, and as a consequence, the Company have unused tax losses. Therefore, management has concluded that deferred tax assets should not be recognized as of December 31, 2015. The deferred tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide any convincing positive evidence that deferred tax assets should be recognized.

4. Notes relating to the consolidated statement of financial position

4.1 INTANGIBLE ASSETS

(in thousand of euros)	
Opening balance as on January 1, 2014	
Purchase price	56
Accumulated depreciation	(56)
Bookvalue at the beginning of the year	**0**
Movements	
Investments	11
Depreciation	(4)
Closing balance as on December 31, 2014	
Purchase price	67
Accumulated depreciation	(60)
Bookvalue at year end	**7**
Opening balance as on January 1, 2015	
Purchase price	67
Accumulated depreciation	(60)
Bookvalue at the beginning of the year	**7**
Movements	
Investments	5
Depreciation	(5)
Balance as on December 31, 2015	
Purchase price	72
Accumulated depreciation	(65)
Bookvalue at year end	**7**

The intangible assets correspond to software. There are no commitments to acquire additional intangible assets.

No intangible assets are pledged as security for liabilities nor are there any intangible assets whose title is restricted.

Amortisation expenses related to intangible assets of KEUR 5 in 2015 and KEUR 4 in 2014 have been recorded in the statement of profit and loss and other comprehensive income.

4.2 PROPERTY, PLANT AND EQUIPMENT

(in thousand of euros)	IT equipment	Office and lab equipment	Total
Opening balance as on January 1, 2014			
Purchase price	42	782	824
Accumulated depreciation	(37)	(667)	(704)
Bookvalue at the beginning of the year	**5**	**115**	**120**
Movements			
Investments	21	153	174
Depreciation	(11)	(117)	(128)
Closing balance as on December 31, 2014			
Purchase price	63	935	998
Accumulated depreciation	(48)	(784)	(832)
Bookvalue at year end	**15**	**151**	**166**
Opening balance as on January 1, 2015			
Purchase price	63	935	998
Accumulated depreciation	(48)	(784)	(832)
Bookvalue at the beginning of the year	**15**	**151**	**166**
Movements			
Investments	30	244	274
Depreciation	(18)	(173)	(191)
Closing balance as on December 31, 2015			
Purchase price	92	1,179	1,272
Accumulated depreciation	(66)	(957)	(1,023)
Bookvalue at year end	**27**	**222**	**249**

There are no commitments to acquire property, plant and equipment.
Furthermore, no items of property, plant and equipment are pledged.

4.3 NON-CURRENT FINANCIAL ASSETS

In 2012, as part of a partnership agreement signed with Bird Rock Bio Inc (formerly RuiYi Inc.), 750,000 shares of Bird Rock Bio were received by argenx in exchange of the out-licensing of the Group's product ARGX-109. The nominal value of these shares (i.e. 0,001 USD per share, or 750 EUR in total) is considered, at the end of 2015, as the best indication of the fair value of this holding and is recorded as non-current financial assets.

In 2013, another partnership was signed with Fair Journey LDA (an external service provider used by the Group). As part of this transaction, the Group received 150 shares of Fair Journey LDA. Fair Journey LDA is accounted for at fair value as an available for sale financial asset. Fair Journey LDA does not have a quoted market price and fair value can currently not be reliably measured. As such, the fair value of this investment is estimated at its cost.

4.4 R&D INCENTIVE RECEIVABLES

(in thousand of euros)	At December 31, 2015	At December 31, 2014
R&D incentive related to research and development expenditure	1,568	960

On December 31, 2015, the Group has recorded a tax receivable of KEUR 1,568, compared to KEUR 960 on December 31, 2014, in relation with a research and development incentive tax scheme in Belgium under which the R&D incentives can be refunded after five years if not offset against future income tax expense. The R&D incentives are recorded in other operating income (see note 5.2) in the consolidated statement of profit and loss and other comprehensive income. These amounts are expected to be gradually reimbursed in cash as from 2017 onwards.

4.5 TRADE AND OTHER RECEIVABLES

The trade and other receivables are composed of receivables which are detailed below:

(in thousand of euros)	At December 31, 2015	At December 31, 2014
VAT receivable	175	61
Trade receivables	719	791
Interest receivable	17	33
IWT grants to receive	445	427
	1,356	**1,312**

The nominal amounts of all trade and other receivables approximates their respective fair values.

The VAT receivable related to VAT amounts to be recovered in the first quarter of 2016.
Trade receivables correspond to amounts invoiced to the industrial partners of the Group. No trade receivables were past due on December 31, 2015. The IWT grant to receive consists of earned income from government grants for which no payments have been received but for which the relating expenditures have been incurred.
For more information on the government grants to receive from IWT see note 5.2.

4.6 PREPAID EXPENSES

The prepaid expenses on December 31, 2015 amount to KEUR 454 compared to KEUR 92 on December 31, 2014 and relates primarily to a success fee paid to a third party involved in the license agreement signed with LEO Pharma. The amount will be recognized as expense in the profit and loss statement over the period of the agreement.

4.7 CURRENT FINANCIAL ASSETS

On December 31, 2015, the current financial assets amounted to KEUR 6,813 and corresponded to financial instruments in the form of money market funds with a recommended maturity of 6 months. These funds are highly liquid investments and can be readily convertible into a known amount of cash. Because of their historical volatility these funds cannot be classified as cash and cash equivalents. Values recognized on the balance sheet are the fair values.

On December 31, 2014, the current financial assets amounted to KEUR 23,793.

Please also refer to note 6.1 for more information on the financial instruments.

4.8 CASH AND CASH EQUIVALENTS

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Cash equivalents	11,006	10,202
Cash and bank balances	24,508	21,978
	35,514	**32,180**

On December 31, 2015, cash and cash equivalents amounted to KEUR 35,514 compared to KEUR 32,180 on December 31, 2014 and included (i) cash on hand and (ii) current and savings accounts in different banks and (iii) on December 31, 2014 short term investment funds in the form of money market funds with a recommended maturity of less than 3 months and with a low historical volatility which allows such money market funds to be classified as cash equivalents. These money market funds are highly liquid investments, can be readily convertible into a known amount of cash and subject to an insignificant risk of changes in value. There were no money market funds on December 31, 2015.

4.9 SHAREHOLDERS' CAPITAL

On December 31, 2013, the share capital of the company was divided in ordinary shares, preferred shares and cumulative convertible preferred shares. Following the Initial Public Offering (IPO) of the Group in July 2014, all shares have been converted into ordinary shares as follows:

Roll forward of number of shares outstanding:	
Number of shares outstanding on 01/01/2014	465,597
1:10 stock split 09/07/2014	4,655,970
share reshuffling 09/07/2014	6,134,535
IPO 10/07/14	4,705,882
over allotment 10/08/14	208,725
Number of shares outstanding on 31/12/2014	15,705,112
Exercise of stock options on 01/09/15	97,655
Number of shares outstanding on 31/12/2015	15,802,767

Stock split

On December 31, 2013, the issued share capital of the Company consisted of 18,000 ordinary shares and 447,597 preferred shares with a nominal value of EUR 1 per share. A stock split of 1:10 was approved by the shareholders in July 2014, resulting in 4,655,970 ordinary shares with a nominal value of EUR 0.1 per share.

Share reshuffling – Conversion of the preference shares into one common class of shares

A capital increase took place against the freely distributable reserves. 6,134,535 new ordinary shares with a nominal value of EUR 0.1 were issued to the original group of investors (on a pre-defined schedule which distributed proportionally more shares to the preference shareholders as compensation for giving up their preference rights). Hence, the total amount of shares outstanding prior to the IPO was 10,790,505 ordinary shares.

New shares pursuant to the IPO

A total of 4,914,607 new ordinary shares (including the over allotted shares pursuant to which the over-allotment option was exercised) was offered in the IPO.

New shares created during 2015

As result of the exercise of stock options under the company's Employee Stock Option Plan 97,655 new shares were created in September 2015.

This results in a total of 15,802,767 ordinary shares with a nominal value of EUR 0.1 per share on December 31, 2015.

The authorised unissued share capital of the Company amounts to KEUR 4.500 divided into 45 million ordinary shares.

4.10 TRADE AND OTHER PAYABLES

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Trade payables	1,886	1,649
Accruals for invoices to be received	825	1,726
Short-term employee benefits	1,418	1,434
Accrued expenses	414	168
	4,543	**4,977**

Trade payables correspond primarily to clinical and manufacturing activities. The fair value of trade payables approximate their carrying amount, no trade payables were overdue.

The accruals for invoices to be received correspond mainly to invoices not yet received from suppliers. The total amount of KEUR 825 includes (i) an amount of KEUR 100 related to invoices to be received from a clinical manufacturing organization for the manufacturing of drug products to be used in clinical trials (ii) an amount of KEUR 550 related to invoices to be received from a clinical research organisation for the pass-through expenses incurred by clinical sites used in relation with the ongoing clinical trials of ARGX110 and ARGX113 and not yet recharged to the Group.

Short-term employee benefits include payables and accruals for salaries and bonuses to be paid to the employees of the Group.

4.11 DEFERRED REVENUE

Deferred revenue relates to cash received from industrial partnerships prior to completion of the earnings process. In 2015, deferred revenue increased to KEUR 4,141 compared to KEUR 3,451 in 2014. The increase in 2015 is explained principally by the payments received from the industrial partnership signed with LEO Pharma in May 2015. These payments are recognized as revenue over the estimated duration of argenx' involvement in the research and development programs provided for under the terms of the agreements.

4.12 SHARE-BASED PAYMENTS

The Company has a stock options scheme for the employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders, employees may be granted options to purchase ordinary shares at an exercise price as mentioned below per ordinary share.

The Group has granted on June 18, 2015 at total of 56,500 stock options, on September 3, 2015 a total of 3,000 stock options and on December 15, 2015 a total of 243,400 stock options to employees and consultants. The total number of stock options outstanding at December 31, 2015 totals 1,752,926 (December 31, 2014: 1,595,015). No stock options are expired and 97,656 stock options have been exercised as of December 31, 2015. A total of 47,333 stock options have been forfeited as of December 31, 2015.

The stock options are granted to employees, consultants or directors of the Company and its subsidiaries. The stock options have been granted free of charge. Each employee's stock option converts into one ordinary share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The stock options granted vest, in principle, as follows:

- 1/3rd of the stock options granted will vest on the first anniversary of the granting of the stock options, and
- 1/24th of the remaining 2/3rd of the stock options granted will vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the stock options.

No other conditions are attached to the stock options.

The following share-based payment arrangements were in existence during the current and prior years and which are exercisable at closing of each period presented:

		Outstanding stock options	
Expiry date	Exercise price per stock options (in EUR)	At December 31, 2015	At December 31, 2014
2019	3.95	103,370	103,370
2020	3.95	62,460	62,460
2021	3.95	3,800	3,800
2021	2.44	275,520	305,740
2021	2.44	157,530	174,810
2021	2.44	83,820	109,820
2021	3.95	55,747	55,747
2021	2.44	169,862	194,018
2024	7.17	537,917	585,250
2025	11.44	56,500	0
2025	10.34	3,000	0
2025	9.47	243,400	0
		1,752,926	**1,595,015**

The table above has been adjusted to reflect the 1 to 10 stock-split effected in July 2014.

	2015		2014	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding at 1 January	**1,595,015**	**4.39**	**650,180**	**2.83**
Granted	302,900	9.84	944,835	5.46
Exercised	-97,656	2.44		
Forfeited	-47,333	7.17		
Outstanding at De cember 31	**1,752,926**	**5.37**	**1,595,015**	**4.39**
Exercisable at December 31	**1,366,703**	**4.41**	**1,290,978**	**4.09**

The weighted average remaining contractual life of the stock options outstanding amounts to 7,28 years as of December 31, 2015 (December 31, 2014: 7,75 years). The table below shows the weighted average remaining contractual life for each range of exercise price:

Exercise price	Outstanding at December 31, 2015	Weighted average remaining contractual life
2.44-3.95	912,109	5.43
7.17-11.44	840,817	9.29

The fair market value of the stock options has been determined based on the Black and Scholes model. The expected volatility in the model is based on the historical volatility of peer companies and historical volatility of the Group since its initial public offering.
Below is an overview of the parameters used in relation to the new grant during 2015:

Stock options granted in	June 2015	Sept 2015	Dec 2015
Number of options granted	56,500	3,000	243,400
Average fair value of options (in EUR)	7.79	6.79	6.25
Share price (in EUR)	11.58	10.24	9.85
Exercise price (in EUR)	11.44	10.34	9.47
Expected volatility	59%	59%	58%
Average expected option life (in years)	10	10	10
Risk-free interest rate	1,21%	1.08%	0.98%
Expected dividends	0%	0%	0%

Below is an overview of the parameters used in relation to the grants during 2014:

Stock options granted in	June 2014	Sep 2014	Sep 2014	Dec 2014
Number of options granted	109,820	55,747	194,018	585,450
Average fair value of options (in EUR)	4.51	6.11	6.86	5.65
Share price (in EUR)	8.5	8.5	8.5	7.55
Exercise price (in EUR)	2.44	3.95	2.44	7.17
Expected volatility	69%	69%	69%	69%
Average expected option life (in years)	7	6	7	10
Risk-free interest rate	1.48%	1.48%	1.48%	1.48%
Expected dividends	0%	0%	0%	0

The total share-based payment expense recognized in the consolidated statement of comprehensive income totals 2,270 KEUR for the year ended December 31, 2015 (December 31, 2014: 370 KEUR).

5. Notes to consolidated statement of profit and loss and other comprehensive income

5.1 REVENUE

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
License fees	2,194	775
Milestone payments	343	1,286
Research and development service fees (FTE)	4,317	1,695
	6,854	**3,756**

The increase in license fees in 2015 corresponds principally to the partial recognition in revenue over the period of the upfront payments received following the signatures of a collaboration agreement with Bayer and a strategic alliance with Shire respectively in May and June 2014 and a new alliance with LEO Pharma in May 2015. These payments are recognized as revenue over the estimated period of argenx' continuing involvement in the research and development activities provided for under the terms of these agreements.

The increase in research and development service fees (FTE) is due to FTE-payments related to the signature of a collaboration agreement with Bayer, a Strategic Alliance with Shire and a new alliance with LEO Pharma as indicated above.

The Group leverages its suite of antibody technology platforms and know-how in strategic alliances with pharmaceutical companies, where the focus is on antibody drug discovery targeting complex and novel targets across multiple therapeutic areas. The most significant active collaborations are explained below.

Shire

In February 2012 the Group entered into a research collaboration and exclusive product license option agreement with Shire International GmbH (Shire). Pursuant to the agreement the Group is using its SIMPLE Antibody™ Technology to create novel human therapeutic antibodies addressing diverse rare and unmet diseases being pursued by Shire. Shire has the option to license the most promising antibody leads from each collaborative program for further developments and commercialization worldwide, in return for milestone and royalty payments. Under the terms of the license, the Group has already received technology access fees and research funding and is eligible to receive discovery milestone payments. In September 2013, the Group received a first technical success milestone payment from Shire, and in January 2014, the Group received two extra discovery milestone payments from Shire. In January 2013 the scope of the agreement was expanded by the parties with no change to the agreement structure.

On 30 May 2014 the collaboration between Shire and the Group was expanded to include in addition to the use of the Group's entire suite of human antibody discovery technologies for an expanded set of disease targets. Pursuant to the amended agreement (which is in addition to the existing collaboration), the Group shall apply during multiple years these technologies for the generation and development of human mAbs against multiple targets selected by Shire in line with its therapeutic focus.

Shire has the option to license the most promising antibody leads for further developments and commercialization worldwide, in return for fees, clinical, regulatory and sales milestones, as well as single digit royalties on therapeutic product sales. As of the reporting date, this is considered contingent revenue. Shire will be responsible for clinical development and commercialization of products, with the Group having the right to license any programs not pursued by Shire into its own development pipeline. Under the amended agreement, Shire made an upfront cash payment of EUR 3 million. At the same time as expanding the collaboration, Shire made an equity investment during the Group's IPO in July 2014 of EUR 12 million.

The upfront cash payment is recognized based on the principle of percentage of completion of the work plan. Research funding based on an agreed FTE-rate, is recognized on a monthly basis in the income statement.

Bayer

In May 2014 the Group entered into a research collaboration and exclusive product license option agreement with Bayer AG. Pursuant to the agreement the Group is using its SIMPLE Antibody™ Technology to create novel human therapeutic antibodies addressing complex targets from various therapeutic areas. Bayer has the option to license the most promising antibody leads from each collaborative program for further developments and commercialization worldwide, in return for milestone payments. Under the terms of the license, the Group has already received technology access fees and research funding and is eligible to receive preclinical success payments, which are, as of the reporting date, considered contingent revenue.

Technology access fees are recognized based on the principle of percentage of completion of the work plan. Research funding based on an agreed FTE-rate, is recognized on a monthly basis in the income statement.

Leo Pharma

In May 2015 the Group and LEO Pharma A/S, a global healthcare company dedicated to helping people achieve healthy skin, entered into an alliance in which they will collaborate to develop innovative antibody-based solutions for the treatment of chronic inflammation underlying many skin conditions.

Under the terms of the agreement, LEO Pharma received exclusive access to an existing argenx antibody currently in preclinical development for inflammation-related skin diseases. The Group receives pre-IND payments of EUR 4.5 million, including an upfront payment. The companies will co-fund product development costs up to clinical trial application (CTA) filing.

The Group will also receive clinical, regulatory, and sales milestone payments, as well as tiered, potentially double digit royalties on resulting products, which are, as of the reporting date, considered contingent revenue.

Access fee to the existing argenx antibody is recognized based on the principle of percentage of completion of the work plan. Development and management funding based on an agreed FTE-rate, is recognized on a monthly basis in the income statement.

5.2 OTHER OPERATING INCOME

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
IWT government grants	1,598	595
Grants on employment	895	532
R&D incentives	608	494
	3,101	**1,621**

IWT government grants

The agency for Innovation by Science and Technology of the Flemish government (IWT), provided argenx with several grants.

On December 31, 2015, the situation of the grants received by argenx reflects the expenses incurred by the Group in the various R&D projects sponsored by IWT and is as follows:

IWT - TGO	
Grantor: IWT	
Start date:	01/01/2013
End date:	31/12/2016
Amount granted and approved by IWT:	KEUR 2,697
Amount received:	KEUR 2,429

IWT - Baekelandt	
Grantor: IWT	
Start date:	01/01/2014
End date:	31/12/2017
Amount granted and approved by IWT:	KEUR 277
Amount received:	KEUR 150

IWT 4	
Grantor: IWT	
Start date:	01/01/2015
End date:	31/12/2017
Amount granted and approved by IWT:	KEUR 1,568
Amount received:	KEUR 885

No conditions related to the above government grants are unfulfilled, nor are there any contingencies related thereon at the date of the approval of these financial statements, except for those described in note 7.2 of this report.

Other incentives

- argenx received KEUR 894 in 2015 (compared to KEUR 532 in 2014) as a reduction in withholding income taxes for its highly-qualified personnel employed in its R&D department.
- argenx has accounted for a tax receivable of KEUR 608 in 2015 (compared to KEUR 494 in 2014) following an R&D tax incentive scheme in Belgium according to which the incentive will be refunded after a 5 year period, if not off-set against the taxable basis over the period. (see also note 4.4).

5.3 RESEARCH AND DEVELOPMENT EXPENSES

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Personnel expenses	6,665	4,039
R&D expenses	11,653	7,481
Materials and consumables	1,050	639
Depreciation and amortisation	196	134
Other expenses	1,071	348
	20,635	**12,641**

The significant increase in R&D personnel expenses in 2015 is explained for KEUR 1,775 by the recruitment of new R&D personnel and clinical consultants and for KEUR 700 by the share based payment costs recognized in compensation for the grant of stock options to the R&D employees of the Group (see note 4.12).

The R&D expenses which correspond to the manufacturing and clinical trials costs have increased significantly in 2015 as a result of the progression of ARGX-110, ARGX-111 and ARGX-113 into their respective clinical development plans. These studies required notably the production of drug material in large scale production batches.

Due to the increased activities in R&D in 2015, expenses for materials and consumables totalled KEUR 1,050 in 2015 compared to KEUR 639 in 2014 and other expenses (sublicenses and patent expenses) reached KEUR 1,071 in 2015 compared to KEUR 348 in 2014.

5.4 GENERAL AND ADMINISTRATIVE EXPENSES

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Personnel expenses	1,607	904
Consulting fees	2,395	1,648
Supervisory board	165	84
Office costs	758	843
	4,925	**3,479**

On December 31, 2015, G&A personnel expenses amounted to KEUR 1,607 compared to KEUR 904 on December 31, 2014. This significant increase is explained by (i) the recruitment of new employees to strengthen the Group's G&A activities and (ii) the share based payment costs recognized in compensation for the grant of stock options to the G&A employees.

The higher amount of consulting fees in 2015 results from (i) increased expenses incurred for supporting activities as a public company such as investor relations, legal and audit fees and (ii) the share based payment costs recognized in expenses for the grant of stock options to certain consultants of the Group.

5.5 PERSONNEL EXPENSES

The personnel expenses which excludes consultants mentioned above are as follows:

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Short-term employee benefits - Salaries	5,316	3,476
Short-term employee benefits - Social Security	802	550
Post-employment benefits	207	93
Share-based payment	1,945	824
	8,270	**4,943**

The significant increase of the short-term employee benefits recorded in 2015 is explained by the new recruitments in both the R&D and G&A departments.

The post-employment benefits relate to the pension plans the company has in place for its employees.

The share-based payment increase in 2015 is due to the additional stock options granted to employees, directors and consultants during the period (see note 4.12).

The number of full-time equivalents (FTE) employees by department is presented below:

Number of FTE	Year ended December 31, 2015	Year ended December 31, 2014
Research and development	31.4	27.5
General and administrative	5.8	3.0
	37.2	**30.5**

These FTE's are working outside the Netherlands.

5.6 OPERATING LEASES

Operating lease payments recognized as an expense in the statement of profit and loss and other comprehensive income amount to KEUR 200 in 2015 versus KEUR 139 in 2014. The Group's future operating lease commitments are as follows:

Operating lease commitments (in thousand of euros)	At December 31, 2015	At December 31, 2014
Not later than 1 year	630	225
Later than 1 year and not later than 5 years	1,272	1,713
Later than 5 years	0	0
	1,902	**1,938**

The Group has a lease plan for the company's cars with maturity dates up to 4 years.

For the laboratory and office space, the Group has a lease agreement in Zwijnaarde Belgium with maturity date in 2016, for which a termination notice was given in 2014 and that will expire in April 2016.

In 2015 the Group has signed a binding term sheet for a new lease for new laboratory and office spaces in Ghent. The new lease agreement will be for a period of 9 years starting from April 1st 2016, with the possibility to terminate the lease by giving a notice of at least twelve (12) months in advance at the occasion of the third and sixth anniversary of the agreement.

For its offices in the Netherlands the Company has a lease agreement renewable on an annual base.
No purchase options are in effect under the lease agreements described above.

5.7 FINANCIAL RESULT AND EXCHANGE GAINS/(LOSSES)

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Interest income on bank deposits	76	137
Net gains on investments at FVTPL	36	0
Financial income	**112**	**137**
Net losses on investments at FVTPL		
Other financial expenses	0	(3)
Financial expenses	**0**	**(3)**
Exchange gains/(losses)	181	295
	293	**429**

Financial income, which corresponds to the return on the financial investments of the Group's cash and cash equivalents and financial instruments, decreased in 2015 compared to 2014, due to the decrease of interest rates paid by the market in 2014. Net gains on investments at FVTPL relate to the money market funds with a maturity more than 3 months.

The exchange gains of KEUR 181 in December 2015 were realized by converting USD accounts into EUR at a favourable conversion rate.

5.8 RETIREMENT BENEFIT OBLIGATIONS.

The post-employment benefits of the Belgian employees of the Group are defined contribution plans for which a minimum return is guaranteed until retirement (type 'branche 21/tak21'). The Group funds the plan by paying a fixed percentage of the monthly salary of the employee to the external insurance company in addition to an employee contribution. There is a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guaranteed rates of return.

As a consequence of the law of 18 December 2015, minimum returns are guaranteed by the employer as follows :

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%
- for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants.

In 2014, under the previous legal framework, the application of the PUC method was considered problematic, and there was uncertainty with respect to the future evolution of the minimum guaranteed rates of return. As a consequence, the Group adopted a retrospective approach whereby the net liability recognized in the statement of financial position was based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date.

At 31 December 2015 a liability of KEUR 12 (2014: nil) was recognized in the balance sheet as the sum of the positive difference per plan participant between the minimum guaranteed reserves of KEUR 323 and the accumulated reserves of KEUR 315. The impact in the consolidated income statement is a past service cost recognized in personnel expenses. The total expense recognized in the consolidated income statement for contributions made under these defined contribution plans amount to KEUR 195 in 2015 (2014: KEUR 93).

The expected 2016 employer contributions amount to approximately KEUR 240. The weighted average age of the plan participants equals 46 years at 31 December 2015.

5.9 INCOME TAXES

The income tax expense for the year can be reconciled to the accounting profit (loss) as follows:

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Current income taxes	0	0
Total	**0**	**0**
Loss of the year	(15,312)	(10,314)
R&D capitalization	(676)	(508)
IWT Grants	(1,557)	(595)
Stock issuance costs	0	(3,950)
Share-based payments	2,270	952
Other	(15)	(141)
Total taxable result	**(15,290)**	**(14,556)**

Corporate tax is calculated at 25% (same in 2014), which is the tax rate applicable in the Netherlands, of the estimated assessable profit of the year. Current group result before tax is a loss before tax as well as last year. The applied tax rate for the other territorial jurisdiction (Belgium) is the tax rate applicable in that jurisdiction (33.99%). For the purposes of the above overview the effect of difference is tax rate between both jurisdictions in considered not to be material.
The unrecognized deferred tax asset on deductible temporary differences, unused tax losses and unused tax credits amount to KEUR 15,566 on December 31, 2015 compared to KEUR 11,663 on December 31, 2014.

The Group has unused tax losses carry forward. This, combined with other temporary differences, results in a net deferred tax asset position.

Due the uncertainty surrounding the Group's ability to realise taxable profits in the near future, the Company did not recognise any deferred tax assets.

5.10 LOSS PER SHARE

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Loss of the year	(15,312)	(10,314)
Weighted average number of shares outstanding	15,734,007	7,551,576
Basic and diluted loss per share (in €)	**(.97)**	**(1.37)**

Earnings/losses per ordinary share are calculated by dividing the net result attributable to shareholders by the weighted average number of ordinary shares during the year.

As the Group is suffering operating losses, options have an anti-dilutive effect. As such, there is no difference between basic and diluted earnings/losses per ordinary share.

6. Financial instruments and financial risk management

6.1 OVERVIEW OF FINANCIAL INSTRUMENTS

	At December 31, 2015		At December 31, 2014	
(in thousands of euros)	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets	1	1	1	1
Financial assets available for sale	**1**	**1**	**1**	**1**
Current financial assets	6,813	6,813	23,793	23,793
Financial assets at fair value through P/L	**6,813**	**6,813**	**23,793**	**23,793**
Trade and other receivables	1,356	1,356	1,312	1,312
Cash and bank balances	35,514	35,514	32,180	32,180
Loans and receivables	**36,869**	**36,869**	**33,492**	**33,492**
Total financial assets	**43,684**	**43,684**	**57,286**	**57,286**
Trade and other payables	4,543	4,543	4,977	4,977
Financial liabilities at amortised cost	**4,543**	**4,543**	**4,977**	**4,977**
Total financial liabilities	**4,543**	**4,543**	**4,977**	**4,977**

Financial assets at fair value through P/L:
- non-current financial assets: we refer to note 4.3 for more information (level 3).
- current financial assets: these concern collective investment funds in EUR that are not considered as cash equivalents and of which the underlying investments concern bonds and other international debt securities. The average credit rating of the underlying instruments ranges from BBB to BBB+. The maximum exposure to credit risk is the carrying value at reporting date. These investment funds are recognized at fair value in the Group's financial statements (level 1). The fair value corresponds to the quoted market price and can therefore be classified as a level 1 fair value measurement. The NAV (net asset value) of the funds is available on a daily basis. Any difference between amounts invested and fair value at reporting date is taken in P/L.

Loans and receivables:
- trade and other receivables: please refer to note 4.5 for more information and to note 6.3 below for the credit risk
- cash and cash equivalents: please refer to note 4.8 for more information and to note 6.3 below for the credit risk

Financial liabilities:
Due to the current nature of the financial liabilities, the nominal value of all financial liabilities presented above approximates their fair value.

Fair value hierarchy:
The Group carried the following assets at fair value on 31 December 2015 and 2014 respectively:

			At December 31, 2015
(in thousands of euros)	Level 1	Level 2	Level 3
Non-current financial assets			1
Current financial assets	6,813		
Assets carried at fair value	**6,813**		**1**

			At December 31, 2014
(in thousands of euros)	Level 1	Level 2	Level 3
Non-current financial assets			1
Current financial assets	23,793		
Assets carried at fair value	**23,793**	**-**	**1**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

During the calendar year no transfers occurred between the applicable categories. Given the insignificant value of the Group's assets categorised as Level 3 the additional Level 3 disclosures have been omitted.

6.2 CAPITAL RISK

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of limited or no financial debt and equity attributed to the holders of equity instruments of the Group, such as capital, reserves and retained earnings as mentioned in the consolidated statement of changes in equity. The Group makes the necessary adjustments in the light of changes in the economic circumstances, risks associated to the different assets and the projected cash needs of the current and projected research activities. The current cash situation of KEUR 42,327 at December 31, 2015. The total capital amounts to KEUR 83,749 at December 31, 2015. The Group's objective is to maintain the capital structure at a level to be able to finance its activities for at least twelve months. Cash income from existing and new partnerships is taken into account and, if needed and possible, the Group can issue new shares or enter into financing agreements.

6.3 CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Concentrations in credit risk are determined based on an analysis of counterparties and their importance on the overall outstanding contractual obligations at year end.

The Group has a limited number of collaboration partners and therefore has a significant concentration of credit risk. However, it has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit exposure are only granted for short periods of time to high credit quality collaboration partners.

Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

Cash and cash equivalents and short-term deposits are invested with highly reputable banks and financial institutions. The Group holds its cash and cash equivalents with different banks which are independently rated with a minimum rating of 'A'.

The Group also holds short term investment funds in the form of money market funds with a recommended maturity of 6 months maximum but with a low historical volatility. These money market funds are highly liquid investments, can be readily convertible into a known amount of cash. Since they are a basket of funds there is no individual credit risk involved.

The average credit rating of the underlying instruments for the investment fund with a recommended maturity period of 6 months is BBB+.

The maximum credit risk, to which the Group is theoretically exposed as at the balance sheet date, is the carrying amount of the financial assets.

At the end of the reporting period no financial assets were past due, consequently no financial assets were subject to impairment.

6.4 LIQUIDITY RISK

The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group's main sources of cash inflows are obtained through capital increases and collaboration agreements. This cash is invested in savings accounts and short term investment funds in the form of money market funds. These money market funds represent the majority of the Group's available sources of liquidity however since all of these are immediately tradable and convertible in cash they have a limited impact on the liquidity risk.

All financial liabilities have a maturity within 3 months unless otherwise disclosed in these financial statements.

6.5 INTEREST RATE RISK

The Group is exposed to interest rate risk through its investments in money market funds as described in note 6.1.

Given the short term nature of these investments the sensitivity towards interest rate fluctuations is deemed not to be significant. If applicable interest rates would increase/decrease with 25 basis points this would have a positive/negative impact of KEUR 56 (compared to KEUR 46 in 2014).

6.6 FOREIGN EXCHANGE RISK

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The Group is mainly exposed to the US Dollar and GBP.

The net exposure to exchange differences of the monetary assets (being cash and cash equivalents) of the Group at the end of the reporting period are as follows:

(in thousand of euros)	At December 31, 2015	At December 31, 2014
USD	345	663
GBP	0	2

If the USD/EUR exchange rate would increase/decrease with 10%, this would have a negative/positive impact of KEUR 31 (compared to KEUR 60 in 2014). If the GBP/EUR exchange rate would increase/decrease with 10%, this would have no significant impact.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

7. Other disclosures

7.1 RELATED PARTY TRANSACTIONS

Amongst the shareholders of the Company, there are several minority investors and venture capitalist funds which individually do not hold a significant influence on the Company. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no significant transactions with related parties during the period, other than compensation of key management personnel.

Compensation of key management personnel

Key management personnel of the Company is composed of the Chief Executive Officer, the Chief Financial Officer, the Chief Scientific Officer, the Chief Development Officer, the Chief Medical Officer, the Vice President of Business Development.

The remuneration of the independent directors and other members of key management personnel during the year was as follows:

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
Short term employee benefits	1,482	1,864
Post employment benefits	59	60
Termination benefits	124	0
Share-based payment	1,761	616
	3,426	**2,540**

Remuneration of the executive directors

The tables below show the cash remuneration received by Executive Directors for the year ended December 31, 2015 and 2014 (in euro). A scenario analysis based on best practice clause II.2.1. of the Dutch Corporate Governance Code was made. Both Executive Directors have met all of their previously established bonus targets during the years ended December 31, 2015 and 2014 and their full bonus was granted in the same year.

2015	Base salary	Bonus*	Pension contributions	Social security costs	ESOP**	Total
Tim Van Hauwermeiren	217,260	103,298	8,690	8,760	401,151	**739,159**
Eric Castaldi	222,159	75,075	62,097	133,621	250,174	**743,126**
Total	**439,419**	**178,373**	**70,787**	**142,381**	**651,325**	**1,482,285**

2014	Base salary	Bonus*	Pension contributions	Social security costs	ESOP**	Total
Tim Van Hauwermeiren	198,000	164,000	8,600	9,500	110,130	**490,230**
Eric Castaldi	140,000	136,000	25,000	46,000	187,016	**534,016**
Total	**338,000**	**300,000**	**33,600**	**55,500**	**297,146**	**1,024,246**

* In respect of the bonus, an Executive Director can choose between a cash payment and a bonus converted in "over the counter"-options on a European Stock Index. Under Belgian social security legislation this implicates a favourable tax regime and lower social security costs, which enables the Executive Director employee to receive a higher gross bonus amount.

** This relates to share-based payment costs in the form of stock options, as further set out in the tables below.

The table below shows the stock options granted to the Executive Directors during the year ended December 31, 2015 and 2014 (in number of Options) and their exercise price, based on the 30 day average stock price prior to their date of grant, and the Options exercised during 2014 and 2015.

2015	ESOPs	Term	Exercise price	Exercised
Tim Van Hauwermeiren	30,600	10 years	€ 9.468	0
Eric Castaldi	28,200	10 years	€ 9.468	0
Total	**58,800**			**0**

2015	ESOPs	Term	Exercise price	Exercised
Tim Van Hauwermeiren	53,092	10 years	€3.95	0
	137,580	10 years	€2.44	0
	105,000	10 years	€7,171	0
Eric Castaldi	81,007	10 years	€2.44	0
	65,000	10 years	€7,171	0
Total	**441,679**			**0**

The table below shows the Options held at the start of the year ended December 31, 2015, the Options granted to executive directors which have vested during the year ended December 31, 2015 and the Options to vest in the years until 2018.

Name	Total Options held on 1 January 2015	Options vested in 2015	Exercise Price	Options to vest in 2016	Exercise Price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price
Tim Van Hauwermei-ren	295,674	35,000	€ 7.17	34,992	€ 7.17	35,016	€ 7.17		
				10,200	€ 9.468	10,200	€ 9.468	10,200	€ 9.468
Eric Castaldi	146,007	47,254	€ 2.44	27,002	€ 2.44	6,751	€ 2.44		
		21,667	€ 7.17	21,667	€ 7.17	21,667	€ 7.17		
				9,400	€ 9.468	9,396	€9.468	9,404	€ 9.468

The table below shows the remaining term of the options held by the Executive Directors.

Name	Number of options	Remaining term at December 31, 2015 (rounded up)
Tim Van Hauwermeiren	190,674	8.5 years
	105,000	9 years
Eric Castaldi	30,600	10 years
	81,007	8.5 years
	65,000	9 years
	28,200	10 years

Options are granted to the Executive Directors by the Board on a recommendation of the Remuneration and Nomination Committee, which is based on an option allocation scheme established by the board pursuant to the argenx Employee Stock Option Plan. The conditions of the argenx Stock Option Plan (as set out in section 'remuneration under board structure' below) apply.

No Options were exercised by Executive Directors during the year ended 31 December, 2015, and no corresponding Shares were issued in relation thereto.

Remuneration of Non-Executive Directors

The table below shows the remuneration paid to the Non-Executive Directors for the year ended December 31, 2015 and 2014 (in euro).

Name	2015	2014
Peter Verhaeghe	35,000	20,000
Christina Takke	N/A	N/A
John de Koning	N/A	N/A
David L. Lacey	45,651	38,000
Werner Lanthaler	35,000	26,000
Don DeBethizy*	27,617	N/A
Total	**143,268**	**84,000**

*Don DeBethizy joined the board on 13 May 2015.

The table below shows the stock options granted to the Non-Executive Directors during the years ended December 31, 2015 and 2014 (in number of options) and their exercise price, based on the 30 day average stock price prior to their date of grant, and the options exercised during the years ended December 31, 2015 and 2014.

2015	ESOPs	Term	Exercise price	Exercised
Don DeBethizy	15,000	10 years	€11.441	0
Total	**15,000**			**0**

2014	ESOPs	Term	Exercise price	Exercised
Peter Verhaeghe	7,959	10 years	€3.95	0
	11,626	10 years	€2.44	0
	5,000	10 years	€7.171	0

David L. Lacey	6,643	10 years	€2.44	0
	12,800	10 years	€7.171	0
Werner Lanthaler	14,416	10 years	€2.44	0
	5,000	10 years	€7.171	0
Total	**63,444**	**10 years**		**0**

The table below shows the Options held at the start of the year ended December 31, 2015 and the Options granted to Non-Executive Directors which have vested during the year ended December 31, 2015.

Name	Total Options held on 1 January 2015	Options vested in 2015	Exercise Price	Options to vest in 2016	Exercise Price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price
Peter Verhaeghe	24,584	1,666	€7.171	1,656	€7.171	1,678	€7.171		
		2,653	€3.95	2,652	€3.95	2,654	€3.95		
		3,875	€2.44	3,864	€2.44	3,886	€2.44		
Don Debethizy				5,000	€11.441	4,992	€11.441	4,992	€11.441
David Lacey	19,443	2,214	€2.44	2,208	€2.44	2,221	€2.44		
		4,266	€7.171	4,260	€7.171	4,274	€7.171		
Werner Lanthaler	19,416	1,666	€7.171	1,656	€7.171	1,678	€7.171		
		4,805	€2.44	4,800	€2.44	4,814	€2.44		

The table below shows the remaining term of the options held by the Non-Executive Directors.

Name	Number of options	Remaining term at December 31, 2015 (rounded up)
Peter Verhaeghe	19,584	8.5 years
	5,000	9 years
Don Debethizy	5,000	9.5 years
David Lacey	6,643	8.5 years
	12,800	9 years
Werner Lanthaler	14,416	8.5 years
	5,000	9 years

Options are granted to the Non-Executive Directors by the Board on a recommendation of the Remuneration and Nomination Committee, which is based on an option allocation scheme established by the board pursuant to the argenx Employee Stock Option Plan. The conditions of the argenx Stock Option Plan apply (as set out in section 'remuneration under board structure' in the 2015 annual report).

No Options were exercised by Non-Executive Directors during the year ended 31 December, 2015, and no corresponding Shares were issued in relation thereto.

7.2 CONTINGENCIES

The Group is currently not facing any outstanding claims or litigations that may have a significant adverse impact on the Group's financial position.

As described in note 5.2 the Group has received several types of government grants which are granted subject to a certain number of conditions that need to be met at grant date and in the future. The Group recognizes grant income from Belgian and Flemish, grant bodies when all contractual conditions are met. These government institutions may however subsequently perform an audit which may result in a (partial) claw back of the grant. The Group deems that the claw back risk is remote in view of the continuous monitoring of the contractual conditions. Currently the Group has fulfilled all the existing conditions relating to the recognition of its grant income. Contracts with these grant bodies also typically include clauses that define the need for future validation of the project results after completion of the initial grant term during which the subsidised expenses or investments have been incurred and for which the grant was earned. Should this validation not occur or be deemed inadequate, the grant bodies have the right to reclaim funds previously granted.

7.3 COMMITMENTS

At closing date, there were no commitments signed for the acquisition of property, plant and equipment or intangible assets.

For information on the operating leases see note 5.6.

7.4 AUDIT FEES

The following auditors' fees were expensed in the income statement :

Fees in thousands of euros	2015	2014
Audit fees	70	55
Audit related fees	35	228
Tax and other services (1)	3	4
Total (2)	**108**	**287**

(1) The tax and other services performed in 2015 are conducted by the Deloitte network.
(2) In 2015, the services are performed by Deloitte Accountants B.V. (for 2014: PriceWaterhouseCoopers Accountants N.V.) as the external auditor referred to in Section 1 (1) of the Dutch Accounting Firms oversight Act (Wta) as well as by the Deloitte network (for 2014: PWC network).

7.5 OVERVIEW OF CONSOLIDATION SCOPE

The parent company arGEN-X NV is domiciled in the Netherlands.
Details of the Group's subsidiaries at the end of the reporting period are as follows.

Overview of subsidiaries

Name	Registration number	Country	Participation	Main activity
argenx110BV	853245496	Netherlands	100%	Biotechnical research on drug and pharma processes
argenx111BV	853245332	Netherlands	100%	Biotechnical research on drug and pharma processes
argenx113BV	854976954	Netherlands	100%	Biotechnical research on drug and pharma processes
argenx115BV	855638059	Netherlands	100%	Biotechnical research on drug and pharma processes
argenxBVBA	0818292196	Belgium	100%	Biotechnical research on drug and pharma processes

7.6 EVENTS AFTER THE BALANCE SHEET DATE

- Announced initial results from a Phase 1 single ascending dose study of ARGX-113, a potential breakthrough therapy for the treatment of autoimmune crisis. Results showed compound to be safe and well-tolerated across all doses in healthy volunteers and promising pharmacodynamics effect were seen relating to speed, depth and duration of IgG reduction.
- Opened three clinical trial sites in South Korea for the recruitment of MET-amplified cancer patients for the Phase 1 safety expansion cohort of ARGX-111.
- Received milestone payment from LEO Pharma collaboration to develop antibody-based treatments for skin conditions. The collaboration was initiated in May 2015.
- Received € 16 M investment by US funds advised by subsidiaries of Federated Investors. They entered into a subscription agreement with argenx to purchase 1,480,420 shares at a price of €10.79.
- Appointed Nicolas Leupin, MD, MBA, as Chief Medical Officer (CMO). Dr Nicolas Leupin will lead the Company's global clinical development activities.

Signatures of executive and non-executive directors

In accordance with article 2:101 of the Dutch Civil Code, the annual accounts were signed by all executive and non-executive directors on 9 March 2016.

Company financial statements

FOR ARGEN-X NV
FOR THE PERIOD ENDED 31 DECEMBER 2015

Company balance sheet as at December 31, 2015 arGEN-X NV

(after appropriation of result)
(In thousands of Euros)

Assets	Note	At December 31, 2015	At December 31, 2014
Non-current Assets			
Tangible Fixed Assets	2		
Computer equipment		0	1
Financial Fixed Assets	3		
Investments in Group Companies		7,254	5,440
Equity investments		1	1
Total Non-Current Assets		**7,255**	**5,442**
Current assets			
Receivables	4	1,190	1,220
Financial assets	5	6,814	23,793
Cash and cash equivalents	6	32,452	29,361
Total Current Assets		**40,456**	**54,374**
Total Assets		**47,711**	**59,816**

Equity and liabilities	Note	At December 31, 2015	At December 31, 2014
Equity	7		
Share Capital		1,580	1,571
Share Premium		82,169	81,940
Retained earnings		(51,118)	(35,806)
Reserve for Share-Based payments		4,647	2,377
Total Equity		**37,278**	**50,082**
Current liabilities	8		
Accounts Payable		214	321
Intercompany payables		4,607	5,001
Taxes payable		9	7
Accrued expenses		1,462	953
Deferred revenue		4,141	3,452
Total Current Liabilities		**10,433**	**9,734**
Total Equity & Liabilities		**47,711**	**59,816**

Company profit and loss account for the year ended December 31, 2015 arGEN-X NV

(in thousand of euros)	Note	Year ended December 31, 2015	Year ended December 31, 2014
Loss after tax		**(4,114)**	**(6,604)**
Share of loss of investments after taxes	9	(11,198)	(3,711)
Company loss of the year		**(15,312)**	**(10,315)**

Notes to the company financial statements of arGEN-X NV

1. Accounting information and policies

Basis of preparation

The company financial statements of arGEN-X NV (hereafter: the company) have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

As the financial data of the company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

In case no other policies are mentioned, refer to the accounting policies as described in the summary of significant accounting policies in the consolidated financial statements. For an appropriate interpretation, the company financial statements of arGEN-X NV should be read in conjunction with the consolidated financial statements.

Investments in group companies

Investments in consolidated subsidiaries are measured at equity method. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is remeasured to fair value on the date of acquisition. The remeasurement against the book value is accounted for in the income statement.

When the company ceases to have control over a subsidiary, any retained interest is remeasured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

Amounts due from investments are stated initially at fair value and subsequently at amortized cost. Amortized cost is determined using the effective interest rate.

All amounts are presented in thousands of euro, unless stated otherwise. The balance sheet and income statement references have been included. These refer to the notes.

2. Tangible fixed assets

The movement of the value of lab equipment and hardware can be summarized as follows:

(in thousand of euros)	Computers	Office and lab	Total
Opening balance as of January 1, 2014			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(9)	(24)	(33)
Bookvalue at the beginning of the year	**2**	**0**	**2**
Movements			
Investments	0	0	0
Depreciation	(1)	0	(1)
Closing balance as of December 31, 2014			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(10)	(24)	(34)
Bookvalue at year end	**1**	**0**	**1**
Opening balance as of January 1, 2015			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(10)	(24)	(34)
Bookvalue at the beginning of the year	**1**	**0**	**1**
Movements			
Investments	0	0	0
Depreciation	(1)	0	(1)
Closing balance as of December 31, 2015			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(11)	(24)	(35)
Bookvalue at year end	**0**	**0**	**0**

3. Financial fixed assets

The financial fixed assets consist of

- the 100% participation in arGEN-X BVBA, registered at Technologiepark 30 Zwijnaarde, Belgium,
- the 100% participation in arGEN-X 110 BV, registered at Willemstraat 5 Breda, The Netherlands,
- the 100% participation in arGEN-X 111 BV, registered at Willemstraat 5 Breda, The Netherlands,
- the 100% participation in arGEN-X 113 BV, registered at Willemstraat 5 Breda, The Netherlands,
- the 100% participation in arGEN-X 115 BV, registered at Willemstraat 5 Breda, The Netherlands.

The movement in financial fixed assets is as follows:

(in thousand of euros)	2015	2014
Investments in Group Companies		
Opening balance	(6,815)	(3,104)
Share of loss of investments	(11,198)	(3,711)
Closing balance	**(18,013)**	**(6,815)**
Receivable on group companies	25,267	12,255
Net receivable at year-end	**7,254**	**5,440**
Equity investments		
Opening balance	1	1
Investment	0	0
Balance as at year-end	1	1
	7,255	**5,441**

For equity investments, see also note 4.3 to the consolidated financial statements.

4. Receivables

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Trade receivables	590	790
Interest receivable	17	33
Other receivables	129	304
Prepaid expenses	454	93
	1,190	**1,220**

Receivables fall due in less than one year. The fair value of the receivables approximates the nominal value, due to their short-term character.

5. Financial assets

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Money market fund 6 m	6,814	6,797
Money market fund 12 m	0	16,996
	6,814	**23,793**

6. Cash and cash equivalents

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Current account	1,997	2,053
Savings account	20,455	17,106
Cash equivalents	10,000	10,202
	32,452	**29,361**

7. Equity

For the details on Equity we refer to note 4.10 of the consolidated IFRS statements.
For the details on Share Based Payments we refer to note 4.12 of the consolidated IFRS statements.
The company holds no legal reserves as part of the equity.

8. Current liabilities

(in thousand of euros)	At December 31, 2015	At December 31, 2014
Payables		
Accounts payable	214	321
Payables to subsidiaries	4,607	5,001
Taxes payables	9	7
	4,830	**5,329**
Deferred revenue		
Partner income received in advance	4,141	3,452
Accrued expenses	**1,462**	**953**
	10,433	**9,734**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the nominal value, due to their short-term character.

9. Result on participations

(in thousand of euros)	Year ended December 31, 2015	Year ended December 31, 2014
argenx BVBA	1,349	1,166
argenx 110 BV	(5,127)	(3,329)
argenx 111 BV	(2,358)	(1,548)
argenx 113 BV	(5,061)	0
argenx 115 BV	(1)	0
	(11,198)	**(3,711)**

Contingent liabilities

The contingent liabilities of the Company consist of a rental agreement for office space at DocWork Breda for an amount of KEUR 6 per annum. The lease can be terminated annually.

Guarantees and commitments

The company is part of fiscal unities for corporate income taxes. As a consequence, the company bears joint and several liability for the debts with respect to corporate income taxes of the fiscal unity. The company settles corporate income taxes, in principle, based on the results before taxes of the subsidiaries belonging to the fiscal unity.

Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, directors, other key management of arGEN-X NV and close relatives are regarded as related parties. arGEN-X NV concluded a Research & Development agreement with its wholly owned subsidiary argenx BVBA. Under this agreement argenx BVBA performs research & development activities for which it receives a reimbursement from arGEN-X NV.

For the founded product BV's ARGX110 BV, ARGX111 BV, ARGX113 BV and ARGX115 BV, R&D activities are recharged under an R&D agreement between these BV's and arGEN-X NV.

arGEN-X NV, ARGX110 BV, ARGX111 BV, ARGX113 BV and ARGX115 BV form a fiscal unity under Dutch Law.

See also note 7.1 of the notes to the consolidated financial statements.

Remuneration

See note 7.1 of the notes to the consolidated financial statements.

Information relating to employees

During the year 2015 the Company had an average of 0.2 FTE (2014: 0.2), working outside the Netherlands.

Auditor's fees

See note 7.4 of the notes to the consolidated financial statements.

Breda, March 9, 2016

The Directors

Tim Van Hauwermeiren
CEO

Eric Castaldi
CFO

Other information

Provision in the articles of association governing the appropriation of results

1. The company shall have a policy on reserves and dividends which shall be determined and may be amended by the board of directors. The adoption and thereafter each material change of the policy on reserves and dividends shall be discussed at the general meeting under a separate agenda item.

2. From the profits, shown in the annual accounts, as adopted, the board of directors shall determine which part shall be reserved. Any profits remaining thereafter shall be at the disposal of the general meeting. The board of directors shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the general meeting.

3. Distribution of dividends on the shares shall be made in proportion to the nominal value of each share.

4. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.

5. If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.

6. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.

7. The board of directors may, subject to due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution, provided the requirement of paragraph 4 of this article has been complied with, as shown by interim accounts. Such interim accounts shall show the financial position of the company not earlier than on the first day of the third month before the month in which the resolution to make the interim distribution is announced. Such interim accounts shall be signed by all members of the board of directors. If the signature of one or more of them is missing, this shall be stated and reasons for this omission shall be given. The interim accounts shall be deposited in the offices of the trade register within eight days after the day on which the resolution to make the interim distribution has been announced.

8. At the proposal of the board of directors, the general meeting may resolve to make a distribution on shares wholly or partly not in cash but in shares.

9. The board of directors may, subject to due observance of the policy of the company on reserves and dividends, resolve that distributions to holders of shares shall be made out of one or more reserves.

10. A claim of a shareholder for payment of a distribution shall be barred after five years have elapsed.

Proposal for appropriation of the result

It is proposed to appropriate the loss of KEUR 15,312 to the other reserves. In advance of the decision of the General Meeting of Shareholders has this proposal been processed in the annual accounts.

Events after the balance sheet date

For the events after balance sheet date we refer to note 7.6 of the consolidated financial statements.

Independent Auditor's report

Please find the independent auditor's report from Deloitte attached to this annual report.

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Independent auditor's report

To: The shareholders and Supervisory Board of arGEN-X N.V.

Report on the audit of the financial statements 2015

Our opinion

We have audited the financial statements 2015 of arGEN-X N.V. ("company"), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of arGEN-X N.V. as at December 31, 2015 and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS - EU) and with Part 9 of Book 2 of the Dutch Civil Code.

- The company financial statements give a true and fair view of the financial position of arGEN-X N.V. as at December 31, 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position at December 31, 2015.

- The following statements for 2015: the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended.

- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet at December 31, 2015.
- The company profit and loss account for 2015.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of arGEN-X N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

As part of our audit we have determined materiality and used it to assess the risks of material misstatement. We have specifically assessed accounts where subjectivity is high because of estimates regarding uncertain future developments. We have likewise specifically focused on the risk related to management override of controls and the risk of material misstatement due to fraud. In addition, our audit expressly included the continuity and reliability of the automated information systems.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 650,000. The materiality is based on 5% of the operating result in 2015, 2% of total operating expenses and 1% of total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 32,500, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

arGEN-X N.V. is at the head of a group of entities. The financial information of this group is included in the financial statements of arGEN-X N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. We have performed audit procedures on all group entities. The work is performed by the group engagement team. We have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

First year audit

Initial audit engagements involve a number of considerations not associated with recurring audits.

Additional planning activities and considerations necessary to establish an appropriate audit strategy and audit plan include:

- Gaining an initial understanding of the group and its business including its control environment in order to make audit risk assessments and develop the audit strategy and plan.
- Obtaining sufficient appropriate audit evidence regarding the opening balances including the selection and application of accounting principles.
- Communicating with the previous auditors.

We obtained a thorough understanding of the Company's strategy, the related business risks and the way this impacts the Company's financial reporting and internal controls framework. We have had close interaction with the previous auditor, including a process of file reviews and formal hand over procedures as prescribed by our professional standards. In addition, we have held regular meetings with the Board of Directors and other employees to understand their perspectives on the business, identified risks and key observations from their reviews. Furthermore, we evaluated the internal controls implemented by arGEN-X, as well as the ongoing process of further improving and strengthening the internal control framework. We discussed and agreed our audit plan with the Company's Audit Committee in September 2015 and we reported status, progress and key findings from our audit process.

Research and development expenses

The total research and development expenses for the year 2015 amounts to EUR 20.6 million. These research and development expenses consists of payroll costs of employees as well as outsourced research and development activities with third party suppliers. The research and development activities with these suppliers are concluded in contracts and are typically performed over a period of time. Allocation of these expenses in each reporting period based on the progress of the work involves judgment. Our audit procedures included, amongst others, the review of the agreements with suppliers and the related accounting evaluation as well as the timing of expenses recognized.

Revenue recognition

Revenue for the year 2015 amount to EUR 6.9 million. Based on the (industry specific) nature and variety, the revenue agreements were an important area in the audit. Furthermore, the revenues are an indication of the success of the entity in achieving its goals. In addition, this area was important to our audit because of the relatively more complex (partnership) agreements, following the further development of the company.

Details on the revenues recognized are included in note 5.1 of the consolidated financial statements. Our audit procedures included, amongst others, discussion of the revenue agreements with the Board of Directors, which gave us insight into the level of review and scrutiny the Board of Directors give to each contract, as well as the timeliness and accuracy of the reporting. We tested the agreements by performing specific audit procedures to verify whether the company correctly applied the revenue recognition principles as defined in the applicable IFRS standard.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Board of Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

For our responsibilities we refer to the appendix.

Report on other legal and regulatory requirements

Report on the Board of Directors' report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Board of Directors' report and other information):

- We have no deficiencies to report as a result of our examination whether the Board of Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

- We report that the Board of Directors' report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were appointed as auditor of arGEN-X N.V. by the shareholders meeting as of the audit for the year 2015.

Eindhoven, March 9, 2016

Deloitte Accountants B.V.

P.J.M.A. van de Goor

Appendix: Our responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, when non-mentioning is in the public interest.

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