Annual Report: Business Section & Corporate Governance

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Certain information in this annual report is based on management estimates. Such estimates have been made in good faith and represent the current beliefs of applicable members of the board of the Company (the "**Board**"). Those Board members believe that such estimates are founded on reasonable grounds. However, by their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given that such estimates are correct or complete.

This annual report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", or "should", and include statements the Company makes concerning the intended results of its strategy. By their nature, forward-looking statements involve risks and uncertainties and readers are cautioned that any such forward-looking statements are not guarantees of future performance. The Company’s actual results may differ materially from those predicted by the forward-looking statements. The Company undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by law.

BUSINESS SECTION

MESSAGE FROM THE CEO

Dear Shareholders,

In 2016 we continued to advance our mission to develop differentiated antibody-based therapies for the treatment of severe autoimmune diseases and cancer. We propelled some of our deep product pipeline consisting of wholly-owned and partnered programs into Phase 2 clinical development; we entered into a collaboration with AbbVie; we expanded our public shareholder base substantially thereby strengthening our cash position; our suite of proprietary antibody technologies received the 2016 European Frost & Sullivan Award for Technology Innovation; and we relocated to brand new facilities to accommodate our growing team of professionals.

Our most advanced product candidate, ARGX-113, progressed through Phase 1 into a first Phase 2 clinical trial in patients with myasthenia gravis, soon to be followed by a second Phase 2 clinical trial for the treatment of primary immune thrombocytopenia, both of which are rare and severe autoimmune diseases. We are currently developing our second product candidate, ARGX-110, for rare and aggressive hematological cancers, initially for T-cell lymphoma and acute myeloid leukemia, as well as high-risk myelodysplastic syndrome, a rare bone marrow disorder. In December 2016, we commenced a Phase 1/2 clinical trial of ARGX-110in combination with azacitidine in patients with newly diagnosed AML or high-risk MDS, soon to be followed by a Phase 2 study in patients with cutaneous TCL. For our second wholly-owned oncology product, ARGX-111, we concluded the Phase 1b dose-escalation and safety-expansion study and are strategically working to partner so we can begin Phase 2 development.

We are committed to our dynamic business model of investing deeply in our own initiatives and programs, which we believe are driven by a solid biological rationale, as well as collaborating with key pharmaceutical partners. In 2016, we formed a strategic partnership with AbbVie for our preclinical oncology candidate, ARGX-115, to advance the product to commercialization. We received an upfront payment of $40 million and will conduct research and development up to completion of IND-enabling studies. ARGX-115 was the first success of our Innovative Access Program (IAP). Through our IAP, we are able to serially collaborate with leading academic labs and small biotech companies bringing our own discovery technologies to the heart of novel target research. Additionally, we have continued to collaborate with LEO Pharma, Shire and Bird Rock Bio to further develop innovative antibody-based solutions for a variety of autoimmune and rare diseases with unmet need. We continue to seek out collaborations that fit well into our business model.

We continue to be science-driven and we are taking pride in the growing external recognition our technologies and product candidates enjoy in the form of the 2016 Frost & Sullivan Technology Innovation award and a rapidly growing list of peer-reviewed scientific publications and granted patents which are a great testimonial of the work performed by our scientists, clinicians and collaborators.

From a financial perspective, we ended the year with a strong cash position of € 96.7 million. In 2016, we received a € 46 million investment from key U.S. institutional investors, allowing us to accelerate and expand the clinical development of our pipeline. We also made progress in transforming our historic venture capitalist shareholder base to long-term public investors in support of our ambitious business plan.

2016 has been a transformative year and one where we made the necessary accomplishments to drive argenx forward to become a more substantial and mature company, with significant financial and strategic advancement. This included growing our team to 58 passionate and experienced individuals now housed in a brand new building of 1500 sqm on the BioScape site in Zwijnaarde-Ghent (Belgium).

We remain focused and committed to bringing new treatments to patients, and sustainable value to all our shareholders. I would like to thank our patients, employees, collaborators, board members and shareholders for their exceptional dedication to the argenx story. We look forward to sharing more updates in the year ahead.

Sincerely,

Tim Van Hauwermeiren

Chief Executive Office

2016 IN BRIEF

OPERATIONAL HIGHLIGHTS

ARGX-113

- Initiated Phase 2 proof-of-concept study for treatment of myasthenia gravis (MG) (Jan 2017).
- Hosted workshop in conjunction with American Society of Hematology (ASH) Annual Meeting (December 2016) and provided updates on clinical data from multiple ascending dose (MAD) Phase 1 study showing comparable pharmacodynamics and pharmacokinetic patterns between lower dose (10 mg/kg) and higher dose (25 mg/kg). In addition, preclinical proof-of-concept data supporting MG and primary immune thrombocytopenia (ITP) as lead indications for Phase 2 clinical trials were presented and feasibility of subcutaneous dosing was illustrated in a preclinical setting.
- Announced full data from Phase 1 single ascending dose (SAD) and multiple ascending dose (MAD) studies that showed ARGX-113 to be well-tolerated at doses up to 25 mg/kg with promising pharmacodynamics effects relating to speed, depth and duration of IgG reduction (Sept 2016).

ARGX-110

T-Cell Lymphoma:

- Presented further efficacy and safety data from ongoing Phase 1b study in relapsed/refractory T-cell lymphoma (TCL) patients at ASH workshop (December, 2016). Five out of 10 patients show encouraging signs of clinical activity including partial response (3/10) and stable disease (2/10). No dose-limiting toxicities were observed.
- Announced efficacy and safety data from ongoing Phase 1 expansion study in patients with TCL during European Hematology Association (EHA) Annual Congress (June 2016).

Acute Myeloid Leukemia:

- Initiated Phase 1/2 clinical trial in combination with standard of care, azacytidine, in newly diagnosed acute myeloid leukemia (AML) or high-risk myelodysplastic syndrome (MDS) patients (December, 2016).
- Published new preclinical data in Journal of Experimental Medicine on CD70/CD27 pathway that provide further biological rationale for ARGX-110 therapy for treatment of AML (December 2016).

ARGX-111

- Concluded safety expansion cohort of the Phase 1b study. Our current focus is on partnering ARGX-111 ahead of any Phase 2 study.
- Announced data published in conjunction with American Society of Clinical Oncology (ASCO) 2016 Annual Meeting (June, 2016) presenting efficacy and safety data from Phase 1 expansion study in patients with mesenchymal-epithelial transition factor (MET)-amplified tumors. The data showed no drug-related serious adverse events above doses of 3 mg/kg and signs of biological activity.

ARGX-115

- Announced collaboration with AbbVie S.À.R.L. to develop and commercialize ARGX-115. Under the agreement, we will conduct research and development up to completion of investigational new drug (IND)-enabling studies. Upon successful completion of IND-enabling studies, AbbVie may exercise an exclusive option to license ARGX-115 and assume responsibility for further clinical development and commercialization.
- Received an upfront payment of $40 million for the exclusive option and have potential to receive $20 million in near-term preclinical milestones. We are also eligible to receive additional development, regulatory and commercial payments up to $625 million upon achievement of pre-determined milestones as well as tiered royalties on net sales at percentages ranging from the mid-single digits to the lower teens.
- We have the right, on a product-by-product basis to co-promote ARGX-115-based products in the European Economic Area and Switzerland and combine the product with own immuno-oncology programs. In addition to the ARGX-115 program, and upon us reaching a predetermined preclinical stage milestone, AbbVie will fund further GARP-related research by us for an initial period of two years. AbbVie will have the right to license additional therapeutic programs emerging from this research, for which we could receive associated milestone and royalty payments.

Collaborations

- Continued collaboration with Shire AG to discover and develop novel human therapeutic antibodies to address diverse rare and unmet diseases. We announced the extension of our strategic partnership with Shire for a further year until May 30, 2018.
- Advanced alliance with LEO Pharma A/S and received preclinical milestone payment in relation to the lead cell line selection for manufacture of licensed SIMPLE Antibody candidate ARGX-112 in development for treatment of inflammatory skin conditions.
- Reported that partner Bird Rock Bio, Inc. (formerly Anaphore, Inc. and RuiYi, Inc.) announced data on gerilimzumab, a novel SIMPLE Antibody equipped with our proprietary NHance® technology neutralizing the IL-6 cytokine. ARGX-109 was reported to be well-tolerated with no serious adverse events and prolonged half-life in circulation, supporting low, infrequent dosing and the potential for favorable pricing. Bird Rock Bio received approval to initiate a Phase 2 study in Brazil for rheumatoid arthritis.

Corporate

- 49 granted and 107 pending patents
- Expanded to 58 employees in support of expansion of the business
- Recognized by Frost & Sullivan with 2016 European Frost & Sullivan Award for Technology Innovation for SIMPLE Antibody platform, as it yields unprecedented epitope coverage, allowing to interaction with disease biology in a much more precise manner.
- Moved to new offices and laboratory space, which consists of approximately 1,500 square meters, located in Zwijnaarde, Belgium.

FINANCIAL HIGHLIGHTS

- Entered into a subscription agreement with funds advised by subsidiaries of Federated Investors, Inc. (USA) relating to the issue of a total of 1,480,420 shares (Jan 2016) for an aggregate amount of € 16 million, at a price of € 10.79 per share at no discount.
- Entered into placement agreements with predominantly U.S. institutional investors relating to the issue of a total of 2,703,000 new shares (June 2016) for an aggregate amount of € 30 million. The issue price per new share in the financing was € 11.10, representing a discount of 2.6% compared to the € 11.40 closing price of argenx shares on Euronext Brussels on May 31, 2016.
- Operating income of € 17.1 million (2015: € 10 million).
- Net loss of € 21.4 million (2015: € 15.3 million).
- Net cash increase of € 54.4 million, resulting in a cash position of € 96.7 million (cash, cash-equivalents and financial assets) on December 31, 2016, allowing the Group to pursue the progress of its product portfolio as planned.

OUTLOOK 2017

We continue to implement our business plan through advancing our deep pipeline of differentiated antibody-based therapies, including ARGX-113, ARGX-110, ARGX115 and ARGX-112, the forging of collaborations with a select number of pharmaceutical companies and the strengthening of our shareholder base.

In 2017, we will aim to execute our ambitious business plan as follows:

- We aim to launch the Phase 2 proof-of-concept study for ARGX-113 in ITP in March 2017 as well as a Phase 1 healthy volunteer study with subcutaneous formulation of ARGX-113 during the second half of the year.
- We aim to launch the Phase 2 proof-of-concept study for ARGX-110 in relapsed/refractory cutaneous TCL (CTCL) in March 2017.
- We aim to provide an update on the recruitment status of both the MG and the ITP Phase 2 clinical trials for ARGX-113 during the second half of the year.
- We aim to provide an update on our Phase 1/2 clinical trial in AML and the Phase 2 clinical trial in CTCL for ARGX-110 during the second half of the year.
- We plan to report the full data of our finalized Phase 1 clinical trial for ARGX-111 during the first half of the year.

- We aim to announce the launch of a novel pipeline program.
- We aim to announce one or more Innovative Access Program initiatives during the course of the year.

With the expected progression of our development activities, we anticipate hiring more personnel and consultants to support the steady growth over the past year.

We will also aim to further transition our shareholder base from its historic venture capital investors to blue-chip, long-term institutional investors and increase liquidity and free float of our ordinary shares and continue our disciplined cash management.

STRATEGY

Our goal is to deliver therapies that are either first-in-class or best-in-class to patients suffering from severe autoimmune diseases and various cancers for which there exists a significant unmet medical need. We are also focused on attaining this goal in a manner that is disciplined for a company of our size. We plan to:

- ***Rapidly advance ARGX-113 through clinical proof-of-concept in two indications.*** We are currently developing our lead product candidate, ARGX-113, for the treatment of patients with MG and ITP. We chose both of these indications based on the biological rationale of targeting the neonatal Fc receptor (FcRn), thereby reducing the pathogenic IgG antibody levels that drive both of these disease states. We are currently evaluating ARGX-113 in a Phase 2 clinical trial for the treatment of patients with MG, and we plan to initiate a Phase 2 clinical trial for the treatment of patients with ITP in March 2017. We expect to report topline data from these clinical trials in the second half of 2018. Depending on the outcome of these clinical trials and subject to discussions with regulatory agencies, we intend to structure our pivotal program for ARGX-113 in one or both of these indications.

- ***Advance ARGX-110 through clinical proof-of-concept in selected hematological tumors.*** We plan to initiate the Phase 2 part of an open-label Phase 1/2 clinical trial of ARGX-110 for the treatment of adult relapsed or refractory CD70-positive CTCL patients in March 2017. We expect to report interim results from this clinical trial by the end of 2017 and topline results in the second half of 2018. In December 2016, we initiated an open-label, Phase 1/2 clinical trial of ARGX-110 in combination with the standard of care, azacitidine, in newly diagnosed AML and high-risk MDS patients. We expect to report interim results from the dose-escalation part of this clinical trial by the end of 2017.

- ***Expand applications for our existing product candidates.*** Our goal is to maximize the commercial potential of our existing product candidates by exploring additional indications, as well as formulations that may expand the target patient populations within existing indications. For example, our development work in ARGX-113 is based on its ability to reduce circulating IgG antibodies, and this has given us the ability to leverage a single Phase 1 clinical trial in healthy volunteers into two Phase 2 clinical trials in different indications, MG and ITP, where we believe this mechanism of action may have therapeutic benefit. In addition, we believe there are other autoimmune diseases beyond MG and ITP that may benefit from treatment with ARGX-113. We plan to employ a similar strategy of leveraging the strong biological rationale

for other product candidates into multiple indications, thereby maximizing the value of our pipeline. We also intend to expand the use of our product candidates in existing indications by developing new formulations, such as a subcutaneous version of ARGX-113 that may make our product candidates accessible to larger patient populations, including patients requiring chronic therapy, potentially outside of the hospital setting.

- ***Focus our discovery and development efforts on novel and complex targets to generate new first-in-class and best-in-class product candidates for autoimmune diseases and cancer.*** Our SIMPLE Antibody Platform allows us to access and explore a broad target universe, including novel and complex targets, while minimizing the long timelines associated with generating antibody candidates using traditional methods. By exploring a broad target universe, we are able to develop a breadth of antibodies to test many different epitopes. Being able to test many different epitopes with our antibodies enables us to search for an optimized combination of safety, potency and species cross-reactivity. We believe our Fc engineering technologies will allow us to augment our antibodies for maximum therapeutic effect.

- ***Independently commercialize our product candidates in indications and geographies where we believe we can extract maximum value.*** We plan to independently develop and commercialize those product candidates that we believe have a clear clinical and regulatory approval pathway and that we believe we can commercialize successfully, if approved. Our commercialization strategy for any product candidates that are approved will focus on key academic centers, specialist physicians and advocacy groups, as well as on providing patients with support programs and maximizing product access and reimbursement.

- ***Selectively leverage our suite of technologies to seek strategic collaborations and maximize the value of our pipeline.*** Our suite of technologies and productive discovery capabilities have yielded us several potential product candidates for which we seek to capture value, while maintaining our focus and discipline. We plan to collaborate on product candidates that we believe have promising utility in disease areas or patient populations that are better served by the resources of larger biopharmaceutical companies. In addition to collaborating on our product candidates, we may also elect to enter into collaborations for third-party product candidates for which we believe that our technologies and expertise may be valuable.

BUSINESS OVERVIEW

We are a clinical-stage biotechnology company developing a deep pipeline of differentiated antibody-based therapies for the treatment of severe autoimmune diseases and cancer. Utilizing our suite of technologies, we are focused on developing product candidates with the potential to be either first-in-class against novel targets or best-in-class against known, but complex, targets in order to treat diseases with a significant unmet medical need. Our SIMPLE Antibody Platform, based on the powerful llama immune system, allows us to exploit novel and complex targets, and our three antibody Fc engineering technologies are designed to enable us to expand the therapeutic index of our product candidates. Together with our antibody discovery and development expertise, this suite of technologies has enabled our pipeline of seven product candidates. Two of our product candidates will be in clinical proof-of-concept trials for three indications within the first half of 2017.

Our most advanced product candidate, ARGX-113, is in a Phase 2 clinical trial for the treatment of the rare autoimmune disease MG and, in March 2017, we plan to initiate a Phase 2 clinical trial of ARGX-113 for the treatment of another rare autoimmune disease, ITP. We are currently developing our second lead product

candidate, ARGX-110, for rare and aggressive hematological cancers, initially for TCL, and AML, as well as high-risk MDS. In December 2016, we commenced a Phase 1/2 clinical trial of ARGX-110 in combination with azacitidine for the treatment of newly diagnosed AML or high-risk MDS patients, and in March 2017, we expect to initiate the Phase 2 part of a Phase 1/2 clinical trial of ARGX-110 for the treatment of CTCL.

We have a disciplined strategy to maximize the value of our pipeline whereby we plan to retain development and commercialization rights to those product candidates that we believe we can ultimately commercialize successfully on our own if they are approved. We plan to collaborate on product candidates that we believe have promising utility in disease areas or patient populations that are better served by the resources of larger biopharmaceutical companies. We have entered into collaborations with a number of biopharmaceutical companies, including our collaboration with AbbVie S.Á.R.L (AbbVie), for ARGX-115, a cancer immunotherapy-focused product candidate against the novel target glycoprotein A repetitions predominant(GARP). We received a $40.0 million (€ 35.1 million as of the date the payment was received) upfront payment in connection with this collaboration.

Our product candidates are focused on indications for which there is a solid biological rationale and for which we believe there is an advantage to utilizing our suite of technologies outlined below:

- ***Our proprietary SIMPLE Antibody Platform*** sources antibody V-regions from the immune system of outbred llamas, each of which has a different genetic background. The V-region is responsible for targeting a specific antibody to an antigen, which is a substance that induces an immune response, and is different for every type of antibody. The llama produces highly diverse panels of antibodies with a high human homology, or similarity, in their V-regions when immunized with targets of human disease. By contrast, most antibody platforms start with antibodies generated in inbred mice or synthetic antibody library systems, approaches that are limited by insufficient antibody repertoires and limited diversity, respectively. Our SIMPLE Antibody Platform allows us to access and explore a broad target universe, including novel and complex targets, while minimizing the long timelines associated with generating antibody candidates using traditional methods.
- ***Our Fc engineering technologies***—NHance, ABDEG and POTELLIGENT—focus on engineering the Fc region of antibodies in order to augment their intrinsic therapeutic properties. These technologies are designed to enable us to expand the therapeutic index of our product candidates, which is the ratio between toxic and therapeutic dose, by modifying their half-life, tissue penetration, rate of disease target clearance and potency.

Our product candidate pipeline includes both wholly-owned and partnered programs. We refer to programs for which we retain the exclusive right to develop and commercialize the product candidate on a worldwide basis as our wholly-owned programs. We refer to programs for which we have entered into collaboration agreements with third parties for the development and commercialization of the product candidate as our partnered programs.
Our product candidate pipeline enabled by our suite of technologies is set forth below:

Product Candidate	Target	Technology Used	Indication	Preclinical	Phase 1	Phase 2	
Wholly-Owned Product Candidates							**Key Commentary / Next Anticipated Milestone**
ARGX-113 (efgartigimod)	FcRn	ABDEG	Myasthenia gravis Primary immune thrombocytopenia Chronic autoimmune diseases (subcutaneous)				▪ 2H:2018 — Announce Phase 2 topline results ▪ Q1:2017 — Initiate Phase 2 clinical trial ▪ 2H:2017 — Initiate Phase 1 clinical trial
ARGX-110 (cusatuzumab)	CD70	SIMPLE Antibody POTELLIGENT	T-cell lymphoma Acute myeloid leukemia	Phase 1/2 Phase 1/2			▪ 2H:2018 — Announce Phase 2 topline results ▪ YE:2017 — Update from Phase 2 proof-of-concept cohort in CTCL and Phase 1 dose-escalation in AML/MDS
ARGX-111	C-MET	SIMPLE Antibody POTELLIGENT NHance	Solid tumors with MET amplification				▪ Intend to partner
Two Discovery Programs	Novel Targets	SIMPLE Antibody NHance	Autoimmune (1 program) Oncology (1 program)				▪ 2017 — Select product candidate ▪ 2017 — Select product candidate
Partnered Product Candidates							**Partner**
ARGX-109 (gerilimzumab)	IL-6	SIMPLE Antibody NHance	Rheumatoid arthritis				▪ Bird Rock Bio
ARGX-112	IL-22R	SIMPLE Antibody	Skin inflammation				▪ LEO Pharma
ARGX-115	GARP	SIMPLE Antibody	Cancer immunotherapy				▪ AbbVie
ARGX-116	ApoC3	SIMPLE Antibody	Dyslipidemia				▪ Staten Biotechnology
Multiple Discovery Programs	Shire has rights to nominate numerous rare disease targets						▪ Shire

We believe that our clinical expertise and execution capabilities position us well to advance our product pipeline and enter into collaborations designed to maximize the value of our portfolio. We have assembled a team of over 60 employees (Feb 2017) with experience across the spectrum of antibody drug discovery and development and business development. Members of our board of directors and management team have extensive experience in the life sciences industry and have previously served at companies including Cambridge Antibody Technology Group Plc; Celgene Corporation; Galapagos NV; GlaxoSmithKline plc; Janssen Pharmaceuticals, Inc.; Micromet, Inc.; Nicox S.A.; The Procter & Gamble Company; Quintiles IMS Holdings, Inc. and Unilever NV.

OUR SUITE OF TECHNOLOGIES

HARNESSING THE THERAPEUTIC POTENTIAL OF ANTIBODIES

Antibodies are Y-shaped proteins used by the immune system to target and clear foreign bodies, including pathogens, such as bacteria and viruses, and tumor cells. Antibodies are composed of two structurally independent parts, the variable region (V-region) and the constant (Fc) region. The V-region is responsible for targeting a specific antibody to an antigen and is different for every type of antibody. The Fc region does not interact with antigens, but rather interacts with components of the immune system through a variety of receptors on immune and other cells. These interactions allow antibodies to regulate the immune response and levels of cell-killing ability (cytotoxicity), as well as their persistence in circulation and tissues. Fc regions are the same and interchangeable from antibody to antibody.

As shown in *Figure 1*, we apply a unique suite of technologies to create antibodies with optimized V-regions and an enhanced Fc region. Used alone or in combination, we believe that our suite of technologies enable us to create product candidates with potential first-in-class and best-in-class therapeutic activity against a wide range of targets.

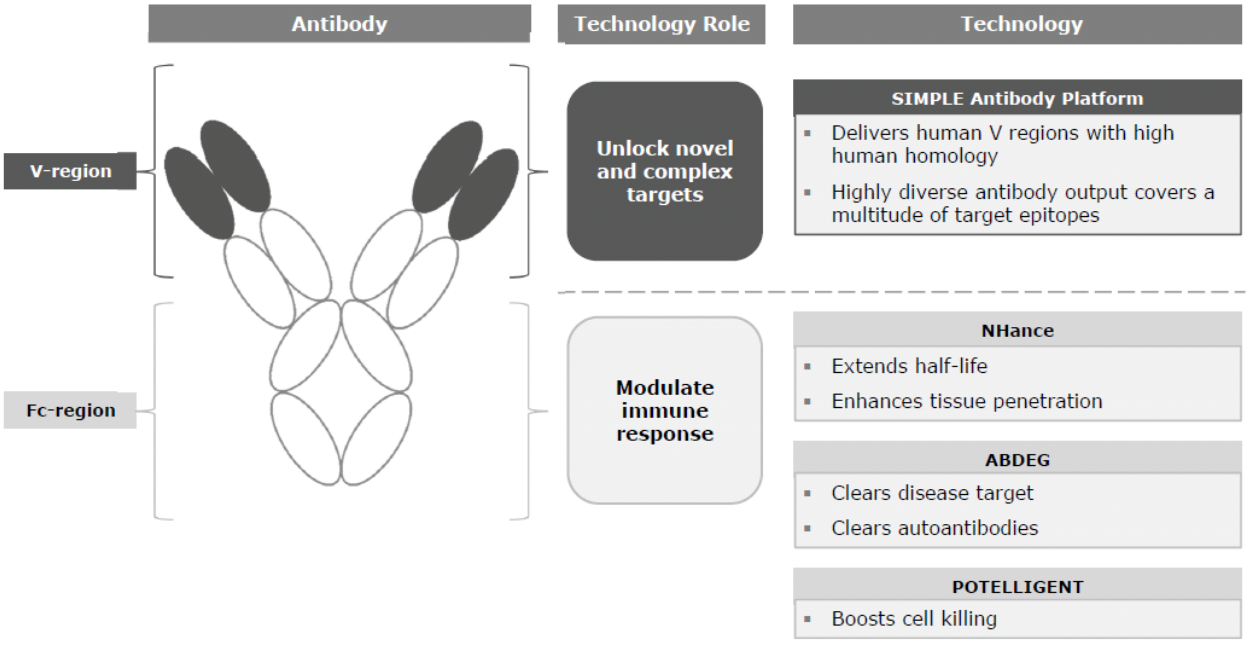


Figure 1: Overview of our suite of technologies

OUR PROPRIETARY SIMPLE ANTIBODY PLATFORM

Our proprietary SIMPLE Antibody Platform sources V-regions from conventional antibodies existing in the immune system of outbred llamas. Outbred llamas are those that have been bred from genetically diverse parents, and each has a different genetic background. The llama produces highly diverse panels of antibodies with a high human homology in their V-regions when immunized with human disease targets. We then combine these llama V-regions

with Fc regions of fully human antibodies, resulting in antibodies that we then produce in industry-validated production cell lines.

The resulting antibodies are diverse and, due to their similarity to human antibodies, we believe they are well suited to human therapeutic use. With this breadth of antibodies, we are able to test many different epitopes. Being able to test many different epitopes with our antibodies enables us to search for an optimized combination of safety, potency and species cross-reactivity with the potential for maximum therapeutic effect on disease. These antibodies are often cross-reactive with the rodent version of chosen disease targets. This rodent cross-reactivity enables more efficient preclinical development of our product candidates because most animal efficacy models are rodent-based. By contrast, most other antibody discovery platforms start with antibodies generated in inbred mice or synthetic antibody libraries, approaches that are limited by insufficient antibody repertoires and limited diversity, respectively. Our SIMPLE Antibody Platform allows us to access and explore a broad target universe, including novel and complex targets, while minimizing the long timelines associated with generating antibody candidates using traditional methods.

OUR FC ENGINEERING TECHNOLOGIES

Our antibody engineering technologies—NHance, ABDEG and POTELLIGENT—focus on engineering the Fc region of antibodies in order to augment their interactions with components of the immune system, thereby potentially expanding the therapeutic index of our product candidates by modifying their half-life, tissue penetration, rate of disease target clearance and potency. For example, our NHance and ABDEG engineering technologies enable us to modulate the interaction of the Fc region with FcRn, which is responsible for regulating half-life, tissue distribution and pharmacodynamic properties of IgG antibodies. Similarly, our POTELLIGENT engineering technology modulates the interaction of the antibody Fc region with receptors located on specialized immune cells known as natural killer (NK), cells. These NK cells can destroy the target cell, resulting in enhanced antibody-dependent cell-mediated cytotoxicity (ADCC).

NHANCE AND ABDEG: MODULATION OF FC INTERACTION WITH FCRN

An illustration of the FcRn-mediated antibody recycling mechanism is shown in *Figure 2*. ❶ Serum proteins, including IgG antibodies, are routinely removed from the circulation by cell uptake. ❷ Antibodies can bind to FcRn, which serves as a dedicated recycling receptor in the endosomes, which have an acidic environment and then 3A return to the circulation by binding with their Fc region to FcRn. 3B Unbound antibodies end up in the lysosomes and are degraded by enzymes. Because this Fc/FcRn interaction is highly pH-dependent, antibodies tightly bind to FcRn at acidic pH (pH 6.0) in the endosomes, but release again at neutral pH (pH 7.4) in the circulation.

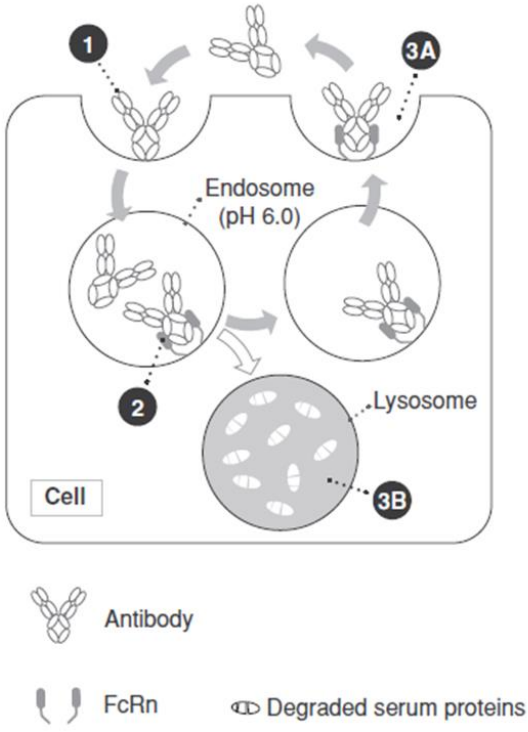


Figure 2: The FcRn-mediated recycling mechanism

NHANCE

NHance refers to two mutations that we introduce into the Fc region of an IgG antibody. NHance is designed to extend antibody serum half-life and increase tissue penetration. In certain cases, it is advantageous to engineer antibodies that remain in the circulation longer, allowing them to potentially exert a greater therapeutic effect or be dosed less frequently. As shown in *Figure 3*, ❶ NHance antibodies bind to FcRn with higher affinity, specifically under acidic pH conditions. ❷ Due to these tighter bonds, NHance FcRn-mediated antibody recycling is strongly favored over lysosomal degradation, although some degradation does occur. ❸ NHance allows a greater proportion of antibodies to return to the circulation potentially resulting in increased bioavailability and reduced dosing frequency. ARGX-111, ARGX-109 and a number of our discovery-stage programs utilize NHance.

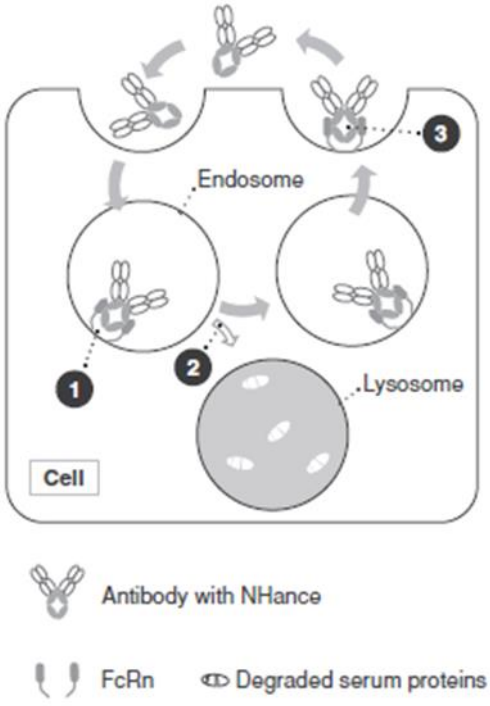


Figure 3: NHance mutations favor the FcRn-mediated recycling of IgG antibodies

ABDEG

ABDEG refers to five mutations that we introduce in the Fc region that increase its affinity for FcRn at both neutral and acidic pH. In contrast to NHance, ABDEG-modified Fc regions remain bound to FcRn if the pH changes, occupying FcRn with such high affinity that they deprive endogenous IgG antibodies of their recycling mechanism, leading to enhanced clearance of such antibodies by the lysosomes. Some diseases mediated by IgG antibodies are directed against self-antigens. These self-directed antibodies are referred to as auto-antibodies. We use our ABDEG technology to reduce the level of these pathogenic auto-antibodies in the circulation by increasing the rate at which they are cleared by the lysosomes. ABDEG is a component in a number of our product candidates, including ARGX-113.

As shown in *Figure 4*, our ABDEG technology can also be used with our pH-dependent SIMPLE Antibodies in a mechanism referred to as sweeping. Certain SIMPLE Antibodies bind to their target in a pH-dependent manner. These antibodies ❶ bind tightly to a target at neutral pH while in circulation, and ❷ release the target at acidic pH in the endosome. ❸ The unbound target is degraded in the lysosome. ❹ However, when equipped with our ABDEG technology, the therapeutic antibodies remain tightly bound to FcRn at all pH levels and are not degraded themselves. Instead, they are returned to the circulation where they can bind new targets. We believe this is especially useful in situations where high levels of the target are circulating or where the target needs to be cleared very quickly from the system.

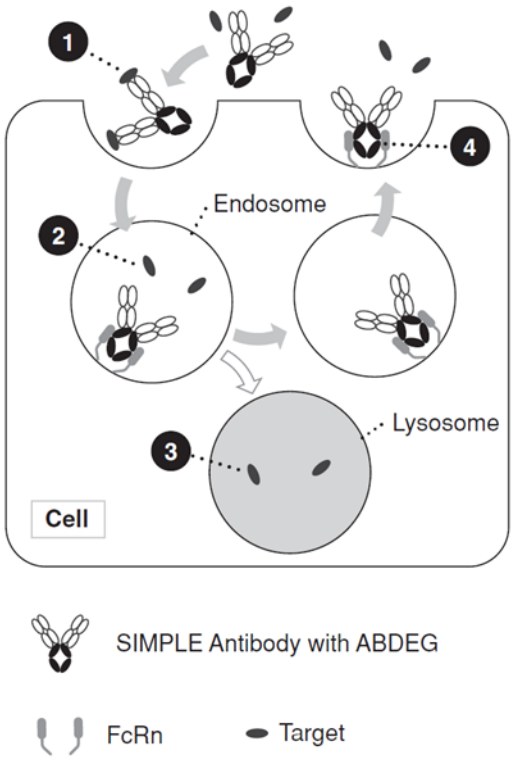


Figure 4: SIMPLE Antibody and ABDEG technologies work in concert to sweep disease targets

POTELLIGENT: MODULATION OF FC INTERACTION WITH NK CELLS

POTELLIGENT modulates the interaction of the Fc region with the Fc gamma receptor IIIa located on specialized immune cells, known as NK cells. These NK cells can destroy the target cell, resulting in enhanced ADCC. POTELLIGENT changes the Fc structure by excluding a particular sugar unit such that it enables a tighter fit with the Fc gamma receptor IIIa. The strength of this interaction is a key factor in determining the killing potential of NK cells. An independent publication reported that the exclusion of this sugar unit of the Fc region increases the ADCC-mediated cell-killing potential of antibodies by 10- to 1000-fold. ARGX-110 and ARGX-111 utilize POTELLIGENT.

OUR WHOLLY-OWNED PROGRAMS

Our product candidate pipeline includes both wholly-owned and partnered programs:

Product Candidate	Target	Technology Used	Indication	Preclinical	Phase 1	Phase 2	Key Commentary / Next Anticipated Milestone
ARGX-113 (efgartigimod)	FcRn	ABDEG	Myasthenia gravis Primary immune thrombocytopenia Chronic autoimmune diseases (subcutaneous)				▪ 2H:2018 — Announce Phase 2 topline results ▪ Q1:2017 — Initiate Phase 2 clinical trial ▪ 2H:2017 — Initiate Phase 1 clinical trial
ARGX-110 (cusatuzumab)	CD70	SIMPLE Antibody POTELLIGENT	T-cell lymphoma Acute myeloid leukemia	Phase 1/2 Phase 1/2			▪ 2H:2018 — Announce Phase 2 topline results ▪ YE:2017 — Update from Phase 2 proof-of-concept cohort in CTCL and Phase I dose-escalation in AML/MDS
ARGX-111	C-MET	SIMPLE Antibody POTELLIGENT NHance	Solid tumors with MET amplification				▪ Intend to partner
Two Discovery Programs	Novel Targets	SIMPLE Antibody NHance	Autoimmune (1 program) Oncology (1 program)				▪ 2017 — Select product candidate ▪ 2017 — Select product candidate

ARGX-113

We are currently developing our lead product candidate, ARGX-113, for the treatment of patients with MG and ITP, both of which are rare and severe autoimmune diseases associated with high levels of circulating pathogenic IgG antibodies for which there are few innovative biologic treatments and a severe unmet medical need exists. ARGX-113 utilizes our ABDEG engineering technology and is designed to block the recycling of IgG antibodies, which results in their removal from circulation. We believe that our approach presents potential benefits relative to the current standard of care for MG and ITP: corticosteroids and immunosuppressants in the early stages, followed by intravenous IgG (IVIg), and plasma exchange, or plasmapheresis, as the disease progresses. We believe these potential benefits include improved time of onset, increased magnitude and duration of therapeutic benefit, a more favorable safety and tolerability profile and a reduced cost burden to the healthcare system.

We have completed the single and multiple ascending dose parts of a double-blind, placebo-controlled Phase 1 clinical trial of ARGX-113 in 62 healthy volunteers. We launched a Phase 2 clinical trial of ARGX-113 in patients with MG in January 2017. In parallel, we plan to launch a second Phase 2 clinical trial of ARGX-113 in patients with ITP in March 2017 in Europe. We expect to report topline data from these clinical trials in the second half of 2018. Depending on the outcome of these clinical trials and subject to discussions with regulatory agencies, we intend to structure our pivotal program for ARGX-113 in one or both of these indications. In addition to the intravenous formulation of ARGX-113 that we are using in our current clinical trials, we are also developing a subcutaneous formulation designed to make ARGX-113 accessible to larger patient populations, including patients requiring chronic therapy, potentially outside of the hospital setting. We plan to initiate a Phase 1 clinical trial in healthy volunteers for a subcutaneous formulation of ARGX-113 in the second half of 2017.

OVERVIEW OF MYASTHENIA GRAVIS

MG is an autoimmune disorder associated with muscle weakness that is triggered by IgG auto-antibodies. These antibodies attack critical signaling proteins at the junction between nerve and muscle cells, thereby impairing their communication signals. As shown in *Figure 5*, in MG these auto-antibodies either bind and occupy or cross-link and internalize the receptor on the muscle cells, thereby preventing the binding of acetylcholine, the signal sent by the nerve cell. In addition, these auto-antibodies can cause destruction of the neuromuscular junction by recruiting complement, a potent cell-destroying mechanism of the human immune system.

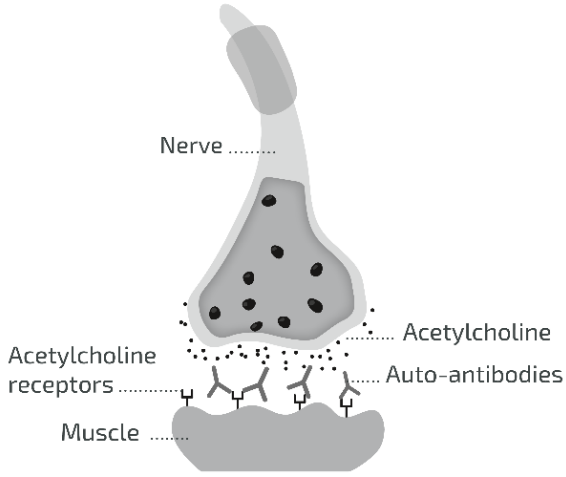


Figure 5: MG is caused by auto-antibodies attacking the transmission of nerve impulses to muscles

The muscle weakness associated with MG usually presents initially in ocular muscles and can then spread into a generalized form affecting multiple muscles. MG initially causes droopy eyelids and blurred or double vision due to partial paralysis of eye movements. As MG becomes generalized it affects muscles in the neck and jaw, causing problems in speaking, chewing and swallowing. MG can also cause weakness in skeletal muscles leading to problems in limb function. In the most severe cases, respiratory function can be weakened to the point where it becomes life-threatening. These respiratory crises occur at least once in the lives of approximately 15% to 20% of MG patients.

The U.S. prevalence of MG is estimated at approximately 20 cases per 100,000. Currently, there are an estimated 64,000 MG patients in the United States, of which an estimated 55,000 patients are suffering from generalized MG. We believe that the prevalence in Europe is at a similar level. Our initial focus is on generalized MG patients whose disease is not well-controlled with corticosteroids and immunosuppressants, which we believe represents a majority of generalized MG patients.

OVERVIEW OF PRIMARY IMMUNE THROMBOCYTOPENIA

ITP is a bleeding disease caused by an autoimmune reaction in which a patient develops antibodies that attack and destroy their own platelets, which are blood cells that help blood to clot, or their own platelet-forming cells. ITP, which develops for no known reason, is differentiated from secondary immune thrombocytopeania, which is associated with other illnesses, such as infections or autoimmune diseases, or which occurs after transfusion or taking other drugs, such as cancer drugs. Platelet deficiency (thrombocytopenia) can cause bleeding in tissues, bruising and slow blood clotting after injury. ITP affects approximately 72,000 patients in the United States.

OUR SOLUTION: ARGX-113

Our lead product candidate, ARGX-113, is an antibody that we believe has the potential to overcome many of the limitations of the current standard of care for MG and ITP, including with respect to time of onset, magnitude and duration of therapeutic benefit and safety profile. We developed ARGX-113 using our ABDEG Fc engineering technology.

ARGX-113 targets FcRn with high affinity, thereby reducing levels of all four classes of IgG antibodies, which are referred to as IgG1, IgG2, IgG3 and IgG4. In the case of MG, the large majority of patients have auto-antibodies of the IgG1 and IgG3 classes, while in the case of ITP these auto-antibodies consist mainly of the IgG1 class.

As shown in *Figure 6*, ARGX-113's mechanism of action is to block the recycling of IgG antibodies and remove them from circulation. Antibodies are routinely removed from circulation by being internalized into cells, where they can either become destined for degradation in the lysosomes or recycled back into circulation. IgG antibodies not bound to FcRn are degraded, while those bound to FcRn are recycled back into circulation. ❶ As a result of our ABDEG technology and the modifications we made to the Fc region, ARGX-113 binds to FcRn with high affinity making this receptor unavailable to circulating IgG antibodies. ❷ The IgG antibodies can then no longer effectively be rescued and end up in the lysosomes where they are degraded. Compared to alternative immunosuppressive approaches, such as B-lymphocyte (B-cell) depleting agents, ARGX-113 acts in a highly selective manner by reducing IgG antibody levels, while leaving levels of antibodies of the immunoglobulin A (IgA), immunoglobulin M (IgM), and immunoglobulin D (IgD), types as well as all components of the innate immune system intact.

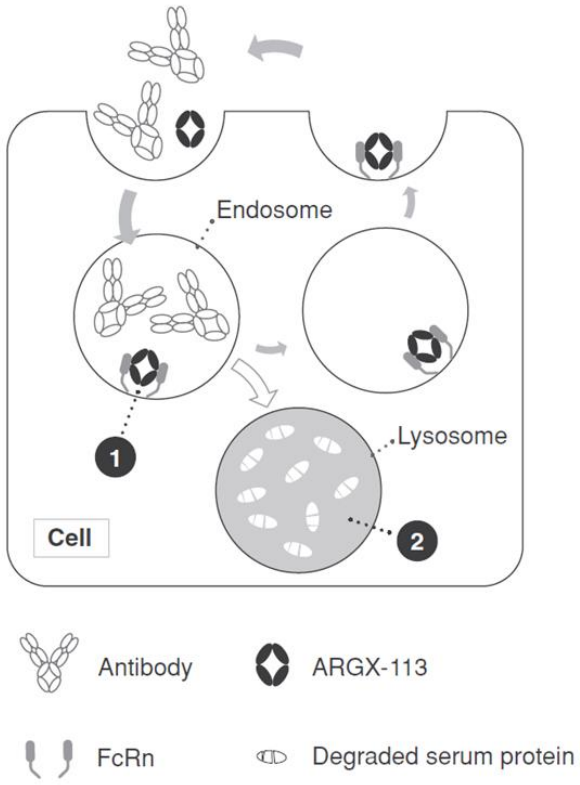


Figure 6: ARGX-113's mechanism of action blocks the recycling of IgG antibodies and removes them from circulation

Based on our preclinical studies and early clinical trial results, we believe that ARGX-113 has the potential to reduce levels of pathogenic IgG antibodies. Our clinical data suggest that ARGX-113 reduces circulating IgG antibodies more rapidly than current therapies, which we believe could translate into faster therapeutic benefit if replicated with respect to pathogenic IgG antibodies. Our clinical data also suggest that the quantity of ARGX-113 required to achieve and maintain suppression of circulating antibodies is lower than the levels of IVIg required for therapeutic benefit, which could translate into fewer infusions, shorter infusion time and a more favorable safety and tolerability profile.

In addition to MG and ITP, we believe there are other autoimmune diseases that may benefit from the mechanism of action of ARGX-113 therapy. We intend to pursue initial approval for one or both of MG and ITP because these diseases have significant unmet medical needs.

CLINICAL DEVELOPMENT PLAN

We are currently evaluating ARGX-113 in a Phase 2 clinical trial in patients with MG, and we plan to initiate a Phase 2 clinical trial in patients with ITP in March 2017. We expect to report topline data from these clinical trials in the second half of 2018. In addition to the current intravenous formulation of ARGX-113, we are also developing a subcutaneous formulation designed to make ARGX-113 accessible to larger patient populations including patients requiring chronic therapy, potentially outside of the hospital setting. We plan to initiate a Phase 1 clinical trial in healthy volunteers for a subcutaneous formulation of ARGX-113 in the second half of 2017.

PHASE 2 CLINICAL TRIAL IN MG

We are conducting a randomized, double-blind, placebo-controlled Phase 2 clinical trial to evaluate the safety, efficacy and pharmacokinetics of ARGX-113 in 24 generalized MG patients who are stable on cholinesterase inhibitors, steroids and immunosuppressants which make up the typical first- and second-line standard-of-care therapies. Patients will be randomly assigned to two arms of 12 patients each. Patients in one treatment arm will receive 10 mg/kg of ARGX-113, and the other treatment arm will receive placebo. All patients will continue to receive the standard of care. Dosing will take place during a three-week period with four weekly doses of ARGX-113 or placebo. Patient follow-up will continue for eight weeks after treatment.

The primary objectives of this Phase 2 clinical trial are to evaluate the safety and tolerability of ARGX-113 with primary endpoints evaluating the incidence and severity of adverse events and serious adverse events, and evaluating vital signs, electrocardiogram and laboratory assessments. As a secondary objective, efficacy will be assessed. Efficacy measures include the quantitative MG score, a clinically validated quantitative test of disease severity in MG, as well as changes in other measures of MG disease severity. In addition, immunogenicity, pharmacokinetics and pharmacodynamics will be measured.

We expect to announce topline data from this Phase 2 clinical trial in the second half of 2018.

PHASE 2 CLINICAL TRIAL IN ITP

In March 2017, we plan to initiate a randomized, double-blind, placebo-controlled Phase 2 clinical trial to evaluate the safety, efficacy and pharmacokinetics of ARGX-113 in 36 ITP patients, who have platelet counts lower than 30×10^9/L and who are stable on standard-of-care treatment, consisting of corticosteroids, permitted immunosuppressants and/or thrombopoietin receptor agonists. Patients will be randomly assigned to three arms of 12 patients each. All patients in this clinical trial will continue to receive standard-of-care treatment. One treatment arm will receive 5 mg/kg ARGX-113, the second arm will receive 10 mg/kg ARGX-113 and the third arm will receive placebo. Dosing will take place in a three-week period with four weekly doses of ARGX-113 or placebo. Patient follow-up will continue for eight weeks after treatment.

The primary objectives of this Phase 2 clinical trial are to evaluate safety and tolerability of ARGX-113 with primary endpoints evaluating the incidence and severity of adverse events and serious adverse events and evaluating vital signs, electrocardiogram and laboratory assessments. Secondary objectives include evaluation of efficacy, based on platelet count, use of rescue treatment and bleeding events; pharmacokinetics; pharmacodynamics; and immunogenicity.

PLANNED PHASE 1 CLINICAL TRIAL FOR SUBCUTANEOUS FORMULATION OF ARGX-113

In addition to the intravenous product formulation of ARGX-113 that we are currently using in our clinical trials, we are also developing a subcutaneous product formulation designed to enable administration of ARGX-113 to larger patient populations, including patients requiring chronic therapy, potentially outside the hospital setting.

We evaluated the intravenous and subcutaneous formulations of ARGX-113 head-to-head in a preclinical cynomolgus monkey model. The results suggest that both formulations result in comparable half-life in circulation of ARGX-113, a favorable bioavailability of 75% of the subcutaneous formulation and a comparable pharmacodynamic effect shown by reduction of total IgG antibodies. We believe these results suggest subcutaneous dosing of ARGX-113 in humans may be feasible. We plan to initiate a Phase 1 clinical trial in healthy volunteers for a subcutaneous formulation in the second half of 2017.

PHASE 1 CLINICAL DATA

We have completed enrollment in a double-blind, placebo-controlled Phase 1 clinical trial in healthy volunteers to evaluate the safety, tolerability, pharmacokinetics, pharmacodynamics and immunogenicity of single and multiple doses of ARGX-113. In the first part of the clinical trial, 30 subjects were randomized to receive a single dose of ARGX-113 or placebo ranging from 0.2 mg/kg to 50 mg/kg. In the second part of the clinical trial, 32 subjects were randomized to receive multiple ascending doses of ARGX-113 or placebo up to a maximum of 25 mg/kg.

We announced interim data from this Phase 1 clinical trial in June 2016 and at a workshop we sponsored in conjunction with the American Society of Hematology annual meeting in December 2016.

Single Ascending Dose

We observed that a single two-hour infusion of 10 mg/kg ARGX-113 was associated with an approximate 50% reduction of circulating IgG antibody levels. We observed that a reduction of circulating IgG antibody levels persisted for more than four weeks after the last dose, as shown in *Figure 7*. We believe this sustained reduction would be clinically meaningful if replicated with respect to pathogenic IgG antibodies because IVIg and plasmapheresis typically result in a 30% to 60% reduction in pathogenic IgG antibody levels.

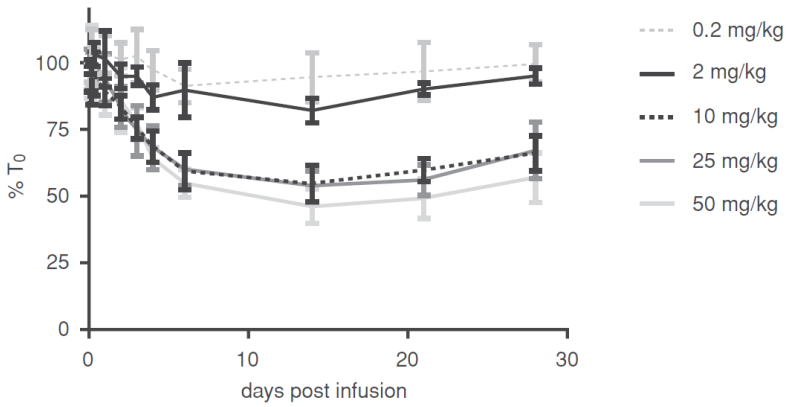


Figure 7. Selective reduction of IgG by administration of ARGX-113 to healthy volunteers in the single ascending dose part of our Phase 1 clinical trial

Administration of ARGX-113 at single doses up to 25 mg/kg was reported to be well-tolerated and administration of a single dose of 50 mg/kg was reported to be moderately tolerated. There were no drug- or infusion-related serious adverse events associated with doses up to 50 mg/kg. The most frequently reported drug-related adverse events included abnormal white blood cell count, increased C-reactive protein levels, headache, dizziness and chills. All of these adverse events were mild or moderate and reported only in the two highest dose groups (25 mg/kg and 50 mg/kg). While ARGX-113 was associated with a decrease in the levels of IgG antibodies, there were no observed changes in IgM or IgA levels or serum albumin observed in the clinical trial, suggesting that ARGX-113 has the potential to be a highly selective immunosuppressant.

Multiple Ascending Dose

In the multiple ascending dose part of the Phase 1 clinical trial, repeat administration of both 10 mg/kg and 25 mg/kg of ARGX-113 every seven days, four doses in total, was associated with a gradual reduction in levels of all four classes of IgG antibodies by 60% to 85%, with 10 mg/kg dose results shown in *Figure 8*. For both doses, we observed the reduction in circulating IgG antibody levels to persist for more than four weeks after the last dose with levels below 50% at approximately three weeks, and did not return to baseline levels for more than one month. Pharmacokinetic analysis of serum baseline levels of ARGX-113 indicates that it has a half-life of approximately three to four days with no drug accumulation following subsequent weekly dosing. The prolonged activity on the levels of IgG antibodies is consistent with the mechanism of action of ARGX-113 and the effect of the ABDEG technology on increasing the intracellular recycling of ARGX-113. Similar to the single ascending dose part, no significant reductions in IgM, IgA or serum albumin were observed.

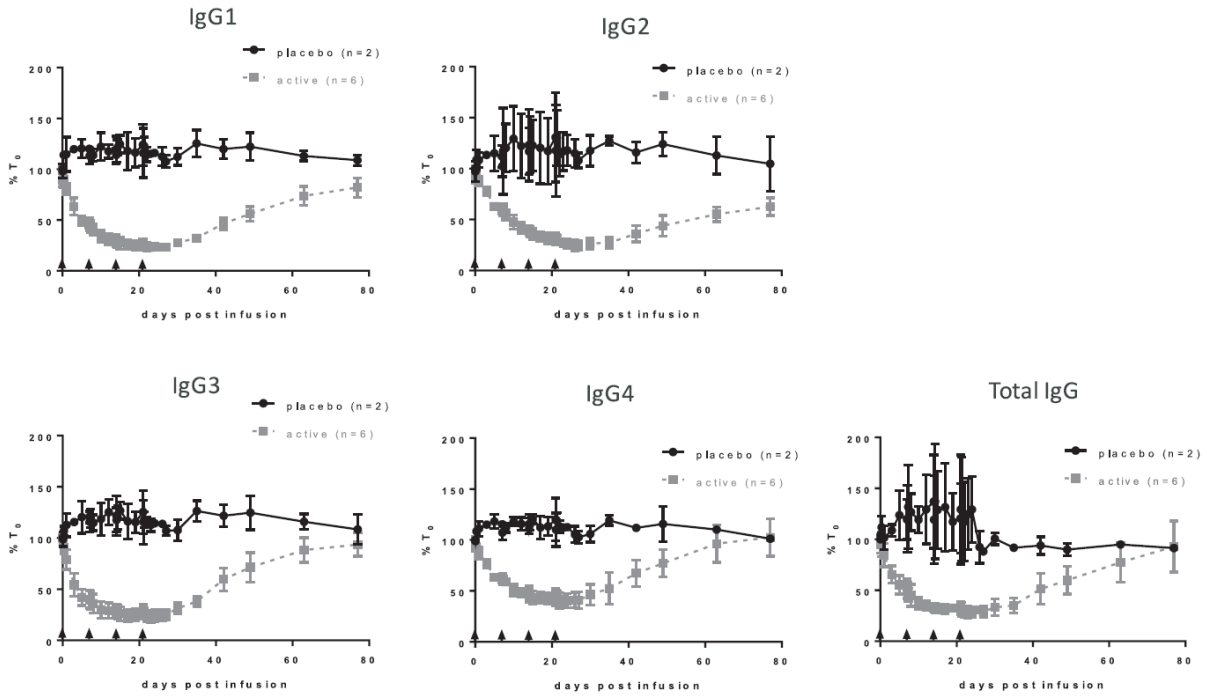


Figure 8. Reduction in the levels of four IgG antibody classes and total IgG levels in the multiple ascending dose part of our Phase 1 clinical trial of ARGX-113 in healthy volunteers at a dose of 10 mg/kg every seven days

Administration of multiple ARGX-113 doses of 10 mg/kg was reported to be well-tolerated. One serious adverse event, hyperventilation, was observed in the multiple ascending dose part. This event, which occurred six days after drug administration, was considered by the clinical investigator as unlikely to be related to ARGX-113. Some patients had changes C-reactive protein levels that were considered clinically significant. The most frequently

reported drug-related adverse events included headache, feeling cold, chills and fatigue, all of which were mild or moderate and reported only in the highest dose group of 25 mg/kg.

ARGX-110

We are developing ARGX-110 in cancer indications, initially for TCL and AML, as well as high-risk MDS. TCL and AML are rare and aggressive hematological cancers for which significant unmet medical needs exist. MDS, a rare bone marrow disorder, is often a precursor to AML. ARGX-110 is a SIMPLE Antibody that blocks the cell surface protein CD70, which is overexpressed in B-cell and T-lymphocyte, or T-cell, lymphomas and leukemias and is involved in the proliferation and survival of these cells. ARGX-110 is designed to kill CD70-positive cells via its potent antibody effector functions through the use of POTELLIGENT technology.

ARGX-110 is currently being evaluated in an open-label, multi-site Phase 1/2 clinical trial in patients with advanced malignancies expressing CD70. To date, we have enrolled a total of 94 patients in the Phase 1 part of the clinical trial. In this clinical trial, we have observed promising signs of biological activity in patients with a range of cancers including platinum-refractory ovarian cancer, head-and-neck cancer, myoepithelial carcinoma, mesothelioma, renal cell carcinoma and TCL, including in five out of 10 CTCL, patients. We are currently concluding the Phase 1 safety-expansion cohort of this clinical trial in relapsed or refractory, CD70-positive TCL patients. Based on the preliminary results from the Phase 1 part of the clinical trial, we plan to transition into the Phase 2 part of the clinical trial in adult relapsed or refractory CD70-positive CTCL patients in March 2017, with interim results expected to be available by the end of 2017. In December 2016, we initiated a Phase 1/2 clinical trial of ARGX-110 in combination with azacitidine in newly diagnosed AML or high-risk MDS patients. We expect the majority of patient enrollment in this clinical trial to be AML patients. We expect to report interim results from the dose-escalation part of this clinical trial by the end of 2017.

OVERVIEW OF T-CELL LYMPHOMA

Lymphoma is the most common type of blood cancer. The two main forms of lymphoma are Hodgkin's lymphoma and non-Hodgkin's lymphoma. Lymphoma occurs when lymphocytes, a type of white blood cell, grow and multiply uncontrollably. Cancerous lymphocytes can travel to many parts of the body, including the blood and bone marrow, giving rise to leukemias, and to lymph nodes, spleen, skin or other organs, forming a mass known as a tumor. The body has two main types of lymphocytes that can develop into lymphomas: B-cells and T-cells. Hodgkin's lymphoma involves B-cells, while non-Hodgkin's lymphoma may involve either B-cells or T-cells.

TCL accounts for 6% of all cases of lymphoma and can be divided into subtypes such as peripheral TCL (PTCL), angioimmunoblastic TCL, anaplastic large cell lymphoma (ALCL), and CTCL. These subtypes differ by location, distribution and aggressiveness of the primary tumor as well as by specific changes to the affected lymphocytes. Overall, there are approximately 7,900 new cases of TCL in the United States each year. According to the Cutaneous Lymphoma Foundation, the incidence of CTCL in the United States is approximately 3,000 new cases per year.

The two most common types of CTCL are mycosis fungoides, representing approximately 50% of CTCL patients, and a more advanced form known as Sezary syndrome, representing approximately 15% of CTCL patients. In both mycosis fungoides and Sezary syndrome, visible skin lesions offer an ongoing means with which to monitor both the progression of disease and the impact of treatment. Sezary syndrome is distinguished by the presence of malignant lymphocytes in the blood, an extensive rash covering over 80% of the body and tumors visible on the skin.

OVERVIEW OF ACUTE MYELOID LEUKEMIA AND MYELODYSPLASTIC SYNDROME

AML is a hematologic cancer characterized by excessive proliferation of myeloid stem cells and their failure to properly differentiate into mature white blood cells. AML is the second most common subtype of leukemia in adults. In the United States, AML has an incidence of approximately 22,000 new cases annually. AML is generally a disease of elderly people, with more than 60% of diagnosed patients being older than 60 years, and AML is uncommon before the age of 45. The average age of an AML patient is 67. The average five-year survival rate for patients with AML is 27%, but there are significant differences in prognosis depending on the age of the patient at diagnosis. For patients under the age of 45, the five-year survival rate is approximately 57%, while for those over the age of 65 it is only 6%. There are likely multiple reasons for this discrepancy, including the ability of younger patients to tolerate more aggressive therapy.

Current first-line treatments in AML typically involve aggressive chemotherapy for younger patients to induce remission. This therapy is not recommended for older patients or patients with comorbidities, who are often treated with hypomethylating agents. We believe there is a significant need for safer, more effective AML treatments that can also be used in elderly patients. Because relapse is often due to leukemic stem cells present next to the bulk of malignant AML cells, or blasts, therapies targeting both blasts and leukemic stem cells may be more efficacious than chemotherapy only and could increase survival rates.

MDS also affects bone marrow cells, reducing their ability to produce red and white blood cells or platelets. In the United States, MDS has an incidence of approximately 13,000 new cases annually. There are currently an estimated 60,000 MDS patients in the United States. Approximately 75% of MDS patients are older than 60 years of age when diagnosed, and, like with AML, as the population ages the disease prevalence is expected to rise. Some MDS patients are at high risk to develop AML and are treated in a similar way as AML patients.

OUR SOLUTION: ARGX-110

Our product candidate ARGX-110 is an antibody that we believe has the potential to add to the treatment paradigm for lymphomas and leukemias by both increasing the response rates and extending the duration of response for patients with CD70-positive advanced-stage cancers. We developed ARGX-110 using our SIMPLE Antibody Platform and the POTELLIGENT Fc engineering technology.

ARGX-110 binds to the cell surface protein CD70 with high affinity, blocking the interaction between CD70 and its receptor CD27 and targeting CD70 expressing cells for destruction by multiple immune pathways. CD70 is a cell surface protein that is highly expressed in cancer, including in T-cell and B-cell lymphomas, leukemias and certain solid tumors. In normal tissues, CD70 expression is either low or absent. Binding of CD70 to its receptor, CD27, initiates a cascade of intracellular events leading to cell proliferation and survival. As a byproduct of CD70 binding to CD27, the extracellular portion of CD27 is cleaved, creating a soluble form of CD27 known as sCD27, which can easily be measured. The presence of sCD27 is thought to be correlated with CD70 activity and potentially tumor load. Because sCD27 can easily be measured, it may serve as a biomarker for CD70 activity, potentially allowing us to identify target patients based on the likelihood of response to treatment, monitor disease progression and measure the impact of anti-CD70 therapy.

ARGX-110 exhibits potent ADCC through the use of POTELLIGENT technology as well as complement-dependent cytotoxicity and antibody-dependent cellular phagocytosis leading to the killing of cells expressing CD70.

In addition to ARGX-110's potential as a monotherapy, we believe that it may be suited for combination therapy given its reported tolerability to date; the fact that certain cancer treatments, such as histone deacetylase inhibitors, hypomethylating agents and irradiation, may upregulate CD70; and resistance to certain treatment with tyrosine kinase inhibitors may be effected through CD70 overexpression.

CLINICAL DEVELOPMENT PLAN

We are currently evaluating ARGX-110 in an open-label, multi-site Phase 1/2 clinical trial in Europe in patients with advanced malignancies expressing CD70. We announced interim data from the Phase 1 dose-escalation and dose-expansion part of this clinical trial in September 2016 and at a workshop we sponsored in conjunction with the American Society of Hematology annual meeting in December 2016. We expect that this clinical trial will transition into the open-label Phase 2 part in 10 adult, relapsed or refractory CD70-positive CTCL patients in March 2017, with interim data expected to be available by the end of 2017.

In December 2016, we initiated an open-label Phase 1/2 clinical trial of ARGX-110 for the treatment of newly diagnosed AML or high-risk MDS patients, and we expect the majority of patient enrollment in this clinical trial to be AML patients. We expect to report interim results from the dose-escalation phase of this clinical trial by the end of 2017. Patient recruitment is currently ongoing, and we have recruited one AML patient to date.

PHASE 1/2 CLINICAL TRIAL IN PATIENTS WITH ADVANCED MALIGNANCIES EXPRESSING CD70

We followed a step-wise adaptive clinical trial design for ARGX-110, in which 93 patients have been treated to date. We initially completed a Phase 1 dose-escalation part in 26 patients overexpressing CD70. Subsequently, we completed two Phase 1 safety-expansion cohorts in 20 patients with solid tumors and 19 patients with hematological cancers overexpressing CD70, respectively. In addition, we have a safety-expansion cohort in nasopharyngeal cancer with 10 patients. This clinical trial design is adaptive in that it allows us to make data driven decisions and open-up new cohorts in indications where we have seen the most promising early signals of biological activity. While the primary goal of this Phase 1 clinical trial is to investigate safety and pharmacokinetics, we have also observed evidence of biological activity in several of the patients treated. These results led us to pursue the further evaluation of ARGX-110 in additional Phase 1 safety-expansion cohorts aiming to recruit 10 CTCL and 10 PTCL patients. Patient recruitment is currently ongoing, and we have recruited 12 CTCL patients and six PTCL patients to date.

Phase 1 Safety-Expansion

While the safety-expansion part is still ongoing, we have seen promising preliminary results in some of the first 10 evaluable CTCL patients. At doses of 1 mg/kg every three weeks, we observed three patients to have a partial response and two patients to have stable disease. The preliminary responses observed in the first 10 evaluable CTCL patients can be seen in *Table 2*.

Table 2. Overview of 10 CTCL patients treated with ARGX-110 in the TCL safety-expansion cohort

Patient / indication	Number of reatment cycles received[1]																Best response[2]
	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	
CTCL follicular T helper like																	Progressive disease
CTCL panniculitis*																	Partial response
CTCL-MF/SS (+PTCL-NOS[3])																	Stable disease
CTCL-MF																	Stable disease
CTCL-MF																	Stable disease
CTCL-MF*																	Partial response
CTCL-MF																	Progressive disease
CTCL-SS																	Progressive disease
CTCL-SS																	Partial response
CTCL-SS																	Progressive disease

(1) Each cycle is three weeks.

(2) Based on the modified Severity Weighted Assessment Tool (mSWAT), a widely-used method for scoring of skin lesions in CTCL. The mSWAT score takes into account the number and severity of skin lesions as well as the total body surface area affected. A stable disease score is given if the mSWAT score does not increase by more than 25%. A partial response is deemed to have occurred with a 50% reduction in the mSWAT score. A complete response requires a 100% reduction in mSWAT score.

(3) NOS: not other specified. PTCL-NOS is the most common TCL subtype.

** Patient is still on study*

Note: MF = mycosis fungoides; SS = Sézary syndrome.

Phase 2 Clinical Trial in CTCL

We expect the ongoing Phase 1 safety-expansion cohort for ARGX-110 to transition into the open-label Phase 2 part in 10 adult, relapsed or refractory CD70-positive CTCL patients in March 2017. All patients in this clinical trial will receive ARGX-110 monotherapy at a dose of 5 mg/kg. Patients will cease treatment if necessary for either safety reasons or disease progression.

PHASE 1/2 CLINICAL TRIAL IN COMBINATION WITH AZACITIDINE IN AML OR HIGH-RISK MDS

We are evaluating ARGX-110 in an open-label, dose-escalating Phase 1/2 clinical trial to evaluate its safety, tolerability and efficacy in combination with azacitidine in newly diagnosed AML or high-risk MDS patients. The clinical trial was initiated in December 2016. All patients in this clinical trial will receive ARGX-110 in combination with 75 mg/m2 azacitidine, which is the standard of care for AML. During the dose-escalation part of the clinical trial, three doses of ARGX-110, 1 mg/ kg, 3 mg/kg and 10 mg/kg administered bi-weekly, will be evaluated in up to 18 patients. Patients will be dosed every two weeks until disease progression. The primary objective of the

Phase 1 part of the clinical trial is to determine the maximum tolerated dose of ARGX-110 and/or the recommended Phase 2 dose in combination with azacitidine. Once the dose for the combination therapy is selected, efficacy will be evaluated in the Phase 2 proof-of-concept part involving up to 18 patients. We expect this clinical trial will be a multi-center trial conducted in Europe. We expect to report interim results from the dose-escalation phase of this clinical trial by the end of 2017.

ARGX-111

We are developing ARGX-111 for the treatment of patients with certain solid tumors that overexpress c-Met, a receptor associated with tumor growth and metastasis, or tumors that are mesenchymal-epithelial transition factor (MET), amplified. MET-amplified tumors possess multiple copies of the MET gene, resulting in elevated c-Met levels. While c-Met overexpression and MET amplification both result in elevated c-Met levels, clinical and preclinical evidence suggests c-Met from MET-amplified tumors is a disease driver in some cancers. ARGX-111 employs our SIMPLE Antibody, NHance and POTELLIGENT technologies to drive tissue penetration in the body and to increase its ability to enhance ADCC. ARGX-111 binds to c-Met with high affinity and does not cause dimerization of the c-Met receptor, which differentiates it from other, earlier attempts to direct antibodies against c-Met. Dimerization is a process which can result in receptor activation, undermining the intended therapeutic effect of antibodies blocking hepatocyte growth factor (HGF) binding to c-Met. By blocking both HGF-dependent and independent c-Met activation, ARGX-111 is able to block c-Met receptor activation which could trigger survival, proliferation and metastasis of tumor cells. Thus, we believe ARGX-111 may have a differentiated clinical profile.

CLINICAL DEVELOPMENT PLAN

We conducted a Phase 1 clinical trial in Europe consisting of a dose-escalation part in 19 treatment-refractory patients whose tumors overexpress c-Met and a safety-expansion part in five treatment-refractory patients whose tumors were MET-amplified. We chose to focus the safety-expansion part on MET-amplified tumors, rather than c-Met overexpressing tumors, because of the accumulating preclinical and clinical evidence suggesting MET amplification is an oncogenic driver. The primary objective of this Phase 1 clinical trial was to determine the recommended Phase 2 dose of ARGX-111, with the primary endpoint evaluating the incidence of dose-limiting toxicity. As a secondary objective, safety, immunogenicity, pharmacokinetics and pharmacodynamics were characterized, with secondary endpoints being the pharmacokinetics and pharmacodynamics profile of ARGX-111, as well as tumor response.

In the dose-escalation part, we evaluated doses ranging from 0.3 mg/kg to 10 mg/kg and observed dose-limiting infusion-related reactions at doses above 3 mg/kg. Accordingly, we determined that 3 mg/kg would be the maximum dose tested in future clinical trials. No other drug-related serious adverse events were observed in either part of the clinical trial. In both parts, we observed signs of biological activity. Although neither part was designed to evaluate the efficacy of ARGX-111, we anecdotally observed reduced tumor burden at various sites and stable disease in a gastric cancer patient with bone metastases who was refractory to multiple rounds of prior treatment and in a MET-amplified renal cancer patient with metastases and progressive disease. We observed signs of biological activity for ARGX-111 in seven out of 19 patients in the dose-escalation part, including one partial response, and we expect to report our initial results of the safety-expansion cohort during the first half of 2017.

Given the size of the potential patient populations and the costs of clinical development for ARGX-111, we intend to begin Phase 2 development only if and when we have entered into a collaboration with an appropriate partner.

OUR PARTNERED PROGRAMS

Our product candidate pipeline includes both wholly-owned and partnered programs.

Product Candidate	Target	Technology Used	Indication	Preclinical	Phase 1	Phase 2	Partner
ARGX-109 (gerilimzumab)	IL-6	SIMPLE Antibody NHance	Rheumatoid arthritis				▪ Bird Rock Bio
ARGX-112	IL-22R	SIMPLE Antibody	Skin inflammation				▪ LEO Pharma
ARGX-115	GARP	SIMPLE Antibody	Cancer immunotherapy				▪ AbbVie
ARGX-116	ApoC3	SIMPLE Antibody NHance	Dyslipidemia				▪ Staten Biotechnology
Multiple Discovery Programs	Shire has rights to nominate numerous rare disease targets						▪ Shire

ARGX-115 (PARTNERED WITH ABBVIE)

We are developing ARGX-115 as a cancer immunotherapy against the novel target GARP, a protein present on the surface of activated regulatory T-cells (Tregs). We are developing ARGX-115 with our collaboration partner AbbVie.

ARGX-115 employs our SIMPLE Antibody technology and works by stimulating a patient's immune system after a tumor has suppressed the immune system by co-opting immunosuppressive cells such as Tregs. While the normal function of Tregs is to suppress portions of the immune system to prevent a self-directed immune response through the release of active transforming growth factor beta (TGF-β), Tregs can also prevent the immune system from recognizing and suppressing pathogenic cells including cancer cells. By binding to GARP, which plays a key role in the regulation of production and release of active TGF- β, ARGX-115 works to limit the immunosuppressive activity of Tregs and thereby stimulate the immune system to attack cancer cells. We believe this specific inhibition of TGF- β release by Tregs is potentially superior as a therapy to systemic inhibition of TGF-β activity or the depletion of Tregs, the presumed mode of action of ipilimumab (Yervoy), and that its specificity has the potential to provide an improved safety profile.

We are currently advancing ARGX-115 through preclinical studies up to completion of IND-enabling studies, at which point AbbVie has the right to exercise an option to obtain a worldwide, exclusive license to ARGX-115.

ARGX-109 (PARTNERED WITH BIRD ROCK BIO)

ARGX-109 (gerilimzumab) is being developed for the treatment of rheumatoid arthritis (RA) by our collaboration partner Bird Rock Bio.

ARGX-109 employs our SIMPLE Antibody and NHance technologies and blocks interleukin 6 (IL-6) a cell-signaling protein that is an important driver of inflammatory response implicated in the transition from acute to chronic inflammation. Chronic inflammation is a notable feature of several diseases, including RA, psoriatic arthritis and chronic kidney disease. In particular, IL-6 has been shown to stimulate the immune system to increase tissue

destruction and joint damage in RA patients. By targeting a unique epitope, ARGX-109 potentially enables blocking of IL-6 with high potency, with the goal of mitigating inflammatory responses at lower and less frequent doses than current therapies directed at IL-6.

Bird Rock Bio has completed two Phase 1 clinical trials of ARGX-109 in 50 healthy volunteers to assess the safety and tolerability of the compound in single and multiple ascending doses compared to placebo. The clinical trials also explored the pharmacokinetics of ARGX-109. In these clinical trials, ARGX-109 was reported to be well-tolerated with no serious adverse events. Further, ARGX-109 was observed to have a prolonged half-life in circulation. In January 2017, Bird Rock Bio announced that it had received approval for the initiation of a Phase 2 clinical trial in Brazil in approximately 200 patients with RA.

ARGX-112 (PARTNERED WITH LEO PHARMA)

We are developing ARGX-112 for the treatment of dermatologic indications involving inflammation, together with our collaboration partner LEO Pharma.

ARGX-112 employs our SIMPLE Antibody technology and blocks the interleukin-22 receptor, or IL-22R, in order to neutralize the signaling of interleukin-22(IL-22), and interleukin-20(IL-20), both of which are cytokines involved in the proliferation and differentiation of skin cells. When overexpressed, IL-22 and IL-20 are implicated in autoimmune diseases of the skin, including atopic dermatitis, psoriasis and pustular psoriasis. In preclinical studies, ARGX-112 was observed to have high neutralization potency for IL-22R and favorable *in vivo* pharmacokinetics and distribution to the skin.

Under the collaboration, LEO Pharma will fund more than half of all product development costs up approval of a clinical trial application (CTA), in Europe for a first product in a Phase 1 clinical trial. After CTA approval of a first product in a Phase 1 clinical trial, LEO Pharma will be solely responsible to fund the clinical development of the program.

ARGX-116 (PARTNERED WITH STATEN BIOTECHNOLOGY)

We are developing ARGX-116 for the treatment of dyslipidemia, together with our collaboration partner Staten Biotechnology.

ARGX-116 employs our SIMPLE Antibody technology and blocks APOC3, a metabolic target involved in triglyceride metabolism. APOC3 is supported as a therapeutic target by human genetic evidence suggesting that deactivating mutations in the APOC3 gene results in a favorable lipoprotein profile, lower insulin sensitivity, longevity and protection from cardiovascular disease.

INNOVATIVE ACCESS PROGRAM

We have developed a program designed to secure access to early, cutting edge targets, which we call our Innovative Access Program. Through our Innovative Access Program, we are able to serially collaborate with leading academic labs by providing them access to our SIMPLE Antibody Platform technology with the goal of expediting the validation of new targets and accelerating the addition of new product candidates to our pipeline. In return, we receive early access to these targets and provide academic groups a simple path to clinical validation and future commercialization of promising ideas in which we and the academic lab both share in the upside potential.

One example of the value of the Innovative Access Program is ARGX-115, which was developed in collaboration with the de Duve Institute / Université Catholique de Louvain. We provided antibodies to the academic groups to help validate the target. This in turn, allowed the groups to advance their work successfully, including the facilitation of supportive publications.

Subsequently, this program formed the basis of our collaboration with AbbVie. ARGX-115 exemplifies how our Innovative Access Program enables us to generate product candidates against novel targets that may be of high interest for collaboration with biopharmaceutical partners. Another example is ARGX-116, which was discovered in close collaboration with disease biology experts from Staten Biotechnology, an emerging biotechnology company specialized in the field of dyslipidemia.

RISK FACTORS

argenx N.V. (the "Company") is subject to several risks and uncertainties relating to its business. This risk management section provides an overview of some of the main risks and uncertainties the Company currently faces. The risk appetite of the Company is aligned with its strategy and priorities. Some of the risks and uncertainties the Company faces are outside its control, others may be influenced or mitigated. The Company has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols (please see *Risk Management* below).

The process of developing, implementing and improving risk management procedures remains an ongoing effort. Pursuant to guideline 400.110c of the Dutch Counsel for annual reporting (*Raad voor de jaarverslaggeving*) this risk management section provides an overview of the risk mitigating actions taken or planned to be taken by the Company. The mentioning of these mitigating actions may not in any way be viewed as an implied or express guarantee that such mitigation will in practice be effective in limiting the risk exposure and/or the potential damage to the Company from any such risk materializing.

Risks related to	Risk area	Expected impact upon materialization	Mitigation
Regulatory environment	Nearly all aspects of the Group's activities are subject to substantial regulation. No assurance can be given that any of its product candidates will comply with applicable laws and regulations.	Failure to comply with applicable laws and regulations could result in delays, suspension, refusals and withdrawal of approvals as well as fines.	- The Group has established a quality management system to ensure compliance with current good laboratory practices, current good manufacturing practices and current good clinical practices. - The Group endeavors to stay abreast of changes to legislation and to ensure compliance. - The Group has strengthened its team by establishing an in-house regulatory department to ensure compliance.
	The regulatory approval processes of the FDA, EMA and comparable foreign authorities are time-consuming, expensive and unpredictable, and the Group ultimately may be unable to obtain regulatory approval for its product candidates.	Failing to obtain regulatory approval for the Group's product candidates will substantially harm the Group's business.	- The Group seeks to maintain a deep product candidate pipeline to allow the Group to potentially avoid being too dependent on the success of one product candidate. - The Group may seek orphan drug designations that can benefit from a fast track approval process, potentially reducing regulatory approval risk. - The Group has a strategy in place to have discussions with regulatory experts at the EMA and FDA, as well as its consultants and CROs.
	Legislation and regulation increase the difficulty and cost to obtain marketing approval for and commercialize the Group's product candidates, and may not establish adequate reimbursement levels.	These laws and regulations may harm the Group's results of operations and financial condition, could limit its ability to market any approved product candidates and decrease its ability to generate revenue.	- The Group plans to develop and commercialize those product candidates that the Group believes have a clear clinical and regulatory approval pathway and that the Group believes it can commercialize successfully, if approved. - The Group's commercialization strategy for any product candidates that are approved will focus on key academic centers, specialist physicians and advocacy groups, as well as on providing patients with support programs and maximizing product access and reimbursement. - The Group plans to collaborate on product candidates that it believes have promising utility in disease areas or patient populations that are better served by the resources of larger biopharmaceutical companies.
	The Group may fail to obtain orphan drug	The Group's competitors may sell products to treat the same	- The Group has a disciplined strategy to maximize the value of

	designations or obtain or maintain orphan drug exclusivity for its product candidates.	conditions and the Group's revenue will be reduced.	its pipeline. It has developed a differentiated pipeline of product candidates targeting significant unmet medical need.
	The Group is subject to insider trading risks and potential violations of financial supervision laws due to unauthorized sharing of price sensitive information.	In the event that any person involved with the Group (whether internal or external such as persons involved in clinical trial operations) is (alleged of being) involved in insider trading, this might cause significant reputational damage to the Group.	- The Group has implemented an insider trading policy and a protocol for the handling of price sensitive information. - The Group endeavors to increase awareness of applicable insider trading prohibitions by notifying relevant contracting parties thereof and/or by including relevant provisions in applicable contracts.
	The Group's employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on the Group's business.	If any actions for violation of regulatory standards are instituted against the Group, and the Group is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of significant fines or other sanctions, and its reputation. If allegations of fraudulent conduct are made against the Group this may significantly impact the Group's reputation.	- The Group has implemented procedures to support compliance with these regulatory standards and requirements, including a code of conduct, a whistle blower policy and various procedures and protocols relating to laboratory, manufacturing and clinical practices.

Business	Biopharmaceutical product development is a lengthy, high-risk undertaking and involves a substantial degree of uncertainty.	The Group's product candidates may suffer from insufficient safety and/or efficacy profiles to enable their development, registration and commercialization. Initial clinical data may not be reproducible in subsequent clinical trials	- The Group has adopted a business model and strategic portfolio management approach to spread risks over wholly-owned programs as well as partnered programs, and to manage risks within its own proprietary product candidate pipeline. - For each individual, proprietary program the Group has identified key risks and ways to manage these risks. - The Group continues to create novel, differentiated product candidates from its proprietary technology platforms which constantly feed its product candidate pipeline.
	Conduct of clinical trials	The Group depends on enrollment of patients in its clinical trials for its product candidates. If it is unable to	- The Group endeavors to build and maintain relationships with patient communities and medical experts in fields related to the Group's product candidates in order to

		enroll patients in its clinical trials, its research and development efforts and business, financial condition and results of operations could be materially adversely affected.	increase awareness around the existence of the Group's product candidates and its clinical trials. - The Group endeavors to initiate recruitment of patients for its clinical trials on a timely basis and in a sufficiently large number of clinical sites to facilitate enrollment of a sufficient number of patients
	The Group may encounter difficulties in managing its growth, which could disrupt its operations.	Limitations on financial resources and management experience may lead to an inability to effectively manage growth of the operations of the Group and attraction of necessary qualified personnel.	- The Group is actively recruiting talent on an international basis and is actively making use of experienced interim management to fill certain positions in the short-term.
	The Group may become exposed to costly and damaging liability claims, either when testing its product candidates in the clinic or at the commercial stage and product liability insurance may not cover all damages from such claims.	If any product liability lawsuits are successfully brought against the Group or any of its collaborators, the Group may incur substantial liabilities and may be required to limit commercialization of its product candidates.	- The Group currently maintains product liability insurance for its on-going clinical trials and other coverage required under applicable laws. In the future, the Group might seek additional product liability insurance (i.e. for commercially marketed products) if it is economical to do so, given the level of premiums and the risk and magnitude of potential liability.

Finance	The Group may need substantial additional funding in order to complete the development and commercialization of its product candidates, which may not be available on acceptable terms when needed, if at all. The Group expects to incur losses for the foreseeable future.	Failure to obtain necessary capital when needed may force the Group to delay, limit or terminate certain product development or research operations. The Group may never achieve or maintain profitability.	- Due to the unpredictability of the Group's business, the Group strives to maintain a solid cash position at any point in time. - The Group also aims to actively develop a shareholder base which consists mainly of long-term, expert investors. - The Group has several third-party collaborations in place as well as multiple government grants in order to diversify its non-dilutive income base.
	Raising additional capital may cause dilution to the Group's shareholders, restrict the Group's operations or require it to relinquish rights to its technologies or product candidates.	Sale of additional securities may cause the market price of the Group's ordinary shares to decline and would dilute all of its existing shareholders. Such financing terms may adversely affect shareholder rights or the Group's rights in its technologies or product candidates.	- Since inception, the Group has maintained a disciplined cash management and will continue to do so. - The Group aspires to secure sufficient funding to realize its business plan, achieve development milestones and to strategically raise additional capital.
	Exchange rate fluctuations or	Unfavorable exchange rate developments and historically	- The Group is in the process of establishing and implementing guidelines for the identification and

	abandonment of the euro currency may materially affect the Group's results of operations and financial condition.	low interest rates may impact the financial income of the Group.	analysis of risks faced and to set appropriate limits and adhere thereto, but this process is still in an early phase.

Dependence on third parties and key personnel	The Group relies and expects to continue to rely on third parties, including independent clinical investigators and CROs, to conduct pre-clinical studies and clinical trials.	If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Group may not be able to obtain regulatory approval for or commercialize its product candidates and its business could be substantially harmed.	- Third party contractor selection and management is subject to the Group's quality management system. - Customary contractual agreements are put in place to protect the Group from under-performance. - The Group is typically spreading operational risks over various service providers. - Project management belongs to the core competences of the Group.
	The Group relies and expects to continue to rely on third parties in relation to the manufacturing, storage and shipment of drug product	If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with applicable regulations, the Group may suffer delays in its clinical development plans and incur substantial addition costs.	- Third party contractor selection and management is subject to the Group's quality management system. - Customary contractual agreements are put in place to protect the Group from under-performance. - The Group is typically spreading operational risks over various service providers. - Project management belongs to the core competences of the Group.
	The Group's future growth and ability to compete depends on retaining its key personnel and recruiting additional qualified personnel.	The loss of key managers and senior scientists could delay the Group's research and development activities. The Group's ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon its ability to attract and retain highly qualified management, scientific and medical personnel.	- The Group offers competitive remuneration packages and share based incentives in the form of its employee stock option plan. - The Group performs periodical benchmark analyses to ensure the competitiveness of the remuneration offered in relation to other (peer group) companies.
	The Group relies and will continue to rely on collaborative partners regarding the development of its research programs and product candidates.	Partners may return product candidates to the Group, with or without the Group delivering under its contractual obligations If the Group fails comply with its obligations under its	- The Group endeavors to meet its contractual obligations and any relevant milestone achievements under its collaboration contracts. - The Group endeavors to maintain a rich pipeline of possible collaboration partners as well as a good relationship with existing and potential future collaboration

		existing collaboration agreements or fails to enter into new strategic relationships its business, financial condition, commercialization prospects and results of operations may be materially adversely affected.	partners in order to limit reliance on a limited number of collaboration partners.

Intellectual property	The Group relies on patents and other intellectual property rights to protect its product candidates and SIMPLE Antibody Platform and NHance and ABDEG technologies, the enforcement, defense and maintenance of which may be challenging and costly. Certain of the Group's patents are limited to certain jurisdictions.	Failure to enforce or protect these rights adequately could harm the Group's ability to compete and impair its business.	- The Group files and prosecutes patent applications to protect its product candidates and technologies. It is doing this in close collaboration with leading expert firms in the field of intellectual property protection. In order to protect trade secrets, the Group maintains strict confidentiality standards and agreements for collaborating parties. - The Group regularly monitors third party intellectual property rights within its relevant fields and jurisdictions to avoid violating any third-party rights and secures licenses to such third party rights on a need-to basis.
	Intellectual property rights of third parties may cover one or more of the Group's product candidates or suite of technologies.	If third-party intellectual property rights are found to cover the Group's product candidates or suite of technologies, its rights could be found invalid or unenforceable if challenged in court. Such intellectual property litigation would be costly and may limit the Group's ability to commercialize its product candidates.	

	The Group's employees may breach their confidentiality agreements, and the Group may be subject to third-party claims that its employees violated or misappropriated intellectual property of third parties.	If the Group's employees unintentionally or willfully disclose its confidential information to third parties, our competitive position would be affected. Although the Group tries to ensure its employees do not use third-party proprietary information or know-how, it may be subject to claims that its employees violated or misappropriated third-party rights, which could result in expensive, lengthy litigation or loss of rights in or to our product candidates or suite of technologies.	- To protect this type of information against disclosure or appropriation by competitors, the Group's policy is to require its employees, consultants, contractors and advisors to enter into confidentiality agreements with the Group. - Under certain circumstances, the Group may also decide to publish some know-how to attempt to prevent others from obtaining patent rights covering such know-how.

Competition	The Group operates in a highly competitive, fast changing environment	If the Group does not compete effectively in its drug discovery and development efforts, its commercial opportunities will be reduced or eliminated. The Group may not be successful in its efforts to use or expand its suite of technologies or product candidate pipeline.	- The Group has so far proven to be highly efficient. Even with the Group's substantial recent growth, it maintains an agile organization structure and an entrepreneurial corporate spirit. - The Group has a disciplined strategy to maximize the value of its pipeline. It has developed a differentiated pipeline of product candidates targeting significant unmet medical need.

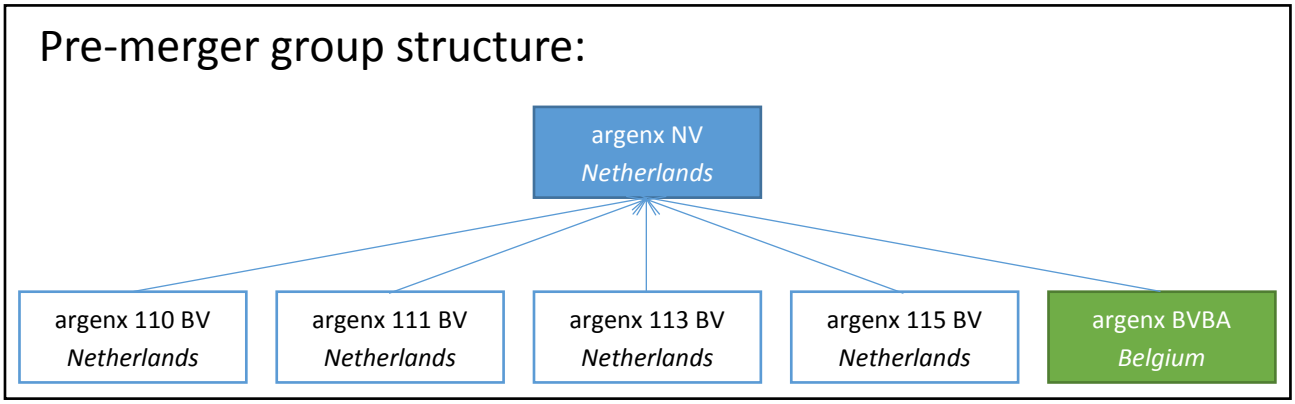
CORPORATE GOVERNANCE

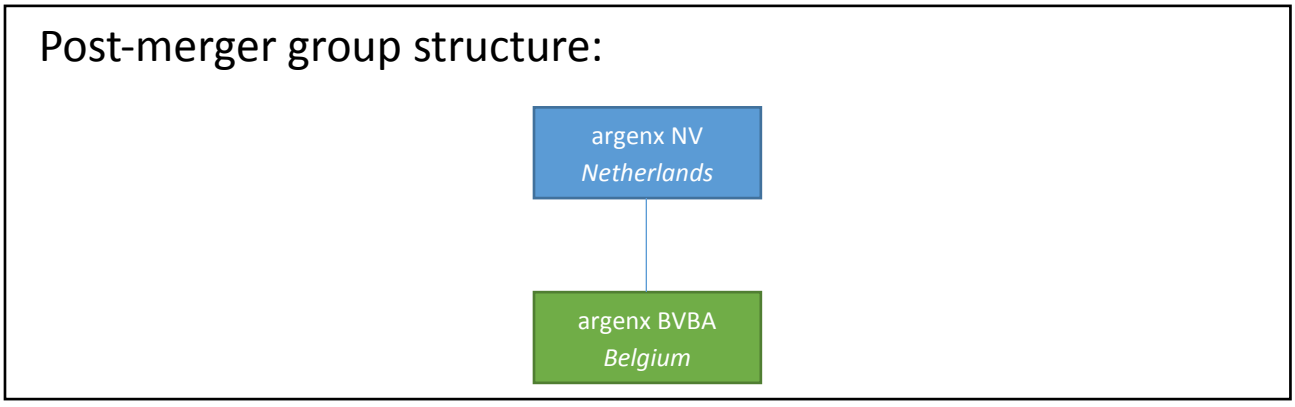
This section contains a broad outline of the corporate governance structure of argenx NV (the "**Company**"). It contains *inter alia* a description of the group structure of the Company, the board of directors of the Company (the "**Board**") and its composition, powers and responsibility including the several subcommittees of the Board, followed by a summary of the Company's shareholder structure and the main powers of the general meeting of the Company (the "**General Meeting**") and finally a description of the Company's adherence to the Dutch Corporate Governance Code.

GROUP STRUCTURE

The Company completed an intra-group merger on December 31, 2016, as a result of which each of its wholly owned Dutch subsidiaries have merged with the Company, simplifying the group structure and decreasing the administrative burden. The Company as of December 31, 2016 has one Belgian subsidiary, argenx BVBA (the "**Subsidiary**" and jointly with the Company form the "**Group**"), which carries out the research and development activities of the Group.

Schematically, the group structure prior to and directly after the merger can be viewed as follows:





The Company's principal executive offices are located at Willemstraat 5, 4811 AH Breda, the Netherlands. The Subsidiary operates its activities from the Belgian offices of the Group located at Industriepark 7, building C, 9052 in Ghent. The Company moved to these new facilities in March 2016.

THE BOARD

The Company has a one-tier board structure. The Board on December 31, 2016 is comprised of two executive directors (the "**Executive Directors**") and six non-executive directors (the "**Non-Executive Directors"**, and together with the Executive Directors, the "**Directors**").

POWERS, RESPONSIBILITIES AND FUNCTION

The Board is collectively responsible for the Company's general affairs. In accordance with the Articles, the Board has divided its duties among its members, with the Company's day-to-day management entrusted to the Executive Directors (the CEO and the CFO). The Non-Executive Directors supervise the Executive Directors in their management of the Company and its general affairs, including the business connected with it (including the Subsidiary). The Non-Executive Directors furthermore provide the Executive Directors with advice.

The Company may be represented by the Board or by two Executive Directors acting jointly. The Subsidiary is in its turn represented by the Company as managing director of the Subsidiary. The Company has appointed Tim Van Hauwermeiren as permanent representative of the Company in its capacity of managing director of the Subsidiary, as a result of which Tim Van Hauwermeiren is authorized to represent the Subsidiary.

ISSUANCE OF SHARES AND PURCHASE OF OWN SHARES

Pursuant to the articles of association of the Company (the "**Articles**"), the General Meeting is authorized to resolve to issue shares in the Company ("**Shares**"), unless such authorization has been granted to the Board. The General Meeting has, on April 28, 2016, resolved to authorize the Board as the corporate body competent to (i) issue Shares and grant rights to subscribe for Shares at any time during a period of 18 months from April 28, 2016 up to a maximum of 20% of the issued share capital of the Company, to be calculated against the amount of issued share capital on April 28, 2016 and to (ii) issue Shares pursuant to the exercise of options granted under the argenx Employee Stock Option Plan, for a period of 18 months from April 28, 2016. The General Meeting has simultaneously resolved to authorize the Board to exclude any pre-emptive rights with regard to such issuance of Shares.

The Company may repurchase shares in its capital upon a resolution thereto by the Board, provided that the relevant legal requirements (including capital requirements) are met.

BOARD COMPOSITION, APPOINTMENT, TERM OF APPOINTMENT AND SUSPENSION/DISMISSAL

The General Meeting appoints Directors upon a binding nomination of the Board. For each seat on the Board to be filled, the Board shall make one or more nominations, including the reasons for nominating that person.

A nomination for appointment of a Director must state the candidate's age and the positions he or she holds, or has held, insofar as these are relevant for the performance of the duties of a member of the Board. Furthermore, with regards to Non-Executive directors, the nomination shall state the names of the legal entities of which he or she is already a supervisory board member or a non-executive member of the board shall be indicated.

The Board makes its nominations for the appointment of new Directors taking into account the established composition profile for the Board, as well as other relevant aspects such as a diverse and complementing composition of the Board. The composition profile for the Board is available on the Company's website.

A resolution of the General Meeting to appoint a member of the Board other than in accordance with a nomination of the Board shall require a majority of at least two-thirds of the votes cast if less than one-half of the Company's issued capital is represented at the meeting. Any resolution that does not constitute a vote against the nominated candidate by at least to-thirds of the votes cast, shall constitute an appointment.

Pursuant to the Articles, a member of the Board shall retire not later than on the day on which the first General Meeting is held following lapse of four years since his appointment, in accordance with provision II.1.1 of the Dutch Corporate Governance Code. A retiring member of the Board may be re-appointed. Non-Executive Directors may be appointed for no more than three four-year terms.

The General Meeting has the authority to suspend or remove members of the Board at any time, with or without cause, by means of a resolution passed by a simple majority of the votes cast. Executive Directors may also be suspended by the Board. A suspension by the Board may be discontinued by the General Meeting at any time. Any suspension may be extended one or more times but may not last longer than three months in the aggregate.

FUNCTIONING

The Board evaluates its own functioning at least once a year, in accordance with provision III.1.7. of the Dutch Corporate Governance Code. The evaluation consists of an evaluation of the Board as a whole and of the Non-executives (jointly and individually) and of each of the committees of the Board separately. At the date of this annual report, the last evaluation took place in March 2016 on the basis of questionnaires filled out by each of the Directors which were subsequently discussed between the relevant Directors and the Board.

DECISION-MAKING IN AND OUTSIDE OF MEETINGS

Pursuant to the Company's board by-laws (the "**Board By-Laws**") (available on the Company's website), the members of the Board must endeavor, insofar as is possible, to ensure that resolutions are adopted unanimously. Where unanimity cannot be achieved and Dutch law, the Articles or the Board By-Laws do not prescribe a larger majority, all resolutions of the Board must be adopted by a simple majority of the votes cast in a meeting at which at least a majority of the members of the Board then in office are present or represented.

Resolutions of the Board can also be adopted without holding a meeting, provided that the relevant proposal has been submitted to all Board members then in office and none of them has objected to the manner of adopting resolutions.

BOARD RESOLUTIONS REQUIRING A SPECIAL MAJORITY

Under the Articles and the Board By-Laws, certain material Board resolutions can only be taken with the consent of the majority of the Non-Executive Directors. Those resolutions can be found in the section *Resolutions requiring approval of the majority of non-executive directors* of the Board By-Laws. The Board may designate further resolutions which also require the consenting vote of a majority of the Non- Executive Directors. These further resolutions must be clearly specified and laid down in writing.

Board resolutions entailing a significant change in the identity or character of the Company or its business require the approval of the General Meeting. This includes in any case: (i) the transfer to a third party of the business of the Company or practically the entire business of the Company; (ii) the entry into or breaking off of any long-term cooperation of the Company or a subsidiary with another legal entity or company or as a fully liable partner of a general partnership or limited partnership, where such entry or breaking off is of far-reaching importance to the Company or (iii) the acquisition or disposal by the Company or a subsidiary of an interest in the capital of a company with a value of at least one/third of the Company's assets according to the consolidated balance sheet with explanatory notes included in the last adopted annual accounts of the Company. Failure to obtain the approval of the General Meeting for these Board resolutions does not affect the power of representation of the Board.

CURRENT COMPOSITION OF THE BOARD

The Board is currently composed of the following members:

Name	Age	Position	Nationality	Date of appointment	Term expiration
Tim Van Hauwermeiren	44	Executive Director (CEO)	BE	July 9, 2014	2018
Eric Castaldi	52	Executive Director (CFO)	F	July 9, 2014	2018
Peter Verhaeghe	58	Non-executive Director	BE	July 9, 2014	2018
John de Koning	48	Non-executive Director	NL	July 9, 2014	2018
David Lacey	64	Non-executive Director	U.S.	July 9, 2014	2018
Werner Lanthaler	49	Non-executive Director	AT	July 9, 2014	2018
Joseph deBethizy	66	Non-executive Director	U.S.	May 13, 2015	2019
Pamela Klein	55	Non-executive Director	U.S.	April 28, 2016	2020

Christina Takke has resigned as Non-Executive Director per April 28, 2016, on which date Pamela Klein was appointed as Non-Executive Director, which is in line with the Company's aim to gradually replace all of its investor appointed Non-Executive Directors with independent industry professionals.

Each of the Non-Executive Directors currently meets the independence criteria set out in provision III.2.2 of the Dutch Corporate Governance Code. John de Koning meets the independence criteria since the capital increase of January 19, 2016, as a result of which LSP, of which John de Koning is a partner, no longer held at least 10% of the shares in the Company.

The business address of each member of the Board is the registered office of the Company, being Willemstraat 5, 4811 AH, Breda, the Netherlands.

BIOGRAPHICAL DETAILS OF THE MEMBERS OF THE BOARD

Tim Van Hauwermeiren (Executive Director and chief executive officer)

Tim Van Hauwermeiren co-founded our company in 2008 and has served as our Chief Executive Officer since April 2008. He has served as a member of our board of directors since July 2014. Mr. Van Hauwermeiren has more than 20 years of general management and business development experience across the life sciences and consumer goods sectors. Mr. Van Hauwermeiren holds a B.Sc. and M.Sc. in bioengineering from Ghent University (Belgium) and an Executive MBA from The Vlerick School of Management.

Eric Castaldi (Executive Director and chief financial officer)

Eric Castaldi has served as our Chief Financial Officer since April 2014 and as a member of our board of directors since July 2014. Mr. Castaldi has 28 years of international financial executive management experience, including 19 years in the biopharmaceutical industry. From 1998 to 2014, Mr. Castaldi served as chief financial officer and a member of the executive committee of Nicox SA, a Euronext-listed biotechnology company. From 2008 to 2012, he served as a member of the board of directors and as chairman of the audit committee of Hybrigenics Services SAS, a Euronext-listed French biopharmaceutical company specializing in oncology. Mr. Castaldi graduated with a degree in finance, accountancy and administration from the University of Nice.

Peter Verhaeghe (Non-Executive Director and chairman of the Board)

Peter Verhaeghe has served as a member and chairman of our board of directors since July 2014. Mr. Verhaeghe is the managing partner of VVGB Advocaten—Avocats, a corporate finance law and tax law firm, a position he has held since July 1999. He is currently lead counsel to a number of Belgian, Dutch and Swiss biotechnology and diagnostics companies. Mr. Verhaeghe currently serves as the president of the board of directors of Merisant France SAS, as a member of the management board of Merisant Company 2 s ` arl and as a member of the board of directors of CzechPak Manufacturing s.r.o. He previously served as the chairman of the board of directors of PharmaNeuroBoost NV from December 2006 to January 2013 and as liquidator in charge of KBC Private Equity Fund Biotech NV from April 2009 to December 2012. Mr. Verhaeghe holds a degree in law from the University of Leuven and an LLM degree from Harvard Law School.

John de Koning (Non-Executive Director)

John de Koning has served as a member of our board of directors since July 2014. Dr. de Koning is a partner at Life Sciences Partners, a European investment firm in the healthcare sector, a position he has held since 2009. Dr. de Koning currently serves on the supervisory boards of Merus B.V., G-Therapeutics SA, and eTheRNA immunotherapies NV. Previously, he also served on the supervisory boards of BMEYE B.V., Prosensa Holding N.V., Skyline Diagnostics B.V., Pronota N.V. and Innovative Biosensors Inc. Dr. de Koning holds an M.Sc. in medical biology from the University of Utrecht and a Ph.D. in oncology and hematology from the Erasmus University Medical Center. After obtaining his Ph.D., he received a fellowship from the Dutch Cancer Society to work at the Helen Diller Family Comprehensive Cancer Center at the University of California, San Francisco.

David Lacey (Non-Executive Director and chairman of the Research and Development Committee)

David Lacey has served as a member of our board of directors since July 2014. Dr. Lacey is a biopharmaceutical consultant at David L. Lacey LLC, where he advises academic institutions, biotechnology companies and venture capital firms, a position he has held since July 2011. He currently serves as a director of Inbiomotion SL, Atreca, Inc. and Nurix, Inc. From 1994 until his retirement in 2011, he held various positions, including head of discovery research, at Amgen Inc., where he played a fundamental scientific role in the discovery of the OPG/RANKL/ RANK pathway, which led to the development of the anti-RANKL human mAb denosumab, for both osteoporosis (Prolia) and cancer-related bone diseases (XGEVA). He holds a Bachelor's degree in biology and an M.D. from the University of Colorado, and has his board certification in anatomic pathology.

Werner Lanthaler (Non-Executive Director and chairman of the Audit Committee)

Werner Lanthaler has served as a member of our board of directors since July 2014. Dr. Lanthaler is the chief executive officer of Evotec AG, a global drug discovery research organization, a position he has held since March 2009. Dr. Lanthaler previously served on the supervisory boards of Bioxell SpA and Pantec Biosolutions AG. Dr. Lanthaler holds a degree in psychology, a Ph.D. in business administration from Vienna University of Economics and Business and a Master's degree in public administration from Harvard University.

Joseph deBethizy (Non-Executive Director and chairman of the Remuneration & Nomination Committee)

J. Donald (Don) deBethizy has served as a member of our board of directors since May 2015. Mr. deBethizy has 30 years of experience in research and development and financial, business and operating management in the biotechnology and consumer products industry. He is the president of White City Consulting ApS. Previously, Mr. deBethizy served as president and chief executive officer of Santaris Pharma A/S until October 2014, when the company was sold to Roche. From August 2000 to June 2012, Mr. deBethizy was co-founder and chief executive officer of Targacept, Inc., a U.S. biotechnology company listed on NASDAQ. He currently serves on the supervisory boards of Albumedix A/S, Newron Pharmaceuticals SpA, Noxxon Pharma NV and AG, Rigontec GmbH and Proterris, Inc. From May 2013 to November 2014, he served as executive chairman of Contera Pharma ApS. He previously served on the boards of Asceneuron SA, Serendex Pharmaceuticals A/S, Enbiotix Inc., Targacept Inc. and Biosource Inc. Mr. deBethizy has held adjunct appointments at Wake Forest University Babcock School of Management, Wake Forest University School of Medicine and Duke University. Mr. deBethizy holds a B.Sc. in biology from the University of Maryland, and an M.Sc. and a Ph.D. in toxicology from Utah State University.

Pamela Klein (Non-Executive Director)

Pamela Klein has served as a member of our board of directors since April 2016. Dr. Klein is a principal and founder of PMK BioResearch, which offers strategic consulting in oncology drug development to corporate boards, management teams and the investment community, and serves as a member of various scientific advisor boards, a position she has held since 2008. Dr. Klein is currently a catalyst drug development advisor at the University of California, San Francisco. She previously served as acting chief medical officer for multiple oncology companies. Dr. Klein holds a Bachelor's degree in biology from California State University and an M.D. from Stritch School of Medicine, Loyola University Chicago.

OTHER INFORMATION RELATING TO MEMBERS OF THE BOARD

On December 31, 2016, none of the current or to be appointed members of the Board has, in the previous five years:

- been convicted of any fraudulent offenses;
- as a member of the administrative, management or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with any bankruptcy, receivership or liquidation of such company (with the exception of Peter Verhaeghe (see below "Peter Verhaeghe – PharmaNeuroBoost NV") and John de Koning (see below "John de Koning – Skyline Diagnostics B.V."));
- been subject to any official public incriminations and/ or sanctions by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

PETER VERHAEGHE

– PHARMANEUROBOOST NV

Peter Verhaeghe was chairman of the board of directors of PharmaNeuroBoost NV, which voluntary filed for bankruptcy in 2013 after its Phase 3 trial failed and no additional funding was found to continue operations.

JOHN DE KONING

– SKYLINE DIAGNOSTICS B.V.

John de Koning is partner at LSP, a (venture capital) investment firm that invests in private life sciences companies, often in a very early stage. John De Koning served as a member of the supervisory board of one of those companies, Skyline Diagnostics B.V., which filed for bankruptcy in 2013.

BOARD COMMITTEES

The Non-Executive Directors have established an audit committee (the "**Audit Committee**") and a remuneration and nomination committee (the "**Remuneration and Nomination Committee**") and a research & development committee (the "**Research and Development Committee**"). The primary function of the committees is to prepare the decision-making of the Board. The committees, consisting only of Non-Executive Directors, do not have any executive powers. The committees have the specific tasks and responsibilities ascribed to them in their relevant terms of reference and in chapter III.5 of the Dutch Corporate Governance Code. This section of the annual report provides an overview of those tasks and responsibilities and of the composition and activities of the committees in the year ended December 31, 2016.

AUDIT COMMITTEE OF THE BOARD

The members of the Audit Committee were, on December 31, 2016:

- Werner Lanthaler (chairman)
- John de Koning
- Peter Verhaeghe

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Set out below is a summary of the terms of reference of the Audit Committee.

The Audit Committee assists the Board in supervising inter alia:

- the operation of the internal risk-management and control systems including supervision of the enforcement of relevant primary and secondary legislation, and supervising the operation of codes of conduct;
- the provision of financial information by the Company (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company's annual accounts);
- compliance with recommendations and observations of the Company's internal and external auditors;
- the role and functioning of the Company's internal auditors;
- the Company's tax planning policy;
- the Company's relationship with its external auditor, including the independence and remuneration of the external auditor;

- the financing of the Company; and
- matters relating to information and communication technology.

The Audit Committee also advises the Board on its nomination to the General Meeting of persons for appointment as the Company's external auditor, and prepares meetings of the Board where the Company's annual report, the Company's annual financial statements, and the Company's half-yearly figures and quarterly trading updates are to be discussed.

The Audit Committee meets as often as is required for its proper functioning, but at least four times a year. The Audit Committee must meet at least once a year with the Company's statutory auditor. Furthermore, the Audit Committee evaluates its own functioning at least annually.

The Audit Committee consists of at least three members, of which at least one member is a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. All members of the Audit Committee must be independent within the meaning of the Dutch Corporate Governance Code, with the exception of no more than one member. The chairman of the Audit Committee may neither be the chairman of the Board nor a former Executive Director.

The Company has no internal auditor. The Audit Committee evaluates annually whether there is need for an internal auditor, and the Board will make a recommendation in that regard to the Executive Directors. In 2016, the Audit Committee has reviewed the need to appoint an internal auditor and has advised the Board that such appointment is not deemed necessary at the current size and stage of development of the Company.

AUDIT COMMITTEE ACTIVITY REPORT

The Audit Committee met seven times during 2016. At these meetings, the main points of discussion were the presentation of the year, half-year and quarterly consolidated financial statements, review of the financial press releases, discussion on the audit fees and audit plan of the external auditor, updates on cash, cash equivalents and financial assets management, review of the guidelines for the 2016 budget, discussion on the 2017 budget and updates on internal control activities.

REMUNERATION AND NOMINATION COMMITTEE OF THE BOARD

The members of the Remuneration and Nomination Committee were, on December 31, 2016:

- Joseph deBethizy (chairman)
- Peter Verhaeghe
- Werner Lanthaler

TERMS OF REFERENCE OF THE REMUNERATION AND NOMINATION COMMITTEE

Set out below is a summary of the terms of reference of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee has, inter alia, the following duties:

- reviewing and recommending the remuneration policy for approval by the shareholders at the General Meeting;
- reviewing and recommending the remuneration policy for the directors for approval by the shareholders at the General Meeting; such proposal shall, in any event, deal with: (i) the remuneration structure and (ii) the amount of the fixed remuneration, the Shares and/ or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application;
- preparing the remuneration report;
- preparing selection criteria and appointment procedures for Directors;
- periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors;
- periodically assessing the performance of individual Directors, and reporting on this to the Non-Executive Directors;
- making proposals for appointments and reappointments; and
- supervising the policy of the Board on the selection criteria and appointment procedures for senior management.

The Remuneration and Nomination Committee consists of at least three members and may neither be chaired by the chairman of the Board nor by a former Executive Director of the Board, nor by a Non-Executive Director who is a member of the management board of another listed company. All members of the Remuneration and Nomination Committee must be independent within the meaning of the Dutch Corporate Governance Code, with the exception of no more than one member. No more than one member may be a member of the management board of another Dutch listed company.

The Remuneration and Nomination Committee meets at regular intervals, and at least once per year to evaluate its functioning.

REMUNERATION AND NOMINATION COMMITTEE ACTIVITY REPORT

The Remuneration and Nomination Committee met five times during 2016. The main topics of discussion were the recommendation for senior management individual goals and cash compensations, recommendation for stock option grants for all Company employees, the benchmarking of the remuneration of the Chief Development Officer, and discussion on the composition of the Remuneration and Nomination Committee after Christina Takke resigned from the Board on April 28, 2016.

RESEARCH AND DEVELOPMENT COMMITTEE OF THE BOARD

The members of the Research and Development Committee are:

- David Lacey (chairman)
- Joseph deBethizy
- Pamela Klein

TERMS OF REFERENCE OF THE RESEARCH AND DEVELOPMENT COMMITTEE

Set out below is a summary of the terms of reference of the Research and Development Committee.

The Research and Development Committee has, inter alia, the following duties:

- monitoring and overseeing the research and development goals, strategies and measures of the Company;
- serving as a sounding board to the Company's R&D management, General Management and Board;
- performing strategic reviews of the Company's key R&D programs;
- reporting to the Board on the outcome of the strategic reviews;
- reviewing the Company's scientific publication plan;
- evaluating and challenging the effectiveness and competitiveness of the R&D endeavors of the Company;
- reviewing and discussing emerging scientific trends and activities critical to the success of R&D of the Company;
- reviewing the Company's clinical and preclinical product pipeline; and
- engaging in attracting, retaining and developing senior R&D personnel of the company

The Research and Development Committee consists of at least three members with adequate industrial experience with the research and development of biopharmaceuticals.

The Research & Development meets at regular intervals, and at least prior to each Board meeting.

RESEARCH AND DEVELOPMENT COMMITTEE ACTIVITY REPORT

The Research and Development Committee met four times during the course of 2016. Key agenda items included the review and discussion of development plans and data for the Company's clinical stage products, preparing R&D portfolio recommendations to the Board, preparation for the Company's R&D day and review and preparation of the Company's 2017 R&D plan.

EQUITY HOLDINGS

As at the date of this annual report, Tim Van Hauwermeiren holds 33,823 Shares, Eric Castaldi does not hold any Shares and Werner Lanthaler holds 1,000 Shares.

All Directors hold stock options under the Company's Employee Stock Option Plan (Options), as set out in the *Remuneration* section below.

REMUNERATION UNDER CURRENT BOARD STRUCTURE

REMUNERATION OF THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED DECEMBER 31, 2016

The table below shows the remuneration received by the Executive Directors for the year ended December 31, 2016 (in €). 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 year ended December 31, 2016 and their full bonus was granted in the same year. All amounts are shown in €.

2016	Base salary	Bonus	Pension Contributions	Social security costs	ESOP*	Total
Tim Van Hauwermeiren	253,284	101,314	11,929	10,284	488,020	864,831
Eric Castaldi	235,952	82,583	84,972	136,124	354,577	894,208
Total	489,236	183,897	96,901	146,408	842,597	1,759,039

*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 options granted to the Executive Directors during the year ended December 31, 2016 (in number of Options) and their exercise price, based on the 30-day average stock price prior to their date of grant.

2016	ESOPs	Term	Exercise price (in €)
Tim Van Hauwermeiren	50,000	10 years	11.470
	30,600	10 years	14.134
Eric Castaldi	28,200	10 years	11.470
	28,200	10 years	14.134
Total	**137,000**		

The table below shows the Options held at the start of the year ended December 31, 2016 and the Options granted to the Executive Directors which have vested during the year ended December 31, 2016 (in number of Options).

Name	Total options held on January 1, 2016	Options granted in 2016	Options exercised in 2016	Total options held on December 31, 2016	Options vested until 2015	Exercise price	Options vested in 2016	Exercise price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price	Options to vest in 2019	Exercise Price
Tim Van Hauwermeieren	326,272	80,600	-125,292	281,580	65,380	2.44								
					35,000	7.17	35,000	7.17	35,000	7.17				
							10,200	9.47	10,200	9.47	10,200	9.47		
									26,389	11.47	16,667	11.47	6,944	11.47
									10,200	14.13	10,200	14.13	10,200	14.13
Eric Castaldi	174,207	56,400	0	230,607	21,667	7.17	21,666	7.17	21,667	7.17				
							72,007	2.44	9,000	2.44				
							9,400	9.47	9,400	9.47	9,400	9.47		
									14,883	11.47	9,400	11.47	3,917	11.47
									9,400	14.13	9,400	14.13	9,400	14.13

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

Name	Number of options	Remaining term at December 31, 2016 (rounded up)
Tim Van Hauwermeiren	18,212	7.0 years
	152,168	8.0 years
	30,600	9.0 years
	50,000	9.5 years
	30,600	10.0 years
Eric Castaldi	60,970	7.5 years
	85,037	8.0 years
	28,200	9.0 years
	28,200	9.5 years
	28,200	10.0 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 Employee Stock Option Plan (as set out in the section *Remuneration policy* below) apply.

The table below shows the Options exercised by the Executive Directors during the year ended December 31, 2016 and the exercise price of those Options. Per exercised option, one Share was issued.

Name	Stock options	Exercise price (in €)
Tim Van Hauwermeiren	53,092	**3.95**
Tim Van Hauwermeiren	72,200	**2.44**
Total	125,292	-

MANAGEMENT AGREEMENTS

Tim Van Hauwermeiren has entered into a management agreement with argenx NV and argenx BVBA. Eric Castaldi performs his services for argenx on the basis of an employment agreement entered into between Eric Castaldi and argenx BVBA. The key characteristics of the Executive Directors' management and employment contracts are as follows.

	Tim Van Hauwermeiren	Eric Castaldi
Base Salary	€ 253,284	€ 235,952
Cash Bonus	maximum 40% of base salary based on previously determined bonus targets established by the non-executive directors	maximum 35% of base salary based on previously determined bonus targets established by the non-executive directors
Pension Contributions	€ 11,929	€ 84,972
Duration	Indefinite	Indefinite
Notice period*	Mr. Van Hauwermeiren may be dismissed immediately as statutory director of the Company. In relation to his management services agreement, a notice period of three months should be taken into account by argenx BVBA.	Mr. Castaldi may be dismissed immediately as statutory director of the Company. In relation to his employment agreement, a notice period of three months should be taken into account by argenx BVBA.
Severance agreements*	No specific severance was agreed upon. Belgium law applies.	No specific severance was agreed upon. Belgium law applies.

The notice period and severance arrangements have been implemented in 2017 and did not (yet) apply in the year ended December 31, 2016, in which year the notice periods were equal to the statutory notice periods under Belgian law and there were no severance arrangements.

Remuneration of the Non-Executive Directors during the year ended December 31, 2016

The table below shows the remuneration paid to the Non-Executive Directors during the year ended December 31, 2016 (in €).

	2016
Peter Verhaeghe	55,000
Christina Takke	NA
David L Lacey	45,930
Werner Lanthaler	45,000
Don deBethizy	43,000
Pamela Klein*	35,000
Total	223,930

* Pamela Klein was appointed to the board on April 28, 2016, but was awarded a full year's payment due to her position as independent advisor to the board prior to her appointment, as a result of which she has performed (advisory) services for and on the board during the entire year.

The table below shows the stock options granted to the Non-Executive Directors during the year ended December 31, 2016 and their respective term and exercise price.

	ESOPs	Term	Exercise price (in €)
Peter Verhaeghe	10,000	10 years	11.38
David L Lacey	10,000	10 years	11.38
Werner Lanthaler	10,000	10 years	11.38
Don deBethizy	10,000	10 years	11.38
Pamela Klein	10,000	10 years	11.38
Total	**50,000**		

The table below shows the Options held at the start of the year ended December 31, 2016 and the Options granted to Non-Executive Directors which have vested during the year ended December 31, 2016.

Name	Total options held on January 1, 2016	Options granted in 2016	Total options held on December 31, 2016	Options vested until 2015	Exercise price	Options vested in 2016	Exercise price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price	Options to vest in 2019	Exercise Price
Peter verhaeghe	24,585	10,000	34,585	11,626	2.44								
				7,959	3.95								
				1,667	7.17	1,666	7.17	1,667	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
David L. Lacey	19,443	10,000	29,443	6,643	2.44								
				4,267	7.17	4,266	7.17	4,267	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
Werner Lanthaler	19,416	10,000	29,416	8,009	2.44	4,805	2.44	1,602	2.44				
				1,667	7.17	1,666	7.17	1,667	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
Don Debethizy	15,000	10,000	25,000			7,500	11.44	5,000	11.44	2,500	11.44		
								5,000	11.38	3,333	11.38	1,667	11.38
Pamela Klein	15,000	10,000	25,000			7,500	11.44	5,000	11.44	2,500	11.44		
								5,000	11.38	3,333	11.38	1,667	11.38

*Pamela Klein was appointed to the Board on April 28, 2016. She received her options in 2015 (prior to appointment to the Board) in her capacity of independent advisor to the Board.

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, 2016 (rounded up)
Peter Verhaeghe	3,650	3.5 years
	2,340	4.0 years
	5,560	6.5 years
	3,181	7.0 years
	9,854	8.0 years
	10,000	9.5 years
David L. Lacey	3,180	6.5 years
	1,818	7.0 years
	14,445	8.0 years
	10,000	9.5 years
Werner Lanthaler	10,850	7.0 years
	8,566	8.0 years
	10,000	9.5 years
Don deBethizy	15,000	8.5 years
	10,000	9.5 years
Pamela Klein*	15,000	8.5 years
	10,000	9.5 years

*Pamela Klein joined the Board on April 28, 2016.

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 Employee Stock Option Plan (as set out in section *Remuneration policy* below) apply.

No Options were exercised by Non-Executive Directors during the year ended December 31, 2016 and no corresponding Shares were issued in relation thereto.

REMUNERATION POLICY

OVERVIEW

The policy governing the remuneration of the Board is aimed to attract, reward and retain highly qualified Executive and Non-Executive Directors and to provide and motivate the members of the Board with a balanced and competitive remuneration that is focused on sustainable results and is aligned with the long-term strategy of the Company as set out in its business plan.

PROCEDURE OF ESTABLISHING THE REMUNERATION

The remuneration of the individual members of the Board is determined by the Non-Executive Directors, at the recommendation of the Remuneration and Nomination Committee, within the limits of the remuneration policy adopted by the General Meeting. The Executive Directors do not participate in the decision-making of the Board regarding the determination of their own remuneration. A proposal from the Remuneration and Nomination Committee in any event deals with: (i) the remuneration structure and (ii) the remuneration amounts consisting of the total target cash remuneration, the Options to be granted, pension rights, redundancy/severance pay and other forms of compensation to be awarded, as well as performance criteria and their application.

Prior to any recommendation of the Remuneration and Nomination Committee to the Board regarding the remuneration of the Executive Directors, the Remuneration and Nomination Committee discusses with the Board the possible outcome of the remuneration package and the variable remuneration components in accordance with provision II.2.1 of the Dutch Corporate Governance Code.

PERFORMANCE TARGETS

For 2016, the performance targets for the Executive Directors were closely linked to key deliverables under the Company's business plan for the year consisting of operational, financial and organizational targets, as well as individual personal development targets. The performance targets for 2017 will again include operational, financial and organizational targets, among other things, aimed at further progressing the Company's product candidates, and implementing and further maturing its internal organization and control procedures.

SEVERANCE PACKAGES

In 2016, the Board has, on the advice of the remuneration and nomination committee, revised the Company's remuneration policy to allow for competitive remuneration packages including severance arrangements protecting senior management. In 2016 the Company has initiated a revision of the management and employment contracts of the Executive Directors to include competitive severance packages and plans to complete this process in 2017.

IMPLEMENTATION OF REMUNERATION POLICY GOING FORWARD

The Remuneration and Nomination Committee shall annually re-evaluate the situation and propose adjustments where necessary. Every other year, the Board also evaluates the appropriateness of any change of total target cash in the context of the market environment as well as the salary adjustments for other employees of the company. Based on the outcome of the benchmarking analysis described above, the Remuneration and Nomination Committee expects to propose step-by-step adjustments of the Executive Director remuneration packages to ensure that the remuneration offered is in line with the remuneration policy, prescribing a remuneration in line with (or slightly above) market practice (determined as the 50th percentile of the peer group). Ensuring a market conform salary will enable the Company to attract and retain the qualified individuals on which, largely, the success of the Company depends. The last benchmarking exercise was done in 2015, and the next exercise is expected to take place in 2017.

REMUNERATION COMPONENTS EXECUTIVE DIRECTORS

Pursuant to the remuneration policy, the remuneration of the Executive Directors consists of the following fixed and variable components, only applicable for independent Directors:

- a fixed base salary;
- a variable annual cash bonus (short-term annual cash incentive);
- long-term variable incentive awards, in the form of stock options;
- severance arrangements; and
- pension and fringe benefits.

FIXED BASE SALARY

The base salary of the Executive Directors was determined on the basis of a benchmarking analysis completed by an independent consulting firm. In accordance with this benchmarking analysis, the Board has resolved to aim for a compensation of executive directors in the 50th percentile of the compensation offered by the European peer group used in this analysis. In line with the amended remuneration policy discussed above, our Board has amended the current contracts between us and our Executive Directors to be brought in line with the new remuneration policy.

VARIABLE ANNUAL CASH BONUS

The objective of this short-term annual cash incentive is to ensure that the Executive Directors are well incentivized to achieve performance targets in the shorter term.

An Executive Director will be eligible for an annual cash incentive up to a maximum percentage of his/her annual base salary. For 2016, the maximum percentage for this purpose has been set at 40% of base salary of the CEO, and at 35% of base salary of the CFO. Performance conditions are established by the Board before or at the beginning of the relevant calendar year and shall include criteria concerning the Company's financial performance, qualitative criteria representing Company performance and/or individual qualitative performance.

LONG-TERM INCENTIVE PLAN

In order to incentivize Executive Directors, Non-Executive Directors and employees of the Company, the Board has established the employee stock option plan (the "**argenx Employee Stock Option Plan**") which was lastly amended by the General Meeting on April 28, 2016. The aim of the argenx Employee Stock Option Plan is to

establish an ownership culture among employees of the Group, incentivizing its employees, Executive Directors and Non-Executive Directors to contribute to the value of the Company.

A summary of the key characteristics of the argenx Employee Stock Option Plan is provided below.

Type of security	Warrants to ordinary shares in the Company.
Exercise price	The option exercise price is the average closing price of the shares on the stock exchanges during the 30 calendar-day period preceding the Option's date of grant.
Allocation of options	Options are granted by the Board, typically on the first board meetings following 1 June and 1 December in accordance with an option allocation scheme established by the Board. The allocation scheme lists the type of employee and the number of options to be granted. Separate option grants may be resolved on (taking into account applicable insider dealing regulations, i.e. not in periods where the board may possess inside information).
Number of options granted	The number of options granted to each employee depends on (i) the base option amount set for the position of the employee and (ii) the performance of the employee during the period after which the options are granted, which may influence the base option amount both negatively (in the event of underperformance) and positively (in the event that expectations are exceeded) by preset percentages.
Option limit	Option grants are subject to the approval of the majority of the Non-Executive Directors and may not exceed 14.5% of the Company's outstanding fully-diluted share capital.
Vesting scheme	1/3rd (rounded down) on the first anniversary of the Option's date of grant, then the remaining 2/3rd vesting in 24 equal monthly installments on each first day of the month with the option fully vesting upon the third anniversary of the date of grant. All options vest immediately upon an exit.
Term	10 years from the date of grant.

PENSION AND FRINGE BENEFITS

The Executive Directors shall continue to participate in a defined contribution pension scheme operated by a third party pension insurance organization. The Executive Directors are entitled to customary fringe benefits, such as a company car and a hospitalization plan.

SEVERANCE ARRANGEMENTS

In addition to the above, pursuant to the remuneration policy, in case of a dismissal, Executive Directors will be entitled to a severance payment in line with market practice in the Reference Group, based on a recommendation of the Remuneration and Nomination Committee. In addition, under certain circumstances (such as dismissal without cause), the options granted to Executive Directors will become vested upon such dismissal.

REMUNERATION COMPONENTS NON-EXECUTIVE DIRECTORS

Pursuant to the remuneration policy, the remuneration of the Non-Executive Directors consists of the following fixed and variable components:

- a fixed fee, which fee will be prorated in case the Non-Executive Director does not attend all meetings where his or her presence is required;
- if applicable, a fee for chairing the Audit Committee and/or the Remuneration and Nomination Committee; and
- a long-term variable incentive, in the form of stock options.

FIXED FEE

On the basis a recommendation of the Remuneration and Nomination committee, following a benchmarking study conducted by an independent consulting firm in 2015, the Board has set the base remuneration for Non-Executive Directors at €35,000 and has set the additional remuneration for being chairman of the Board at €20,000 and the additional remuneration for being chairman of the audit committee of the Board at €10,000 and remuneration and nomination committee of the Board at €8,000. The Company's remuneration policy is designed to offer market conform remuneration to enable the Company to attract and retain qualified Directors.

LONG-TERM INCENTIVE PLAN

The Board intends to incentivize the Non-Executive Directors by issuing stock options from time to time to be able to attract and retain well-qualified Non-Executive Directors. The board of directors grants options to the non-executive directors on the recommendation of the remuneration and nomination committee. Such option grants are based on an option allocation scheme established by the board of directors pursuant to our Employee Stock Option Plan (as set out in the “Long-term Incentive Plan” above).

SUCCESS PAYMENT

In exceptional circumstances, the Board may decide to reward a Non-Executive Director with a success payment relating to the occurrence of specific events achieved through the exceptional efforts of that person (such as a platform licensing or product licensing deal brokered by that Non-Executive Director). No such success payments have been awarded to date.

ADJUSTMENTS TO VARIABLE REMUNERATION

Pursuant to Dutch law and the Dutch Corporate Governance Code the remuneration of Executive Directors may be reduced and Executive Directors may be obliged to repay part of their variable remuneration to the Company if certain circumstances apply. Pursuant to applicable Dutch corporate law, the Non-Executive Directors will have the power to adjust the value downwards or upwards of any variable remuneration component conditionally awarded to an Executive Director in a previous fiscal year which would, in the opinion of the Non-Executive Directors, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied. In addition, the Non-Executive Directors have the authority under the Dutch Corporate Governance Code and Dutch law to recover from an Executive Director any variable remuneration awarded on the basis of incorrect financial or other data (claw back).

Pursuant to Dutch law, the Non-Executive Directors may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets and the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to requirements of reasonableness and fairness.

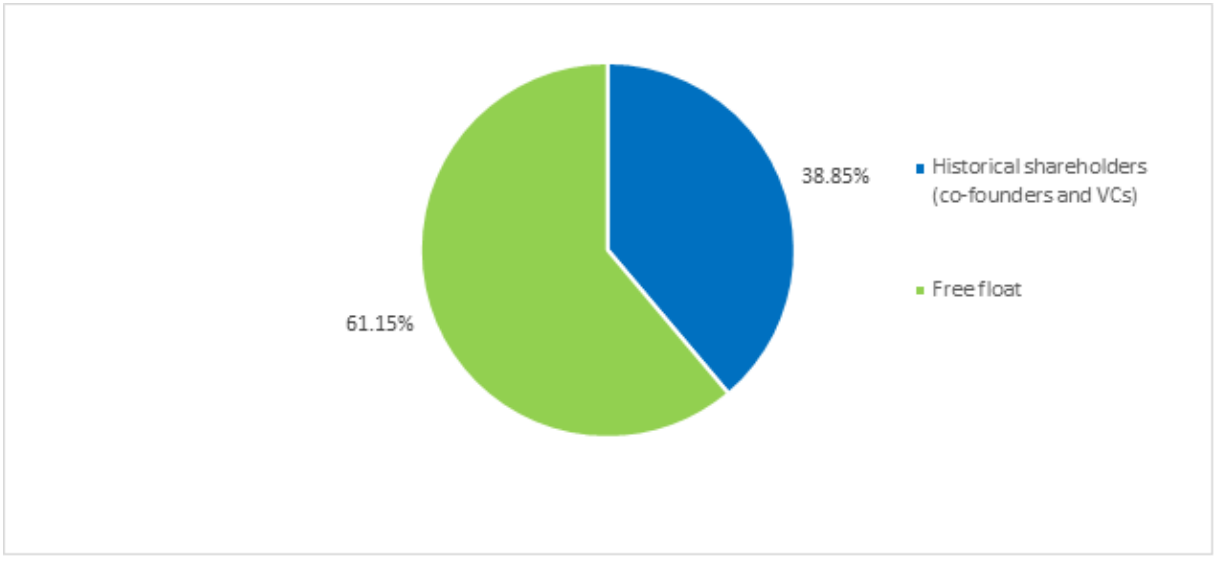
In addition, Dutch law prescribes that, in case the value of the Shares or rights to subscribe for such Shares granted by the Company to the respective Executive Directors as part of their remuneration increases during a period in which a public takeover bid is made for the Shares, the remuneration of that respective Executive Director will be reduced by the amount by which the value of the Shares or rights to subscribe for such Shares so granted by the Company to such Executive Director has increased. To the extent the increase in value exceeds the remuneration of the respective Executive Director, the Company shall have a claim against the respective Executive Director for such excess. Similar provisions apply in the situation of an intended legal merger or demerger, or if the Company intends to enter into certain transactions that are of such significance to the Company that the Board requires the approval of the General Meeting pursuant to Dutch law (i.e. transactions that fall within the scope of section 2:107a of the Dutch Civil Code).

SHAREHOLDERS

CAPITAL STRUCTURE DECEMBER 31, 2016

The Company's issued share capital amounts to € 2,012,647.90 and consists of 20,126,479 ordinary shares (December 31, 2016). The Company has one class of securities, ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company.

The following major shareholdings fall under the mandatory notice provisions of articles 5:34, 5:35 and/or 5:43 of the Financial Supervision Act: Erasmus Biomedical Fund (2.99%), Thuja (3.23%), LSP (8.52%), Forbion Capital (10.56%), BioGeneration Ventures (2.01%), Omnes Capital (4.01%), Orbimed (2.48%) and PMV (3.76%).



RISK MANAGEMENT

Risk management is the process of identification, assessment, management and communication of risks. This is a continuous process embedded in the Company's corporate strategy and operational objectives. An optimal risk management needs to contribute to the realization of the following objectives:

- protecting critical Company assets;
- giving reasonable assurance on the reliability of financial reporting;
- monitoring activities in accordance with regulations, laws and codes of conduct;
- optimizing operational business processes in terms of effectiveness and efficiency.

The Board of Directors has decided not to create an internal audit function for the time being, since the current scope of the business does not justify such a full-time role. The Board of Directors has delegated an active role to its Audit Committee in the design, implementation and monitoring of an internal risk management and control system to manage the significant risks to which the Company is exposed. In the first half of 2016, a system has been implemented based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework with the support of an external consulting firm. As part of this implementation, financial risks have been identified in a risk and control matrix, in which each risk is assessed on its importance based on probability and potential impact. For the key risks of each process, controls or management measures were then defined and in the second half of 2016 the operating effectiveness of these controls have been tested, resulting in areas for improvement, which will be implemented following the typical Plan – Do – Check – Act cycle. In parallel, the Company has continued the implementation of a Quality Management System (QMS) which integrates the various internal research and development quality assurance processes within the organisation. Going forward, procedures and controls will continue to be regularly reviewed and tested during audits.

Since the identification and assessment of risks is an ongoing process and needs continuous improvement to support the growth of the Company's activities, risk management will continue to have the full attention of the Management of the Company and will be subject to further and regular discussions with the Board of Directors and its Audit Committee. It should however be noted that such systems can never provide absolute assurance regarding achievement of company objectives, nor can they provide an absolute assurance that material errors, losses, fraud, and the violation of laws or regulations will not occur.

A summary of the most important risks that could prevent the Company from achieving its objectives is included in the section 'Risk factors' of this report.

STATUTORY AUDITOR

The fees for services provided by the Company's independent auditor Deloitte Accountants B.V. and its member firms and affiliates, to the Company and its subsidiaries were approved by the Audit Committee and can be broken down as follows:

(in thousands of €)	2015	2016
Audit fees (1)	70	85
Audit related fees	35	65
Tax and other services (2)	3	2
Total	**108**	**152**

LIABILITY, CONFLICTS OF INTEREST RELATING TO MEMBERS OF THE BOARD

LIABILITY OF BOARD MEMBERS

Under Dutch law, members of the Board may be liable to the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and third parties for infringement of the Articles or certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

The liability of members of the Board and other key employees is covered by a directors' and officers' liability insurance policy. This policy contains customary limitations and exclusions, such as wilful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

CONFLICTS OF INTEREST

Directors shall immediately report any (potential) direct or indirect personal interest in a matter which is conflicting with the interests of the Company and the business connected with it to the chairman of the Board and to the other Directors and shall provide all relevant information, including information concerning their spouse, registered partner or other partner, foster child and relatives by blood or marriage up to the second degree as defined under Dutch law.

The Non-Executive Directors shall decide, without the Director concerned being present, whether there is a conflict of interest. A conflict of interest in relation to a Director in any event exists, if the Company intends to enter into a transaction with a legal entity (i) in which such Director personally has a material financial interest, (ii) which has an executive director or a member of the management board who is related under family law to such Director of the Company, or (iii) in which such Director has an executive or non-executive position.

An Executive Director shall not participate in any discussions and decision making if he has a conflict of interest in the matter being discussed. If for this reason no resolution can be taken by the Executive Directors, the Non-Executive Directors will resolve on the matter.

A Non-Executive Director shall not participate in any discussions and decision making if he has a conflict of interest in the matter being discussed. If for this reason no resolution can be taken by the Non-Executive Directors or the Board as a whole, the General Meeting will resolve on the matter.

All transactions in which there are conflicts of interest with Directors shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with Directors that are of material significance to the Company and/or to the relevant Director require the approval of the Non-Executive Directors.

All transactions between the Company and legal or natural persons who hold at least ten percent of the Shares shall be agreed on terms that are customary in the sector in which the company and its combined businesses are active. The Non-Executive Directors are required to approve such transactions that are of a material significance to the Company and/or to such persons.

Non-Executive Director John de Koning has been appointed pursuant to arrangements on a binding nomination for such supervisory positions in accordance with a shareholders' agreement that was in place prior to the Company's IPO, but has been terminated since. There are no (other) arrangements or understandings in place

with major shareholders, customers, suppliers or others pursuant to which any member of the management board of the Company has been appointed.

BOARD MEMBERS' INDEMNIFICATION

Pursuant to the Articles, the Company shall indemnify any and all of its Directors, officers, former Directors and former officers against any and all liabilities, claims, judgments, fines and penalties incurred by them as a result of any threatened, pending or completed action, investigation or other proceeding, whether civil, criminal or administrative, brought by any party other than the Company itself or its subsidiary, in relation to acts or omissions in or related to his or her capacity as Director or officer of the Company, except in relation to claims insofar as they relate to the gaining in fact of personal profits, advantages or remuneration to which the relevant person was not legally entitled, or if the relevant person has been adjudged to be liable for willful misconduct or intentional recklessness. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise.

LIMITATION OF SUPERVISORY POSITIONS

Under Dutch law, an executive director of a large Dutch company may not hold more than two supervisory positions at another large Dutch company, and may not concurrently serve as chairman of the supervisory board or of a one tier board of a large Dutch company. A "supervisory position" is a position of membership on a supervisory board, non-executive director in a one-tier board structure or member of a supervisory body. Under Dutch law, a large company is a Dutch public limited liability company (*naamloze vennootschap*), a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) or a foundation (*stichting*) that fulfills at least two out of the following three criteria on two successive balance sheet dates: (i) the value of the assets according to the consolidated balance sheet with explanatory notes is, on the basis of the purchase price and manufacturing costs, more than € 20 million; (ii) the net turnover is more than € 40 million and (iii) the average number of employees is 250 or more. Supervisory positions in group companies, Dutch legal entities other than large public and private limited liability companies, and foundations and foreign legal entities do not count toward the maximum number of supervisory positions permitted.

Furthermore, under Dutch law, members of the supervisory board or non-executive directors of a large Dutch company may not hold five or more supervisory positions at another large Dutch company, whereby the chairmanship is counted twice.

An appointment in violation of these restrictions will result in the last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

The Company is not a statutory large company yet, but all members of the Board will voluntarily comply with these rules. According to the Board By-Laws, the Board shall endeavor to voluntarily, if possible, comply with the rules given in those sections if any seats on the Board become available and persons are nominated for appointment.

CORPORATE GOVERNANCE RULES

The current Dutch Corporate Governance Code entered into force on January 1, 2017. The Dutch Corporate Governance Code of January 1, 2009 is applicable to the year ended December 31, 2016.

The Company acknowledges the importance of good corporate governance. The Company fully endorses the underlying principles of the Dutch Corporate Governance Code which is reflected in a policy that complies with the best practice provisions as stated in the Dutch Corporate Governance Code. However, the Company does not (yet) comply with or deviates from the best practice provisions in the following areas:

- The Company does not comply with best practice provision II.2.4 of the Dutch Corporate Governance Code. Best practice principle II states that shares and/or options granted to managing directors are long-term investments. In line with this, provision II.2.4 states that Options (granted to Executive Directors) are not to be exercised within the first three years after the date of granting. Pursuant to the argenx Employee Stock Option Plan, Options are exercisable once vested, which means that 1/3rd of the Options granted are exercisable after one year, and each month after that 1/24th of the remaining Options is exercisable. The Company deviates from this principle II.2.4 to allow for a more liquid and hence more competitive option plan. In order to contribute to the long term value creation of the Company, options have a three year vesting period and hence any option package granted cannot be fully exercised within a 3 year term.

- The Company does not comply with best practice provision II.2.6 of the Dutch Corporate Governance Code, which requires that Options shall not have an exercise price lower than the stock market price or the average stock market price of a period not to exceed 5 days. Given the fact that the Company was listed relatively recently, the stock price of the Shares is still relatively volatile. Therefore, the Company grants Options with an exercise price based on the average closing price over the last 30 days (instead of 5). It is possible, under circumstances that this leads to a deviation from principle II.2.5 of the Dutch Corporate Governance Code.

- Provision II.2.10 of the Dutch Corporate Governance Code states that a variable remuneration component granted in a previous financial year may be adjusted upward or downward by the Non-Executive Directors if, owing to special circumstances in the relevant period for which the variable remuneration is paid, the outcome of an unadjusted variable pay would be unfair. Whereas the contracts between the Company (and/or its subsidiary) and the Executive Directors do not contain a provision to this extent, article 2:135 sub 6 of the Dutch Civil Code provides the same power to the Non-Executive Directors. Therefore, in the Board's view, the Company complies with best practice provision II.2.10. Equally, the right to claim back variable remuneration paid on the basis of erroneous financial or other data (*claw-back*) is not included in the contracts of the Executive Directors but is applicable nonetheless pursuant to article 2:135 sub 8 of the Dutch Civil Code. In practice, best practice principle II.2.10 is sometimes interpreted to mean that any contract between a company and its managing directors must contain a claw-back provision. As the contracts between the Company and its Executive Directors do not contain such a provision, the Company has deemed it prudent to list this as a (possible) deviation from the Corporate Governance Code.

- The Company does not comply with best practice provision III.3.3 of the Dutch Corporate Governance Code, which requires that the Non-Executive Directors will follow an introductory program. The Board members all have extensive relevant experience in the field the Company operates in, and/or have substantial experience with the Company. Therefore, an introductory program has until the date of this annual report not been deemed necessary. However, when in the future new Board members will join the Board, the Company will re-evaluate the need for such introductory program.

- The Company does not comply with best practice provision III.4.1 paragraph f of the Dutch Corporate Governance Code, which requires that chairman of the Board elects a vice-chairman among the Non-Executive Directors. Until the date of this annual report, the Board has not appointed a vice-chairman, but has in 2017 initiated the process of selecting and appointing the vice-chairman, which is expected to take place in 2017. This deviation also results in a corresponding deviation from best practice provision III.4.4 which sets out several duties of the vice chairman.

- The Company does not comply with best practice provision III.5 of the Dutch Corporate Governance Code, which requires that the Board shall appoint among its members an audit committee, a remuneration committee and a selection and appointment committee, if the Board consists of more than four Non-Executive Directors. For practical purposes, the remuneration committee and the selection & appointment committee are combined into the Remuneration and Nomination Committee, which performs the tasks attributed by the Dutch Corporate Governance Code to the remuneration committee, as well as the selection and appointment committee.

- The Company does not comply with best practice provision III.7 of the Dutch Corporate Governance Code, which requires that the remuneration of Non-Executive Directors shall be determined by the General Meeting. Instead, and in accordance with article 2:135 sub 4 and 5 of the Dutch Civil Code, the Board determines the remuneration for the (Executive and Non-Executive) Directors in respect of the performance of their duties, with due observation of the remuneration policy which, on proposal of the Non-Executive Directors, is adopted by the General Meeting.

- The Company does not comply with best practice provision III.7.1 of the Dutch Corporate Governance Code, which requires that Non-Executive Directors will not be granted any Shares or rights to Shares as remuneration. In accordance with the Company's remuneration policy, certain Non-Executive Directors may be granted Options by way of remuneration, in recognition of the substantial industry expertise they bring to the Company and as a means of attracting highly qualified persons to serve as Non-Executive Directors on the Board.

- The Company does not comply with best practice provision V.3 of the Dutch Corporate Governance Code, which requires that the appointment of an internal auditor. The Audit Committee will evaluate yearly the need for such internal auditor and make a recommendation to the Executive Directors based on this evaluation.

- The Company does not comply with best practice provision IV.1.1 of the Dutch Corporate Governance Code, which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Director or to remove such a Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. In accordance with article 2:133 sub 2 of the Dutch Civil Code, such resolutions can only be adopted by the General Meeting with two-third of the votes cast representing at least half of the Company's issued capital.

IN CONTROL STATEMENT

In accordance with best practice provision II.1.4 of the Dutch Corporate Governance Code, the Company has assessed the design and operational effectiveness of its risk management framework. Based on the activities performed during 2016 and in accordance with best practice provision II.1.5 the Board considers that during 2016 the financial risk management procedures worked effectively and that this provides reasonable assurance that the financial statements for the year 2016 do not contain any material misstatements.

CORPORATE SOCIAL RESPONSIBILITIES

The Company has incorporated a code of conduct, an insider trading policy, a whistle-blower policy and an outline policy on bilateral contacts with Shareholders. Each of these documents apply mandatorily to all personnel, Directors and consultants and can be found on the Company's website.

argenx

Financial Report 2016

Consolidated financial statements

FOR THE PERIOD ENDED DECEMBER 31, 2016

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Responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements of argenx N.V. as of December 31, 2016, 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 13, 2017

Eric Castaldi, CFO

General information

argenx N.V. is a clinical-stage biotechnology company developing a deep pipeline of differentiated antibody-based therapies for the treatment of severe autoimmune diseases and cancer. Utilizing it suite of differentiated technologies, the Group is focused on developing product candidates with the potential to be either first-in-class against novel targets or best-in-class against known, but complex, targets in order to treat diseases with a significant unmet medical need. The SIMPLE Antibody Platform, based on the powerful llama immune system, allows the Group to exploit novel and complex targets, and its three antibody engineering technologies enable the Group to expand the therapeutic index of its product candidates. Together with its antibody discovery and development expertise, this suite of technologies has enabled the Group's pipeline of seven product candidates. Two of its product candidates will be in clinical proof of concept trials for three indications within the first half of 2017.

The most advanced product candidate, ARGX 113, is in a Phase 2 clinical trial for the treatment of the rare autoimmune disease myasthenia gravis, or MG, and, in March 2017, the Group plans to initiate a Phase 2 clinical trial of ARGX 113 for the treatment of another rare autoimmune disease, primary immune thrombocytopenia, or ITP. The Group is currently developing its second lead product candidate, ARGX 110, for rare and aggressive hematological cancers, initially for T cell lymphoma, or TCL, and acute myeloid leukemia, or AML, as well as high risk myelodysplastic syndrome, or MDS. In December 2016, the Group commenced a Phase 1/2 clinical trial of ARGX 110 in combination with azacitidine for the treatment of newly diagnosed AML or high risk MDS patients, and in March 2017, the Group expects to initiate the Phase 2 part of a Phase 1/2 clinical trial of ARGX 110 for the treatment of cutaneous TCL, or CTCL.

The Group has a disciplined strategy to maximize the value of its pipeline whereby the Group plans to retain development and commercialization rights to those product candidatesthe Group believes it can ultimately commercialize successfully on its own if they are approved. The Group plans to collaborate on product candidates that it believes have promising utility in disease areas or patient populations that are better served by the resources of larger biopharmaceutical companies.

The Group has entered into collaborations with a number of biopharmaceutical companies, including a collaboration with AbbVie S.Á.R.L., or AbbVie, for ARGX 115, a cancer immunotherapy focused product candidate, against the novel target glycoprotein A repetitions predominant. The Group received a $40.0 million (€35.1 million as of the date the payment was received) upfront payment in connection with this collaboration.

Since its inception in 2008, the Group has focused most of its financial resources and efforts to developing the SIMPLE Antibody Platform and antibody engineering technologies, identifying potential product candidates, establishing process, development and manufacturing capabilities for its product candidates and advancing multiple discovery programs into the clinic. The Group has advanced four internally developed product candidates into the clinic—ARGX-113, ARGX-110, ARGX-111, and ARGX-109—three into the preclinical stage—ARGX-115, ARGX-112, and ARGX-116—and currently has multiple programs in the discovery stages. Through December 31, 2016, the Group has raised an aggregate of €144.5 million, including (i) an aggregate of €46.0 million from the private placement of equity securities in 2008, 2009 and 2011, (ii) €41.8 million from the initial public offering on Euronext Brussels in 2014, (iii) €46.0 million from the private placement of equity securities, primarily to U.S.-

based institutional investors, in 2016 and (iv) €10.7 million from governmental bodies. In addition, the Group has received upfront payments, milestone payments and research and development service fees from its collaborators totaling €61.0 million at the end of 2016. As of December 31, 2016, the Group had cash, cash equivalents and current financial assets of €96.7 million.

Since its inception, the Group has incurred significant operating losses. The Group does not currently have any approved products and has never generated any revenue from product sales. Its ability to generate revenue sufficient to achieve profitability will depend significantly upon the successful development and eventual commercialization of one or more of its product candidates, which may never occur. The Group has never been profitable and has incurred losses each year since incorporation. The Group's total comprehensive losses were €21.4 million and €15.3 million for the years ended on December 31, 2016 and 2015 respectively. On December 31, 2016 the Group had an accumulated deficit of €72.5 million. Its total comprehensive 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 €96.7 million in cash and cash equivalents and current financial assets, as of December 31, 2016, the Board believes it can submit the Group's 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 thousands of €)	Note	Year ended December 31, 2015	Year ended December 31, 2016
Current assets			
Cash and cash equivalents	4.9	35,514	89,897
Restricted cash	4.5	0	786
R&D incentive receivables	4.4	0	163
Financial assets	4.8	6,813	6,831
Prepaid expenses	4.7	454	2,146
Trade and other receivables	4.6	1,356	1,970
Total Current assets		**44,137**	**101,793**
Non-current assets			
Restricted cash	4.5	0	1,149
R&D incentive receivables	4.4	1,568	2,046
Financial assets	4.3	1	1
Property, plant and equipment	4.2	249	766
Intangible assets	4.1	7	17
Total Non-Current assets		**1,825**	**3,979**
Total assets		**45,962**	**105,772**

Equity and liabilities (in thousands of €)	Note	Year ended December 31, 2015	Year ended December 31, 2016
Equity	4.10		
Equity attributable to owners of the parent			
Share capital		1,580	2,012
Share premium		82,169	126,358
Accumulated deficits		(51,118)	(72,492)
Other reserves		4,647	7,496
Total equity		**37,278**	**63,374**
Non-current liabilities		**0**	**1**
Provisions for employee benefits	4.11	0	1
Current liabilities		**8,684**	**42,397**
Trade and other payables	4.12	4,543	12,191
Deferred revenue	4.13	4,141	30,206
Total liabilities		**8,684**	**42,398**
Total equity and liabilities		**45,962**	**105,772**

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 thousands of € except for shares and EPS)	Note	Year ended December 31, 2015	Year ended December 31, 2016
Revenue	5.1	6,854	14,713
Other operating income	5.2	3,101	2,439
Total operating income		**9,955**	**17,152**
Research and development expenses	5.4	(20,635)	(31,557)
General and administrative expenses	5.5	(4,925)	(7,011)
Operating loss		**(15,605)**	**(21,416)**
Financial income	5.8	112	73
Financial expenses	5.8	0	0
Exchange gains/(losses)	5.8	181	(31)
Loss before taxes		**(15,312)**	**(21,374)**
Income tax income/(expense)	5.9	0	0
Total comprehensive loss of the period		**(15,312)**	**(21,374)**
Weighted average number of shares outstanding		15,734,007	18,820,612
Basic and diluted loss per share (in €)	5.10	(0.97)	(1.14)

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

Consolidated statement of cash flows

Consolidated statement of cash flows (in thousands of €)	Note	Year ended December 31, 2015	Year ended December 31, 2016
Cash flows from operating activities			
Operating result		**(15,604)**	**(21,416)**
Adjustments for non-cash items			
Amortisation of intangible assets		5	11
Depreciation of property, plant and equipment		191	323
Provisions for employee benefits		0	1
Expense recognized in respect of share-based payments		2,270	2,849
		(13,139)	**(18,232)**
Movements in current assets/liabilities			
(Increase)/decrease trade and other receivables	4.6	(651)	(614)
(Increase)/decrease in other current assets		(362)	(2,641)
Increase/(decrease) in trade and other payables	4.12	(434)	7,648
Increase/(decrease) in deferred revenue	4.13	689	26,065
(Increase)/decrease in other non-current assets		0	(1,627)
Cash generated in operating activities		**(13,897)**	**10,599**
Interests paid		0	0
Net cash flows used in operating activities		**(13,897)**	**10,599**
Cash flows from investing activities			
Purchase of intangible assets	4.1	(5)	(21)
Purchase of property, plant and equipment	4.2	(274)	(840)
(Increase)/decrease in current financial assets	4.8	16,979	(18)
Interest received	5.8	112	73
Net cash flows from investing activities		**16,812**	**(806)**
Cash flows from financing activities			
Proceeds from issue of shares	4.10	238	44,621
Net cash flows from financing activities		**238**	**44,621**
Net increase (decrease) in cash & cash equivalents		**3,153**	**54,414**
Cash and cash equivalents at the beginning of the period		**32,180**	**35,514**
Exchange gains/(losses) on cash & cash equivalents	5.8	181	(31)
Cash and cash equivalents at the end of the period		35,514	89,897

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

Consolidated statement of changes in equity

(in thousands of €)	Attributable to owners of the parent					Total equity
	Share capital	Share premium	Accu-mulated deficit	Other reserves Equity-settled share-based payment reserve	Total equity attributable to owners of the parent	
Balance at January 1, 2015	**1,571**	**81,940**	**(35,806)**	**2,377**	**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)**	**4,647**	**37,278**	**37,278**
Total comprehensive loss of the period			(21,374)		(21,374)	**(21,374)**
Issue of share capital	432	46,038			46,470	**46,470**
Transaction costs for equity issue		(1,849)			(1,849)	**(1,849)**
Share-based payment				2,849	2,849	**2,849**
Balance Year ended December 31, 2016	**2,012**	**126,358**	**(72,492)**	**7,496**	**63,374**	**63,374**

Please refer to note 4.10 for more information on the share capital and movement in number of shares. See also note 4.14 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 2016

1. General information about the company

argenx N.V. (the Company) is a public company with limited liability incorporated under the laws of the Netherlands. The Company (COC 24435214) has its official seat 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 9 of the Company financial statements.

argenx N.V. is listed on Euronext Brussel since July 2014.

The following financial statements were reviewed and approved by the Board of Directors meeting on March 13, 2017.

2. Significant accounting policies

The principal Group accounting policies are summarized below.

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The consolidated financial statements provide a general overview of the Group's activities and the results achieved. They give a true and fair view of the entity's financial position, its finanacial performance and cash flows, on a going concern basis. The accounting policies as described further in this note have been applied in preparing the consolidated financial statements for the year ended December 31, 2016 and for the comparative information for the year ended December 31, 2015.

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 judgment 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 €, unless otherwise indicated, rounded to the nearest € '000.

2.2 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 Com-

pany and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When nescessary, 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.

2.3 FOREIGN CURRENCY TRANSACTIONS

Functional and presentation currency
The financial statements are presented in €, 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 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.

2.4 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 amortized 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, development 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 capitalization are not met until the regulatory procedures required by such healthcare authorities have been finalized. 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 amortization 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.

2.5 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 as from acquisition date onwards (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.

2.6 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.

2.7 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.

2.8 FINANCIAL ASSETS

Investments in financial assets are divided into various categories. Classification of these investments depends on the purposes for which investments have been acquired. Management determines the classification at the time of the purchase and re-evaluates such designation at each subsequent balance sheet date.

Purchase and sale of financial assets are recognized on the settlement date, which is the date an asset is delivered to or by the Group. The cost of financial assets includes transaction costs.

The carrying amounts of all financial assets in this note are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount is impaired. If objective evidence exists that a financial asset or group of financial assets is impaired, the amount of the impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). The resulting impairment loss is immediately recognized in net finance costs.

An impairment loss on financial assets is reversed if, in a subsequent period, the amount of the impairment loss decreased and this decrease can be related objectively to an event occurring after the impairment loss was recognized. Such reversal is immediately recognized in net finance costs.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognized at fair value and are subsequently carried at armortised cost using the effective interest method. A provision for impairment of trade and other 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.

2.11 RESEARCH & DEVELOPMENT INCENTIVE RECEIVABLES

Because it carries out extensive research and development activities, the Company benefits from various research and development incentives from certain governmental agencies. These research and development incentives generally aim to partly reimburse approved expenditures incurred in research and development efforts of the Company and are credited to the consolidated statement of profit and loss and other comprehensive income, in other operating income, when there is reasonable assurance that the research and development incentives are receivable.

Non-current research and development incentives receivables are discounted over the period until maturity date according to the appropriate discount rates.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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 include 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, re-issued or disposed of. Where such shares are subsequently sold or re-issued, 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 amortized 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 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".

2.16 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.

2.17 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 organizations 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, historically 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 ('Obligation Lineaire Obligaties' – Belgian Government Bond) rates, with a minimum of 1.75% and a maximum of 3.75%. Hence, those plans classify as defined benefit plans. Until year-end 2015, 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. From 2016 onwards, these plans are accounted for as defined benefit plans (see note 4.11).

The liability recognized in the balance sheet is the present value of the defined benefit obligation less the fair value of plan assets. An independent actuary calculates the defined benefit obligation based on factors such as age, years of service, and compensation (projected unit credit method). The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the cur-

rency in which the benefits will be paid, and with terms to maturity that approximate the term when the related liability is due. Current service costs are recognized in personnel expenses and reflect the increase in the defined benefit obligation resulting from employee service in the current year. Past service costs are recognized immediately in personnel expenses. The net interest expense on the defined benefit liability is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then net defined benefit liability. Net interest expense is recognized in personnel expenses. Re-measurement gains and losses of the defined benefit obligation arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income.

2.18 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.

2.19 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 4.14.

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.

2.20 DEFERRED REVENUE

Deferred revenue relates to cash received from industrial partnerships prior to completion of the earnings process. These payments are recognized as revenue over the estimated duration of the Company's involvement in the research and development programs provided for under the terms of the agreements.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are also recognized as deferred revenue in the statement of financial position.

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 basis used in the computation of taxable profit (e.g. differences between carrying amounts under IFRS and the statutory tax basis). 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 utilized. 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 realized, 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 realized simultaneously.

2.22 REVENUE AND OTHER OPERATING INCOME RECOGNITION

The Group generates revenue from collaborations and strategic alliances.

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.

Collaborations

Collaborations typically contain upfront payments, milestone payments, research and development service fees 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 collaborations and strategic alliances upfront, milestone and other similar payments related to the sale of services or out-licensing of products.

The revenue recognition policies can be summarized as follows:

Upfront payments

Upfront payments for which there are subsequent deliverables are initially reported as deferred revenue and are recognized as revenue when earned over the period of the development collaboration or the manufacturing obligation. Upfront payments also include license fees received upfront.

Deferred revenue 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 revenue is measured at nominal value.

Milestone payments

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.

Research and development services fees

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 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.

Grants, research and development incentives and payroll tax rebates

Because it carries out extensive research and development activities, the Group benefits from various grants, research and development incentives and payroll tax rebates from certain governmental agencies. These grants, research and development incentives and payroll tax rebates generally aim to partly reimburse approved expenditures incurred in research and development efforts of the Group and are credited to the income statement, under other income, when the relevant expenditure has been incurred and there is reasonable assurance that the grants or research and development incentives are receivable.

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 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 categorized 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

2.25 ADOPTION OF NEW AND REVISED STANDARDS

New accounting policies and disclosures for 2016

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2016:

- 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after February 1, 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 capitalized', 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 February 1, 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 January 1, 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 January 1, 2016. The amendments include IAS 19, 'Employee benefits' and IFRS 7 'Financial instruments: disclosures'.

- Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after January 1, 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.

• 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 January 1, 2016. These narrow-scope amendments introduce clarifications to the requirements when accounting for investment entities.

The implementation of the above-mentioned Standards and Interpretations did not have a significant impact on the financial statements of the Group.

New accounting policies and disclosures effective in 2017 or later

The IASB has issued, and the EU has endorsed, a number of new standards and updated some existing standards, the majority of which are effective for accounting periods beginning on January 1, 2017 or later. Therefore, they are not incorporated in the consolidated financial statements. Only standards and interpretations issued before December 31, 2016, of relevance for the Group are described below.

• The IASB has issued IFRS 15 "Revenue from contracts with customers", with an effective date of January 1, 2018. It was endorsed by the EU in third quarter of 2016. Entities will apply a five step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. The IASB issued Clarifications to IFRS 15 "Amendments to IFRS 15-Clarifications to IFRS 15 Revenue from Contracts with Customers", with an effective date of January 1, 2018. It currently awaits EU endorsement. The clarifications address how to identify the performance obligations in a contract, how to determine whether a party involved in a transaction is the principal or the agent, how to determine whether a license provides the customer with a right to access or a right to use the entity's intellectual property, and added practical expedients to the transition requirements of IFRS 15. The Group is currently performing a detailed assessment of the potential impact of IFRS 15 and has identified the following areas that will be affected:

Research and development, license, and collaboration agreements – the Group generates its revenue solely through a number of these agreements. A typical agreement includes multiple deliverables such as a license grant, research and development services, and other services/obligations during the term of the agreement. Existing IFRS standards lack detailed guidance on how to account for multiple element arrangements and include the notion of the transfer of risk and rewards. IFRS 15 is based on the principle that revenue is recognized when control of the good or service is transferred to the cus-tomer (replacing the notion of risk and rewards) and includes specific criteria for separating multiple elements based on whether they are "distinct". A good or service is distinct if both:

- the customer benefits from the item either on its own or together with readily available resources, and
- it is separately identifiable

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative standalone selling prices. A typical arrangement includes multiple forms of consideration including an up-front payment, milestone payments, royalties, and cost reimbursement which will need to be evaluated for allocation to performance obligations. The Group is currently in the process of reviewing all its research and development, license, and collaboration agreements to ascertain how IFRS 15 will impact the identification of distinct goods and services and the allocation of consideration to them. However, as the Group's assessment of all contracts, potential performance obligations, and potential allocation of revenue is not complete, the Group is not able to give a reasonable estimate of the effect of IFRS 15 on the consolidated financial statements. The Group plans to adopt IFRS 15 on the effective date.

• The IASB has issued IFRS 9 "Financial Instruments", with an effective date of January 1, 2018. It was endorsed by the EU in the fourth quarter of 2016. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The new hedging rules align hedge accounting more closely with the Group's financial risk management practices. As a general rule it will be easier to

apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Group is currently evaluating the guidance to determine the potential impact on the consolidated financial statements. The Group plans to adopt IFRS 9 on the effective date.

- IFRS 16 'Leases', effective for annual periods beginning on or after January 1, 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 is currently evaluating the guidance to determine the potential impact on the consolidated financial statements and thus far has identified the most significant impact will be the recognition of new assets and liabilities for its operating leases of office and research facilities. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. The actual impact on the Group's consolidated financial statements in 2019 is not known and cannot be reliably estimated because it will be dependent on the operating leases at that time which are subject to a number of factors, including continued success and growth of the Group's pre-clinical and clinical pipeline. The Group plans to adopt IFRS 16 on the effective date.

- 'Amendments to IAS 7 Statement of Cash Flows' was issued in January 2016. These amendments will become effective as of January 1, 2017, with earlier application being permitted. These amendments are subject to endorsement by the EU and are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.

- 'Amendments to IFRS 2 Share-based payment" was issued in June 2016. These amendments will become effective as of January 1, 2018, with earlier application being permitted, and are subject to endorsement by the EU. The amendments address several requests that the IASB and the IFRS Interpretations Committee received and are therefore intended to provide further clarification on the interpretation of the Standard.

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 is currently being investigated.

2.26 SEGMENT REPORTING

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated on a reasonable basis to a segment. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities do not include income tax items. 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.

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 judgments, 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 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 Group has incurred net losses since its inception and on December 31, 2016, 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 13, 2017, the Board has reviewed and approved the consolidated financial statements and accounting standards. Taking into account the cash position of €89.9 million on December 31, 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 research and development activities continue to deliver added value, the Company 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. Subsequently, the fair value recognized in equity 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 4.14.

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 Group has reported losses, and consequently, the Group has unused tax losses. 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. Therefore, management has concluded that deferred tax assets should not be recognized on December 31, 2016.

4. Notes relating to the consolidated statement of financial position

4.1 INTANGIBLE ASSETS

(in thousands of €)	
Opening balance as on January 1, 2015	
Purchase price	67
Accumulated amortization	(60)
Bookvalue at the beginning of the year	**7**
Movements	
Investments	5
Amortization	(5)
Balance as on December 31, 2015	
Purchase price	72
Accumulated amortization	(65)
Bookvalue at year end	**7**
Opening balance as on January 1, 2016	
Purchase price	72
Accumulated amortization	(65)
Bookvalue at the beginning of the year	**7**
Movements	
Investments	21
Amortization	(11)
Balance as on December 31, 2016	
Purchase price	93
Accumulated amortization	(76)
Bookvalue at year end	**17**

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.

4.2 PROPERTY, PLANT AND EQUIPMENT

(in thousands of €)	IT equipment	Office and lab equipment	Total
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	93	1,179	1,272
Accumulated depreciation	(66)	(957)	(1,023)
Bookvalue at year end	**27**	**222**	**249**
Opening balance as on January 1, 2016			
Purchase price	93	1,179	1,272
Accumulated depreciation	(66)	(957)	(1,023)
Bookvalue at the beginning of the year	**27**	**222**	**249**
Movements			
Investments	115	725	840
Depreciation	(38)	(285)	(323)
Closing balance as on December 31, 2016			
Purchase price	208	1,904	2,112
Accumulated depreciation	(104)	(1,242)	(1,346)
Bookvalue at year end	**104**	**662**	**766**

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

4.3 OTHER NON-CURRENT FINANCIAL ASSETS

Non-current financial assets consist of minority participations in Bird Rock Bio (formerly RuiYi Inc.) (Bird Rock Bio) and Fair Journey LDA. The company has no significant influence over these investments. These investments are qualified as “fair value through other comprehensive income”—investments and if no reliable fair value measurements are available, valued at cost. At the end of 2016, both investments were recorded at cost as no reliable fair value information was available.

4.4 RESEARCH AND DEVELOPMENT INCENTIVE RECEIVABLES

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Research and Development incentive receivables - current	0	163
Research and Development incentive receivables - non-current	1,568	2,046
	1,568	**2,209**

On December 31, 2016, the Group has recorded a tax receivable of €2.2 million compared to €1.6 million on December 31, 2015, in relation with a research and development incentive tax scheme in Belgium under which the research and development incentives can be refunded after five years if not offset against future income tax expense. The research and development 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 RESTRICTED CASH

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Non-current restricted cash		
Rental guarantee building Bio-Incubator	0	244
Escrow account > 1 year	0	905
Total non-current	**0**	**1,149**
Current restricted cash		
Escrow account < 1 year	0	786
Total restricted cash	**0**	**1,935**

On December 31, 2016, the Group had a total amount of €1.9 million of restricted cash. This amount is split as follows:

- A non-current part for an amount of €1.1 million with a long term maturity (more than 12 months) and relating (i) for €0.2 million to a deposit guarantee related to the lease agreement for the laboratory and offices of the company and (ii) for €0.9 million to an escrow account with a third party involved in the collaboration with AbbVie. This escrow account will be released to the Group or to the third party under certain conditions after the completion of the work plan of the related collaboration agreement with AbbVie.
- A current part for an amount of €0.8 million with a short maturity and relating to the short term part of the above mentioned escrow account.

4.6 TRADE AND OTHER RECEIVABLES

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

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
VAT receivable	175	278
Trade receivables	719	1,118
Interest receivable	17	6
Flanders Innovation & Entrepreneurship grants to receive	445	568
	1,356	**1,970**

The nominal amounts of all trade and other receivables approximate their respective fair values.
The VAT receivable relates to VAT amounts to be recovered in the first quarter of 2017.

Trade receivables correspond to amounts invoiced to the collaborators or strategic allies of the Group. No trade receivables were impaired on December 31, 2016. The Flanders Innovation and Entrepreneurship 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 Flanders Innovation and Entrepreneurship Agency grants to receive see note 5.2.

4.7 PREPAID EXPENSES

The prepaid expenses on December 31, 2016 amount to €2.1 million compared to €0.5 million on December 31, 2015. €1.4 million of the prepaid expenses relate to a license fee paid to a third party involved in the license agreement signed with AbbVie in April 2016. The amount will be recognized as expense in the profit and loss statement over the period of the agreement.

4.8 OTHER CURRENT FINANCIAL ASSETS

On December 31, 2016 and 2015, the current financial assets amounted to €6.8 million and correspond 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 converted into a known amount of cash, but 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. Please also refer to note 6.1 for more information on the financial instruments.

4.9 CASH AND CASH EQUIVALENTS

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Cash equivalents	11,006	54,500
Cash and bank balances	24,508	35,397
	35,514	**89,897**

On December 31, 2016, cash and cash equivalents amounted to €89.9 million compared to €35.5 million on December 31, 2015 and included (i) cash on hand and (ii) current and savings accounts in different banks.

4.10 SHAREHOLDERS' CAPITAL

Roll forward of number of shares outstanding:

Number of shares outstanding on January 1, 2015	**15,705,112**
Exercise of Options September 1, 2015	97,655
Number of shares outstanding on December 31, 2015	**15,802,767**
Federated Investment January 20, 2016	1,480,420
Exercise of Options February 15, 2016	2,200
Exercise of Options March 16, 2016	10,000
Exercise of Options April 21, 2016	10,000
Exercise of Options May 27, 2016	33,092
Private placement Sunflower	2,703,000
Exercise of Options September 26, 2016	70,000
Exercise of Options October 17, 2016	15,000
Number of shares outstanding on December 31, 2016	**20,126,479**

New shares issued during 2015

On January 1, 2015 the issued share capital of the Company consisted of 15,705,112 ordinary shares with a nominal value of €0.1 per share.

As a result of the exercise of stock options under the company's Employee Stock Option Plan 97,655 new shares were issued in September 2015. This resulted in a total of 15,802,767 ordinary shares with a nominal value of €0.1 per share on December 31, 2015.

New shares issued during 2016

In January 2016 US funds advised by subsidiaries of Federated Investors, Inc. purchased 1,480,420 new shares and in June, following a private placement, 2,703,000 new shares were issued to institutional investors. 140,292 new shares were also issued in 2016 as a result of the exercise of stock options under the argenx Employee Stock Option Plan.

This results in a total of 20,126,479 ordinary shares with a nominal value of €0.1 per share on December 31, 2016. The authorized unissued share capital of the Company amounts to €4.5 million divided into 45 million ordinary shares.

4.11 DEFINED BENEFIT PLANS

Until the end of 2015, under the previous legal framework, the application of the Projected Unit Credit 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.

On December 31, 2015 a liability of €0.01 million was as such recognized in the balance sheet as the sum of the positive difference per plan participant between the minimum guaranteed reserves of €0.4 million and the accumulated reserves of €0.4 million. The impact in the consolidated income statement was 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 amounted to €0.2 million in 2015.
From January 1, 2016 onwards, these pension plans are accounted for as defined benefit plans. The net liability on January 1, 2016 amounted to €0.

The latest actuarial valuation under IAS 19, carried out as of December 31, 2016 by an independent actuary, resulted in a total defined benefit obligation amount of €0.7 million (December 31, 2015 : €0.5 million) and in related plan assets of €0.7 million (December 31, 2015 : €0.5 million).
The amounts recognized in the balance sheet are as follows:

(in thousands of €)	2015	2016
Defined Benefit Obligation	486	670
Fair value of plan assets	486	669
Deficit / surplus (-) of funded obligations	**0**	**1**
Net liability (asset)	**0**	**1**

The movement in the defined-benefit obligation, plan assets, net liability and asset over the year is as follows:

(in thousands of €)	Defined-benefit obligation	Plan assets	Net liability/ asset (-)
January 1, 2016	**486**	**486**	**0**
Current service cost	113		113
Interest expense / income (-)	6	7	-1
Net benefit expense / income (-) recognized in profit and loss	**119**	**7**	**112**
Remeasurements			
Experience gains (-) / losses	1		1
Changes recognized in equity	**1**		**1**
Contributions			
Employer contributions		112	-112
Employee contributions	64	64	0
December 31, 2016	**670**	**669**	**1**

In the income statement, current service cost and interest expense or income are included in the operating loss.

The Group's estimated employer contributions for 2017 amount to €0.1 million (December 31, 2016 : €0.1 million).
Plan assets on December 31, 2015 and 2016 consisted fully of insurance contracts and did not include direct positions in the Company's shares or bonds, nor do they include any property used by the Company. As the insurance contracts match the benefits payable by the plan, the plan assets correspond to the present value of the related obligations.

The principal actuarial assumption on the balance sheet date (weighted averages based on outstanding Defined Benefit Obligation) was:

Actuarial assumption	2016
Discount rate	1.3 %

The duration of the benefit obligations equals 18 years. Sensitivity analyses show the following effects:

Sensitivity analysis (in thousands of €)	Change in assumption	Impact on defined-benefit obligation		%
Discount rate	-0.5%	Increase by	70.0	10%
	0.5%	Decrease by	53.1	-8%

The above analyses were done on a mutually exclusive basis, and holding all other assumptions constant. Through its defined-benefit plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Salary risk	The majority of the plans' benefit obligations are calculated by reference to the future salaries of plan members. As such, a salary increase of plan members higher than expected will lead to higher liabilities.
Longevity risk	Belgian pension plans provide for lump sum payments upon retirement. As such there is limited or no longevity risk.

The weighted average age of the plan participants equals 48 years on December 31, 2016 (46 years on December 31, 2015).

4.12 TRADE AND OTHER PAYABLES

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Trade payables	1,886	4,385
Accruals for invoices to be received	825	5,132
Short-term employee benefits	1,418	2,362
Accrued expenses	414	312
	4,543	**12,191**

Trade payables correspond primarily to clinical and manufacturing activities. The fair value of trade payables approximates 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 €5.1 million relates to invoices to be received from clinical manufacturing organizations for the manufacturing of drug products to be used in clinical trials and from a clinical research organization for the pass-through expenses incurred by clinical sites used in relation with the ongoing clinical trials 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.

4.13 DEFERRED REVENUE

Deferred revenue relates to cash received from collaboration and strategic alliances prior to completion of the earnings process. On December 31, 2016, deferred revenue amounted to €30.2 million compared to €4.1 million at the same date in 2015, and includes €27.7 million related to the upfront payment received from AbbVie in April 2016, €2.1 million related to the upfront payment received from LEO Pharma in May 2015 and €0.4 million related to the upfront payment received from Shire AG (Shire) in February 2012. These payments are recognized as revenue over the estimated duration of the Group's involvement in the research and development programs provided for under the terms of the agreements.

4.14 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 May 25, 2016 a total of 288,950 stock options, on June 18, 2016 a total of 60,000 stock options and on December 13, 2016 a total of 363,226 stock options to its employees, Board members and consultants. The total number of stock options outstanding on December 31, 2016 totals 2,293,636 (December 31, 2015: 1,752,926). No stock options are expired and 140,292 stock options have been exercised in the year ended December 31, 2016 (December 31,2015 : 97,656). A total of 31,174 stock options have been forfeited in the year ended December 31, 2016 (December 31, 2015 : 47,333).

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:

Expiry date	Exercise price per stock options (in €)	Outstanding stock options on December 31, 2015	Outstanding stock options on December 31, 2016
2019	3.95	103,370	0
2020	3.95	62,460	112,738
2021	3.95	3,800	3,800
2021	2.44	686,732	0
2021	3.95	55.747	0
2023	2.44	0	360,787
2024	2.44	0	169,926
2024	3.95	0	55,746
2024	7.17	537,917	522,500
2024	2.44	0	83,820
2025	11.44	56,500	39,000
2025	10.34	3,000	3,000
2025	9.47	243,400	235,733
2026	11.38	0	60,000
2026	11.47	0	283,360
2026	14.13	0	363,226
		1,752,926	**2,293,636**

	2015		2016	
	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**	**1,752,926**	**5.37**
Granted	302,900	9.84	712,176	12.82
Exercised	-97,656	2.44	-140,292	3.52
Forfeited	-47,333	7.17	-31,174	10.90
Outstanding at December 31	**1,752,926**	**5.37**	**2,293,636**	**7.72**
Exercisable at December 31	**1,366,703**	**4.41**	**1,257,091**	**4.68**

The weighted average remaining contractual life of the stock options outstanding amounts to 8.09 years on December 31, 2016 (December 31, 2015: 7.28 years). The table below shows the weighted average remaining contractual life for each range of exercise price:

Exercise price (in €)	Outstanding on December 31, 2016	Weighted average remaining contractual life (in years)
2.44-3.95	786,817	6.46
7.17-9.47	758,233	8.27
10.33-14.13	748,586	9.62

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 grants during 2016:

Stock options granted in	May 2016	June 2016	Dec 2016
Number of options granted	288,950	60,000	363,226
Average fair value of options (in EUR)	5.32	5.46	7.25
Share price (in EUR)	11.1	11.36	14.96
Exercise price (in EUR)	11.47	11.376	14.134
Expected volatility	40%	40%	38%
Average expected option life (in years)	10	10	10
Risk-free interest rate	0.52%	0.46%	0.67%
Expected dividends	0%	0%	0%

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

The total share-based payment expense recognized in the consolidated statement of comprehensive income totals €2.8 million for the year ended December 31, 2016 (December 31, 2015: €2.3 million).

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

5.1 REVENUE

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Upfront payments	2,194	9,103
Milestone payments	343	500
Research and development service fees (FTE)	4,317	5,110
	6,854	**14,713**

For 2015 and 2016, the majority of the revenue was generated under the agreements with Shire, Bayer, LEO Pharma and AbbVie, each as described below. These agreements comprise elements of upfront payments, milestone pay-ments based on development criteria, and research and development funding on an agreed FTE basis.

The upfront payments received in 2016 correspond principally to the partial recognition in revenue over the period of the upfront payment received following the signatures of a collaboration agreement with AbbVie in April 2016, with LEO Pharma in May 2015, and with Shire in February 2012. These payments are recognized as revenue over the esti-mated period of the Group's continuing involvement in the research and development activities provided for under the terms of these agreements.

The milestone payment of €0.5 million recognized in 2016 relates to a payment received under the LEO Pharma col-laboration.

The research and development service fees (FTE) correspond to FTE payments received under the collaboration agreements of €2.3 million from Shire, €2.0 million from LEO Pharma, €0.5 million from Staten Biotechnology B.V. (Staten) and €0.3 million from Bayer.

The Group has a disciplined strategy to maximize the value of its pipeline whereby it plans to retain all development and commercialization rights to those product candidates that the Group believes can ultimately commercialize suc-cessfully, if approved. The Group has partnered, and plans to continue to partner, product candidates that it believes have promising utility in disease areas or patient populations that are better served by resources of larger biophar-maceutical companies. Below are summaries of the key collaborations.

ABBVIE

In April 2016, the Group entered into a collaboration agreement with AbbVie S.À.R.L. (AbbVie) to develop and commer-cialize ARGX 115. Under the terms of the collaboration agreement, the Group will be responsible for conducting and funding all ARGX 115 research and development activities up to completion of IND enabling studies.

The Group has granted AbbVie an exclusive option, for a specified period following completion of IND enabling studies, to obtain a worldwide, exclusive license to the ARGX 115 program to develop and commercialize products. Following the exercise of the option, AbbVie will assume certain development obligations, and will be solely responsible for all research, development and regulatory costs relating to the products. The Group received an upfront, non refundable, non creditable payment of $40 million (€35.1 million as of the date the payment was received) from AbbVie for the exclusive option to license ARGX 115 and is eligible to receive two near term preclinical milestones of $10 million each. The Group is also eligible, if AbbVie exercises its option, to receive additional development, regulatory and commercial milestone payments in an aggregate of up to $625 million as well as tiered royalties on sales at percentages ranging from the mid single digits to the lower teens, subject to customary reductions.

The Group has the right, on a product by product basis to co-promote ARGX 115 based products in the European Eco-nomic Area and Switzerland and to combine the product with the Group's own future immuno oncology programs. The co-promotion effort would be governed by a co-promotion agreement negotiated in good faith by the parties. In addi-tion to the ARGX 115 program, and upon reaching a predetermined preclinical stage milestone, AbbVie will fund further GARP related research by the Group for an initial period of two years. AbbVie will have the right to license additional therapeutic programs emerging from this research, for which the Group could receive associated milestone and roy-alty payments.

If AbbVie does not exercise its option to license ARGX 115, the Group has the right to pursue development and commercialization of ARGX 115 by itself or with another partner.

Unless earlier terminated upon mutual agreement, for material breach or as otherwise specified in the agreement, the term of the option and license agreement ends, with respect to the ARGX 115 program, upon the earliest of (i) a technical failure of the IND enabling studies which is outside of the Group's control, (ii) AbbVie's election to not exercise its option, or (iii) following AbbVie's exercise of the option, fulfilment of all payment obligations under the agreement. AbbVie may terminate the agreement for any reason upon prior written notice to the Group.

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 May 30, 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 €3 million. At the same time as expanding the collaboration, Shire made an equity investment during the Group's IPO in July 2014 of €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.

Leo Pharma

In May 2015 the Group and LEO Pharma A/S (LEO Pharma), 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 €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.

Bayer

In May 2014 the Group entered into a research collaboration and exclusive product license option agreement with Bayer AG (Bayer). 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.

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.

5.2 OTHER OPERATING INCOME

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Grants	1,598	779
R&D incentives	608	641
Payroll tax rebates	895	1,019
	3,101	**2,439**

Grants

The Flanders Innovation and Entrepreneurship Agency provided the Group with several grants.

On December 31, 2016 the situation of the grants received by the Group reflects the expenses incurred by the Group in the various research and development projects sponsored by Flanders Innovation and Entrepreneurship Agency and is as follows:

Flanders Innovation & Entrepreneurship - TGO	
Grantor: Flanders Innovation & Entrepreneurship Agency	
Start date:	01/01/2013
End date:	12/31/2016
Amount granted and approved:	K€2,697
Amount received:	K€2,515

Flanders Innovation & Entrepreneurship - Baekelandt	
Grantor: Flanders Innovation & Entrepreneurship Agency	
Start date:	01/01/2014
End date:	12/31/2017
Amount granted and approved:	K€277
Amount received:	K€180

Flanders Innovation & Entrepreneurship 4	
Grantor: Flanders Innovation & Entrepreneurship Agency	
Start date:	01/01/2015
End date:	12/31/2017
Amount granted and approved:	K€1,568
Amount received:	K€1,488

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

Research and development incentives

The Group has accounted for a tax receivable of €0.6 million in 2016 (compared to €0.6 million in 2015) following an research and development tax 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 period (see also note 4.4).

Payroll tax rebates

The Group received €1.0 million in 2016 (compared to €0.9 million in 2015) as a reduction in withholding income taxes for its highly-qualified personnel employed in its research and development department.

5.3 SEGMENT REPORTING

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.

	Revenue from external customers		Non-current assets	
(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2016
Netherlands	275	548	1	1
Belgium			1,824	3,978
Germany	2,190	311		
Denmark	827	3,066		
Switzerland	3,127	3,315		
United States	435	47		
Luxembourg		7,426		
Total	**6,854**	**14,713**	**1,825**	**3,979**

Information about major clients:
From the €14.7 million (€6.9 million in 2015) received from upfront payments, milestone payments and Research and development fees, €7.4 million (nil in 2015) come from the Group's largest client, €3.3 million (€3.1 million in 2015) from its second largest client and €3.1 million (€0.8 million in 2015) from its third largest client.

5.4 RESEARCH AND DEVELOPMENT EXPENSES

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Personnel expenses	6,665	9,844
External research and development expenses	11,653	17,562
Materials and consumables	1,050	1,180
Depreciation and amortisation	196	335
Other expenses	1,071	2,636
	20,635	**31,557**

5.5 GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Personnel expenses	1,607	3,256
Consulting fees	2,395	2,563
Supervisory board	165	446
Office costs	758	746
	4,925	**7,011**

5.6 PERSONNEL EXPENSES

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

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Short-term employee benefits - Salaries	5,192	8,527
Short-term employee benefits - Social Security	802	1,027
Post-employment benefits	207	175
Termination benefits	124	86
Share-based payment	1,945	2,849
Employer social security contributions stock options	0	436
	8,270	**13,100**

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

The share-based payment increase in 2016 is due to the additional stock options granted to employees, directors and consultants during the period (see note 4.14).

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, 2016
Research and development	31.4	46.9
General and administrative	5.8	9.9
	37.2	**56.8**

These FTE's are working outside the Netherlands.

5.7 OPERATING LEASES

Operating lease payments recognized as an expense in the statement of profit and loss and other comprehensive income amount to €0.9 million in 2016 versus €0.2 million in 2015. The Group's future operating lease commitments are as follows:

Operating lease commitments (in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Less than 1 year	630	915
1 - 3 years	1,130	1,159
3 - 5 years	142	24
More than 5 years	0	0
	1,902	**2,098**

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

For the laboratory and office space, the Group has a lease agreement in Zwijnaarde Belgium for a period of nine years starting from April 1, 2016, with the possibility to terminate the lease by giving a notice of at least twelve 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.

5.8 FINANCIAL RESULT AND EXCHANGE GAINS/(LOSSES)

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Interest income on bank deposits	76	61
Net gains on investments at FVTPL	36	12
Financial income	**112**	**73**
Net losses on investments at FVTPL	0	0
Other financial expenses	0	0
Financial expenses	**0**	**0**
Exchange gains/(losses)	**181**	**(31)**
	293	**42**

Financial income, which corresponds to the return on the financial investments of the Group's cash and cash equivalents and financial instruments, decreased in 2016 compared to 2015, due to the decrease of interest rates paid by the market in 2016. Net gains on investments relate to the money market funds with a maturity more than 3 months.

The exchange losses of €0.03 million in 2016 were realized by converting $ accounts into € at an unfavorable conver-sion rate.

5.9 INCOME TAXES

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

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Current income taxes	0	0
Total	**0**	**0**
Loss of the year	(15,312)	(21,374)
R&D capitalisation	(676)	(641)
Disallowed expenses		170
IWT Grants	(1,557)	(720)
Stock issuance costs	0	(1,849)
Share-based payments	2,270	2,849
Usage of tax losses carried forward not previously recognized	0	(184)
No recognition of deferred taxes on timing differences		(388)
Other	(15)	(65)
Total taxable result	**(15,290)**	**(22,202)**

Corporate tax was calculated at 25% during the years ended December 31, 2016 and 2015, which is the tax rate applicable in the Netherlands, of the estimated assessable profit of the 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 in tax rate between both jurisdictions is not considered to be material.

The unrecognized deferred tax asset on deductible temporary differences and unused tax losses amounts to €21.0 million on December 31, 2016 compared to €15.6 million on December 31, 2015. The unrecognized deferred tax asset on unused tax credits amounts to €6.6 million on December 31, 2016 compared to €3.7 million on December 31, 2015.

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 realize taxable profits in the near future, the Company did not recognize any deferred tax assets. The unused tax losses carry forward will expire between 2017 and 2025.

The Group frequently assesses its organizational structures to support its mission and vision. In this context, the Group is currently evaluating a tax restructuring project that might impact the level of unused tax losses carried forward.

5.10 LOSS PER SHARE

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Loss of the year	(15,312)	(21,374)
Weighted average number of shares outstanding	15,734,007	18,820,612
Basic and diluted loss per share (in €)	**(0.97)**	**(1.14)**

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

(in thousands of €)	At December 31, 2015		At December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets	1	1	1	1
Current financial assets	6,813	6,813	6,831	6,831
Financial assets	**6,814**	**6,814**	**6,832**	**6,832**
Trade and other receivables	1,356	1,356	1,970	1,970
Cash and bank balances	35,514	35,514	89,897	89,897
Non-current restricted cash			1,149	1,149
Current restricted cash			787	787
Loans and receivables	**36,869**	**36,869**	**93,803**	**93,803**
Total financial assets	**43,683**	**43,683**	**100,635**	**100,635**
Provision for employee benefits	0	0	1	1
Trade and other payables	4,543	4,543	12,191	12,191
Financial liabilities at amortised cost	**4,543**	**4,543**	**12,192**	**12,192**
Total financial liabilities	**4,543**	**4,543**	**12,192**	**12,192**

Financial assets:

- non-current financial assets: we refer to note 4.3 for more information (level 3).
- current financial assets: these concern collective investment funds in € 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 net asset value (NAV) 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 4.6 for more information and to note 6.3 below for the credit risk
- cash and cash equivalents: please refer to note 4.9 for more information and to note 6.3 below for the credit risk
- restricted cash: please refer to note 4.5 for more information

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 December 31, 2016 and 2015 respectively.

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

(in thousands of €)	At December 31, 2016 Level 1	Level 2	Level 3
Non-current financial assets			1
Current financial assets	6,831		
Assets carried at fair value	**6,831**		**1**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 categorized 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 Company consists of limited or no financial debt and equity attributed to the holders of equity instruments of the Company, such as capital, reserves and accumulated deficits as mentioned in the statements 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. On December 31, 2016 cash and cash equivalents amount to €89.9 million and total capital amounts to €128.4 million. The current cash situation and the anticipated cash generation are the most important parameters in assessing the capital structure. 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 Company 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 several highly reputable banks and financial institutions. The Group holds its cash and cash equivalents mainly with different banks which are independently rated with a minimum rating of 'A'. Less than 5% of cash and cash equivalents is held at a bank with rating BBB+.

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 currently not exposed to significant interest rate risk. The only variable interest-bearing financial assets are cash at banks and the 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 €0.1 million (compared to €0.1 million in 2015).

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 thousands of €)	At December 31, 2015	At December 31, 2016
USD	345	624
GBP	0	0

If the USD/EUR exchange rate would increase/decrease with 10%, this would have a negative/positive impact of €0.06 million (compared to €0.03 million in 2015). 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, and the Senior Vice President of Business Development.

The remuneration of the key management personnel during the year was as follows:

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
Short term employee benefits	1,482	1,832
Post employment benefits	59	125
Termination benefits	124	0
Share-based payment (1)	1,761	2,261
	3,426	**4,218**

(1) Amount shown represents the expenses, recorded with respect to the option awards granted in the year, measured using the Black Scholes formula.

Remuneration of the executive directors

The tables below show the cash remuneration received by executive directors for the year ended December 31, 2015 and 2016 (in €). A scenario analysis based on best practice clause II.2.1. of the Dutch Corporate Governance Code was made. Both executive directors have met each of their bonus targets previously established by the non-executive direc-tors during the years ended December 31, 2015 and 2016 and the 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	201,248	**539,256**
Eric Castaldi	222,159	75,075	62,097	133,621	185,464	**678,416**
Total	**439,419**	**178,373**	**70,787**	**142,381**	**386,712**	**1,217,672**
2016	Base salary	Bonus	Pension contributions	Social security costs	ESOP*	Total
Tim Van Hauwermeiren	253,284	101,314	11,929	10,284	488,020	**864,831**
Eric Castaldi	235,952	82,583	84,972	136,124	354,577	**894,208**
Total	**489,236**	**183,897**	**96,901**	**146,408**	**842,597**	**1,759,039**

* Amount shown represents the expenses, recorded with respect to the option awards granted in the year, measured using the Black Scholes formula.

The table below shows the number of stock options granted to the executive directors during the year ended December 31, 2015 and 2016 and their exercise price equal to the fair market value upon date of grant, and the stock options exercised during 2015 and 2016.

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**

2016	ESOPs	Term	Exercise price	Exercised
Tim Van Hauwermeiren	50,000	10 years	11.470	
	30,600	10 years	14.134	
			3.950	53,092
			2.440	72,200
Eric Castaldi	28,200	10 years	11.470	
	28,200	10 years	14.134	
Total	**137,000**			**125,292**

The table below shows the stock options held at the start of the year ended December 31, 2016, the stock options granted to executive directors which have vested during the year ended December 31, 2016 and the stock options to vest in the years until 2019.

Name	Total options held on January 1, 2016	Options granted in 2016	Options exercised in 2016	Total options held on December 31, 2016	Options vested until 2015	Exercise price	Options vested in 2016	Exercise price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price	Options to vest in 2019	Exercise Price
Tim Van Hauwermeiren	326,272	80,600	-125,292	281,580	65,380	2.44								
					35,000	7.17	35,000	7.17	35,000	7.17				
							10,200	9.47	10,200	9.47	10,200	9.47		
									26,389	11.47	16,667	11.47	6,944	11.47
									10,200	14.13	10,200	14.13	10,200	14.13
Eric Castaldi	174,207	56,400	0	230,607	21,667	7.17	21,666	7.17	21,667	7.17				
							72,007	2.44	9,000	2.44				
							9,400	9.47	9,400	9.47	9,400	9.47		
									14,883	11.47	9,400	11.47	3,917	11.47
									9,400	14.13	9,400	14.13	9,400	14.13

The table below shows the remaining term of the options held by the executive directors.

Name	Number of options	Remaining term at December 31, 2016 (rounded up)
Tim Van Hauwermeiren	18,212	7.0 years
	152,168	8.0 years
	30,600	9.0 years
	50,000	9.5 years
	30,600	10.0 years
Eric Castaldi	60,970	7.5 years
	85,037	8.0 years
	28,200	9.0 years
	28,200	9.5 years
	28,200	10.0 years

Stock options are granted to the executive directors by the Board based on the recommendation of the Remuneration and Nomination Committee and the option allocation scheme established by the Board pursuant to the argenx Employee Stock Option Plan.

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 2016 (in €).

	2015	2016
Peter Verhaeghe	35,000	55,000
Christina Takke	0	NA
David L Lacey	45,651	45,930
Werner Lanthaler	35,000	45,000
Don Debethizy*	27,617	43,000
Pamela Klein	NA	35,000
Total	**143,268**	**223,930**

The table below shows the number of stock options granted to the non-executive directors during the years ended December 31, 2015 and 2016 and their exercise price, based on the 30 day average stock price prior to their date of grant, and the stock options exercised during the years ended December 31, 2015 and 2016.

2015	ESOPs	Term	Exercise price	Exercised
Don Debethizy	15,000	10 years	11.44	
Total	**15,000**			**0**

2016	ESOPs	Term	Exercise price	Exercised
Peter Verhaeghe	10,000	10 years	11.38	
David L Lacey	10,000	10 years	11.38	
Werner Lanthaler	10,000	10 years	11.38	
Don Debethizy	10,000	10 years	11.38	
Pamela Klein	10,000	10 years	11.38	
Total	**50,000**			**0**

The table below shows the stock options held at the start of the year ended December 31, 2016 and the stock options granted to non-executive directors which have vested during the year ended December 31, 2016 and the stock options to vest in the years until 2019.

Name	Total options held on January 1, 2016	Options granted in 2016	Total options held on December 31, 2016	Options vested until 2015	Exercise price	Options vested in 2016	Exercise price	Options to vest in 2017	Exercise Price	Options to vest in 2018	Exercise Price	Options to vest in 2019	Exercise Price
Peter Verhaeghe	24,585	10,000	34,585	11,626	2.44								
				7,959	3.95								
				1,667	7.17	1,666	7.17	1,667	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
David L. Lacey	19,443	10,000	29,443	6,643	2.44								
				4,267	7.17	4,266	7.17	4,267	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
Werner Lanthaler	19,416	10,000	29,416	8,009	2.44	4,805	2.44	1,602	2.44				
				1,667	7.17	1,666	7.17	1,667	7.17				
								5,000	11.38	3,333	11.38	1,667	11.38
Don Debethizy	15,000	10,000	25,000			7,500	11.44	5,000	11.44	2,500	11.44		
								5,000	11.38	3,333	11.38	1,667	11.38
Pamela Klein	15,000	10,000	25,000			7,500	11.44	5,000	11.44	2,500	11.44		
								5,000	11.38	3,333	11.38	1,667	11.38

The table below shows the remaining term of options held by the non-executive directors.

Name	Number of options	Remaining term at December 31, 2016 (rounded up)
Peter Verhaeghe	3,650	3.5 years
	2,340	4.0 years
	5,560	6.5 years
	3,181	7.0 years
	9,854	8.0 years
	10,000	9.5 years
David L. Lacey	3,180	6.5 years
	1,818	7.0 years
	14,445	8.0 years
	10,000	9.5 years
Werner Lanthaler	10,850	7.0 years
	8,566	8.0 years
	10,000	9.5 years
Don Debethizy	15,000	8.5 years
	10,000	9.5 years
Pamela Klein	15,000	8.5 years
	10,000	9.5 years

Stock options are granted to the non-executive directors by the Board based on the recommendation of the Remuner-ation and Nomination Committee and the option allocation scheme established by the board pursuant to the argenx Employee Stock Option Plan.

No stock options were exercised by non-executive directors during the year ended December 31, 2015.

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 proj-ect results after completion of the initial grant term during which the subsidized 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.

On December 31, 2016 the Group has contractual obligations with its manufacturing contractor Lonza for an amount of €2.4 million.

For information on the operating leases see note 5.7.

7.4 AUDIT FEES

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

Fees in thousands of €	Year ended December 31, 2015	Year ended December 31, 2016
Audit fees (1)	70	85
Audit related fees	35	65
Tax and other services (2)	3	2
Total	**108**	**152**

(1) The audit services are performed by Deloitte Accountants B.V. as the external auditor referred to in Section 1 of the Dutch Accounting Firms oversight Act (Wta) as well as by the Deloitte network.

(2) The tax and other services performed are conducted by the Deloitte network.

7.5 OVERVIEW OF CONSOLIDATION SCOPE

The parent company argenx N.V. is domiciled in the Netherlands. The Group completed an intra-group merger on December 31, 2016, as a result of which each of its wholly owned Dutch subsidiaries (argenx110 BV, argenx111 BV, argenx113 BV and argenx115 BV) were merged with the parent company, simplifying the group structure and decreasing the administrative burden. The Company as of December 31, 2016 has one (Belgian) subsidiary, argenx BVBA, which carries out the research and development activities of the Group.

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
ARGENX BVBA	0818292196	Belgium	100.00%	Biotechnical research on drugs and pharma processes

7.6 EVENTS AFTER THE BALANCE SHEET DATE

- Launched Phase II proof-of-concept study of ARGX-113 for the treatment of MG.
- Extended the strategic partnership with Shire to advance the discovery and development of novel human therapeutic antibodies for diverse rare and unmet diseases for a further year until May 30, 2018.
- Announced the intention to conduct a registered public offering in the United States
- Staten exercised its option to develop ARGX-116 for dyslipidemia.

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 nonexecutive directors on March 13, 2017.

Company financial statements

FOR ARGENX N.V.
FOR THE PERIOD ENDED DECEMBER 31, 2016

Company balance sheet on December 31, 2016 argenx N.V.

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

Assets	Note	At December 31, 2015	At December 31, 2016
Non-current Assets			
Tangible Fixed Assets	2		
Computer equipment		0	0
Financial Fixed Assets	3		
Investments in Group Companies		7,254	7,259
Other financial assets		1	1
Total Financial Fixed Assets		**7,255**	**7,260**
Restricted Cash		0	905
Total Non-Current Assets		**7,255**	**8,165**
Current assets			
Receivables	4	1,190	3,145
Financial assets	5	6,814	6,831
Cash and cash equivalents	6	32,452	83,662
Restricted cash		0	786
Total Current Assets		**40,456**	**94,424**
Total Assets		**47,711**	**102,589**

Equity and liabilities	Note	At December 31, 2015	At December 31, 2016
Equity	7		
Share Capital		1,580	2,012
Share Premium		82,169	126,358
Retained earnings		(51,118)	(72,492)
Reserve for Share-Based payments		4,647	7,496
Total Equity		**37,278**	**63,374**
Current liabilities	8		
Accounts Payable		214	289
Intercompany payables		4,607	7,942
Taxes payable		9	419
Accrued expenses		1,462	359
Deferred revenue		4,141	30,206
Total Current Liabilities		**10,433**	**39,215**
Total Equity & Liabilities		**47,711**	**102,589**

Company profit and loss account for the year ended December 31, 2016 argenx N.V.

(in thousands of €)	Note	Year ended December 31, 2015	Year ended December 31, 2016
Partner Revenue		6,632	14,713
Intercompany Recharges R&D		12,545	5,430
Other Operating income		472	251
Total operating income		**19,649**	**20,394**
Intercompany research charges		(19,230)	(30,954)
R&D expenses		(2,089)	(4,247)
G&A expenses		(2,734)	(3,036)
Total operating expenses		(**24,053**)	(**38,237**)
Operating result		**(4,404)**	**(17,843)**
Financial income and expense		290	73
Result of ordinary activities before taxation		**(4,114)**	**(17,770)**
Taxation on result of ordinary activities		0	0
Share in result of subsidiaries	9	(11,198)	(3,604)
Result of ordinary activities after taxation		**(15,312)**	**(21,374)**

Notes to the company financial statements of argenx N.V.

1. Accounting information and policies

Basis of preparation

The company financial statements of argenx N.V. (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.

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 argenx N.V. 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.

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 thousands of €)	Computers	Office and lab	Total
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**
Opening balance as of January 1, 2016			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(11)	(24)	(35)
Bookvalue at the beginning of the year	**0**	**0**	**0**
Movements			
Investments	0	0	0
Depreciation	0	0	0
Closing balance as of December 31, 2016			
Purchase price	**11**	**24**	**35**
Accumulated depreciation	(11)	(24)	(35)
Bookvalue at year end	**0**	**0**	**0**

3. Financial fixed assets

The Group completed an intra-group merger on 31 December 2016, as a result of which each of the wholly owned Dutch subsidiaries of the company (argenx110 BV, argenx111 BV, argenx113 BV and argenx115 BV) have merged with the company. The Company as of 31 December 2016 has one Belgian subsidiary, argenx BVBA, which carries out the research and development activities of the Group.

The acquiring company acquired the entire equity of each of the disappearing companies under universal succession of title, which is in line with article 2:309 of the Dutch Civil Code. The merger has been accounted for by use of the carry over method. In the profit and loss account this means that until the date of the merger (ie. December 31, 2016), the investments in the Dutch subsidiaries were measured at equity method, with the movement in equity value accounted for as share in result of associated companies. From January 1, 2017 all the Dutch activities will be accounted for in the

Profit and Loss account of the merged company. In the Balance Sheet the assets and liabilities of the merged com-panies were totaled with the assets and liabilities of the company on December 31, 2016. The financial fixed assets consist of:

- the 100% participation in argenx BVBA, registered at Industriepark 7 Zwijnaarde, Belgium.

The movement in financial fixed assets is as follows:

(in thousands of €)	2015	2016
Investments in Group Companies		
Opening balance	(6,815)	(18,013)
Share of loss of investments	(11,198)	(3,604)
Equity value of merged entities	0	28,876
Closing balance	**(18,013)**	**7,259**
Receivable on group companies	25,267	0
Net receivable at year-end	**7,254**	**7,259**
Other financial assets		
Opening Balance	1	1
Investment	0	0
Balance as at year-end	**1**	**1**
Total Financial Fixed Assets	**7,255**	**7,260**

For other financial assets, see also note 4.3 to the consolidated financial statements.

4. Receivables

(in thousands of €)	At December 31, 2015	At December 31, 2016
Trade receivables	590	308
Interest receivable	17	6
Other receivables	129	1,060
Prepaid expenses	454	1,768
	1,190	**3,145**

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 thousands of €)	At December 31, 2015	At December 31, 2016
Money market fund 6 m	6,814	6,831
	6,814	**6,831**

6. Cash and cash equivalents

(in thousands of €)	At December 31, 2015	At December 31, 2016
Cash equivalents	10,000	49,501
Cash and bank balances	22,452	34,161
	32,452	**83,662**

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 4.14 of the consolidated IFRS statements.
The company holds no legal reserves as part of the equity.

8. Current liabilities

(in thousands of €)	At December 31, 2015	At December 31, 2016
Payables		
Accounts payable	214	289
Intercompany Payables	4,607	7,942
Taxes payable	9	419
	4,830	**8,650**
Deferred revenue & Accrued expenses		
Deferred revenue	4,141	30,206
Accrued expenses	1,462	359
Total Current Liabilities	**10,433**	**39,215**

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. Share in result of subsidiaries

As explained in note 3, the Group completed an intra-group merger on 31 December 2016, as a result of which each of the wholly owned Dutch subsidiaries of the company (argenx110 BV, argenx111 BV, argenx113 BV and argenx115 BV) have merged with the company. As of 31 December 2016 the Company has one (Belgian) subsidiary, argenx BVBA, which carries out the research and development activities of the Group and the Dutch subsidiaries no longer exist.

(in thousands of €)	Year ended December 31, 2015	Year ended December 31, 2016
argenx BVBA	1,349	1,827
argenx 110 BV	(5,127)	(2,529)
argenx 111 BV	(2,358)	(1,416)
argenx 113 BV	(5,061)	(1,486)
argenx 115 BV	(1)	0
	(11,198)	**(3,604)**

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 a fiscal unity for corporate income taxes. As a consequence, the company bears joint and sev-eral 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 argenx N.V. and close relatives are regarded as related parties. argenx N.V. concluded a research and development agreement with its wholly owned subsidiary argenx BVBA. Under this agreement argenx BVBA per-forms research and development activities for which it receives a reimbursement from argenx N.V.

For the founded product BV's ARGX110 BV, ARGX111 BV, ARGX113 BV and ARGX115 BV, research and development activities were recharged under an research and development agreement between these BV's and argenx N.V. during 2016.

argenx N.V., 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 2016 the Company had an average of 0.2 FTE (2015: 0.2), working outside the Netherlands.

Auditor's fees

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

Proposal for appropriation of the result

The Company reported a net loss of €21.4 million for the year ended on December 31, 2016. The Board of Directors proposes to carry forward the net loss of the year 2016 to the accumulated deficits. Anticipating the approval of the financial statements by the shareholders at the annual general meeting of shareholders, this proposal has already been reflected in the 2016 financial statements.

Events after the balance sheet date

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

Breda, March 13, 2017
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 the 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.

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 the Board of Directors of argenx N.V.

REPORT ON THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the financial statements 2016 of argenx N.V., based in Breda. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in these annual accounts give a true and fair view of the financial position of argenx N.V. as at December 31, 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The company financial statements included in these annual accounts give a true and fair view of the financial position of argenx N.V. as at December 31, 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2016.

2. The following statements for 2016: the consolidated statement of profit and loss and other comprehensive income, changes in equity and cash flows.

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

The company financial statements comprise:

1. The company balance sheet as at December 31, 2016.

2. The company profit and loss account for 2016.

3. The notes comprising a summary of the 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 argenx N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 700,000. The materiality is based on the average of 5% of the loss before tax in 2016, 1,5% of the total research and development expenses and 1% of total cash. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of EUR 35,000, 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

argenx N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of argenx 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 Board of Directors. 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.

Research and development expenses

The total research and development expenses for the year 2016 amount to EUR 31.6 million, refer to note 5.4 of the consolidated financial statements. 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 judgement. 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. In addition, we tested progress of projects based on inquiry with project managers and

inspection of purchase orders and work orders in order to determine cut-off of R&D expenses and valuation of the related accrual recorded.

Revenue recognition

Revenue for the year 2016 amounts to EUR 14.7 million, refer to note 5.1 of the consolidated financial statements. 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 revenue 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.

Cash and cash equivalents
The total cash and cash equivalents as per December 31, 2016 amounts to EUR 89.9 million, refer to note 4.9 of the consolidated financial statements. We focused on this area as the cash and cash equivalents are material to the financial statements. We reconciled the bank balances to bank confirmations, recalculated the foreign exchange result on these balances and reviewed the bank confirmations and underlying agreements for the money market funds to assess the presentation and disclosure in the financial statements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Business Section
- Corporate Governance
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the shareholders meeting as auditor of argenx N.V. as of the audit for year 2015 and have operated as statutory auditor ever since that date.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the Board of Directors 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. 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 framework 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 Board of Directors 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 material errors and fraud.

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.

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 to cease 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 Board of Directors 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 Board of Directors 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 Board of Directors, 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.

Eindhoven, The Netherlands

March 13, 2017

Deloitte Accountants B.V.

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