Half-year financial report 2016

argenx

Condensed interim financial statements

FOR THE PERIOD ENDED JUNE 30, 2016

Management Statement

The undersigned hereby declare that, to the best of their knowledge, the condensed interim financial statements for the six-months period ended June 30, 2016, which have been prepared in accordance with the IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the equity, the financial situation and the results of argenx N.V. and the companies that are included in the consolidation scope.

The undersigned also declare that, to the best of their knowledge, the interim financial report provides a true and fair review of the important events that have occurred during the first six months of the financial year and of the other legally required information.

In the name and for the account of the Board of Directors

Tim van Hauwermeiren, CEO

Eric Castaldi, CFO

Business review of the first

1. Main Events In The First Half Of 2016

- Announced initial results from a Phase 1 single ascending dose (SAD) study of ARGX-113, a potential breakthrough therapy for severe autoimmune diseases. Results showed compound to be safe and well-tolerated across all doses in healthy volunteers. Additionally, observed promising pharmacodynamic (PD) effects for speed, depth and duration of IgG reduction.
- Announced initial results from its Phase 1 multiple ascending dose (MAD) study of ARGX-113 in healthy volunteers. The compound continues to show favorable safety and tolerability across multiple doses and dosing regimens with promising pharmacodynamics effects relating to speed, depth and duration of IgG reduction.
- Presented efficacy and safety data from its Phase 1 expansion study of ARGX-110 in patients with T-cell lymphoma (TCL) during an e-poster session at the European Hematology Association (EHA) Annual Congress (Copenhagen, Denmark). The data from the Phase 1 expansion study show evidence of clinical and/or biological anti-tumor activity with ARGX-110 in highly refractory cutaneous TCL & peripheral TCL patients with confirmed overexpression of CD70.
- Launched three clinical sites in South Korea to recruit MET-amplified cancer patients for Phase 1 safety expansion cohort of ARGX-111.
- Published efficacy and safety data from its ARGX-111 Phase 1 expansion study in patients with MET amplified tumors in conjunction with the American Society of Clinical Oncology (ASCO) 2016 Annual Meeting (Chicago, USA). The data confirm ARGX-111 to have a favorable safety profile and to continue to show signs of anti-tumor activity.
- Announced collaboration with AbbVie to develop and commercialize ARGX-115. ARGX-115 is argenx' preclinical-stage human antibody asset targeting the novel immuno-oncology target GARP, a protein believed to contribute to immunosuppressive effects of T-cells. argenx received an upfront payment of $40M.
- Received milestone payment from LEO Pharma collaboration (initiated in May 2015) to develop antibody-based treatments for inflammatory skin conditions.
- argenx partner, Bird Rock Bio (formerly RuiYi), a company focused on the discovery and development of novel biologic therapies, announced that gerilimzumab, a novel SIMPLE AntibodyTM equipped with argenx's proprietary NHance® technology neutralizing the IL-6 cytokine, demonstrated safety and pharmacokinetics that support low, infrequent dosing and the potential for favorable pricing.
- Received EUR 16 million investment by U.S. funds advised by subsidiaries of Federated Investors.
- Entered into placement agreements with several predominant U.S. institutional investors relating to the issue of a total of 2,703,000 new shares for an aggregate amount of €30,003,300. The transaction was led by MPM Oncology Impact Fund with participation from Aquilo Capital, Burrage Capital, DAFNA Capital, Perceptive Advisors and certain other existing and new institutional investors.

2. Financial Highlights

- Operating income was EUR 7.0 million for the six months period ended June 30, 2016 compared to EUR 4.3 million for the same period in 2015.
- Research and development expenses were EUR 11.3 million for the first six months period of 2016, compared to EUR 9.3 million in the same period in 2015.
- General and administrative expenses were EUR 3.1 million and EUR 2.3 million for the six months period ended June 30, 2016 and 2015 respectively.
- In the six month period ended June 30, 2016, the Group generated a loss of EUR 7.4 million compared to EUR 7.0 million during the first half of 2015.
- On June 30, 2016 the Group's cash, cash equivalents and financial assets amounted to EUR 108.7 million compared to EUR 42.3 million on December 31, 2015.

3. Risk Factors

The Company's business and results of operations are subject to numerous risks, uncertainties and other factors that may interfere with its business objectives. Some of these risks relate to the Company's operational processes, while others relate to its business environment. Any of these risks, uncertainties and other factors could have a materially adverse effect on the Company's business, financial condition or results of operations and could cause the trading price of the Company's common stock to decline substantially. For a detailed description of the risks defined, please refer to the Company's Annual Report of 2015. The Company believes that the risks presented in its Financial Statements 2015 remains valid for the second half of 2016.

4. Operational And Financial Outlook

For the second half of 2016, the Company anticipates to continue its ongoing R&D and clinical activities with the advancement of its lead products ARGX-113, ARGX-110 and ARGX-111 towards clinical proof of efficacy. The Company tested ARGX-113 in a first Phase 1 healthy volunteer study and plans to start its first Phase 2 trial by the end of 2016. argenx also announced to collaborate with AbbVie to develop ARGX-115. Under its existing industrial alliances with LEO, Bird Rock Bio and Shire, the Company continues to deliver in line with the agreed R&D plans. The principal source of revenues for the remaining months of 2016 will mainly consist of the revenues generated by these industrial partnerships. The operating expenses for the second half of the year should continue to increase with the progression of the Company's clinical activities notably with the start of the Phase 2 clinical development of ARGX-113.

The Company cash, cash equivalent and current financial assets amounted to EUR 108.7 million on June 30, 2016. The Company continues to run its business with a continuing financial discipline. However, the burn rate is expected to increase significantly in the future as the Company advances the clinical development of its product pipeline.

Condensed interim financial statements

1. Condensed interim statement of financial position

Assets (in thousands of euros)	Note	At June 30, 2016 UNAUDITED	At December 31, 2015 AUDITED
Non-current assets		**3,893**	**1,825**
Intangible assets		24	7
Property, plant and equipment		731	249
Financial assets		1	1
R&D incentive receivables	4.1	1,833	1,568
Restricted cash	4.5	1,304	0
Current assets		**113,441**	**44,137**
Trade and other receivables	4.2	1,851	1,356
Prepaid expenses	4.3	2,214	454
Financial assets	4.4	6,826	6,813
Current restricted cash	4.5	632	0
Cash and cash equivalents	4.6	101,918	35,514
Total assets		**117,334**	**45,962**

Equity and liabilities (in thousands of euros)	Note	At June 30,2016 UNAUDITED	At December 31, 2015 AUDITED
Equity	3.1		
Equity attributable to owners of the parent			
Share capital		2,004	1,580
Share premium		126,088	82,168
Accumulated deficits		(58,474)	(51,118)
Other reserves	3.2	5,782	4,647
Total equity		**75,400**	**37,277**
Non-current liabilities		**0**	**0**
Current liabilities		**41,934**	**8,685**
Trade and other payables		5,148	4,544
Deferred revenue	4.7	36,786	4,141
Total liabilities		41,934	8,685
Total equity and liabilities		**117,334**	**45,962**

The notes are an integral part of these condensed interim financial statements.

2. Condensed interim statement of comprehensive income

Consolidated statement of profit and loss and other comprehensive income (in thousands of euros)	Note	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
Revenue	5.1	5,656	2,708
Other operating income	5.2	1,317	1,640
Total operating income		**6,973**	**4,348**
Research and development expenses	5.3	(11,263)	(9,284)
General and administrative expenses	5.4	(3,063)	(2,314)
Operating loss		**(7,353)**	**(7,250)**
Financial income/ (expense)		39	100
Exchange gains/(losses)		(42)	130
Loss before taxes		**(7,356)**	**(7,020)**
Income tax (income/expense)		0	0
Total comprehensive loss of the period		**(7,356)**	**(7,020)**
Earnings per share			
Weighted average number of shares outstanding		17,356,799	15,705,112
Basic and diluted loss per share (in €)		(0.42)	(0.45)

There are no non-controlling interests in the Group.

The notes are an integral part of these condensed interim financial statements

3. Condensed interim statement of cash flows

Consolidated cashflow statement (in thousands of euros)	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
Cash flows from operating activities		
Operating result	**(7,353)**	**(7,250)**
Adjustments for non-cash items		
Amortisation of intangible assets	5	3
Depreciation of property, plant and equipment	145	85
Expense recognized in respect of share-based payments	1,135	1,120
	(6,068)	**(6,042)**
Movements in working capital		
(Increase)/decrease in trade and other receivables	(760)	(968)
(Increase)/decrease in other current assets	(2,392)	(347)
(Increase)/decrease in non-current assets	(1,304)	0
Increase/(decrease) in trade and other payables	366	(139)
Increase/(decrease) in deferred revenue	32,645	2,050
Cash used in operating activities	**22,487**	**(5,446)**
Net cash flows used in operating activities	**22,487**	**(5,446)**
Cash flows from investing activities		
Purchase of intangible assets	(21)	(5)
Purchase of property, plant and equipment	(628)	(204)
(Increase)/decrease in current financial assets	(13)	(549)
Interest received	39	100
Net cash flows from investing activities	**(623)**	**(658)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	45,977	0
Proceeds from issue of ordinary shares under the stock option plan	216	0
Payment of share issue costs	(1,611)	0
Net cash flows from financing activities	**44,582**	**0**
Net increase (decrease) in cash & cash equivalents	**66,446**	**(6,104)**
Cash and cash equivalents at the beginning of the period	**35,514**	**32,180**
Exchange gains/(losses) on cash & cash equivalents	(42)	130
Cash and cash equivalents at the end of the period	101,918	26,206

The notes are an integral part of these condensed interim financial statements.

4. Condensed interim statement of changes in equity

(in thousands of euros)	Attributable to owners of the parent					Total equity
	Share capital	Share premium	Retained earnings	Other reserves Equity-settled share-based payment reserve	Total equity attributable to owners of the parent	
Balance at 31 December 2015	**1,571**	**81,940**	**(35,806)**	**2,377**	**50,082**	**50,082**
Total comprehensive income of the period			(7,019)		**(7,019)**	(7,019)
Issue of share capital					**0**	0
Transaction costs for equity issue					**0**	0
Share-based payment				1,121	**1,121**	1,121
Balance at 30 June 2015	**1,571**	**81,940**	**(42,825)**	**3,498**	**44,184**	**44,184**
Balance at 31 December 2015	**1,580**	**82,168**	**(51,118)**	**4,647**	**37,277**	**37,277**
Total comprehensive income of the period			(7,356)		**(7,356)**	(7,356)
Issue of ordinary shares	418	45,559			**45,977**	45,977
Issue of ordinary shares under the stock option plan	6	210			**216**	216
Transaction costs for equity issue		(1,849)			**(1,849)**	(1,849)
Share-based payment				1,135	**1,135**	1,135
Balance at 30 June 2016	**2,004**	**126,088**	**(58,474)**	**5,782**	**75,400**	**75,400**

The notes are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements for the period ended June 30, 2016

1. General information

argenx 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. An overview of the Company and its subsidiaries (the Group) are described in note 7.4.

2. Summary of significant accounting policies

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These condensed interim financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year-ended December 31, 2015, which have been prepared in accordance with IFRS.

The condensed interim financial statements have been approved for issue by the Board of Directors on August 24, 2016.

The accounting policies adapted in the preparation of the condensed interim financial statements are consistent with those applied in the financial statements for the year ended December 31, 2015. New standards or interpretations applicable from 1 January 2016 do not have any significant impact on the condensed interim financial statements.

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.

These condensed interim financial statements have been reviewed, not audited.

We believe that the effect of the IFRS not yet adopted by the EU is not expected to be material. The financial statements have been established assuming the Company is in a state of going concern.

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 thousands of euros)	Revenue from external customers		Non-current assets	
	Six months ended June 30, 2016	Six months ended June 30, 2015	At June 30, 2016	At December 31, 2015
Netherlands	269	167	1,324	1
Belgium			2,569	1,824
Germany	311	934		
Denmark	1,716	83		
Switzerland	1,610	1,432		
Luxemburg	1,727	0		
United States	23	91		
Total	**5,656**	**2,708**	**3,893**	**1,825**

From the KEUR 5,656 (KEUR 2,708 in 2015) received from license fees, milestone payments and R&D fees, KEUR 1,727 come from the Group's largest client, KEUR 1,716 (KEUR 83 in 2015) from its second largest client and KEUR 1,610 (KEUR 1,432 in 2015) from its third largest client.

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 recognised 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 areas 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 interim results for the six months ended June 30, 2016 show a negative result, and the balance sheet includes a loss carried forward. The Board has examined the statements and accounting standards. Taking into account the cash, cash equivalents and financial assets position, the Board is of the opinion that it can submit the interim financial statements on a going concern basis.

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 recognised as an expense in the statement of 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 stock option 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 3.2.

Recognition of deferred tax assets

Deferred tax assets are recognised 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 recognised as of June 30, 2016. 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 recognised.

3.1. EQUITY

Roll forward of number of shares outstanding:	
Number of shares outstanding as per 31/12/2015	**15,802,767**
Investment by Federated Investors in January 2016	1,480,420
Exercise of stock options during first half of 2016	55,292
Investment by institutional Investors in June 2016	2,703,000
Number of shares outstanding as per 30/06/2016	**20,041,479**

In January 2016 the Company announced an investment of EUR 16 million by Federated Advisors, resulting in the issuance of 1,480,420 new shares. In June 2016 the Company announced a private placement of EUR 30 million with institutional investors, resulting in the issuance of 2,703,000 new shares.

3.2 SHARE-BASED PAYMENTS

The Company has a stock option 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 May 25, 2016 a total of 288,950 stock options and on June 18, 2016 a total of 60,000 stock options to employees and consultants. The total number of stock options outstanding at June 30, 2016 totals 2,027,668 (December 31, 2015: 1,752,927). No stock options are expired and a total of 55,292 stock options have been exercised as of June 30, 2016. A total of 18,917 share options have been forfeited as of June 30, 2016.

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 stock option converts into one ordinary share of the Company on 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 June 30, 2016 UNAUDITED	At December 31, 2015 AUDITED
2019	3.95	50,278	103,370
2020	3.95	62,460	62,460
2021	3.95	3,800	3,800
2021	2.44	273,320	275,520
2021	2.44	157,530	157,530
2021	2.44	83,820	83,820
2021	3.95	55,747	55,747
2021	2.44	169,862	169,862
2024	7.17	537,500	537,918
2025	11.44	39,000	56,500
2025	10.34	3,000	3,000
2025	9.47	214,201	215,200
2026	9.47	28,200	28,200
2027	11.47	288,950	-
2027	11.38	60,000	-
	Total	**2,027,668**	**1,752,927**

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. For the new grants as from 2016, the Group will only consider historical volatility of the argenx stock price, since there are now relevant data available.

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

Stock options granted in	May 2016	June 2016
Number of options granted	288,950	60,000
Average fair value of options (in EUR)	5.32	5.46
Share price (in EUR)	11.10	11.36
Exercise price (in EUR)	11.47	11.38
Expected volatility	40.2%	39.6%
Average expected option life (in years)	10	10
Risk-free interest rate	0.52%	0.46%
Expected dividends	0%	0%

The total share-based payment expense recognized in the consolidated statement of comprehensive income totals KEUR 1,135 for the six months period ended June 30, 2016 (KEUR 1,121 for the six month period ended June 30, 2015).

4. Notes relating to the consolidated statement of financial position

4.1 R&D INCENTIVE RECEIVABLES

On June 30, 2016, the Group has recorded a R&D incentive receivable of KEUR 1,833, compared to KEUR 1,568 on December 31, 2015, 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.

4.2 TRADE AND OTHER RECEIVABLES

The trade and other receivables are detailed below:

(in thousands of euros)	At June 30, 2016 UNAUDITED	At December 31, 2015 AUDITED
VAT receivable	319	175
Trade receivables	874	719
Interest receivable	11	17
Flanders Innovation & Entrepreneurship grants to receive	647	445
	1,851	**1,356**

The nominal amount of all trade and other receivables approximates their respective fair values.
The VAT receivable relate to VAT amounts to be recovered in the second half of 2016.

Trade receivables correspond to amounts invoiced to the industrial partners of the Group. No trade receivables were past due on June 30, 2016. The Flanders Innovation & Entrepreneurship grants 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 Flanders Innovation & Entrepreneurship Agency see note 5.2.

4.3 PREPAID EXPENSES

The prepaid expenses on June 30, 2016 amount to KEUR 2,214 (KEUR 454 on December 31, 2015) and relate to (i) a success fee paid to a third party involved in the license agreement signed with LEO Pharma in 2015 and (ii) a license fee paid to a third party involved in the license agreement signed with Abbvie in April 2016. These amounts will be recognized as expenses in the income statement over the remaining period of the license agreements.

4.4 CURRENT FINANCIAL ASSETS

On June 30, 2016, the current financial assets amounted to KEUR 6,826 compared to KEUR 6,813 on December 31, 2015, 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.

4.5. RESTRICTED CASH

On June 30, 2016 the company had a total amount of KEUR 1,936 of restricted cash. This amount is split as follows:

- A non-current part for an amount of KEUR 1,304 with a long term maturity (more than 12 months) and relating (i) for KEUR 244 to a deposit guarantee related to the lease agreement for the laboratory and offices of the company and (ii) for KEUR 1,060 to an escrow account with a third party involved in the collaboration with Abbvie. Said escrow account will be released to the Company or the third party under certain conditions after the completion of the work plan of the related license agreement.
- A current part for an amount of KEUR 632 with a short term maturity and relating to the short term part of the above mentioned escrow account.

4.6. CASH AND CASH EQUIVALENTS

On June 30, 2016, cash and cash equivalents amounted to KEUR 101,918 compared to KEUR 35,514 on December 31, 2015 and included (i) cash on hand and (ii) current and savings accounts in different banks and (iii) short term investment funds in the form of money market funds with a recommended maturity of less than 6 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.

4.7. DEFERRED REVENUE

Deferred revenue relates to cash received from industrial partnerships prior to completion of the earnings process. For the six-months period ended on June 30, 2016, deferred revenue increased to KEUR 36,786 compared to KEUR 4,141 on December 31, 2015. The increase in the first six months of 2016 is explained by the payment received from the industrial partnership signed with Abbvie in April 2016. 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.

5. Notes to the condensed statement of comprehensive income

5.1. REVENUE

(in thousands of euros)	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
License fees	2,499	858
Milestone payments	500	0
Research and development service fees (FTE)	2,657	1,850
	5,656	**2,708**

License fees, milestone payments and research and development service fees are recognised according to the accounting principles set by the company.

The increase in license fees in the first half of 2016 corresponds principally to the partial recognition in revenue over the period of the upfront payments received following the signatures of a strategic alliance with Shire in June 2014, an alliance with LEO Pharma in May 2015 and an alliance with Abbvie in April 2016. 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 milestone payment recognized in the six months period ended on June 30, 2016 relates to a payment under the LEO Pharma collaboration.

The increase in research and development service fees (FTE) is due to FTE-payments related to the collaboration agreement with LEO Pharma and a strategic alliance with Shire as indicated above.

5.2. OTHER OPERATING INCOME

(in thousands of euros)	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
Flanders Innovation & Entrepeneurship and Oncornet grants	515	848
Grants on employment	537	562
R&D incentives	265	230
	1,317	**1,640**

Flanders Innovation & Entrepreneurship agency grants

Flanders Innovation & Entrepreneurship Agency, provided argenx with several grants. The amounts received by the Group correspond to a fix percentage of the expenses incurred in certain R&D projects. The situation of the grants on June 30, 2016 is as follows:

Flanders Innovation & Entrepreneurship – TGO	
Grantor: Flanders Innovation & Entrepreneurship Agency	
Start date:	01/01/2013
End date:	31/12/2016
Amount granted and approved by IWT:	KEUR 2,697
Amount received:	KEUR 2,155

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

Flanders Innovation & Entrepreneurship 4	
Grantor: Flanders Innovation & Entrepreneurship Agency	
Start date:	01/01/2015
End date:	31/12/2016
Amount granted and approved by IWT:	KEUR 1,568
Amount received:	KEUR 939

No conditions related to the government grants are unfulfilled, nor are there any contingencies related thereon at the date of the approval of these financial statements.

Other incentives

- Argenx received KEUR 537 in the first half of 2016 (June 2015: KEUR 562) as a reduction in withholding taxes for employing high-qualified R&D personnel.
- Argenx has accounted for a R&D incentive receivable accrual of KEUR 265 in the first half of 2016 (June 2015: KEUR 230) corresponding to an R&D incentive scheme in Belgium according to which the incentive will be refunded after a 5 year period, if not offset against the taxable basis over the respective period.

5.3. RESEARCH AND DEVELOPMENT EXPENSES

(in thousands of euros)	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
Personnel expenses	4,224	2,950
Depreciation and amortisation	150	88
External R&D expenses	5,320	5,359
Materials and consumables	561	522
Other expenses	1,008	365
	11,263	**9,284**

The significant increase in personnel expenses in the first half of 2016 is explained for EUR 1.3 million by the recruitment of new R&D personnel as support for the increased activities of the Group.

The external R&D expenses in the first semester of 2016, reflect higher clinical trial costs related to the development of the Group's product portfolio and lower manufacturing expenses compared to the same period in 2015.

The increase in other expenses corresponds to (i) patent expenses related to the growth of the Group's product portfolio for KEUR 233, (ii) license fees mainly related to recognition of a payment to a third party involved in the Abbvie agreement for KEUR 120 and allocated overhead for KEUR 290.

5.4 GENERAL AND ADMINISTRATIVE EXPENSES

(in thousand of euros)	Six months ended June 30, 2016 UNAUDITED	Six months ended June 30, 2015 UNAUDITED
Personnel expenses	999	684
Consulting fees	1,555	1,125
Supervisory board	111	73
Office costs	398	432
	3,063	**2,314**

The increase in personnel expenses for G&A is explained by the recruitment of new employees in the first semester of 2016 to strengthen the Group's G&A activities and by the share based payments costs recognized in compensation for the grant of stock options to the G&A employees.

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

6. Financial instruments and financial risk management

6.1. OVERVIEW OF FINANCIAL INSTRUMENTS

(in thousands of euros)	At June 30, 2016		At December 31, 2015	
	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	6,826	6,826	6,813	6,813
Financial assets at fair value through P/L	**6,826**	**6,826**	**6,813**	**6,813**
Trade and other receivables	1,851	1,851	1,356	1,356
Current and Non-current restricted cash	1,936	1,936	0	0
Cash and bank balances	101,918	101,918	35,514	35,514
Loans and receivables	**105,705**	**105,705**	**36,870**	**36,870**
Total financial assets	**112,532**	**112,532**	**43,683**	**43,683**
Trade and other payables	5,148	5,148	4,543	4,543
Financial liabilities at amortised cost	**5,148**	**5,148**	**4,543**	**4,543**
Total financial liabilities	**5,148**	**5,148**	**4,543**	**4,543**

Financial assets at fair value through P/L:

- non-current financial assets: please refer to note 4.3 of the Company's Annual Report of 2015. These positions are reviewed at year end (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. As of June 30, 2016 the average credit rating of the underlying instruments is BBB+. The maximum exposure to credit risk is the carrying value at reporting date. These investment funds are recognised 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 4.2 for more information and to note 6.2 below for the credit risk.
- current and Non-current restricted cash: please refer to note 4.5 for more information and to note 6.2 below for the credit risk.
- cash and cash equivalents: please refer to note 4.6 for more information and to note 6.2 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.

6.2. RISKS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report the year ended December 31, 2015 of the Company.

During the first semester of 2016 there have been no significant changes in the risk profile of the Company nor is the risk profile of the Group expected to change in the second semester of 2016.

7. Other disclosures

7.1. RELATED PARTY TRANSACTIONS

The shareholders of the Company are several minority investors and venture capitalists which individually do not hold a significant stake in 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 transactions with related parties during the period, other than compensation of the independent directors and the key management personnel.

7.2. CONTINGENCIES

The Group is currently not facing any litigation that might have a significant adverse impact on the Group's financial position.

7.3. COMMITMENTS

At closing date, there were no commitments signed for the acquisition of property, plant and equipment or intangible assets. The operating lease commitments are listed in the table below.

Operating lease commitments (in thousand of euros)	At June 30, 2016	At December 31, 2015
Not later than 1 year	968	630
Later than 1 year and not later than 5 years	1,591	1,272
Later than 5 years	0	0
	2,559	**1,902**

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

The Group has signed a lease agreement in March 2016 for new laboratory and office space in Zwijnaarde in Belgium. The lease agreement is 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.

7.4. OVERVIEW OF CONSOLIDATION SCOPE

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

Name	Registration number	Country	Participation	Main activity
argenx 110 BV	853245496	Netherlands	100.00%	Biotechnical research on drugs and pharma processes
argenx 111 BV	853245332	Netherlands	100.00%	Biotechnical research on drugs and pharma processes
argenx 113 BV	854976954	Netherlands	100.00%	Biotechnical research on drugs and pharma processes
argenx 115 BV	855638059	Netherlands	100.00%	Biotechnical research on drugs and pharma processes
argenx BVBA	0818292196	Belgium	100.00%	Biotechnical research on drugs and pharma processes

7.5. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date.

Independent Auditor's report

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Review report

To: the Shareholders and Supervisory Board of argenx N.V.

Introduction

We have reviewed the accompanying condensed interim financial information of argenx N.V., Rotterdam, which comprises the condensed interim statement of financial position as at June 30, 2016, the condensed statements of comprehensive income, the condensed interim changes in equity, and condensed interim statement of cash flows for the period of six months ended June 30, 2016, and the notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at June 30, 2016, is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Eindhoven, August 24, 2016

Deloitte Accountants B.V.

Signed on the original: P.J.M.A. van de Goor

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