ANNUAL REPORT

2014

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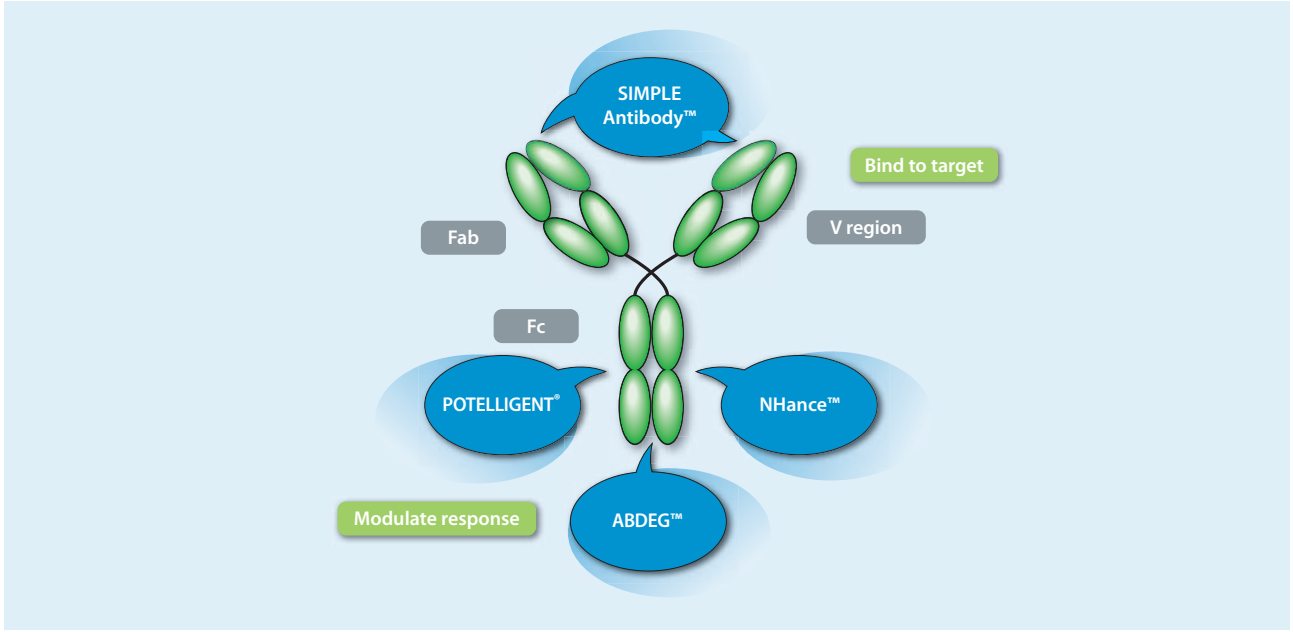
BUSINESS SECTION

INTRODUCTION

Founded in 2008, arGEN-X N.V. (the Company) is the parent company of a clinical-stage biopharmaceutical group focused on creating and developing differentiated therapeutic antibodies for the treatment of cancer and severe autoimmune diseases with unmet medical needs (the Group). The Group generates a portfolio of differentiated product candidates from its suite of innovative and complementary antibody technology platforms. The SIMPLE Antibody™ discovery platform enables targeting complex or novel disease targets, which the Group believes are difficult to address by established technology platforms. The Fc engineering technologies, POTELLIGENT®, NHance® and ABDEG™ are used to further enhance the intrinsic therapeutic functionalities of its antibody product candidates. These technologies are used to enhance antibody cell killing through Antibody-Dependent Cell-mediated Cytotoxicity (ADCC), to prolong product residence time in the human body, and to enhance the clearance of disease targets or pathogenic antibodies. These complementary technology platforms can be applied in combination to yield differentiated therapeutic antibodies having multiple modes of action.



arGEN-X's proprietary product portfolio currently consists of two clinical stage antibody products (ARGX-110 and ARGX-111) and two preclinical stage products (ARGX-113 and ARGX-112). arGEN-X believes that those product candidates have the potential to provide new approaches to treat cancer and severe autoimmune diseases, either as monotherapy or in combination therapy.

Together with its academic and industrial partners, arGEN-X selects novel or intractable disease targets based on the current understanding of their involvement in disease biology. Selected antibody product candidates are taken through preclinical and clinical development.

arGEN-X at a glance:

- 11 Programmes in the R&D pipeline
- 4 clinical trials with 2 products (ARGX-110 & ARGX-111)
- 9 granted & 65 pending patents
- Partnerships with 3 leading pharma companies (Shire, Bayer & Boehringer) and 1 biotech company (Ruiyi)
- 32 employees (30.5 FTE's)
- EUR 56 million in cash, cash equivalents and current financial assets (December 31, 2014)
- Listed on Euronext Brussels (symbol "ARGX")

OPERATIONAL HIGHLIGHTS

- Advancement of ARGX-110 into expansion cohorts as part of its Phase 1b study in CD70-positive cancer patients with either hematological or solid tumors to further evaluate safety and efficacy and to select indications for study in Phase 2 clinical development.
  - Enrolment completed of first cohort of 15 patients with CD70-positive hematological malignancies and 15 patients with CD70-positive solid tumors into a Phase 1b expansion trial.
  - Initiation of clinical efficacy evaluation of ARGX-110 in dedicated expansion cohort of patients with relapsed/refractory CD70-positive T-cell lymphomas, as part of broader Phase 1b study.
- Acceptance of Investigational New Drug (IND) Application to evaluate ARGX-110 in Waldenström's macroglobulinemia (a rare, incurable B-cell lymphoma).
- Partnership with the Leukemia Lymphoma Society on the development of ARGX-110 for the treatment of Waldenström's macroglobulinemia
- Presentation of positive preclinical data on ARGX-110 in a chronic myelogenous leukemia (CML) model demonstrating potential of ARGX-110 in reversing resistance to tyrosine kinase inhibitors. Data were presented in December 2014 at ASH (American Society of Hematology).
- Positive preclinical data for ARGX-113 supporting its use as a potential breakthrough concept for the treatment of severe autoimmune diseases.
- Collaboration with Bayer, leveraging arGEN-X' SIMPLE Antibody™ technology for the discovery and development of first-in-class antibodies addressing complex targets across multiple therapeutic areas.
- Long-term strategic alliance with Shire Pharmaceuticals where arGEN-X focus its suite of human antibody discovery technologies on multiple targets aligned with Shire's therapeutic focus.
- Key patents relating to ARGX-110 and ARGX-111 granted in the US, providing patent protection for both until 2031-2032 and allowing up to five additional years of patent term extension.

FINANCIAL HIGHLIGHTS

- Successful Initial Public Offering ("IPO") on Euronext Brussels raising total gross proceeds of EUR 41.8 million.
- Received two preclinical milestone payments under collaboration with Shire.
- Operating loss totaled EUR 10.7 million in 2014 compared with EUR 6.2 million in 2013.
- Net loss for 2014 increased to EUR 10.3 million compared with EUR 6.1 million in 2013, due to the costs of advancing the Group's clinical pipeline.
- On December 31, 2014 the Group's cash, cash equivalents and financial assets amounted to EUR 56 million compared with EUR 23.2 million on December 31, 2013.

FORWARD-LOOKING STATEMENTS (DISCLAIMER)

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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.

MESSAGE FROM THE CEO

Dear Shareholders,

2014 has been a year of significant product progress, validating deals and a successful initial public offering on Euronext Brussels, transforming arGEN-X and positioning it for future success.

On the R&D front, we made important progress with the development of our proprietary product portfolio. Phase I studies in end-stage cancer patients provided highly informative safety data as well as biological activity data for both ARGX-110 and ARGX-111, adding significant insight to CD70 and c-Met disease biology and laying the foundation for further development towards clinical proof of concept. Our scientific data received international recognition in peer-reviewed publications and scientific conferences and yielded valuable patents, several of which are already granted in the US, the UK and Israel.

On the business development front, we continued to build the SIMPLE Antibody™ brand in the high value, complex antibody target space and started to leverage our cutting edge Fc engineering technologies NHance®, ABDEG™, and POTELLIGENT®. We were delighted to grow our existing relationship with Shire into a strategic antibody discovery and development alliance, leveraging the full power of our antibody technology suite. Under this partnership we received a EUR 15 million upfront payment, and have the potential to receive multi-year R&D funding, milestone and royalty payments and product reversion rights. We also announced receipt of a success based milestone payment from Shire under our earlier alliance, associated with the progression of one or more research candidates into pre-clinical development.

Furthermore, we entered into a new antibody discovery partnership with Bayer AG, addressing complex targets, difficult to address with other antibody platforms. This partnership has the potential to deliver significant R&D funding and success based milestone payments. We also entered into a partnership with the Leukemia & Lymphoma Society (LLS), the world's biggest cancer patient organization, who will provide financial and operational support for a Phase 1b/2 clinical study testing the safety and efficacy of ARGX-110 in Waldenström's macroglobulinemia, a rare form of B-cell lymphoma.

On the financial front, our successful IPO on Euronext Brussels raised nearly EUR 42 million, and was the largest IPO in the biotech sector in continental Europe since 2011. Thanks to our capital efficiency, we ended the year with a strong cash position of EUR 56 million (cash, cash equivalents and current financial assets), funding our business plan until the end of 2017 and enabling the Company to advance the clinical development of our differentiated therapeutic antibody candidates ARGX-110, ARGX-111 and ARGX-113 in orphan diseases of high unmet medical need, and in support of partnering, to advance these therapeutic antibodies for development and commercialization across a number of major indications. The funds will also allow us to further develop and enhance our SIMPLE Antibody™ platform and suite of complementary antibody technologies based on which our pipeline of differentiated therapeutic antibodies has been created.

The name arGEN-X refers to the ancient Greek myth of the Argonauts. It is one of the oldest human stories highlighting the power of the team as opposed to an individual star or hero. Team work has been essential to our remarkable productivity, quality of our R&D work and motivation of our people. I would like to thank our employees, collaborators and Board members for their exceptional dedication to the arGEN-X story.

Sincerely,

Tim Van Hauwermeiren, CEO arGEN-X

arGEN-X focuses on creating and developing differentiated antibody therapeutics for the treatment of cancer and severe autoimmune diseases with unmet medical needs.

arGEN-X's strategy is to maximise the use of the Group's SIMPLE AntibodyTM platform for the creation and development of differentiated antibodies. The Group will wholly-fund some of its programmes, in its core disease areas, to proof-of-concept prior to partnering in order to maximise value creation. Outside of the core areas, arGEN-X enters into various forms of strategic collaborations with pharmaceutical partners in order to fully exploit the use of its platform.

The Group's platform has generated two clinical candidates in the six years since its inception. ARGX-110, which targets CD70 and ARGX-111, which targets c-MET are in Phase I trials for haematological malignancies and solid tumors. Both monoclonal antibodies (mABs) have demonstrated safety and enhanced antibody-dependent cell-mediated cytotoxicity (ADCC) in tumors expressing CD70/c-MET. The Group is also developing ARGX-113, an antibody Fc fragment targeting FcRn (neonatal Fc receptor), which is still in preclinical phase but the Group expect this to enter the clinic in 2015 for a Phase I Healthy Volunteer study. This is the Group's first product targeting severe auto-immune diseases.

The Group has established multiple strategic research partnerships with leading pharmaceutical companies like Shire, Bayer, Boehringer Ingelheim and with Ruiyi, a Chinese biotech company.

PRODUCTS IN CLINICAL PHASE

In 2014, arGEN-X advanced ARGX-110, a novel anti-CD70 therapeutic antibody, into the safety and efficacy expansion part of its open-label Phase 1b study. The objective of the expansion phase is to further investigate the safety of ARGX-110 in CD70-positive cancer patients with either hematological or solid tumors, and to evaluate efficacy in order to select the indications to be studied in Phase 2 clinical development. The study is being supported by a EUR 3.5 million grant from the Flemish Government's Institute for the Promotion of Innovation by Science and Technology (IWT). arGEN-X completed the enrolment of the first cohort of 15 patients with CD70-positive solid tumors and 15 patients with CD70-positive hematological malignancies.

A clinical efficacy evaluation of ARGX-110 was initiated in 30 patients with relapsed/refractory CD70-positive T-cell lymphomas. This evaluation will be conducted as an expansion arm of the ongoing Phase 1b study of ARGX-110. Additionally, the Investigational New Drug (IND) application to the U.S. Food and Drug Administration (FDA) was accepted to initiate a Phase 1b/2 trial of ARGX-110 in patients with relapsed or refractory Waldenström's macroglobulinemia (WM), a rare, incurable B-cell lymphoma. The Phase 1b/2 study, in patients with refractory WM is supported by the Leukemia & Lymphoma Society (LLS) and benefits from clinical expertise at Dana Farber Cancer Institute (Boston), Memorial Sloan Kettering Cancer Center (New York) and the Mayo Clinic (Scottsdale/Phoenix).

For ARGX-110, arGEN-X has also initiated a clinical study with the UZ Gent on NPC (Nasopharyngeal cancer), which is part of the IWT TGO (Transformationeel Geneeskundig Onderzoek) program secured from IWT in 2013.

For ARGX-111, a Phase I dose escalation study was executed, testing the biological activity of ARGX-111 in c-MET positive cancer indications.

PRODUCTS IN PRECLINICAL PHASE

At the American Society of Hematology (ASH) Annual Meeting (December 2014), arGEN-X presented the potential of the CD70 pathway as a targetable mechanism to overcome drug resistance in chronic myelogenous leukemia (CML). These data show that co-treatment of ARGX-110, and imatinib, a first-line BCR/ABL-specific tyrosine kinase inhibitor (TKI), eradicates the disease-initiating CML stem cells, a cell population often resistant to TKI therapy.

ARGX-113, a proprietary antibody fragment that modulates the process of antibody recycling as a novel approach to treating severe autoimmune diseases, completed a preclinical study assessing its pharmacokinetic and pharmacodynamic behaviours. These results proved ARGX-113 to be highly effective in rapidly clearing a tracer antibody from circulation in a dose-dependent manner in non-human primates, thus acting as a surrogate of autoantibody clearance.

Additionally, arGEN-X advanced the preclinical studies on ARGX-112, an antibody targeting IL-22R, which plays a role in skin inflammation. arGEN-X believes that it has the potential to address unmet medical need in inflammatory diseases of the skin, such as atopic dermatitis.

COLLABORATIONS & STRATEGIC ALLIANCES

arGEN-X entered into a long-term strategic alliance with Shire Pharmaceuticals in June 2014. Under the agreement, arGEN-X will bring its entire suite of human antibody discovery technologies to a partnership focused on multiple targets aligned with Shire's therapeutic focus. The multi-year initiative aimed at helping augment the Shire development pipeline follows an initial R&D collaboration initiated in March 2012. Additionally, Shire has exercised its option to advance into preclinical development one or more product candidates created out of a 2012 therapeutic antibody alliance between the two companies. As a result of the exercise, arGEN-X received a milestone payment from Shire.

arGEN-X also initiated a collaboration with Bayer AG, leveraging arGEN-X' SIMPLE Antibody™ technology for the discovery and development of therapeutic antibodies addressing complex targets across multiple therapeutic areas that are often intractable by existing antibody platforms.
arGEN-X has ongoing collaborations with Boehringer Ingelheim Pharmaceuticals, Inc. and RuiYi. Boehringer Ingelheim is evaluating the applicability of the SIMPLE Antibody™ Technology for generating and screening antibodies for its drug discovery R&D programs. With RuiYi, arGEN-X is collaborating on the development and potential commercialisation of ARGX-109, a novel anti-IL-6 monoclonal antibody with potential to treat autoimmune diseases and cancer.

For the creation of antibodies across multiple therapeutic areas, the Group started to collaborate with academic centers and emerging biotech companies under its Innovative Access Program.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

OPERATING INCOME

Operating income totaled EUR 5.4 million in 2014 compared to EUR 5.3 million in 2013. The Group's operating income includes a mix of (i) revenues in the form of research and development funding and technical success milestone payments received from the Group's industrial partnerships and (ii) other operating income corresponding to government grants and tax incentive credits.

In 2014, the revenue increased significantly to reach EUR 3.8 million compared to EUR 2.7 million in 2013. The increase is explained by (i) the payments partially recognized in 2014 following the signature of a new collaboration agreement with Bayer, a new strategic alliance with Shire and a research, development and commercialization agreement with the LLS (Leukemia and Lymphoma Society) in the U.S., and (ii) the milestone received from Shire and immediately recognized in revenue in December 2014 following the exercise of their option to advance one or more product candidates in preclinical development.

The decrease in other operating income from EUR 2.6 million in 2013 to EUR 1.6 million in 2014 is mainly explained by the reduction in 2014 of government grants received from the Flemish government's Institute for the Promotion of Innovation by Science and Technology (IWT).

OPERATING EXPENSES

Research and Development (R&D) expenses were EUR 12.6 million in 2014, compared to EUR 9.4 million in 2013. This significant increase in 2014 is explained primarily by (i) the increased clinical trial and product manufacturing activities incurred with the external clinical research and contract manufacturing organizations working on the most advanced products of the Group, (ii) the recruitment of additional R&D personnel following the signature of a collaboration agreement with Bayer in May 2014 and a new strategic alliance with Shire in June 2014, and (iii) the share based payment costs recognized in compensation for the grant of stock options to the R&D employees of the Group. In 2014, R&D costs accounted for 78.4% of the total operating expenses compared to 81.4% in 2013. On 31 December 2014, the Group employed the equivalent of 27.5 full time employees in R&D compared to the equivalent of 19.5 full time employees on 31 December 2013.

In 2014, General and Administrative (G&A) expenses amounted to EUR 3.5 million compared to EUR 2.1 million in 2013. The EUR 1.4 million increase in 2014 results from (i) the costs incurred in relation to the preparation of the IPO (ii) the recruitment of new employees to strengthen the G&A department of the Group in the perspective of its IPO, and (iii) the share based payment costs recognized in compensation for the stock options granted to the employees, consultants and board members of the Group. In 2014, G&A costs accounted for 21.6% of the total operating expenses compared to 18.6% in 2013. The Group employed 3 people in its G&A department on 31 December 2014 compared to 2 employees at the same date in 2013.

OPERATING LOSS

The Group's operating loss before net financial income and tax was EUR 10.7 million in 2014 compared to a EUR 6.2 million loss on 31 December 2013. This increase results primarily from the increase in operating expenses as indicated above.

NET FINANCIAL INCOME

In 2014, the Group recorded a net financial income of EUR 0.4 million compared to EUR 0.1 million in 2013. The net financial income generated represents essentially the returns on the financial investments of the Group's cash and cash equivalents and financial instruments, and realized foreign exchange gains and losses. The variance between 2014 and 2013 was mainly due to exchange rate differences.

INCOME TAX

As the Group has incurred losses in all the relevant reporting periods it had no taxable income and therefore no income taxes have been paid.

PROFIT/ (LOSS) FOR THE PERIOD

The Group generated a net loss of EUR 10.3 million on 31 December 2014 compared to a net loss of EUR 6.1 million in 2013. As explained above, this significant increase in the net loss in 2014 results from (i) the strong increase of R&D expenses in relation with the progression of the clinical activities of the Group, (ii) the increase in G&A expenses related to the preparation of the IPO (iii) and the non-cash share based payment accrued on the stock options granted to the employees, consultants and board members of the Group.

CONDENSED STATEMENT OF FINANCIAL POSITION

ASSETS

The Group's main current assets consist of its cash, cash equivalents, current financial assets, prepaid expenses and its trade receivables.
On 31 December 2014 the Group's cash, cash equivalents, financial instruments and current financial assets amounted to EUR 56 million compared to EUR 23.2 million on 31 December 2013. The Group's increase in cash, cash equivalents, financial instruments and current financial assets of EUR 32.8 million in 2014 is due to the EUR 41.8 million (including the exercise of the over-allotment option) in proceeds following the successful completion of the IPO.

LIABILITIES

The Group's current liabilities relate primarily to trade payables and deferred income from its research industrial agreements with pharmaceutical and biotechnology companies.
On 31 December 2014 the trade payables and other payables totalled EUR 5.0 million compared to EUR 2.9 million at the end of 2013. This significant increase results from accruals and invoiced received but not yet paid, mainly regarding manufacturing and clinical development activities incurred by the Group in 2014.

Deferred revenue at the end of December 2014 amounted to EUR 3.5 million compared to EUR 0.5 million on 31 December 2013. The increase in 2014 mainly relates to payments received from industrial partnerships, notably from Shire, Bayer and LLS, which will be recognized as revenue over the course of the agreements.

The Group has no loan outstanding or any long term financial lease commitments at the end of 2014.

CONDENSED STATEMENT OF CASH FLOWS

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities represented a net outflow of EUR 5.2 million in 2014 compared to a net outflow of EUR 6.6 million in 2013. Notwithstanding the significant increase in operating losses in 2014, the small decrease of EUR 1.4 million of net cash outflow from operating activities in 2014 is explained by the significant increase in deferred revenues and trade and other payables over the period as explained above.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities represented a net outflow of EUR 23.3 million in 2014 compared to a net inflow of EUR 0.7 million in 2013. The net cash outflow in 2014 corresponds primarily to the movements in the current financial assets resulting from the transfer of cash from the proceeds of the IPO to money market funds.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities represented a net inflow of EUR 37.7 million in 2014 compared to a net inflow EUR 13.3 million in 2013. The increase in 2014 corresponds to the gross proceeds of EUR 41.8 million from the IPO. In 2013 the Group received EUR 15 million from the second tranche and extension of the Company's B-round financing.

OUTLOOK 2015

The Group continues to implement its business plan by progressing ARGX-110 towards clinical proof of concept in one or more niche indications including T cell lymphoma and Waldenström Macroglobulinemia, in close collaboration with premier clinical centers in the EU and the US and supported by the Leukemia & Lymphoma Society. Further preclinical work is being undertaken in order to broaden the potential clinical utility of ARGX-110.

Likewise the Phase I safety expansion study of ARGX-111 focusing on Met-amplified patients is expected to be completed. A first Phase I study for ARGX-113, a potential breakthrough therapy for a number of serious auto-immune diseases, into a first Phase I study in healthy volunteers is planned to start. In addition the Group will continue to build and progress its discovery and pre-clinical product pipeline and to deliver highly differentiated antibody programs under its industrial pharma partnerships.

The Group will continue its business development activities, aiming to further leverage its suite of proprietary technologies for the creation of highly differentiated antibody products against novel and complex targets in cancer and autoimmune diseases. For the creation of antibodies across multiple therapeutic areas, arGEN-X will collaborate with academic centers and emerging biotech companies through its Innovative Access Program.

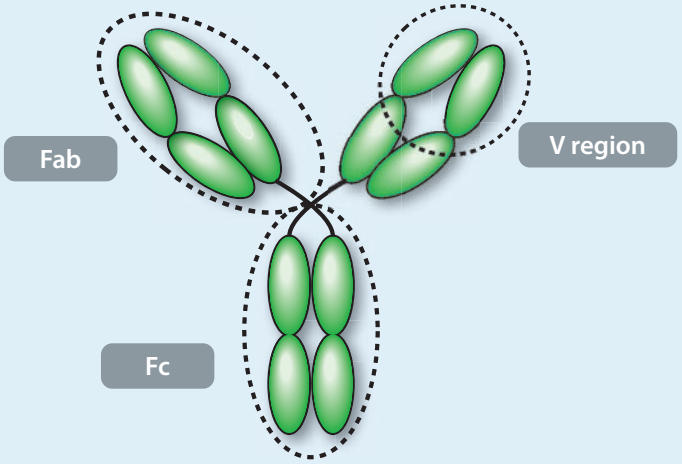
The Group will also aim to transition its shareholders' base from its historic venture capital investors to blue-chip, long-term institutional investors, and to improve liquidity and free float for its stock. In tandem with this process, the Group is aiming to gradually change the composition of its Board to include members with significant industry experience. This experience is anticipated to be crucial in assisting the Group achieve its ambition to become an important player in the fast growing therapeutic antibody market and to generate significant value for its shareholders in a timely and efficient manner.

INDUSTRY OVERVIEW

The majority of approved drugs in the pharmaceutical industry consists of small chemical molecules, which are created and produced by synthetic chemistry. During the past few decades biologics, another class of drugs, have emerged and have rapidly grown in importance. Biologics are created and manufactured through biological systems and include vaccines and therapeutic proteins, including therapeutic antibodies.

Antibodies are Y-shaped proteins that are part of the human immune system to protect against pathogens like bacteria and viruses. Two so-called Fab arms in the upper part of the antibody recognize proteins or other molecules on the surface of pathogens via the so-called V (variable) regions. The lower part of the antibody is called Fc and attracts cells from the immune system, which subsequently eliminate antibody-bound pathogens from the body.

Therapeutic antibodies are designed to prevent or treat diseases in humans. They can exert their therapeutic effect for a given disease target through binding and modulating it through their V regions, and by subsequently activating the patient's own immune system through their Fc region.



Antibody structure

ANTIBODIES REVOLUTIONIZED THE PHARMA INDUSTRY

Therapeutic antibodies have a number of intrinsic properties which make them suitable drug candidates. They are highly specific for their targets, which is relevant for controlling potential side effects. They are able to modulate their target function and can activate potent cell killing mechanisms, which are part of the patient's own immune system. Finally, they can act as a highly specific carrier of other therapeutic molecules to a specific target.
They span most therapeutic areas, cancer and immunology being the most important. 5 of 2013's 10 top-selling drugs were therapeutics antibodies: Humira®, Remicade®, Rituxan®, Avastin® and

Herceptin® (source: FiercePharma, 2013). Therapeutic antibodies are recorded to account for more than USD 60 billion in global annual sales today (source: La Merie Publishing, Top 30 Biologics 2012, May 7, 2013).

ANTIBODY MARKET IS DYNAMIC AND INNOVATIVE

The first antibodies approved for human therapy in the 1980's were mouse-derived. These non-human antibodies had an unfavorable side effect profile because they elicited a strong, anti-drug immune response in patients. Subsequent innovation resulted in humanized and fully human antibody technologies that minimized side effects due to the immunogenicity of the antibody itself. Today, innovation focuses on maximizing the therapeutic utility of antibodies by improving their efficacy via variable region engineering and Fc engineering. Examples include the enhancement of antibody mediated cell killing, toxic payload technologies, or bi-specific antibodies. Antibodies engineered to have these properties have started to emerge in the clinical and commercial landscape (source: Chan, 2010).

ARGEN-X'S POSITION IN THERAPEUTIC ANTIBODY MARKET

arGEN-X believes that its SIMPLE Antibody™ platform, based on DNA immunization and the immune system of llamas, is capable of generating antibodies against a broader range of disease targets, including complex, highly conserved and poorly immunogenic targets, due to its higher variable (V) region diversity.

The SIMPLE AntibodyTM platform utilizes the immune system of the llama. This immune system has a number of characteristics which make it particularly suited for therapeutic antibody discovery: i) V regions of llama and human antibodies are highly similar. ii) Other relevant biology, such as disease targets, differs substantially between human and llama (source: Odbileg, 2005). Based on these characteristics llamas elicit a strong and diverse antibody response against human disease targets, and these high affinity antibodies are very suitable for human therapeutic use (source: Hultberg, 2014). The SIMPLE Antibody™ platform makes use of outbred llamas, further enhancing the diversity of generated antibody V-regions as each outbred llama generates a unique, individual immune response. arGEN-X focuses on intractable and novel targets.

Fc engineering offers additional potential to improve the efficacy and efficiency of therapeutic antibodies. Modulating the interaction of therapeutic antibodies with the immune system has proven potential in boosting their therapeutic effects. In addition, Fc engineering can modulate the antibody's residence time and distribution in the human body, resulting in more favorable product dosing schedules and treatment costs (source: Chan, 2010).

CANCER: IMMUNE-MODULATION IS THE NEXT BIG THING

Oncology is highly amenable to antibody therapy and represents a large and growing market opportunity. As a result of scientific advances, oncology is a therapeutic area where targeted therapies, such as antibodies, are being pioneered. Several of the top selling therapeutic antibodies target cancer, including Rituxan® (USD 7.1 billion sales in 2012), Herceptin® (USD 6.2 billion sales in

2012) and Avastin® (USD 6.1 billion sales in 2012). Recently, immunomodulation of cancer using therapeutic antibodies against immune checkpoint targets such as Yervoy® (targeting CTLA-4), Nivolumab (targeting PD-1) has shown strong clinical promise. As a result, immunotherapy is believed to become the treatment backbone in up to 60% of cancers over the next 10 years (source: Immunotherapy – The Beginning of the End for Cancer. Citi Research, Andrew S. Baum, 22 May 2013).

arGEN-X believes that several of its proprietary programs including ARGX-110, which targets CD70, and the GARP discovery program, have development potential in this area, since these are pursuing novel immunomodulation targets. arGEN-X believes that ARGX-111 represents a distinct and differentiated approach to targeting c-Met, a complex target involved in several of the major solid tumors.

AUTO-IMMUNE MARKET CONTINUES TO GROW

Autoimmune diseases involve self-tissue destruction by T-cells and antibodies due to a lack of self-tolerance. The incidence of autoimmune diseases is increasing. Antibody therapy is used in several of these diseases, including rheumatoid arthritis, multiple sclerosis, and systemic lupus erythematosus. Established antibody therapies in the autoimmune space include Humira® (USD 9.5 billion sales in 2012), Remicade®, (USD 7.4 billion sales in 2012) and Tysabri® (USD 1.6 billion sales in 2012) (source: La Merie Publishing, Top 30 Biologics 2012, May 7, 2013). arGEN-X believes that its proprietary programs ARGX-110 and ARGX-113 offer distinct and differentiated modes of action in the management of severe autoimmune disease.

Next to the large clinical indications, oncology and severe autoimmune diseases also comprise multiple orphan indications. arGEN-X believes those to be particularly attractive owing to manageable clinical trial sizes and required financial investments, potentially shorter product development timelines and sustained product pricing potential following approval.

While arGEN-X focuses on oncology and severe autoimmune diseases for its proprietary therapeutic programs, its collaborative and partnered antibody discovery efforts span diverse therapeutic areas, including diseases of the central nervous system and metabolic diseases, underscoring the broad applicability of its technologies.

COMPETITIVE STRENGTHS

arGEN-X believes the following are its key strengths based on which it competes in the therapeutic antibody market:

- arGEN-X's suite of complementary antibody technologies, including SIMPLE Antibody™, enabling it to pursue a broad range of promising targets by leveraging the power of the llama immune system, including novel and complex disease targets which arGEN-X believes may be difficult to address by established technology platforms. arGEN-X's Fc engineering technologies, POTELLIGENT®, NHance® and ABDEG™ have the potential to further enhance the intrinsic therapeutic functionalities of its SIMPLE Antibody™ leads. These complementary technology platforms can be applied in combination to yield differentiated therapeutic antibodies having multiple modes of action.

- arGEN-X's core competences include (i) target selection, (ii) therapeutic antibody discovery and (iii) translational preclinical and clinical development, including the development and use of biomarkers and adaptive clinical trial designs. arGEN-X has a particular competence in building and managing productive partnerships with a large number of external experts, such as UCL/de Duve Institute for accessing novel disease targets like GARP, and service providers. A rigorous portfolio management that includes stopping discovery projects early allows arGEN-X to focus on investing in those programs with the highest value creation potential. arGEN-X believes these competences allow it to create first-in-class or best-in-class therapeutic product candidates.

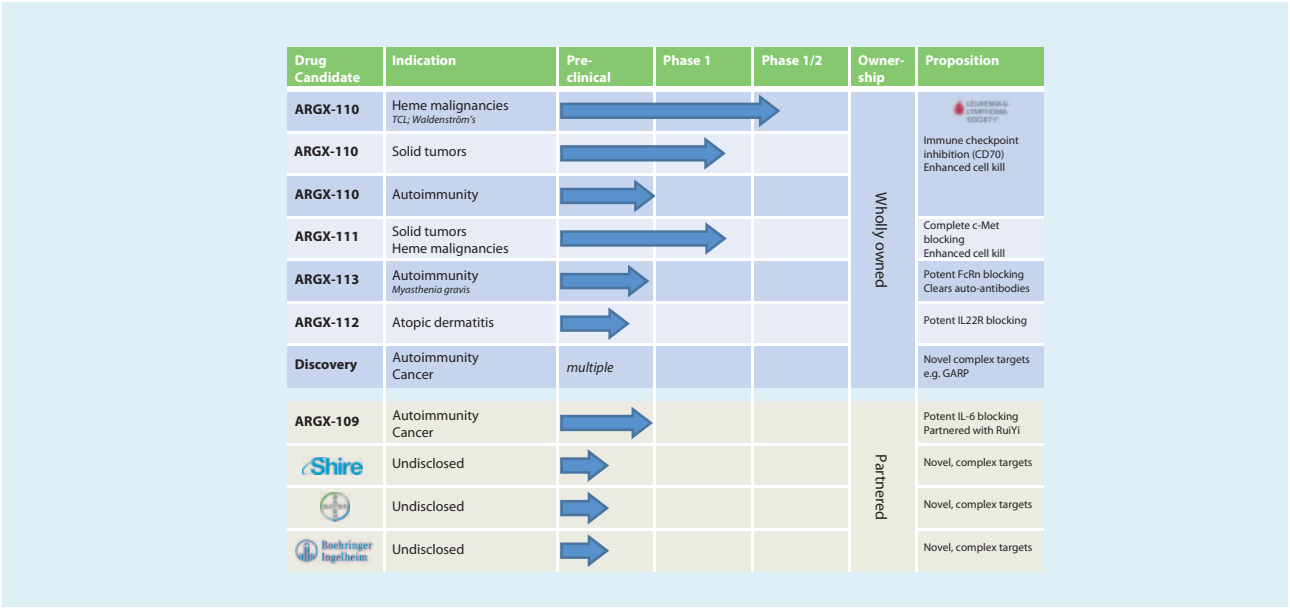
- arGEN-X's pending and granted patent claims protecting its technologies. arGEN-X believes it is in a strong position to effectively exploit the SIMPLE Antibody™ platform, and its Fc engineering licensing agreements, as they contain all necessary rights to pursue its strategies. In addition, arGEN-X has pending and granted claims covering each of its lead products. arGEN-X seeks to protect its products by various layers of patent claims which are being pursued in major, commercially relevant territories and countries, with a particular focus on the US and EU. arGEN-X's patents and patent applications (provided that they will be granted) are currently expected to only expire in the 2028-2033 time window.

- arGEN-X's productivity and capital efficiency, which are the result of the output of its technology platforms combined with a management focus on its core activities of antibody discovery and development. arGEN-X's productivity to date is illustrated by its ability to progress two of its products to Phase 1b clinical trial within 4 years since its inception. arGEN-X aims to be disciplined in minimizing fixed costs and optimizing its use of outsourcing. arGEN-X believes that this model provides for a high operational flexibility and capital efficiency.

- arGEN-X's senior leadership team consists of experienced, industry professionals of different nationalities. These individuals have highly complementary skills and backgrounds, and they have a long-standing track record in antibody drug discovery and development, in both biotechnology and large pharmaceutical companies.

PRODUCT DEVELOPMENT AND PIPELINE

arGEN-X's product pipeline contains programs which range from discovery stage to the clinical stage. The product candidates being advanced by arGEN-X include ARGX-110, ARGX-111 and ARGX-113, targeting oncology, inflammation and severe autoimmune diseases. ARGX-109 is being advanced by arGEN-X's licensee, RuiYi, and ARGX-112 is currently available for partnering. arGEN-X also intends to seek a partner for the development of ARGX-111 once Phase 1b proof of mechanism has been achieved.



ARGX-110 (proprietary, clinical stage): antibody targeting CD70, an immune modulation target frequently overexpressed in hematological malignancies and solid tumors as well as lymphoid cells associated with autoimmune diseases (source: Boursalian, 2009). ARGX-110 makes use of the SIMPLE Antibody™ technology to block CD70 with high potency and the POTELLIGENT® technology is used to enhance its cell killing function mediated by ADCC (source: Silence, 2014). arGEN-X believes ARGX-110 has the potential to address unmet medical need in CD70 positive lymphomas, leukemia's, and solid tumors as well as autoimmune diseases driven by CD70 positive B- and T-cells.

ARGX-111 (proprietary, clinical stage): antibody targeting c-Met, a receptor involved in cancer spread in hematological and solid tumors (source: Hultberg, 2014). ARGX-111 makes use of the SIMPLE Antibody™, POTELLIGENT® and NHance® technologies to block a unique target epitope that allows, contrary to competitor molecules, for complete blockade of c-Met without measurable activation of the receptor, enhanced cell killing function mediated by ADCC, and improved tissue distribution (source: Hultberg, 2014). arGEN-X believes that ARGX-111 has the potential to address unmet medical need in early-stage c-Met positive solid tumors and in c-Met positive lymphomas and leukemia's.

ARGX-113 (proprietary, preclinical stage): antibody fragment targeting FcRn, a receptor involved in antibody recycling and half-life prolongation (source: Roopenian, 2007). ARGX-113 makes use of the ABDEG™ technology to increase the binding affinity of ARGX-113 to FcRn, turning it into an antagonist of this target. This results in a significant drop in circulating, pathogenic antibodies (source: Vaccaro, 2005). arGEN-X believes ARGX-113 has the potential to address unmet medical need in autoimmune

diseases, including both large and orphan severe autoimmune diseases, driven by pathogenic autoantibodies and characterized by acute flares or crises.

ARGX-112 (proprietary, preclinical stage): antibody targeting IL-22R, the shared receptor for IL-20 and IL-22, which play a role in skin inflammation (source: Sabat, 2014). ARGX-112 makes use of the SIMPLE Antibody™ technology to block a unique epitope on the IL-22 receptor that allows for potent blocking of both IL20 and IL-22 binding and signaling (source: Blanchetot, 2013). arGEN-X believes that ARGX-112 has the potential to address unmet medical need in inflammatory diseases of the skin, such as atopic dermatitis.

ARGX-109 (partnered, preclinical stage): antibody targeting IL-6 in autoimmune and oncology indications. ARGX-109 makes use of the SIMPLE Antibody™ technology to target a unique epitope which enables high blocking potency. The product is currently being developed by arGEN-X's partner RuiYi under a global licensing agreement.

arGEN-X currently has a number of discovery programs applying the SIMPLE Antibody™ technology to address targets in various therapeutic areas which it believes to be inaccessible to current antibody technologies. arGEN-X develops its discovery pipeline in collaboration with academic (de Duve Institute; GARP program) and pharmaceutical partners (Shire, Bayer and Boehringer Ingelheim).

CLINICAL DEVELOPMENT PLAN

ARGX-110: In a dose escalation study (Phase I), ARGX-110 was shown to have a favorable safety profile, exhibited no dose-limiting toxicities and has met all translational development goals.
ARGX-110 was advanced into the safety expansion part of a Phase 1b study. This to investigate the safety of ARGX-110 in CD70 positive cancer patients with hematological or solid tumors. Evaluation of efficacy will determine the selection of the indications with high unmet medical need to be studied in Phase 2.

As an expansion arm of ongoing Phase 1b study, a clinical safety evaluation of ARGX-110 was initiated in patients with CD70 positive T-cell lymphomas.

arGEN-X and the UZ Gent have also initiated a Phase 1b feasibility study of ARGX-110 in patients with nasopharyngeal carcinoma (NPC); the first patients have been recruited. This is part of the IWT TGO program secured from IWT in 2013.

Additionally, arGEN-X has secured a collaboration with the Leukemia & Lymphoma Society (US) for the clinical evaluation of ARGX-110 in a disease-specific Phase I trial in patients with Waldenström's macroglobulinemia.

In parallel to the above monotherapy program, arGEN-X foresees the potential to initiate a Phase I combination study to enable further development in either hematological or solid tumors such as non-small cell lung cancer (NSCLC), ovarian cancer, mesothelioma, or head and neck cancer. Taken together these trials will provide essential safety, efficacy, and pharmacological data to be included in eventual regulatory submission packages.

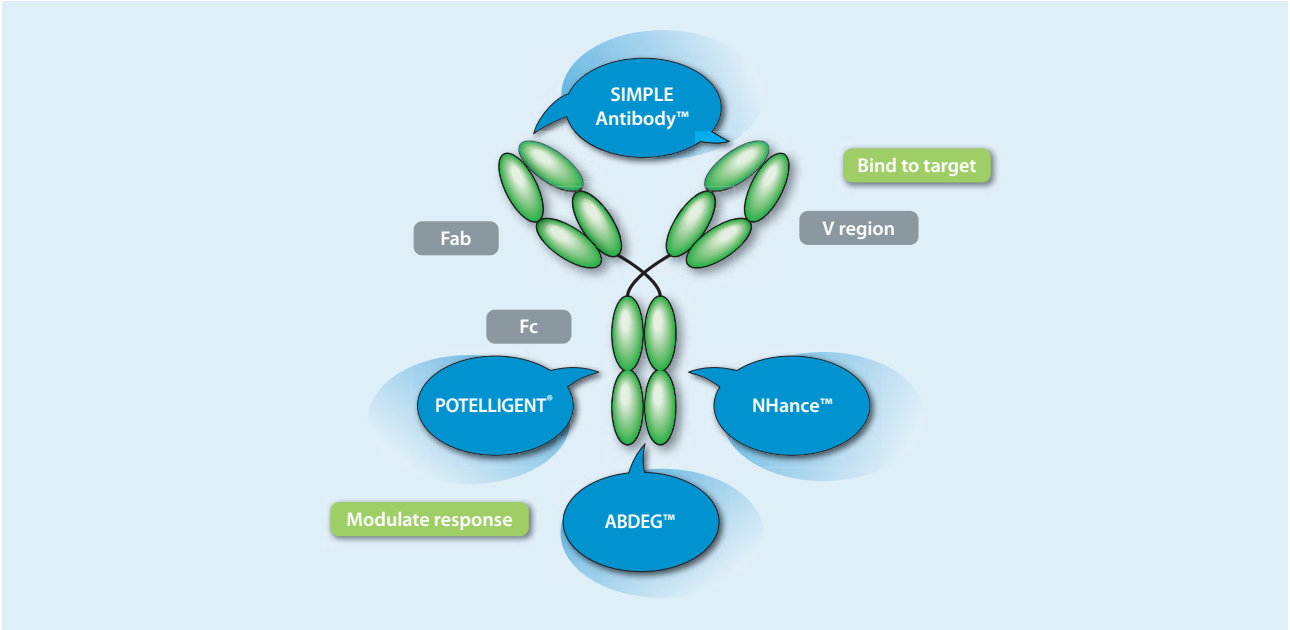
Once efficacy data from the Phase 2 trials becomes available, arGEN-X intends to actively seek a partner to undertake indication expansion studies in larger hematological and solid tumors indications, for which regulatory approval typically requires larger Phase 3 programs.

ARGX–111: In a Phase I dose escalation study, biological activity of ARGX-111 was tested in c-MET positive cancer indications. Metabolic response was detected in a patient with advanced, MET-amplified gastric cancer, refractory to chemotherapy. Recruitment to the safety expansion portion of the study will focus on patients with solid tumors demonstrating MET amplification.

ARGX-113: arGEN-X expects to submit a clinical trial authorization (CTA) in 2H 2015 and to establish safety in a Phase I, first-in human trial in healthy volunteers. According to the current plans, this would be followed by a study of ARGX-113 in patients with MuSK-MG, a subtype of myasthenia gravis. The correlation between levels of MuSK autoantibodies and disease severity makes this subset of patients a plausible population on which to base the initial clinical development of ARGX-113. The potential utility of ARGX-113 in other autoimmune diseases may be explored in a companion pharmacodynamic study.

TECHNOLOGY PLATFORM

arGEN-X's technology suite consists of four complementary platforms. The proprietary SIMPLE Antibody™ discovery platform enables targeting complex or novel disease targets. The Fc engineering technologies, POTELLIGENT®, NHance® and ABDEG™ have the potential to further enhance the intrinsic therapeutic functionalities of its antibody leads by enhancing antibody cell killing through ADCC, prolonging product residence time in the human body, and enhancing the clearance of disease targets or pathogenic antibodies. These complementary technology platforms can be applied in combination to yield differentiated therapeutic antibodies having multiple modes of action.



SIMPLE Antibody™: arGEN-X was founded on this original invention which is based on active immunization of llamas with human disease targets. arGEN-X observed the surprisingly high human sequence and structural homology in the variable regions of the 4-chain antibodies of this species,

which makes this class of antibodies attractive for therapeutic applications. The SIMPLE AntibodyTM platform utilizes the llama's immune system. This immune system has a number of characteristics that make it particularly well suited to therapeutic antibody discovery:

- The llama genome encodes all human V gene families.
- V regions of llama and human antibodies are highly similar.
- Sequences from human/mouse targets differ from llama counterparts, making them excellent immunogens.
- Llamas are outbred, meaning that each animal produces a unique antibody response.
- The potent llama immune system enables the generation of antibodies against complex targets that are difficult for drug discovery, such as ion channels and G-protein coupled receptors.

NHance®: arGEN-X exclusively in-licensed the patents covering this serum half-life extension technology from Prof. Sally Ward of the University of Texas Southwestern Medical Center. The technology encompasses two mutations in the Fc that enhance the binding affinity of Fc to FcRn (source: Vaccaro, 2006). NHance enables half-life extension without increasing immunogenicity or compromising manufacturability. NHance has no adverse effects on FC-mediated cell killing and is applicable to both antibody and Fc fusion protein products. Key advantages of NHance are:

- Increased product efficacy, improved bio-distribution, enhanced delivery across mucosal barriers.
- Increased patient convenience: reduced dosing, different possible drug delivery routes.
- Improved pharmaco-economics: reduced dosing requirements, fewer patient visits.

ABDEG™: A related technology to NHance® is ABDEG™, covered by the same patents which arGEN-X exclusively in-licensed from the University of Texas Southwestern Medical Center, where in addition to the two NHance® mutations, three further mutations are introduced into the Fc (source: Vaccaro, 2005). As a result, binding affinity of Fc to FcRn is improved at both acidic and neutral pH. As a consequence, ABDEG™ modified Fc regions occupy FcRn and block the recycling of pathogenic autoimmune antibodies, which potentially leads to their enhanced clearance.

POTELLIGENT®: This technology has been in-licensed from BioWa (US) on a non-exclusive basis and has the potential to boost antibody mediated cell killing (ADCC). By using a dedicated production cell line, antibodies with a non-fucosylated Fc region can be obtained with increased binding affinity for Fc gamma receptor IIIa (source: Yamane-Ohnuki, 2004). This receptor is present on immune effector cells and is responsible for cell killing of antibody decorated target cells. Increased binding affinity of the antibody Fc to Fc gamma receptor IIIa has the potential to enhance ADCC. Non-fucosylated antibodies occur naturally in humans in low amounts and are therefore supposed to be safe. This technology has been validated clinically by Kyowa Hakko Kirin's antibody against CCR4 (mogamulizumab), which in Japan was approved for treatment of adult T-cell lymphoma and recently for peripheral T-cell lymphoma and cutaneous T-cell lymphoma.

REVENUE MODEL

arGEN-X's revenue model consists of partnering its in-house, proprietary products at a certain point; forging industrial partnerships with pharmaceutical and biotechnology companies; and technology licensing.

Partnering of products: Partnering of preclinical and clinical stage products typically generates revenue in the form of upfront payments, clinical development milestone payments, sales based milestone payments and royalties on net product sales. In the future, arGEN-X may decide to reserve the possibility to retain certain marketing rights for individual products on a territory-by-territory basis. ARGX-109 has been partnered at the preclinical stage, and arGEN-X also intends to partner ARGX-112 at the preclinical stage. arGEN-X currently intends to partner ARGX-111 after Phase1b proof of mechanism, prior to initiation of randomized Phase 2 clinical trials. arGEN-X currently aims to progress its therapeutic programs ARGX-110 and ARGX-113 up to Phase 2 clinical proof of concept, or beyond, before partnering. The decision of arGEN-X to develop its programs beyond Phase 2 clinical proof of concept will be driven amongst others by the ability to identify promising orphan indications for which the clinical and regulatory path forward is, in the opinion of arGEN-X, sufficiently attractive.

Industrial partnerships: Revenue from industrial partnerships typically consists of one or more of the following: technology access fees, research and development funding, discovery milestone payments, option exercise fees, clinical development and sales based milestone payments and royalties on net product sales.

arGEN-X leverages its suite of antibody technology platforms and know-how in industrial partnerships with pharmaceutical companies, such as Shire and Bayer, where the focus is on antibody drug discovery targeting novel and complex targets. Discovery activities under these alliances focus on multiple therapeutic areas. arGEN-X intends to maximize its ability to partner freely by not granting exclusivity for disease targets under its research licenses. arGEN-X aims to build long-term strategic relationships with its partners, on the back of past achievements.

Technology licensing: Revenue under these licenses may comprise licensing fees, diverse milestone payments and royalties on net product sales.

arGEN-X is providing technology licenses for its NHance® platform on a non-exclusive basis to companies with diverse needs, such as optimizing an antibody-based product for subcutaneous administration or pursuing life cycle management strategies across their biotherapeutic pipelines. To date arGEN-X has already provided two non-exclusive licenses to its Nhance® technology platform. arGEN-X is taking a similar approach with licensing ABDEG™, given its broad applicability from clearance of pathogenic agents to management of autoimmunity. arGEN-X's only conditional area of technology licensing relates to POTELLIGENT®, where under the terms of arGEN-X's BioWa license it may only grant sublicenses within the context of a SIMPLE Antibody™ collaboration, to companies who are not already BioWa licensees.

arGEN-X believes it has a balanced revenue model based on its mix of industrial partnerships and technology licensing on the one hand and its product partnering revenues on the other hand.

COLLABORATION AGREEMENTS

INDUSTRIAL PARTNERSHIPS

arGEN-X leverages its suite of antibody technology platforms and know-how in strategic alliances with pharmaceutical companies, such as Shire and Bayer, where the focus is on antibody drug discovery targeting complex and novel targets across multiple therapeutic areas. In addition, arGEN-X has partnered its preclinical program ARGX-109 with RuiYi under a global licensing agreement. The table below provides an overview of the current industrial partnerships.

Partner	Year	Scope	Milestones	Royalties	Stage of Progress
Shire	2012	Discovery deal - rare diseases	Yes	Yes	Discovery
Shire	2014	Strategic alliance	Yes	Yes	Discovery
Bayer	2014	Discovery deal various therapeutic areas	Yes	No	Discovery
RuiYi	2012	Global out-licensing of ARGX-109	Yes	Yes	Preclinical
Boehringer Ingelheim	2013	Undisclosed	Undisclosed	Undisclosed	Discovery

SHIRE INTERNATIONAL GMBH (CH): SIMPLE ANTIBODY™ DISCOVERY DEAL TARGETING COMPLEX RARE DISEASES TARGETS

In February 2012 arGEN-X entered into a research collaboration and exclusive product license option agreement with Shire International GmbH. Pursuant to that agreement, arGEN-X 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, arGEN-X has already

received technology access fees and research funding and is eligible to receive discovery milestone payments. In September 2013, arGEN-X received a first technical success milestone payment from Shire, and in January 2014, arGEN-X 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 arGEN-X was expanded to include in addition to the use of arGEN-X's entire suite of human antibody discovery technologies. Pursuant to the amended agreement (which is in addition to the existing collaboration), arGEN-X 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. Shire will be responsible for clinical development and commercialization of products, with arGEN-X having the right to license any programs not pursued by Shire into its own development pipeline. Under the amended agreement, Shire made an upfront cash payment of EUR 3 million. In December 2014, Shire has exercised its option to advance into preclinical development one or more product candidates created out of a 2012 therapeutic antibody alliance between the two companies. At the same time as expanding the collaboration, Shire participated in the IPO of the Company and based on the information available to the Company at the time of this annual report Shire holds 8.99 percent of the Company´s total outstanding shares.

BAYER AG (G): SIMPLE ANTIBODY™ DISCOVERY DEAL TARGETING COMPLEX DISEASES TARGETS

In May 2014, arGEN-X entered into a research collaboration and exclusive product license option agreement with Bayer AG (Bayer). Pursuant to the agreement arGEN-X 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, arGEN-X has already received technology access fees and research funding and is eligible to receive preclinical success payments.

RUIYI

In October 2012 arGEN-X granted a worldwide exclusive license to RuiYi, Inc. (RuiYi) to develop and commercialize ARGX-109, a novel anti-IL-6 monoclonal antibody discovered and developed by arGEN-X. Under the agreement, RuiYi made an upfront payment to arGEN-X consisting of cash and equity. arGEN-X is also eligible to receive additional payments based on the achievement of certain clinical, regulatory and commercialization milestones and royalties based on worldwide net sales of therapeutic products. The Group holds a small minority stake in RuiYi.

BOEHRINGER INGELHEIM (G): SIMPLE ANTIBODY™ PILOT RESEARCH AGREEMENT

In December 2013 arGEN-X entered into a pilot services and material transfer agreement with Boehringer Ingelheim Pharmaceuticals, Inc. (Boehringer Ingelheim) whereby Boehringer Ingelheim

will evaluate and consider the usefulness of arGEN-X's SIMPLE Antibody™ Technology for generating and screening antibodies for Boehringer Ingelheim's drug discovery research and development programs.

ELI LILLY & CO (US): SIMPLE ANTIBODY™ DISCOVERY DEAL TARGETING COMPLEX TARGETS

In December 2010 arGEN-X entered into a research and exclusive product license option agreement with Eli Lilly and Company (Lilly) pursuant to which arGEN-X and Lilly engage in a collaborative research program to discover and develop novel therapeutic antibodies against targets submitted by Lilly. Under the agreement, arGEN-X received license fees and research funding. The agreement has ended in December 2011.
In addition to these agreements, arGEN-X has already signed two non-exclusive license agreements with respect to its NHance® technology.

THE LEUKEMIA & LYMPHOMA SOCIETY (US): DEVELOPMENT OF ARGX-110 IN WALDENSTRÖM'S MACROGLOBULINEMIA

In May 2014, arGEN-X entered into a research, development and commercialization agreement with The Leukemia & Lymphoma Society (LLS), a US voluntary health agency which encourages and sponsors research relating to leukemia, lymphoma, Hodgkin's disease and myeloma. This agreement is part of LLS 'Therapy Acceleration Program' (TAP), which is designed to speed the development of blood cancer treatments and supportive diagnostics. LLS funds projects related to therapies that have the potential to change the standard of care for patients with blood cancer, especially in areas of high unmet medical need. Pursuant to the agreement, LLS has committed to fund arGEN-X's preclinical and clinical product development activities for ARGX-110 in Waldenström's macroglobulinemia for 50% of the trial costs with a maximum amount of USD 2,230,000 under certain terms and conditions set out in the agreement. All the inventions made relating to the research program shall be owned by arGEN-X. In return, arGEN-X shall pay certain compensation upon occurrence of transfer events, which include amongst others a change of control and the licensing or commercialisation of products or inventions relating to the research program.

INNOVATIVE ACCESS PROGRAM

The Innovative Access Program leverages the proven power of the SIMPLE Antibody™ platform in creating best-in-class antibodies across multiple therapeutic areas. Through collaboration with academic centers of excellence and emerging biotech companies, arGEN-X will provide access to its antibody discovery technologies and offer technical support and proprietary know-how where needed. Deal structures are designed to be flexible. The first collaborations under the Innovative Access Program are with an unnamed U.S.-based biotech company active in dyslipidemia and the de Duve Institute focusing on new cancer immunotherapy.

RISK MANAGEMENT

Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this annual report, before making an investment decision with respect to investing in the Company. All of these factors are contingencies which may or may not occur. The Company believes that the risks and uncertainties described below are all material risks and uncertainties relating to the Group. If additional risks and uncertainties not presently known to the Company or that are currently deemed to be immaterial occur, this may also have a material adverse effect on the Group's business, prospects, results of operation and financial condition. If any of those risks or uncertainties occurs, the price of the shares in the Company (the Shares) may decline and investors could lose all or part of their investment.

In addition to considering carefully the risk factors set out below and this entire annual report, prospective investors should also consult, before making an investment decision with respect to the Company, their own financial, legal and tax advisers to carefully review the risks associated with an investment in the Company and consider such an investment decision in light of their personal circumstances.

RISKS RELATING TO THE REGULATORY ENVIRONMENT

1.1. Nearly all aspects of the Group's activities are subject to substantial regulation. No assurance can be given that any of the Group's product candidates will fulfil regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals and withdrawal of approvals as well as fines

The international biopharmaceutical and medical technology industry is highly regulated by government bodies (Competent Authorities) that impose substantial requirements covering nearly all aspects of the Group's activities notably on research and development, manufacturing, preclinical tests, clinical trials, labelling, marketing, sales, storage, record keeping, promotion and pricing of its research programs and product candidates. Such regulation is further subject to regular review by the Competent Authorities which may result in changes in applicable regulation. If the Group does not comply with one or more of these factors in a timely manner, or at all, it could experience significant delays as a result of the European Medicine Agency (EMA) in the European Union, the Food and Drug Administration (FDA) in the United States or another Competent Authority recommending non-approval or restrictions on approval of a product candidate, leading to an inability to successfully commercialize any of its product candidates, which would materially harm its business. Any failure of any of the Group's product candidates in clinical studies or to receive regulatory approval could have a material adverse effect on the Group's business, results of operations and/or financial condition. If any of the Group's product candidates fails to obtain approval on the basis of any applicable condensed regulatory approval process, this will prevent such product candidate from obtaining approval in a shortened time frame, or at all, resulting in increased expenses which would materially harm the Group's business.

Compliance with standards laid down by local Competent Authorities is required in each country where the Group, or any of its partners or licensees, conducts said activities in whole or in part. The Competent Authorities notably include the EMA and the FDA. In order to market the Group's future

products in regions such as the European Economic Area, United States of America, Asia Pacific, and many other foreign jurisdictions, the Group must obtain separate regulatory approvals. The approval procedures vary among countries and can require additional clinical testing, and the time required to obtain approval may differ from that required to obtain for example FDA or EMA approval. Moreover, clinical studies conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA or EMA does not ensure approval by Competent Authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA or EMA.

There can be no assurance that product candidates of the Group will fulfil the criteria required to obtain necessary regulatory clearance to access the market. Also, at this time, the Group cannot guarantee or know the exact nature, precise timing and detailed costs of the efforts that will be necessary to complete the remainder of the development of its research programs and products candidates. Each Competent Authority may impose its own requirements, may discontinue an approval, may refuse to grant approval, or may require additional data before granting approval, notwithstanding that approval may have been granted by one or more other Competent Authorities. Competent Authorities may also approve a treatment candidate for fewer or more limited indications or patient sub-segments than requested or may grant approval subject to the performance of post-marketing studies. Competent Authority approval may be delayed, limited or denied for a number of reasons, most of which are beyond the Group's control. Such reasons could include, amongst others the production process or site not meeting the applicable requirements for the manufacture of regulated products, or the products not meeting applicable requirements for safety or efficacy during the clinical development stage or after marketing. No assurance can be given that clinical trials will be approved by Competent Authorities or that products will be approved for marketing by Competent Authorities in any pre-determined indication or intended use. Competent Authorities may disagree with the Group's interpretation of data submitted for their review.

The Group and its collaborative partners are, or may become subject to, numerous on-going other regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. The costs of compliance with such applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing authorization of its products, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Group's or its collaborative partners' costs or delay the development and commercialization of its product candidates.

1.2. Research programs and product candidates of the Group must undergo rigorous preclinical tests and clinical trials, the start, timing of completion, number and results of which are uncertain and could substantially delay or prevent the products from ever reaching the market

Preclinical tests and clinical trials are expensive and time-consuming and their results are uncertain. The Group, its collaborative partners or other third parties may not successfully complete the preclinical tests and clinical trials of the research programs and product candidates. Failure to do so may delay or prevent the commercialization of products. The Group cannot guarantee that its research programs and product candidates will demonstrate sufficient safety or efficacy or

performance in its preclinical tests and clinical trials to obtain marketing authorization in any given territory or at all, and the results from earlier preclinical tests and clinical trials may not accurately predict the results of later-stage preclinical tests and clinical trials. At any stage of development, based on a review of available preclinical and clinical data, the estimated costs of continued development, market assessments and other factors, the development of any of the Group's research programs and product candidates may be suspended or discontinued.

Clinical trials can be delayed for a variety of reasons, including, but not limited to, delays in obtaining regulatory approval to commence a trial, in reaching agreement on acceptable terms with prospective contract research organizations (CROs) and contract manufacturing organizations (CMOs) and clinical trial sites, in obtaining ethics committee approval, in recruiting suitable patients to participate in a trial, in having patients complete a trial or return for follow-up, in adding new sites or in obtaining sufficient supplies of clinical trial materials or clinical sites dropping out of a trial and in the availability to the Group of appropriate clinical trial insurances. Furthermore, the Group, its collaborative partners, or regulators may require additional preclinical tests and clinical trials. Such delays or additional testing could result in increased costs and delay or jeopardize the Group's ability to obtain regulatory approval and commence product sales as currently contemplated.

Many factors affect patient enrolment, including, but not limited to, the size and nature of the patient population, the severity of the disease under investigation, the patient eligibility criteria for the study in question, the ability to monitor patients adequately during and after the treatment, the Group's payments for conducting clinical trials, the proximity of patients to clinical sites, the design of the clinical trial, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications the Group is investigating and whether the clinical trial design involves comparison to placebo or standard of care. In addition, some of the Group's competitors have on-going clinical trials for product candidates that treat the same indications as the Group's product candidates, and patients who would otherwise be eligible for the Group's clinical trials may instead enroll in clinical trials of the Group's competitors' product candidates. If the Group experiences lower than expected enrolment in the trials, the trials may not be completed as envisaged or may become more expensive to complete which may have a material adverse effect on the Group's business, prospects, financial condition and results of operation.

1.3. If serious adverse side effects are identified for any product candidate, the Group may need to abandon or limit its development of that product candidate, which may delay or prevent marketing approval, or, if approval is received for the product candidate, require it to be taken off the market, require it to include safety warnings or otherwise limit its sales

Not all adverse effects of drugs can be predicted or anticipated. Serious unforeseen side effects from any of the Group's product candidates could arise either during clinical development or, if approved by Competent Authorities, after the approved product has been marketed. All of the Group's product candidates are still in clinical or preclinical development or discovery. While the Group's preclinical and clinical studies for its product candidates to date have demonstrated an acceptable safety profile, the results from future trials may not support this conclusion. The results of future clinical studies may show that the Group's product candidates cause undesirable or unacceptable side effects or even death, which could interrupt, delay or halt clinical studies, and result in delay of, or failure to obtain,

marketing approval from the FDA, the EMA and other Competent Authorities, or result in marketing approval from the FDA, the EMA and other Competent Authorities with restrictive label warnings impacting sales and increasing risk of potential product liability claims. Moreover, as larger numbers of subjects are enrolled in advanced clinical studies for the Group's product candidates or if the Group's product candidates receive marketing approval, the risk that uncommon or low frequency but significant side effects are identified may increase. If any of the Group's product candidates receive marketing approval and the Group or others later identify undesirable or unacceptable side effects caused by such products:

- Competent Authorities may require the Group to take its approved product off the market;
- Competent Authorities may require the addition of labelling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- the Group may be required to change the way the product is administered, conduct additional clinical studies or change the labelling of the product;
- the Group may be subject to limitations on how it may promote the product;
- sales of the product may decrease significantly;
- the Group may be subject to litigation or product liability claims; and
- the Group's reputation may suffer.

Any of these events could prevent the Group or any potential future partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent the Group from generating significant revenue from the sale of its products.

1.4. If the Group obtains regulatory approval for a product candidate, the product will remain subject to on-going regulatory obligations

If the Group obtains regulatory approval in a jurisdiction, Competent Authorities may still impose significant restrictions on the indicated uses or marketing of the product, or impose on-going requirements for potentially costly post-approval studies or post-market surveillance. There can be no guarantee that such additional data or studies, if required, will corroborate earlier data. Post-approval manufacturing and marketing of the Group's products may show different safety and efficacy profiles to those demonstrated in the data on which approval to test or market said products was based. If the Group would conduct clinical tests of its products with other therapeutic products (combination therapy), the Group's products would be exposed to any risk identified in relation to such other therapeutic products. Such circumstances could lead to the withdrawal, restriction on use or suspension of approval, which could have a material adverse effect on the Group's business, financial condition, operating results or cash flows. Advertising and promotional materials must comply with Competent Authorities or other applicable rules and are subject to Competent Authorities review, in addition to other potentially applicable federal and state laws and legislation globally. In addition,

Competent Authorities may not approve the labelling claims or advertisements that are necessary or desirable for the successful commercialization of the Group's products.

For example, in the United States, the Group's product candidates are classified as biologics and, therefore, can only be sold if the Group obtains a Biologics License Application (BLA) from the FDA. The holder of a BLA is obligated to monitor and report adverse events and any failure of a product to meet the specifications in the BLA. The holder of a BLA must also submit new or supplemental applications and obtain FDA approval for certain changes to the approved product, product labelling or manufacturing process. Failure to comply with a BLA or any other on-going regulatory obligation may result in suspension of approval to manufacture or distribute the relevant product, as well as fines or imprisonment for violations.

If the Group fails to comply with applicable regulatory requirements following approval of any of the products, a Competent Authority may for example:

- issue a warning letter asserting that the Group is in violation of the law;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any on-going clinical studies;
- seize the product; or
- refuse to allow the Group to enter into supply contracts, including government contracts.

Any government investigation of alleged violations of law could require the Group to expend significant time and resources in response and could generate negative publicity. Competent Authorities have broad enforcement power, and a failure by the Group or its collaboration partners to comply with applicable regulatory requirements can, among other things, result in recalls or seizures of products, operating and production restrictions, withdrawals of previously approved marketing applications, total or partial suspension of regulatory approvals, refusal to approve pending applications, warning letters, injunctions, penalties, fines, civil proceedings, criminal prosecutions and imprisonment. The occurrence of any event or penalty described above may delay commercialization of the Group's products, increase costs and materially adversely affect the Group's business, prospects, financial condition and results of operation.

RISKS RELATING TO THE GROUP'S BUSINESS

2.1. Development risk on technologies and products

2.1.1. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of uncertainty. If the Group is unable to complete clinical trials or to obtain regulatory approval for any of its product candidates, or experiences significant delays in doing so, this would have a material adverse effect on its business

The Group is a clinical stage biopharmaceutical group. The Group has invested a significant portion of its financial and other resources in the development of ARGX-109, ARGX-110, ARGX-111, ARGX-112 and ARGX-113 for the treatment of cancer, inflammation and severe autoimmune diseases. From its inception through the year ended December 31, 2014, the Group has incurred expenses of EUR 12.1 million for preclinical and clinical studies. The Group's prospects for the foreseeable future, including its ability to continue to develop its product candidates and to achieve profitability, will depend heavily on the Group's ability, alone or with partners, to achieve (development) milestones under its partnership agreements, to successfully complete the preclinical and clinical development of, to obtain the necessary regulatory approvals for, and to commercialize product candidates.

2.1.2. The Group may not be successful in its efforts to use and expand the SIMPLE Antibody™, NHance® and ABDEG™ technology platforms, as well as the licensed POTELLIGENT® technology platform to build a pipeline of product candidates and develop marketable products due to significant competition and technological change which could limit or eliminate the market opportunity for its product candidates and technology platforms

The Group is using the SIMPLE Antibody™, NHance® and ABDEG™ technology platforms, as well as the licensed POTELLIGENT® technology platform to develop engineered antibodies, with an initial focus on the treatment of cancer, inflammation and severe autoimmune diseases. These technology platforms have generated the Group's five product candidates ARGX-109, ARGX-110, ARGX-111, ARGX-112 and ARGX-113, as well as the other programs that utilize the Group's technology and that are being developed by the Group's partners and licensees. The Group is at a very early stage of development and its platforms have not yet, and may never lead to, approved or marketable therapeutic antibody products.

The market for pharmaceutical products is highly competitive. The Group's competitors include many established pharmaceutical companies, biotechnology companies, universities and other research or commercial institutions, many of which have substantially greater financial, research and development resources than the Group. Large pharmaceutical companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and in manufacturing pharmaceutical products. Smaller and early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with the Group in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, the development of the Group's products. The fields in which the Group operates are characterized by rapid technological change and innovation. There can be no assurance that competitors of the Group are not currently developing, or will not in the future develop technologies and products that are equally or more effective and/or are more economically attractive as any current or future technology or product of the Group. Competing products or technology platforms may gain faster or greater market acceptance than the Group's products or technology platforms and medical advances or rapid technological development by competitors may result in the Group's product candidates or technology platforms becoming non-competitive or obsolete before the Group is able to recover its research and development and commercialization expenses. If the Group, its product candidates or its technology platforms do not compete effectively, it may have a material adverse effect on the Group's business, prospects, financial condition and results of operation.

2.1.3. Failure to successfully identify, develop and commercialize additional products or product candidates could impair the Group's ability to grow

Although a substantial amount of the Group's efforts will focus on the continued preclinical and clinical testing and potential approval of its product candidates, a key element of the Group's long-term growth strategy is to develop and market additional products and product candidates. Because the Group has limited financial and managerial resources, research programs to identify product candidates require substantial additional technical, financial and human resources, whether or not any product candidates are ultimately identified. The success of this strategy depends partly upon the Group's ability to identify, select and develop promising product candidates and products. The

Group's technology platforms may fail to discover and to generate additional product candidates that are suitable for further development. All product candidates are prone to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate may not be suitable for clinical development as a result of its harmful side effects, limited efficacy or other characteristics that indicate that it is unlikely to be a product that will receive approval by Competent Authorities and achieve market acceptance. If the Group does not successfully develop and commercialize product candidates based upon its technological approach, the Group may not be able to obtain product or collaboration revenues in future periods, which would adversely affect its business, prospects, financial condition and results of operations.

The Group's long-term growth strategy to develop and market additional products and product candidates is heavily dependent on precise, accurate and reliable scientific data to identify, select and develop promising pharmaceutical product candidates and products. The Group's business decisions may therefore be adversely influenced by improper or fraudulent scientific data sourced from third parties. Any irregularities in the scientific data used by the Group to determine its focus in research and development of product candidates and products could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

2.2. Commercialization and market risk

2.2.1. Even if the Group eventually gains approval for any of its product candidates, it may be unable to commercialize them

The Group does not have a sales or marketing infrastructure and has no experience in the sale or marketing of pharmaceutical products. To achieve commercial success for any approved product, the Group must develop or acquire a sales and marketing organization, outsource these functions to third parties or enter into partnerships.

The Group may decide to establish its own sales and marketing capabilities and promote its product candidates if and when regulatory approval has been obtained in the major EU countries and North America. There are risks involved should the Group decide to establish its own sales and marketing capabilities and/or enter into arrangements with third parties to perform these services. Even if the Group establishes sales and marketing capabilities, it may fail to launch its products effectively or to market its products effectively given it has no experience in the sales and marketing of pharmaceutical products. In addition, recruiting and training a sales force is expensive and time consuming and could delay any product launch. In the event that any such launch is delayed or does not occur for any reason, the Group would have prematurely or unnecessarily incurred these commercialization expenses, and the Group's investment would be lost if it cannot retain or reposition its sales and marketing personnel. Factors that may inhibit the Group's efforts to commercialize its products on its own include:

- the Group's inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of allergists and/or physicians to prescribe any future products;

- the lack of complementary products to be offered by sales personnel, which may put the Group at a competitive disadvantage relative to companies with more extensive product lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organization; and
- costs of marketing and promotion above those anticipated by the Group.

If the Group would enter into arrangements with third parties to perform sales and marketing services, the Group's product revenues or the profitability of these product revenues to the Group could be lower than if the Group were to market and sell any products that it develops itself. Such collaborative arrangements with partners may place the commercialization of the Group's products outside of the Group's control and would make the Group subject to a number of risks including that the Group may not be able to control the amount or timing of resources that its collaborative partner devotes to the Group's products or that the Group's collaborator's willingness or ability to complete its obligations under the Group's arrangements may be adversely affected by business combinations or significant changes in such collaborator's business strategy. In addition, the Group may not be successful in entering into arrangements with third parties to sell and market its products or may be unable to do so on terms that are favorable to the Group. Acceptable third parties may fail to devote the necessary resources and attention to sell and market the Group's products effectively.

If the Group does not establish sales and marketing capabilities successfully, either on its own or in collaboration with third parties, it may not be successful in commercializing its products, which in turn would have a material adverse effect on its business, prospects, financial condition and results of operations.

2.2.2. The future commercial success of the Group's product candidates will depend on the degree of market acceptance of its products among physicians, patients, healthcare payers and the medical community

The Group's product candidates are at varying stages of development and the Group may never have a product that is commercially successful. To date, the Group has no product authorized for marketing. Its lead product candidates are in early stages of clinical development. The lead product candidates will require further clinical investigation, regulatory review, significant marketing efforts and substantial investment before it can provide the Group with any significant revenues. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many other companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain regulatory approval for the marketing of their product. Due to the inherent risk in the development of pharmaceutical products, it is probable that not all or none of the product candidates in the Group's portfolio will successfully complete development and be commercialized. The Group does not expect to be able to commercialize any of its products for a number of years. Furthermore, when available on the market, the Group's products may not achieve an adequate level of acceptance by physicians, patients and the medical community on the benefits of the products, and the Group may not become profitable. In addition, efforts to educate the medical community and third-party payers on the benefits of the Group's products may require significant resources and may never be successful which would prevent the Group from generating significant revenues or becoming profitable. Market acceptance of the Group's future

products by physicians, patients and healthcare payers will depend on a number of factors, many of which are beyond the Group's control, including, but not limited to:

- the wording of the product label;
- changes in the standard of care for the targeted indications for any product candidate;
- sales, marketing and distribution support;
- potential product liability claims;
- acceptance by physicians, patients and healthcare payers of each product as safe, effective and cost-effective;
- relative convenience, ease of use, ease of administration and other perceived advantages over alternative products;
- prevalence and severity of adverse events or publicity;
- limitations, precautions or warnings listed in the summary of product characteristics, patient information leaflet, package labelling or instructions for use;
- the cost of treatment with the Group's products in relation to alternative treatments;
- the extent to which products are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations; and
- whether products are designated in the label and/or under physician treatment guidelines and/or under reimbursement guidelines as a first-line therapy, or as a second-line, or third-line or last-line therapy.

2.2.3. The price setting, the availability and level of adequate reimbursement by third parties, such as insurance companies, governmental and other healthcare payers is uncertain and may impede on the Group's ability to generate sufficient operating margins to offset operating expenses

The Group's commercial performance and ability to become profitable will depend in part on the conditions for setting the sales price of its products if and when approved by the relevant public commissions and bodies and the conditions of their reimbursement by the health agencies or insurance companies in the countries where the Group intends to commercialize its products. The current context of healthcare cost control and economic and financial crisis that most countries are currently facing, coupled with the increase in healthcare budgets caused by the on-going long-term trend of the aging population creates extra pressure on healthcare spending in most if not all countries, which is expected to continue for the foreseeable future. Consequently, pressure on sales prices and reimbursement levels is intensifying owing in particular to:

- price controls imposed by many countries;
- the increasing reimbursement limitations of some products under budgetary policies; and
- the heightened difficulty in obtaining and maintaining a satisfactory reimbursement rate for drugs.

Obtaining adequate pricing decisions that would generate a positive return on the investment incurred for the development of product candidates developed by the Group is therefore uncertain. The Group's ability to manage its expenses and cost structure to adapt to increased pricing pressure is untested and uncertain. All of these factors will have a direct impact on the Group's ability to generate profits. The partial or lack of reimbursement policy of drugs could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

2.3. Operational risk

2.3.1. The Group has obtained significant funding from the Institute for the Promotion of Innovation by Science and Technology in Flanders (IWT) and the ParticipatieMaatschappij Vlaanderen (PMV). The terms of the agreements signed with the IWT and the PMV (i) may limit the Group's ability to choose the location of its premises and (ii) may lead to a re-evaluation of the IWT funding in case of a fundamental change in the Group's shareholding

As described in Part 8 ("Business Description"), under Section 13 ("Grants and subsidies"), the Group contracted over the past year numerous funding agreements with the IWT to partially finance its research and development programs. These funding agreements are subject to various criteria linked to employment and investment in the Flemish region of Belgium. The Group has committed to establish its operational site in the Flemish region of Belgium which must become the Group's major effective operational site and to maintain its site and all existing activities of the Group including, but not limited to, research and development in the Flemish region. As described in Part 12 ("Shareholder structure, principal shareholders and related party transactions"), on November 4, 2013 PMV has subscribed to class B shares in the Company. One of the conditions of the transaction includes that the Group undertakes to maintain substantial R&D activities in the Flemish region of Belgium. Such undertakings restricts the Company's ability to choose the most convenient or cost-effective location of its premises.

The above commitments are binding contractual undertakings of the Group. If the Group would not respect its contractual undertakings, the Group may be held liable by the IWT or PMV for any damage incurred by the IWT or PMV resulting from the breach of contract, including reimbursement in full of the subsidies granted by the IWT. Such liability could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

Further, pursuant to the general terms of each IWT grant, IWT is entitled to re-evaluate the subsidies granted to the Group in case of a fundamental change in the Group's shareholding which would have a negative impact on project valorization. If and when such re-evaluation takes place, it could have a material adverse effect on the business, prospects, financial condition and results of operations of the Group.

2.3.2. Growth may place significant demands on the Group's management and resources

The Group expects to experience future growth in the number of its employees and the scope of its operations in connection with the continued development and commercialization of its current and potential new product candidates. If the Group is unable to integrate successfully such additional employees or operations, or to hire the necessary additional qualified employees in a sufficient number and in a timely manner, this may have a material adverse effect on the Group's business, results of operations or financial condition and could negatively affect the value of the Shares.

2.3.3. 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 could face the risk of substantial liability for damages if its product candidates were to cause adverse side effects in clinical trials or once they are on the market. The Group may not be able to accurately predict the possible side effects that may result from the use of its product candidates. Product liability claims may be brought against the Group or its collaborators by participants enrolled in clinical trials, practitioners, researchers and other health/research professionals or others using, administering or selling any of the Group's future approved products. If the Group cannot successfully defend itself against any such claims, it may incur substantial liabilities. Regardless of their merit or eventual outcome, liability claims may result in:

- decreased demand for the Group's future approved products;
- injury to the Group's reputation;
- withdrawal of clinical trial participants;
- termination of clinical trial sites or entire trial programs;
- increased regulatory scrutiny;
- significant litigation costs;
- substantial monetary awards to or costly settlement with patients or other claimants;
- product recalls or a change in the indications for which they may be used;
- loss of revenue;
- diversion of management and scientific resources from the Group's business operations; and
- the inability to commercialize product candidates.

To date, no such claims or legal actions have been filed against the Group.

2.3.4. The Group's high dependency on consumer perception of its products may negatively influence the success of these products

If any of the Group's product candidates are approved for commercial sale, the Group will be highly dependent upon consumer perceptions of the safety and quality of its products. The Group could be adversely affected if it were subject to negative publicity. The Group could also be adversely affected if any of its products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to patients. Because of the Group's dependence upon consumer perceptions, any adverse publicity associated with illness or other adverse effects resulting from patients' use or misuse of the Group's products or any similar products distributed by other companies could have a material adverse impact on the Group's business, prospects, financial condition and results of operations.

2.3.5. The Group may not have or be able to obtain adequate insurance cover in particular for potential product liability risk

The Group currently maintains product liability insurance for its on-going clinical trials. In the future, the Group will 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. If, on this basis, it is determined that product liability insurance is necessary in respect of one or more of the Group's products, the Group may have difficulties obtaining full liability coverage, as insurance coverage in the pharmaceutical and medical devices industry is becoming more expensive. Hence, the Group might have to face liabilities for a claim that may not be covered by its insurance or its liabilities could exceed the limits of its insurance, which may materially harm the Group's financial position.

2.3.6. The Group's employees, principal investigators, consultants and collaborative partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards

The Group is exposed to the risk of employees, independent contractors, principal investigators, consultants, collaborative partners or vendors engaging in fraud or other misconduct. Misconduct by employees, independent contractors, principal investigators, consultants, collaborative partners and vendors could include intentional failures to comply with FDA, EMA or other relevant Competent Authorities' regulations, to provide accurate information to the FDA, EMA or other relevant Competent Authorities or to comply with manufacturing standards the Group has established.
In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements.

Misconduct could also involve scientific data fraud or the improper use of information obtained in the course of clinical studies, which could result in regulatory sanctions and serious harm to the Group's reputation. It is not always possible to identify and deter misconduct, and the precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Group from governmental investigations or other actions or

lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions 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.

2.3.7. The Group may not be able to integrate efficiently or achieve the expected benefits of any acquisitions of complementary businesses, product candidates or technologies

Since its inception in 2008, the Group has grown organically without any acquisitions (except for the in-licensing of NHance® and ABDEG™). Should the Group in the future contemplate to acquire any complementary business, product candidates or technologies, the Group's ability to integrate and manage acquired businesses, product candidates or technologies effectively will depend upon a number of factors including the size of the acquired business, the complexity of any product candidate or technology and the resulting difficulty of integrating the acquired business's operations, if any. The Group's relationship with current employees or employees of any acquired business may become impaired. The Group may also be subject to unexpected claims and liabilities arising from such acquisitions. These claims and liabilities could be costly to defend, could be material to the Group's financial position and might exceed either the limitations of any applicable indemnification provisions or the financial resources of the indemnifying parties. There can also be no assurance that the Group will be able to assess on-going profitability and identify all actual or potential liabilities of a business, product candidate or technology prior to its acquisition. If the Group acquires businesses, product candidates or technologies which result in assuming unforeseen liabilities in respect of which it has not obtained contractual protections or for which protection is not available, this could materially adversely affect the Group's business, prospects, financial condition and results of operations.

2.3.8. The Group's business may be adversely affected as a result of computer system failures

Any of the internal computer systems belonging to the Group or its third-party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in its own or in third-party service vendors' operations could result in a material disruption of its product development programs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in its or its partners' regulatory approval efforts and significantly increase its costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to its data or applications, or inappropriate disclosure of confidential or proprietary information, the Group may incur liability, its product development programs and competitive position may be adversely affected and the further development of its product candidates may be delayed. Furthermore, the Group may incur additional costs to remedy the damage caused by these disruptions or security breaches.

2.3.9. The Group's manufacturing and research and development activities sometimes involve the controlled use and disposal of potentially harmful biological materials, hazardous materials, chemicals and infectious disease agents which creates the risk of contamination or injury from these materials, chemicals, or agents for which the Group could be held liable

Although the Group believes that its safety procedures for handling, storing and disposing of potentially harmful biological materials, hazardous materials, chemicals and infectious disease agents comply with the standards prescribed by applicable regulations, it cannot completely eliminate the risk of contamination or injury from these materials. The Group contracts with third parties for the disposal of some of these materials. In addition, the Group's collaborators and service providers may be working with these types of materials in connection with their collaborations. In the event of an accident or contamination, the Group could be held responsible for any injury caused to persons or property by exposure to, or release of, these materials and could be held liable for significant damages, civil penalties or fines, which may not be covered by or may exceed its insurance coverage. Additionally, the Group is subject on an on-going basis to a variety of laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of continued compliance with current or new laws and regulations might be significant and could negatively affect the Group's profitability, and current or future environmental regulation may impair its on-going research, development or manufacturing efforts.

2.4. Financial risk

2.4.1. The Group has a history of operating losses and an accumulated deficit and may never become profitable

The Group is still in the early stages of developing its product candidates and has not completed development of any product. The Group's revenue to date has been primarily revenue from licensing its SIMPLE Antibody™ and NHance® platform technologies for the discovery and development of product candidates by others or collaboration revenue from its partners. The Group does not anticipate generating revenue from sales of products for the foreseeable future.

The Group has incurred significant operating losses since inception. Under IFRS, net loss for the period ending December 31, 2014 was EUR 10.3 million. On December, 2014, the Group had an accumulated deficit of EUR 35.8 million. These losses resulted principally from costs incurred in research and development, preclinical testing, clinical development of its product candidates as well as costs incurred for research programs and from general and administrative costs associated with the Group's operations. In the future, the Group intends to continue to conduct research and development, preclinical testing, clinical trials and regulatory compliance activities that, together with anticipated general and administrative expenses, may likely result in the Group incurring further significant losses for the next several years. These losses, among other things, will continue to cause the Group's working capital and shareholders' equity to decrease.

There can be no assurance that the Group will earn revenues or achieve profitability, which could impair the Group's ability to sustain operations or obtain any required additional funding. If the Group achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that the Group may experience fluctuating revenues, operating results and cash flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance.

2.4.2. The Group's limited operating history may make it difficult for a prospective investor to evaluate the success of the Group's business to date and to assess its future viability

The Group commenced operations in 2008. To date, its activities have been limited to staffing, business planning, raising capital, developing its technology, identifying potential product candidates and undertaking preclinical studies and clinical studies. All of the Group's product candidates are still in research, preclinical and clinical development. The Group has not yet demonstrated its ability to obtain regulatory approvals or conduct sales and marketing activities necessary for successful product commercialization. In addition, given its limited operating history, the Group may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If the Group would be successful at completing the approval process for one of its product candidates, the Group may consider transitioning from, the Group's current research and development focus to a group also capable of commercializing its products. The Group may not be successful in such a transition or may incur greater costs than expected, which would materially adversely affect the Group's business, prospects, financial condition and results of operation.

2.4.3. The Group may need substantial additional funding, which may not be available on acceptable terms when needed, if at all

In addition to non-dilutive financing from partnerships, grants and tax credits, the Group currently only relies on equity financing for additional funding. The Group may require additional funding in the future to sufficiently finance its operations and to take advantage of new business opportunities. The Group's future financing needs will depend on many factors, including the progress, costs and timing of its research and development activities, the preclinical and clinical trials, the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of maintaining or obtaining manufacturing for its products and product candidates, the costs and timing of establishing any sales and marketing capabilities and the terms and timing of establishing collaborations, license agreements and other partnerships. The Group assumes that the net proceeds from its IPO completed in July 2014 will allow it to proceed with the clinical development of its lead product candidates ARGX-110, ARGX-111 and ARGX-113. However, the existing capital resources may not be sufficient to enable the Group to fund the completion of such clinical development programs until the next envisioned milestone or commercialization. Accordingly, the Group expects it may need to raise additional funds.

The Group's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Group cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. If the necessary funds are not available, the Group may need to seek funds through collaborations and licensing arrangements, at an earlier stage than originally planned or at terms which may require it to reduce or relinquish significant rights to its research programs and product candidates, to grant licenses on its technologies to partners or third parties or enter into new collaboration agreements. Moreover the terms could be less favorable to the Group than those it might have obtained before. If adequate funds are not available on commercially acceptable terms when needed, the Group may be forced to delay, reduce or terminate the development or commercialization of all or part of its research programs or product candidates or it may be unable to take advantage of future business opportunities.

In addition to non-dilutive financing from partnerships, grants and tax credits, the Group expects to finance its operations with equity financing only for the foreseeable future. If additional equity issuances may be necessary to fund the Group's future operations, such additional equity issuances may affect the market price of the Shares and could dilute the interests of existing shareholders.

RISKS RELATING TO THE GROUP'S DEPENDENCE ON THIRD PARTIES AND KEY PERSONNEL

3.1. The Group relies and will continue to rely on collaborative partners regarding the development of its research programs and product candidates

The Group is, and expects to continue to be, dependent on collaborations with partners relating to the development and commercialization of its existing and future research programs and product candidates. The Group currently has collaborative research relationships with various academic and research institutions worldwide (such as de Duve Institute of the Université Catholique de Louvain), with RuiYi for the development and commercialization of ARGX-109 and with various pharmaceutical companies such as Shire and Bayer, for the development of product candidates resulting from such collaboration. The Group had, has and will continue to have discussions on potential partnering opportunities with various pharmaceutical companies. If the Group fails to enter into or maintain collaborative agreements on reasonable terms or at all, the Group's ability to develop its existing or future research programs and product candidates could be delayed, the commercial potential of its products could change and its costs of development and commercialization could increase. The Group's dependence on collaborative partners subjects it to a number of risks, including, but not limited to, the following:

- the Group may not be able to control the amount or timing of resources that collaborative partners devote to the Group's research programs and product candidates;
- the Group may be required to relinquish significant rights, including intellectual property, marketing and distribution rights;
- the Group's anticipated payments under any collaboration agreement (e.g., royalty payments for licensed products) may not materialize;
- the Group relies on the information and data received from third parties regarding its research programs and product candidates and will not have control of the process conducted by the third party in gathering and composing such data and information. The Group may not have formal or appropriate guarantees from its contract parties with respect to the quality and the completeness of such data;
- a collaborative partner may develop a competing product either by itself or in collaboration with others, including one or more of the Group's competitors;
- the Group's collaborative partners' willingness or ability to complete their obligations under the Group's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborative partner's business strategy;
- the Group may experience delays in, or increases in the costs of, the development of the Group's research programs and product candidates due to the termination or expiration of collaborative research and development arrangements;
- the Group may have disagreements with collaborative partners, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause

delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for the Group with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;

- collaborative partners may not properly maintain or defend the Group's intellectual property rights or may use proprietary information in such a way as to invite litigation that could jeopardize or invalidate the Group's intellectual property or proprietary information or expose the Group to potential litigation; and/or

- collaborative partners may infringe the intellectual property rights of third parties, which may expose the Group to litigation and potential liability.

The Group faces significant competition in seeking appropriate collaborative partners. The Group's ability to reach a definitive agreement for a collaboration will depend, among other things, upon an assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. These factors may include the design or results of clinical trials, the likelihood of regulatory approval, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to the Group's ownership of technology, which can exist if there is a challenge to such ownership regardless of the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with the Group.

3.2. The Group relies upon third-party contractors and service providers for the execution of most aspects of its development programs. Failure of these third parties to provide services of a suitable quality and within acceptable timeframes may cause the delay or failure of its development programs

The Group outsources and expects to outsource certain functions, tests and services to CROs, medical institutions and other specialist providers (in relation to, among others, assays, animal models, toxicology studies, and pharmacokinetic/pharmacodynamic studies). The Group furthermore relies on these third parties for quality assurance, clinical monitoring, clinical data management and regulatory expertise. The Group has engaged, and may in the future engage, a CRO to run all aspects of a clinical study on its behalf. There is no assurance that such individuals or organizations will be able to provide the functions, tests or services as agreed upon or in a quality fashion and the Group could suffer significant delays in the development of its product candidates or processes. Currently, the Group relies on one single CRO.

There is also no assurance that these third parties will not make errors in the design, management or retention of its data or data systems. The failure of such third parties could lead to loss of data, which in turn could lead to delays in product commercialization. These third parties may not pass FDA, EMA or other regulatory audits, which could delay or prohibit regulatory approval. In addition, the cost of such services could significantly increase over time. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, obtaining regulatory approval for manufacturing and commercialization of its product candidates may be delayed or prevented, which would have a

material adverse effect on the Group's business, results of operations and/or financial condition. The Group's business decisions may therefore be adversely influenced by improper or fraudulent scientific data sourced from third parties.

3.3. The Group relies on third parties to supply and manufacture its product candidates, and it expects to rely on third parties to manufacture its products, if approved. The development of such product candidates and the commercialization of any products, if approved, could be stopped or delayed if any such third party fails to provide the Group with sufficient quantities of product candidates or products or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance

The Group does not currently have nor does it plan to acquire the infrastructure or capability internally to manufacture its product candidates for use in the conduct of its clinical studies or for commercial supply, if its products are approved. Instead, the Group relies on, and expects to continue to rely on CMOs. The Group currently relies mainly on Lonza, Slough, UK for manufacturing but is not exclusively committed to them and also relies on the BioWa/Lonza jointly owned production cell line POTELLIGENT® CHOK1SV for clinical and commercial scale production of ADCC enhanced antibody products. The Group does not control the manufacturing processes of the CMOs it contracts with and is dependent on those third parties for the production of its product candidates in accordance with relevant regulations (such as good manufacturing practices cGMP), which includes, among other things, quality control, quality assurance and the maintenance of records and documentation.

If the Group were to experience an unexpected loss of supply of or if any supplier were unable to meet its demand for any of its product candidates, it could experience delays in its research or planned clinical studies or commercialization. The Group could be unable to find alternative suppliers of acceptable quality, in the appropriate volumes and at an acceptable cost. Moreover, the Group's suppliers are often subject to strict manufacturing requirements and rigorous testing requirements, which could limit or delay production. The long transition periods necessary to switch manufacturers and suppliers, if necessary, would significantly delay the Group's clinical studies and the commercialization of its products, if approved, which would materially adversely affect the Group's business, prospects, financial condition and results of operation.

In complying with the manufacturing regulations of Competent Authorities, the Group and its third-party suppliers must spend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against the Group, including the seizure of products and shutting down of production. Any of these third-party suppliers and the Group also may be subject to audits by the Competent Authorities. If any of the Group's third-party suppliers fails to comply with (current) good manufacturing practices or other applicable manufacturing regulations, the Group's ability to develop and commercialize the products could suffer significant interruptions. The Group faces risks inherent in relying on a single CMO, as any disruption, such as a fire, natural hazards or vandalism at the CMO could significantly interrupt the Group's manufacturing capability. The Group currently does not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, the Group will have to establish alternative manufacturing sources. This would require substantial capital on the part of the Group, which it may not be able to obtain on commercially acceptable terms or at all. Additionally, the Group would likely experience months or

years of manufacturing delays as it builds or locates replacement facilities and seek and obtain necessary regulatory approvals. If this occurs, the Group will be unable to satisfy manufacturing needs on a timely basis, if at all. Also, operating any new facilities may be more expensive than operating the Group's current facility. Further, business interruption insurance may not adequately compensate the Group for any losses that may occur and the Group would have to bear the additional cost of any disruption. For these reasons, a significant disruptive event of the manufacturing facility could have drastic consequences, including placing the financial stability of the Group at risk.

The manufacturing of all of the Group's product candidates requires using cells which are stored in a cell bank. The Group has one master cell bank for each product manufactured in accordance with (current) good manufacturing practices. Working cell banks have not yet been manufactured. Half of each master cell bank is stored at a separate site so that in case of a catastrophic event at one site the Group believes sufficient vials of the master cell banks are left at the alternative storage site to continue manufacturing. The Group believes sufficient working cell banks could be produced from the vials of the master cell bank stored at a given site to assure product supply for the future. However, it is possible that the Group could lose multiple cell banks and have its manufacturing significantly impacted by the need to replace these cell banks, which could materially adversely affect the Group's business, prospects, financial condition and results of operations.

3.4. The Group is dependent on its current management team

The Group is highly dependent on its current management team. The services of the Group's management team are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Group's management team may terminate their employment or services with the Group at any time. The loss of the services of any of the Group's management team and its inability to find suitable replacements could harm its business, financial condition, prospects and ability to achieve the successful development or commercialization of its product candidates.

3.5. The Group is subject to competition for its skilled personnel and challenges in identifying and retaining key personnel could impair the Group's ability to conduct and grow its operations effectively

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. Many of the other biotechnology and pharmaceutical companies and academic institutions that it competes against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than the Group does. Therefore, the Group might not be able to attract or retain these key persons on conditions that are economically acceptable. In order to induce valuable employees to continue their employment with the Group, it has provided share options that vest over time. The value to employees of share options that vest over time is significantly affected by movements in its share price that are beyond the Group's control, and may at any time be insufficient to counteract more lucrative offers from other companies. Furthermore, the Group will need to recruit new managers and qualified scientific personnel to develop its business if the Group expands into fields that will require additional skills. The inability of the Group to attract and retain these key persons could prevent it from achieving its objectives overall and thus could have a material adverse effect on its business, prospects, financial condition and results of operations.

RISK RELATING TO THE GROUP'S INTELLECTUAL PROPERTY

4.1. The Group's patents and other intellectual property rights portfolio is relatively young and may not adequately protect its research programs and product candidates, which may impede the Group's ability to compete effectively

The Group's success will depend in part on the ability of the Group to obtain, maintain and enforce its patents and other intellectual property rights. The Group's research programs and product candidates are covered by several patent application families, which are either licensed to the Group or owned by the Group. The Group cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Group or its licensors will be able to obtain or maintain these patent rights against patent offices and other third-party challenges to their validity, scope and/or enforceability. The Group cannot guarantee that it is or has been the first to conceive an invention and to file a patent or a patent application, notably given the fact that patent applications are not published in most countries before an 18-months period from the date of the filing. There also can be no guarantee that the Group will successfully commercialize a technology before a given patents' expiration date. Moreover, the Group may have no or limited control over the effectiveness of its licensors in preventing the misappropriation of their patents and intellectual property. Because patent law in the biopharmaceutical industry is highly uncertain, there can be no assurance that the technologies used in the Group's research programs and product candidates are patentable, that patents will be granted to the Group or its licensors under pending or future applications, or that patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that patents granted to the Group or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, hence enabling competitors to circumvent or use them and depriving the Group from the protection it may expect against competitors. If the Group or its licensors do not obtain patents in respect of their technologies or if the patents of the Group or its licensors are invalidated (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Group. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology. The Group cannot guarantee that third parties, contract parties or employees will not claim ownership rights over the patents or other intellectual property rights owned or held by the Group.

The Group also relies on proprietary know-how to protect its research programs and product candidates. Know-how is difficult to maintain and protect. The Group uses reasonable efforts to maintain its know-how, but it cannot assure that its partners, employees, consultants, advisors or other third parties will not willfully or unintentionally disclose proprietary information to competitors. Furthermore, the Group's competitors may independently develop equivalent knowledge and know-how, which could diminish or eliminate the Group's competitive advantage. The enforcement of patents, know-how and other intellectual property is costly, time consuming and highly uncertain. The Group cannot guarantee that it will be successful in preventing the misappropriation of its patented inventions, know-how and other intellectual property rights and those of its licensors, and failure to do so could significantly impair the ability of the Group to effectively compete. As of the date of this annual report and as far as the Group is aware, its intellectual property has not been misappropriated or challenged otherwise than by patent offices in the normal course of examination of its patent applications or as mentioned in this annual report.

4.2. The Group may not be able to protect and/or enforce its intellectual property rights throughout the world

Filing, prosecuting and defending patents on all of the Group's product candidates throughout the world would be prohibitively expensive to the Group and to its licensors. Competitors may use the Group's technologies in jurisdictions where the Group or its licensors have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where the Group has patent protection but where enforcement is not as well developed as in the United States or the European Union. These products may compete with the Group's products in jurisdictions where the Group or its licensors do not have any issued patents and the Group's patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for the Group to stop the infringement of its patents or marketing of competing products in violation of its proprietary rights generally. Proceedings to enforce the Group's patent rights in foreign jurisdictions could result in substantial cost and divert the Group's efforts and attention from other aspects of its business. The inability of the Group to protect and/or enforce its intellectual property rights throughout the world could have a material adverse effect on its business, prospects, financial condition and results of operations.

4.3. Intellectual property rights do not necessarily address all potential threats to the Group's competitive advantage

The degree of future protection afforded by the Group's intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect the Group's business or permit us to maintain its competitive advantage. The following examples are illustrative:

- others may be able to make products that are similar to the Group's product candidates but that are not covered by the claims of the patents that the Group licenses;
- the Group's licensors or collaborators might not have been the first to make the inventions covered by an issued patent or pending patent application;
- the Group's licensors or collaborators might not have been the first to file patent applications covering an invention;
- others may independently develop similar or alternative technologies or duplicate any of the Group's or its licensors' technologies without infringing the Group's intellectual property rights;
- pending patent applications may not lead to issued patents;
- issued patents may not provide the Group with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by the Group's competitors;

- the Group's competitors might conduct research and development activities in countries where the Group does not have patent rights and then use the information learned from such activities to develop competitive products for sale in its major commercial markets;

- the Group may not develop or in-license additional proprietary technologies that are patentable; and

- the patents of others may have an adverse effect on the Group's business. In particular, the Group's product candidates are currently not tested focusing on a specific indication. If one of the Group's product candidates would prove to be effective against a specific indication, the Group may be confronted with existing patents covering such indication.

Should any of these events occur, they could significantly harm the Group's business, prospects, financial condition and results of operation.

4.4. The Group may become involved in legal proceedings in relation to intellectual property rights, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialize its product candidates

The Group's commercial success depends upon its ability, and the ability of any third party with which it may partner, to develop, manufacture, market and sell its product candidates and use its patent-protected technologies without infringing the patents of third parties. There is considerable patent litigation in the biotechnology and pharmaceutical industries. As the biopharmaceutical industry expands and more patents are issued, the Group faces greater risk that there may be patents issued to third parties that relate to its product candidates and technology of which the Group is not aware or that it must challenge to continue its operations as currently contemplated. The Group or its licensors may become involved in proceedings, including oppositions, interferences, derivation proceedings, inter partes reviews, patent nullification proceedings, or re -examinations, challenging the Group's patent rights or the patent rights of others, and the outcome of any such proceedings are uncertain. An adverse determination in any such proceeding could reduce the scope of, or invalidate, important patent rights, allow third parties to commercialize the Group's technology or products and compete directly with the Group, without payment to the Group, or result in the Group's inability to manufacture or commercialize products without infringing third-party patent rights. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract the Group's management and other employees.

The Group's product candidates may infringe or may be alleged to infringe existing patents or patents that may be granted in the future. Because patent applications in Europe, the United States and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, the Group cannot be certain that others have not filed patents that may cover its technologies, its product candidates or the use of its product candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Group's technologies, its product candidates or the use of its product candidates. As a result, the Group may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its product candidates and technology.

If the Group is sued for patent infringement, the Group would need to demonstrate that its product candidates or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to infringe a third party's patent, the Group could be required to obtain a license from such third party to continue developing and marketing its product candidates and technology or the Group may elect to enter into such a license in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required license on commercially reasonable terms or at all. Even if the Group is able to obtain a license, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercializing the infringing technology or product candidate. A finding of infringement could prevent the Group from commercializing its product candidates or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business. Any such claims are likely to be expensive to defend, and some of its competitors may be able to sustain the costs of complex patent litigation more effectively than the Group can because they have substantially greater resources. Moreover, even if the Group is successful in defending any infringement proceedings, it may incur substantial costs and divert management's time and attention in doing so, which could materially adversely affect the Group's business, prospects, financial condition and results of operation.

4.5. If the Group is not able to prevent disclosure of its trade secrets, know-how or other proprietary information, the value of its technology and product candidates could be significantly diminished

The Group relies on trade secret protection to protect its interests in its trade secrets, know-how or other proprietary information and processes for which patents are difficult to obtain or enforce, all of which constitute confidential information. The Group may not be able to protect its confidential information adequately. The Group has a policy of requiring its consultants, contract personnel, advisers and third-party partners to enter into confidentiality agreements and its employees to enter into invention, non-disclosure and non-compete agreements. However, no assurance can be given that the Group has entered into appropriate agreements with all of its consultants, contract personnel, advisers, third-party partners or other parties that have had access to its confidential information. There is also no assurance that such agreements will provide for a meaningful protection of confidential information in the event of any unauthorized use or disclosure of information. Furthermore, the Group cannot provide assurance that any of its employees, consultants, contract personnel or third-party partners, either accidentally or through willful misconduct, will not cause serious damage to its programs and/or its strategy, by, for example, disclosing confidential information to its competitors. It is also possible that confidential information could be obtained by third parties as a result of breaches of physical or electronic security systems of the Group, its consultants, advisers, third-party partners or other parties that have had access to its confidential information. Any disclosure of confidential data into the public domain or to third parties could allow the Group's competitors to learn confidential information and use it in competition against the Group. In addition, others may independently discover the Group's confidential information. Any action to enforce the Group's rights against any misappropriation or unauthorized use and/or disclosure of confidential information is likely to be time-consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable.

4.6. Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and the Group's or its licensors' patent protection could be reduced or eliminated for non-compliance with these requirements

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid by the Group and/or its licensors to the relevant patent agencies in several stages over the lifetime of the licensed patents and/or applications. The relevant patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, the Group's competitors might be able to use its technologies and those technologies licensed to the Group and this circumstance would have a material adverse effect on the Group's business.

4.7. If the Group fails to comply with its obligations under the agreements pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, the Group could lose the rights to intellectual property that is important to its business

The Group is a party to license agreements under which it is granted rights to intellectual property that are important to the business and the Group expects that it may need to enter into additional license agreements in the future. Existing license agreements impose, and the Group expects that future license agreements will impose on it, various development obligations, payment of royalties and fees based on achieving certain milestones, as well as other obligations. If the Group fails to comply with its obligations under these agreements, the licensor may have the right to terminate the license. In addition, if the licensor fails to enforce its intellectual property, the licensed rights may not be adequately maintained. The termination of any license agreements or failure to adequately protect such license agreements could prevent the Group from commercializing product candidates covered by the licensed intellectual property. Several of the Group's existing license agreements are sublicenses from third parties which are not the original licensor of the intellectual property at issue. Under these agreements, the Group must rely on its licensor to comply with its obligations under the primary license agreements under which such third party obtained rights in the applicable intellectual property, where the Group may have no relationship with the original licensor of such rights. If the licensors fail to comply with their obligations under these upstream license agreements, the original third-party licensor may have the right to terminate the original license, which may terminate the sublicense. If this were to occur, the Group would no longer have rights to the applicable intellectual property and, in the case of a sublicense, if the Group was not able to secure its own direct license with the owner of the relevant rights, which it may not be able to do at a reasonable cost or on reasonable terms, it may adversely affect the Group's ability to continue to develop and commercialize the product candidates incorporating the relevant intellectual property.

4.8. The Group may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties

The Group employs individuals who were previously employed at other biotechnology or pharmaceutical companies. The Group may be subject to claims that it or its employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of its employees' former employers or other third parties. For instance, the former employer of certain of the Group's researchers has opined that some of the Group's patents derive from research undertaken by such researchers while employed by their former employer alleging that the Group was as a result thereof acting in breach of the former employer's patent in the field of camelid derived antigen binding polypeptides. In the framework of a mutually agreed process, the former employer's external legal counsel has conducted an investigation in respect of the dispute based on information provided by the Group. Although, following such investigation, the external counsel confirmed on behalf of the former employer that the latter has acknowledged that the research was undertaken after the researchers' employment with the former employer had ended and that the results of the investigation supported the Group's view that the Group has based itself on the results of its own findings or on information derived from the public domain, the former employer has not yet dropped its assertion.

Litigation may be necessary to defend against these claims. There is no guarantee of success in defending these claims, and if the Group does not prevail, the Group could be required to pay substantial damages and could lose rights to important intellectual property. Even if the Group is successful, litigation could result in substantial cost and be a distraction to its management and other employees.

STATEMENT OF THE BOARD

In accordance with Article 5:25c paragraph 2 sub c of the Financial Supervision Act the Board of the Company confirms that, to the best of their knowledge, (i) the financial statements in this Annual Report 2014 give a true and fair view of our assets and liabilities, the Group's financial position as at 31 December 2014, and the results of its consolidated operations for the financial year 2014; and (ii) the Report of the Board includes a fair review of the position as at 31 December 2014 and the development and performance during the financial year 2014 of arGEN-X N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that arGEN-X N.V. faces. The names and positions of the members of the Board can be found on page 61 (current composition of the Board).

CORPORATE GOVERNANCE

The Company is the parent company of four wholly owned subsidiaries: arGEN-X 110 B.V., arGEN-X 111 B.V., arGEN-X 113 B.V (created at the beginning of 2015) and arGEN-X BVBA, a Belgian limited liability company. The Group operates all its research and development activities out of the Belgian subsidiary arGEN-X BVBA. The Company's principal executive offices are located at Willemstraat 5, 4811 AH Breda, The Netherlands.

The Company started as a private company with limited liability and was, prior to the completion of the IPO, converted to a Dutch public company. The Shares began trading on the EURONEXT Brussels exchange on July 10, 2014, under the symbol "ARGX".

This section contains inter alia a description of the Board of the Company 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 and finally a description of the Company's corporate governance structure.

THE BOARD

Immediately prior to the completion of the IPO, the Company has installed a one-tier board, consisting of two executive directors (the Executive Directors) and eight non-executive directors (the Non-executive Directors, together with the Executive Directors, the Directors).

Set out below is a summary of certain provisions of Dutch corporate law as at the date of this report, as well as relevant information concerning the Board and certain provisions of the Articles and Board By-Laws concerning the Board.
This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in force on the date of this Annual Report and the Articles and the Board By-Laws. The Articles are available in the governing Dutch language and an unofficial English translation thereof, and the Board By-laws are available in English, on the Company's website.

POWERS, RESPONSIBILITIES AND FUNCTION

Under Dutch law, the Board is collectively responsible for the Company's general affairs. Pursuant to the Articles, the Board shall divide its duties among its members, with the Company's day-to-day management entrusted to the Executive Directors. The Non-Executive Directors supervise the management of the Executive Directors and the general affairs in the Company and the business connected with it and provide the Executive Directors with advice. In addition, both Executive Directors and Non-Executive Directors must perform such duties as are assigned to them pursuant to the Articles. The division of tasks within the Board is determined (and amended, if necessary) by the Board. Each Director has a duty to properly perform the duties assigned to him or her and to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, and other stakeholders.

An Executive Director may not be allocated the tasks of: (i) serving as chairman of the Board; (ii) determining the remuneration of the Executive Directors; or (iii) nominating Directors for

appointment. An Executive Director may not participate in the adoption of resolutions (including any deliberations in respect of such resolutions) relating to the remuneration of Executive Directors. Certain resolutions of the Board can only be adopted with the consent of a majority of the Non-Executive Directors. Please see "Board resolutions requiring a special majority" below.

Tasks that have not been specifically allocated fall within the power of the Board as a whole. All Directors remain collectively responsible for proper management regardless of the allocation of tasks. The Executive Directors and the Non-Executive Directors respectively may adopt legally valid resolutions with regard to matters that fall within the scope of their respective duties. The Board may only adopt resolutions when the majority of the relevant Directors in office shall be present or represented, with a simple voting majority of the votes cast, which is 50 per cent. plus one.

The Board as a whole is entitled to represent the Company. In addition, two Executive Directors acting jointly are also authorized to represent the Company.

ISSUANCE OF SHARES AND PURCHASE OF OWN SHARES

Pursuant to the articles of association of the Company, the General Meeting is authorized to resolve to issues shares unless such authorization has been granted to the Board. The General Meeting has resolved to authorize the Board when on 18 June 2014 the General Meeting resolved to designate the Board as the corporate body competent (i) to issue Shares and grant rights to subscribe for Shares at any time during a period of 18 months as of the day of completion of the IPO up to a maximum of 20% of the issued share capital of the Company, to be calculated against the amount of issued share capital as it will be at the first day after the day on which trading on Euronext Brussels has started and (ii) to limit or exclude pre-emptive rights in connection therewith.

Furthermore the General Meeting has resolved on 18 June to designate the Board as competent body to acquire Shares through stock exchange trading or otherwise at any time during a period of 18 months as of the day of completion of the IPO up to a maximum of 10% of the issued share capital of the Company, to be calculated against the amount of issued share capital as it will be at the first day after the day on which trading on Euronext Brussels has started, against a price between EUR 0.01 and plus 5% on the average share trading price calculated over the last five trading days immediately preceding the day of repurchase by the Company.

COMPOSITION, APPOINTMENT, TERM OF APPOINTMENT AND DISMISSAL

The Articles provide that the Board shall consist of both Executive Directors and Non-Executive Directors. The number of Executive Directors must at all times be less than the number of Non-Executive directors. The number of Directors, as well as the number of Executive Directors and Non-Executive Directors, is determined by the Board. The General Meeting appoints the members of the Board. For each seat on the Board to be filled, the Board shall make one or more proposals.

A resolution to appoint a member of the Board nominated by the Board may be adopted by a simple majority of the votes cast. A nomination for appointment of an Executive 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. The nomination must state the reasons for the

nomination of the relevant person. A nomination for appointment of a Non-Executive Director must state the candidate's age, his or her profession, the number of shares he or she holds 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, the names of the legal entities of which he or she is already a non-executive or supervisory board member or a non-executive member of the board shall be indicated; if those include legal entities which belong to the same group, a reference of that group will be sufficient. The nomination must state the reasons for the nomination of the relevant person.

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.

The General Meeting will appoint a Director either as an Executive Director or as a Non-Executive Director. The Board designates one of the Executive Directors as chief executive officer and one of the Executive Directors as chief financial officer. In addition, the Board may grant other titles to Executive Directors. The Board designates a Non-Executive Director as chairman of the Board. The legal relationship between a member of the Board and the Company will not be considered an employment agreement. In the absence of an employment agreement, members of the Board generally do not enjoy the same protection as employees under Dutch labour law.

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. 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.

DECISION-MAKING AND APPROVALS

The Board has adopted rules (the Board By-Laws) that describe, inter alia, the procedure for holding meetings of the Board, for the decision-making by the Board, and the Board's operating procedures. Under the Board By-Laws, the members of the Board must endeavour, 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, the following Board resolutions can only be taken with the consent of the majority of the Non-Executive Directors:

- Any proposal of the Board to the General Meeting with respect to the matters set-out in article 17 paragraph 1 of the Articles;
- Any proposal of the Board to the General Meeting with respect to the dissolution, liquidation or winding up of the Company;
- Any proposal of the Board to the General Meeting with respect to an amendment of the Articles;
- Any proposal of the Board to the General Meeting with respect to an issue of Shares in the Company or to grant rights to subscribe for Shares in the Company or to designate the Board as the corporate body authorized to do so as well as a resolution of the board of directors to issue Shares or to grant rights to subscribe for Shares;
- Any proposal of the Board to the General Meeting with respect to the exclusion or restrictions of pre-emptive rights to subscribe for Shares or to rights to subscribe for Shares or to designate the board of directors as the corporate body authorized to do so as well as a resolution of the Board to restrict or exclude pre-emptive rights;
- Acquisition of own Shares;
- Any proposal of the Board to the General Meeting with respect to a reduction of share capital;
- Changing the accounting policies;
- Adoption of as well as any changes to the Company's reserves and dividends policy, the determination of the amount of profit to be reserved in any financial year as referred to in the first sentence of article 26, paragraph 2 of the Articles, as well as any proposal of the Board to the General Meeting for the payment of any dividends, including an interim distribution as referred to in the first sentence of article 26, paragraph 7 of the Articles, or any distribution out of the reserves of the Company;
- Adoption of the annual budget for the Company and the Group, which shall include an investment plan and a financing plan, as well as any update or other change to the adopted annual budget;
- Otherwise than in accordance with the adopted annual budget, subscribe or otherwise acquire, or dispose of securities in the capital of other companies, or establish any new branch or subsidiary of the Company as well as dissolve, liquidate, wind-up any such branch or subsidiary of the Company;
- Otherwise than in accordance with the adopted annual budget, incur any debt, issue any guarantees, make any loan or advances or give any credit;

- Otherwise than in accordance with the adopted annual budget, the assignment or other sale of patents or other intellectual property of the Company other than the grant of non-exclusive licenses in the ordinary course of business;

- Expenses, investments and divestments other than in accordance with the adopted annual budget;

- Dispose of or acquire any asset (including intellectual property rights) other than in accordance with the approved annual budget;

- Adoption and amendment of an employee stock option plan as well as the increase of the number of Shares, or to whom stock options can be granted and the conditions of the stock options under any existing employee stock incentive plan;

- Establishing pension plans and granting pension rights in excess of those arising from existing arrangements;

- Hiring and determining terms of employment, or changing any existing terms of employment, of key personnel, senior company officers or any other personnel with a gross salary (including bonus but excluding options) in excess of EUR 150,000 (in words: one hundred and fifty thousand euro) per year;

- Conduct any litigation on behalf of the Company other than in relation to the collection of debts, and taking measures which cannot be delayed, and making settlements;

- Directly or indirectly enter into any agreements, contracts or arrangements which are not of an at arm's length nature and the entering into an arrangement or agreement with (including, without limitation, an individual related to) a Shareholder, Executive Director or Non-Executive Director; and

- Changing the business location of the Company.

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 as follows:

Name	Age	Position	Date of Appointment	Term expiration
Tim Van Hauwermeiren	43	Executive Director (CEO)	July 9, 2014	4 years
Eric Castaldi	50	Executive Director (CFO)	July 9, 2014	4 years
Peter Verhaeghe	56	Non-executive Director	July 9, 2014	4 years
Christina Takke	45	Non-executive Director	July 9, 2014	4 years
John de Koning	46	Non-executive Director	July 9, 2014	4 years
Bruno Montanari	41	Non-executive Director	July 9, 2014	4 years
Harrold van Barlingen	49	Non-executive Director	July 9, 2014	4 years
Michael B. Sheffery	64	Non-executive Director	July 9, 2014	4 years
David L. Lacey	62	Non-executive Director	July 9, 2014	4 years
Werner Lanthaler	46	Non-executive Director	July 9, 2014	4 years

A Director shall retire not later than on the day on which the first general meeting is held following lapse of four years since his appointment. A Director retiring pursuant to this obligation may be re-appointed. A Non-Executive Director may be appointed for no more than three four-year terms.
It should be noted that (i) Christina Takke; (ii) John de Koning; (iii) Bruno Montanari; (iv) Michael B. Sheffery; and (v) David L. Lacey do not meet the independence criteria contained in the Dutch Corporate Governance Code. However, see section "Corporate Governance Rules" for deviation reasons.

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

BIOGRAPHICAL DETAILS OF THE MEMBERS OF THE BOARD

Tim Van Hauwermeiren (Executive Director and chief executive officer)

Tim Van Hauwermeiren has 19 years of business development and operational management experience within the biotech and consumer goods sectors. During which time he has played a key role in a number of significant fund raisings, including a successful IPO and the negotiation of a number of major licensing deals. Prior to becoming CEO of arGEN-X, he was senior business development manager at Ablynx NV where he was part of the team that negotiated a USD 265 million research & development deal with Boehringer Ingelheim in 2007. Prior to joining Ablynx, Tim Van Hauwermeiren held various management positions with the Procter & Gamble Company in R&D and Business Development, where he conceived and developed several new products. Among those was a healthcare innovation which won the United Nations ICC World Business Award in 2004. Tim holds a Master of Science degree in Bio-engineering from the University of Gent (Belgium) and received general management training at INSEAD and The Vlerick School of Management (Executive MBA).

Eric Castaldi (Executive Director and chief financial officer)

Eric Castaldi has 28 years of international financial executive management experience, including 18 years in the bio-pharmaceutical industry. Before joining arGEN-X, Eric Castaldi was chief financial officer from 1998 to 2013 at Nicox, a Euronext listed Biotech company. At Nicox, he was a member of the Executive committee and participated in all the financings of the company since its IPO in November 1999. From 2008 to 2012 he also served as non-executive board member and chairman of the audit committee of Hybrigenics, a French bio-pharmaceutical company specialized in oncology and listed on Euronext. Prior to this he was chief financial officer and member of the executive committee at Safety Kleen SA, a U.S.-based environmental waste company, where he was responsible for operations in France and Belgium. From 1989 through 1997, he was chief financial officer in charge of French and German operations and member of the executive committee, at My Kinda Town plc, a European leisure company. During that period, he was involved in the May 1994 flotation of that company on the London Stock Exchange. From 1986 through 1989, he was employed as financial analyst at the Research and Development Centre, located in Sophia Antipolis, of Cordis Corporation, a US-based company specialized in bio-surgical instrumentation. He graduated in Finance, Accountancy and Administration from the University of Nice in 1986.

Peter Verhaeghe (Non-Executive Director and chairman)

Peter Verhaeghe earned his degree in Law from the University of Leuven in 1981, where he graduated magna cum laude. From 1981 to 1983, he was an assistant professor of tax law at the University of Leuven. He earned his LL.M. at Harvard Law School in 1984. He is the founder and managing partner of the Benelux law firm VVGB Advocaten – Avocats, specialized in corporate finance, international tax, EU trade and competition law and EU regulatory law. He has worked in New York , London and Brussels while with Cleary Gottlieb Steen & Hamilton (USA) and was subsequently a Brussels based partner of Akin Gump Strauss & Feld (USA). He specializes in mergers and acquisitions, strategic alliances and collaborations, corporate finance transactions and complex cross border tax restructurings, and he has a broad experience in the biotech and pharma industry throughout

Europe. Currently, he is president of the board of directors of Merisant France SAS, a member of the management board of Merisant Company 2 sàrl and a member of the board of CzechPak Manufacturing sro. He was the chairman of the board of PharmaNeuroBoost NV, member of the board of Biocartis SA, member of the board of Fujirebio Europe (formerly Innogenetics NV), member of the board of KBC Private Equity Biotech NV and subsequently liquidator in charge of KBC Private Equity Biotech NV, and member of the Board of Tibotec- Virco.

Christina Takke (Non-Executive Director)

Christina Takke is a partner with Forbion Capital Partners (previously ABN AMRO Capital Life Sciences) and joined the group in 2000. She holds a PhD in Developmental Biology, which she obtained under the supervision of Prof. Dr. Campos-Ortega at the Institute of Development Biology of the University of Cologne, Germany. After her studies, she worked with biotech start-up companies at Bio-Gen-Tec-NRW in Cologne, a regional development organization for the biotechnology industry. In this position, she evaluated business proposals and assisted the young biotech companies in the fundraising process. At Forbion, she is responsible for scouting and analysis of new investment opportunities as well as general deal execution. She currently serves on the supervisory boards of Amakem NV, Ophtakem NV and Pieris AG. In recent years she served on the supervisory boards of Bioceros B.V. and Simibio B.V., and she was closely involved with GlycArt AG as a Board Observer (sold to Roche in 2005).

John de Koning (Non-Executive Director)

John de Koning is partner at LSP (Life Sciences Partners), one of Europe's leading investors in the healthcare sector. Next to arGEN-X, John de Koning serves as a Non-Executive Director on the supervisory board of Merus. Previously, he also served on the Supervisory Boards of Prosensa (acquired by BioMarin), BMEYE (acquired by Edwards Lifesciences), Pronota (now MyCartis), Skyline Diagnostics and Innovative Biosensors Inc. Prior to joining LSP in 2006, John de Koning was the Managing Director of Semaia Pharmaceuticals (acquired by Hybrigenics). Previously, he was a senior researcher within several prestigious medical research labs and worked among others with Prof Hans Clevers, Prof Bob Löwenberg, and Prof Allan Balmain. John de Koning has a Master's degree in Medical Biology from the University of Utrecht and a PhD in Oncology from the Erasmus University Rotterdam. After obtaining his PhD, he received a prestigious fellowship from the Dutch Cancer Society to work at the UCSF Helen Diller Family Comprehensive Cancer Center in San Francisco. His results were published in numerous leading scientific journals, including Nature Genetics.

Bruno Montanari (Non-Executive Director)

Bruno Montanari is a Director at Omnes Capital's Life Sciences Venture Capital team, which he joined in January 2010. He began his career in 1999 in London as an investment banker in the Healthcare groups of Deutsche Bank and Merrill Lynch, later joining the venture capital community first with CDP Capital and then Atlas Venture. Bruno holds a PharmD from the Université René Descartes (Paris V) and a Master in Strategic Management from HEC, France. He currently serves on the boards of Complix N.V., Novate Medical Ltd., Poxel SA (NYSE Euronext : POXEL), Themis Bioscience GmbH, and Xention Ltd. In recent years he was as well a director of EOS imaging SA (NYSE Euronext : EOSI).

Harrold van Barlingen (Non-Executive Director)

Harrold van Barlingen is the managing director and founder of Thuja Capital B.V., Thuja Capital Holding B.V. and Thuja Capital Manager B.V. He headed the life sciences effort of AlpInvest Partners managing a portfolio of over 30 companies, prior to founding Thuja Capital in 2006. Harrold van Barlingen joined AlpInvest Partners in 2001, from the Boston Consulting Group, where he worked as a consultant in management and strategy. Before Boston Consulting Group, he was acting head of the continental activities of the Lewin Group (a Quintiles subsidiary), an internationally active firm specialized in the field of health economics. He holds a MSc degree in Medical Biology and a PhD in Medicine, both from Utrecht University. From 1991-1992 he was a visiting scientist at the University of Chicago, IL, USA. He is the author of a wide variety of peer-reviewed scientific and pharmaco-economics papers. He currently serves on the supervisory boards of TheraSolve N.V., Hemics B.V. (chairman) and Galapagos N.V. (GLPG, Euronext). In addition during the last 5 years he also served on the boards of Okapi N.V. and Bioxell SpA (BXL, SWX).

Michael B. Sheffery (Non-Executive Director)

Michael Sheffery is a member emeritus of healthcare investment firm OrbiMed Advisors LLC. He was formerly founding general partner at OrbiMed and joined from the Laboratory of Gene Structure and Expression at Memorial Sloan-Kettering Cancer Center, which he headed. He currently serves on the board of directors of Affimed Therapeutics AG and Pieris AG. In recent years he served on the boards of Supernus Pharmaceuticals, Inc. and Athersys, Inc. (ATHX, NasdaQ). He received both his PhD in Molecular Biology and his BA in Biology from Princeton University. Michael Sheffery joined Mehta and Isaly in 1996 as a senior analyst covering the biotechnology industry.

David L. Lacey (Non-Executive Director)

David Lacey received both his undergraduate and medical degrees from the University of Colorado and has his board certification in anatomic pathology. He was on faculty at Washington University, St. Louis, MI, USA following the completion of his training. He joined Amgen in 1994 where during the last five years of his tenure he assumed the head of Discovery Research (> 1200 FTEs) for Amgen. At any given time there were over 100 actively managed preclinical projects across four therapeutic areas: hematology/oncology, inflammation, metabolic disorders, and neuroscience. Scientifically, he played a fundamental role in the discovery of the OPG/RANKL/RANK pathway at Amgen which led to the development of the anti-RANKL human mAb denosumab, a blockbuster for both osteoporosis (Prolia) and cancer-related bone diseases (XGEVA). Denosumab has received a number of awards including the US 2011 Prix Galien award for best new biotechnology product and the 2010 Scrip award for best new drug. Following his retirement in 2011, he has continued to be active in the biopharmaceutical industry. His current activities include advising academic institutions, biotechnology companies and venture capital firms. In addition to the Company, he is a non-executive director of Inbiomotion SL.

Werner Lanthaler (Non-Executive Director)

Werner Lanthaler is currently chief executive officer of Evotec (Frankfurt Stock Exchange: EVT), a role he took in March 2009. Under his leadership Evotec has become one of the leading drug discovery research organisations globally. Before that, he spent nine years as chief financial officer at Intercell AG (2000-2009). During his tenure, Intercell developed from a venture-backed biotechnology company into a global vaccine and antibody player. Werner Lanthaler played a pivotal role in many of the company's major corporate milestones including the product approval of Intercell's Japanese Encephalitis Vaccine, the company's acquisitions and strategic pharma partnerships, as well as the company's Initial Public Offering in 2005. From 1998 to 2000, Werner Lanthaler served as director of the Federation of Austrian Industry, and from 1995 to 1998 as senior management consultant at the consulting firm McKinsey & Company. He holds a doctorate in Business Administration from Vienna University of Economics and Business, earned a Master's degree from Harvard University, and holds a degree in Psychology. In recent years Werner Lanthaler served on the supervisory boards of Bioxell SpA and Pantec Biosolutions.

OTHER INFORMATION RELATING TO MEMBERS OF THE BOARD

By December 31, 2014, none of the current 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 "Peter Verhaeghe – KBC Private Equity Biotech NV"), John de Koning (see below "John de Koning – Skyline Diagnostics B.V.") – and Bruno Montanari (see below "Bruno Montanari – Cytheris SAS"));
- 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 decided to file for bankruptcy after its Phase 3 trial failed and no additional funding was found to continue its operations.

Peter Verhaeghe – KBC Private Equity Biotech NV

Peter Verhaeghe was a member of the board of directors of KBC Private Equity Biotech NV, a Euronext listed fund, when it decided to voluntarily liquidate pursuant to a decision of its shareholders. Peter Verhaeghe was appointed as liquidator in charge.

John de Koning – Skyline Diagnostics B.V.

John de Koning is partner at LSP, a (venture capital) investment firm, providing finance to private life sciences companies, often in a very early stage. Not all these companies succeed and it is not unusual that some of those companies are liquidated or have to file for bankruptcy, which is an inherent risk of investing in early stage life sciences companies. John De Koning served as a member of the supervisory board of one of those companies, Skyline Diagnostics B.V., which eventually filed for bankruptcy in 2013.

Bruno Montanari – Cytheris SAS

Bruno Montanari is a Director at Omnes Capital's Life Sciences Venture Capital team. Until July 2012, Omnes Capital (represented by Bruno Montanari) was a member of the supervisory board of Cytheris SAS. Cytheris SAS was liquidated end of June 2013.

BOARD COMMITTEES

Prior to the Company's IPO, the Non-Executive Directors have established an audit committee (the Audit Committee) and a remuneration and nomination committee (the Remuneration and Nomination Committee).

AUDIT COMMITTEE OF THE BOARD

The members of the Audit Committee are:

- Werner Lanthaler (chairman)
- John de Koning
- Peter Verhaeghe
- Harrold van Barlingen

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:

(a) the operation of the internal risk-management and control systems;

(b) 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);

(c) compliance with recommendations and observations of the Company's internal and external auditors;

(d) the role and functioning of the Company's internal auditors;

(e) the Company's tax planning policy;

(f) the Company's relationship with its external auditor, including the independence and remuneration of the external auditor;

(g) the financing of the Company; and

(h) 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, at least once per year the Audit Committee will evaluate its own functioning.

The Audit Committee consists of at least three members, of which at least one member must be a financial expert in the sense that he or she has 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 will evaluate on a yearly basis whether there is need for an internal auditor, and the Board will make a recommendation in that regard to the Executive Directors. Such recommendation will be included in the Board reports.

ACTIVITY OF THE AUDIT COMMITTEE

The Audit Committee has met once since the IPO (and the establishment of the Audit Committee), on 26 August 2014. At that meeting, the main points of discussion were the presentation of the half year consolidated financial statements, an update on the IPO proceeds and costs and an update on cash management. An evaluation of the audit committee's functioning has not yet occurred, and is planned to take place once per year, in conformity with the terms of reference of the Audit Committee.

REMUNERATION AND NOMINATION COMMITTEE OF THE BOARD

The members of the Remuneration and Nomination Committee will be:

- Harrold van Barlingen (chairman)
- Peter Verhaeghe
- Christina Takke
- Michael B. Sheffery

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:

(a) making a proposal to the General Meeting for the remuneration policy to be pursued;

(b) recommending to the Non-Executive Directors and making a proposal for the remuneration of the individual members of the Board, for adoption by 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;

(c) preparing the remuneration report;

(d) drawing up selection criteria and appointment procedures for Directors;

(e) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Non-Executive Directors;

(f) periodically assessing the functioning of individual Directors, and reporting on this to the Non-Executive Directors;

(g) making proposals for appointments and reappointments; and

(h) 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 COMMITTEE ACTIVITY REPORT

The remuneration committee has met several times since its establishment. The main topics of discussion were the cash bonus to be granted to the Executive Directors in relation to the successful completion of the IPO, the variable pay of the Executive Directors for the year 2014 and the establishment of the Company's new ESOP (as further described in the section Long-term incentive plan below).

EQUITY HOLDINGS

As at the date of this Annual Report, Tim Van Hauwermeiren holds 85,910 Shares, Eric Castaldi doesn't hold any Shares and Werner Lanthaler holds 1,000 Shares.

Tim Van Hauwermeiren, Eric Castaldi, Peter Verhaeghe, David Lacey and Werner Lanthaler hold stock options under the Company's Employee Stock Option Plan, as set out in Remuneration below. Please also refer to Long-term incentive plan, under Remuneration under Board Structure for a description of the Company's Employee Stock Option Plan.

REMUNERATION UNDER CURRENT BOARD STRUCTURE

REMUNERATION OF THE EXECUTIVE DIRECTORS DURING THE YEAR ENDED DECEMBER 31, 2014

The table below shows the cash remuneration received by Executive Directors for the year ended December 31, 2014 (in euro). A scenario analysis based on best practice clause II.2.1. of the Dutch Corporate Governance Code was made.

Name	Base salary	Cash bonus*	Pension contributions	Social security costs	Total
Tim Van Hauwermeiren	198,000	164,000	8,600	9,500	380,100
Eric Castaldi	140,000	136,000	25,000	46,000	347,000
Total	**338,000**	**300,000**	**33,600**	**55,500**	**727,100**

Eric Castaldi joined the Board on July 9, 2014.

* *Including a singular variable pay in connection with the IPO corresponding to 100% of the regular variable pay, paid at the beginning of 2015.*

The table below shows the stock options granted to the Executive Directors during the year ended December 31, 2014 (in number of ESOPs).

Name	ESOPs
Tim Van Hauwermeiren	152,163
Eric Castaldi	146,007
Total	**298,170**

The table below shows the options granted to executive directors which have vested during the year ended December 31, 2014.

Name	Options vested in 2014	Exercise Price	Options vested in 3015	Exercise Price	Options vested in 2016	Exercise Price	Options vested in 2017	Exercise Price
Tim Van Hauwermeiren	42,038	€ 2.44	35,000	€ 7.17	35,000	€ 7.17	35,000	€ 7.17
Eric Castaldi	0	N/A	47,254	€ 2.44	27,002	€ 2.44	6,751	€ 2.44
			21,667	€ 7.17	21,667	€ 7.17	21,677	€ 7.17

MANAGEMENT AGREEMENTS

The Group has concluded management agreements with its Executive Directors, the key characteristics of which are as follows:

	Tim Van Hauwermeiren	Eric Castaldi
Base Salary	198,000	195,000
Cash Bonus	max. 35% of base salary	max. 35% of base salary
Pension Contributions	8,600	25,000
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 3 months should be taken into account by arGEN-X BVBA.	Mr. Castaldi may be dismissed immediately as statutory director of the Company. In relation to his management services agreement, a notice period of 3 months should be taken into account by arGEN-X BVBA.
Severance agreements	No specific severance was agreed upon. Belgium law applies.	No specific severance was agreed upon. Belgium law applies.

REMUNERATION OF NON-EXECUTIVE DIRECTORS DURING THE YEAR ENDED DECEMBER 31 2014

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

Name	Remuneration	Total
Peter Verhaeghe	20,000	20,000
Christina Takke	N/A	N/A
John de Koning	N/A	N/A
Bruno Montanari	N/A	N/A
Harrold van Barlingen	N/A	N/A
Michael B. Sheffery	N/A	N/A
David L. Lacey	38,000	38,000
Werner Lanthaler*	26,000	26,000
Total	**84,000**	**84,000**

** Werner Lanthaler joined the Board on April 8, 2014.*

The table below shows the ESOPs granted to the non-executive members of the Board during the year ended December 31, 2014 (in number of ESOPs).

Name	ESOPs
Peter Verhaeghe	9.844
David L. Lacey	14.443
Werner Lanthaler*	19.416
Total	**43.703**

** Werner Lanthaler joined the Board on April 8 2014.*

REMUNERATION UNDER BOARD STRUCTURE

Immediately prior to the completion of the IPO, the General Meeting adopted a policy governing the remuneration of the Board.

The remuneration of the individual members of the Board shall be determined by the Non-Executive Directors, at the recommendation of the Remunerations and Nominations Committee, within the limits of the remuneration policy adopted by 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 performance criteria and their application. The Directors shall not participate in the decision-making of the Board regarding the determination of their own remuneration.
For as long as the Company qualifies within the group of comparable (biotech) companies of more or less the same size (the Reference Group), the median market level of remuneration payable within the Reference Group will serve as a reference in determining the level of pay for the members of the Board.

Currently the Reference Group consists of the following companies:

- Ablynx
- Thrombogenics
- Galapagos
- Cardio3 Bio
- Tigenix
- Genticel
- Genmab
- Morphosys

In 2015 the Remuneration and Nomination Committee has initiated a benchmarking study of the remuneration and compensation of the Company's senior management team and independent Directors. The results of this study will be used by the Remuneration and Nomination Committee to

validate and or adjust said compensation and to enable a detailed scenario analysis. The benchmarking study will be executed with an external independent advisor. The Remuneration and Nomination Committee shall annually evaluate the relevance of the selection and if needed adapt the Reference Group, thereby ensuring a minimum of eight comparable companies. Every other year, the Board considers the appropriateness of any change of base salary in the context of the market environment as well as the salary adjustments for other Company's employees.

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.

REMUNERATION COMPONENTS EXECUTIVE DIRECTORS

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

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

FIXED BASE SALARY

The base salary of the members of the Executive Directors will be determined at a range around or slightly above the median salary levels payable within the Reference Group.

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. As per December 31, 2013, the maximum percentage for this purpose has been set at 35% of base salary of the Executive Director. Performance conditions will be set by the Board before or ultimately 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 and employees of the Company, the Board has established a new employee stock option plan ("ESOP") on December 18, 2014. The aim of the ESOP is to establish an ownership culture among employees of the Company, incentivizing its employees and executive directors to contribute to the value of the Company. The existing ESOP is replaced entirely by the new

ESOP. The main purposes of re-establishing the ESOP were to (i) ensure compliance with legal and financial regulations and (ii) to ensure the feasibility and liquidity of the plan, while minimizing the administrative burden for the Company with regard to the administration of the plan.

The key characteristics of the ESOP are listed below. Please note that this only a summary and is not a complete overview of the ESOP. The ESOP is available in full on the Company's website.

	Old ESOP	New ESOP	Notes to changes
Type of security	Warrant to obtain depository receipts of ordinary shares, which receipts may not be traded.	Warrant to obtain ordinary shares in the share capital of the Company, which may be traded.	The STAK structure has become redundant due to the Company's IPO. Furthermore, the old structure provided for a significant administrative burden on the Company as a result of maintaining the STAK. Finally, granting shares rather than depository receipts under the ESOP is intended to stimulate an ownership culture and to provide increased liquidity.
Exercise price	60% discount on fair market value, discretion of the Board.	Average trading price over 30 days prior to the date of grant.	Pursuant to Dutch market regulations, an option price should be determined on an objective basis.
Allocation of options	Discretion of the board.	Granting of options either (i) at times when no inside information is available, or (ii) pursuant to a previously established option allocation scheme and on the basis of objective criteria.	Previously established criteria for option granting ensure compliance with insider trading policies and regulations.
Option limit	Option grants are subject to the approval of the majority of the Non-Executive Directors and may not exceed 10% of the Company's outstanding share capital.		
Vesting scheme	1/3rd on the first anniversary of the option's date of grant, then 1/24th on each first day of the month. 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.

In addition to the above, pursuant to the remuneration policy, in case of a dismissal, Executive Directors will not be entitled to a severance payment of more than one year's base salary, unless this is, in a particular event, clearly unreasonable and the Board decides otherwise.

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 plan, in the form of stock options.

FIXED FEE

The fixed fee of Non-Executive Directors will be determined at a range around or slightly above the median of fees payable within the Reference Group.

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.

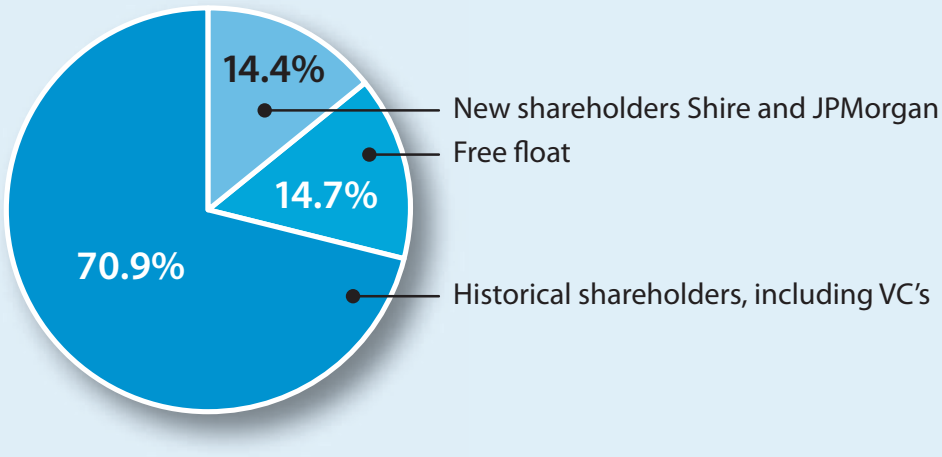
SUCCESS PAYMENT

In case of exceptional circumstances, the Board may decide to reward the Non-Executive Directors with success payments 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).

CAPITAL STRUCTURE

The Company's issued share capital amounts to EUR 1,570,511.20 and consists of 15.705.112 ordinary shares. There are only 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 (4,15%), Thuja (4,15%), JPMorgan (5,73%), PMV (6,02%), Seventure (6,34%), Shire (8,99%), LSP (10,92%), Orbimed (11,25%), Omnes (13,03%) and Forbion (13,54%).



LOCK-UP AGREEMENT

The Company has, as part of its IPO, agreed with KBC Securities NV, Kempen & Co NV and Wedbush Securities NV (the Managers) that it will not, and will procure that none of its subsidiaries will, for a period of 360 days from the date of the IPO (Listing Date), unless otherwise agreed by the KBC Securities NV and Kempen & Co NV (Joint Global Coordinators): (i) issue, offer, sell, contract to sell or otherwise transfer, dispose of, lend (or publicly announce such action), directly or indirectly, any shares or securities of the Company that are substantially similar to the shares offered in the Company's IPO, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities, (ii) purchase or sell any option or other guaranty or enter into any swap, hedge or other arrangement that transfers to any other person or entity, in whole or in part the economic consequences of its ownership of Shares, whether any such transaction is to be settled by delivery of shares or such other securities, or cash or otherwise, or (iii) submit to its shareholders or any other body a proposal to effect any of the foregoing; subject in each case to the following exceptions the issue of the shares offered pursuant to the IPO, the issue of shares or financial instruments in the framework of the then existing stock option plan, the issue of shares or financial instruments in the framework of (x) any incentive plan for employees, directors or consultants of the Company, established following the Company's IPO or (y) any merger, demerger, transfer of universality or branch of activity or other corporate restructuring, acquisition or strategic partnership provided that any shares issued do not represent more than 10% of the Company's share capital.

The existing shareholders at the time of the IPO entered into a lock-up arrangement with the Managers. Pursuant to the lock-up arrangement they will not, except as set forth below, for a period of 180 days from the Listing Date: (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any shares or any securities convertible into or exercisable or exchangeable for shares or securities of the Company that are substantially similar to the Shares, or request or demand that the Company files any registration statement under the United States Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any shares or securities of the Company that are substantially similar to the Shares, whether any such transaction is to be settled by delivery of shares or other securities, in cash or otherwise or (iii) publicly announce such an intention to effect any such transaction as referred to above.

Following this 180 days period, a new period of 180 days starts during which the existing shareholders at the time of the IPO may only transfer the shares held by them at the time of the IPO with the prior approval of the Joint Global Coordinators, which may not unreasonably be withheld. Any transfer of shares for which prior written consent has been given, can solely be effected through a co-ordinated sale.

None of the restrictions for the shareholders referred to above apply to (i) shares subscribed for during the offering in relation to the Company's IPO, (ii) Shares being lent to KBC Securities NV, (iii) transfers to legal successors or other transferees in case of death of a natural person or in case of liquidation, concursus, merger or de-merger (provided, however, that the legal successor or transferee of such person adheres to the lock-up agreement and assumes the relevant transfer restriction obligations for

the remaining term thereof), (iv) intra-group transfers, including to and from controlling natural persons (provided, however, that the relevant group company adheres to the lock-up agreement and assumes the relevant transfer restriction obligations for the remaining term thereof), (v) transfers between the shareholders and their affiliates and between their affiliates, including their shareholders, if applicable, or to any investment fund or other entity controlled or managed by the shareholders (provided, however, that the affiliate adheres to the lock-up agreement and assumes the relevant transfer restriction obligations for the remaining term thereof) (vi) transfers between the shareholders subject to the lock-up agreement (provided, however, that the transferee's lock-up agreement will extend to the shares so acquired), (vii) acceptance of a public bid or statutory squeeze-out, (viii) acceptance of a legal merger or demerger of the Company, or (ix) shares purchased on or after the Listing Date.

RISK MANAGEMENT PROCEDURES

As the Company only in 2014 has become a public company, the Board is still in the process of establishing and documenting risk management procedures. Therefore, a full and complete process of risk management of the risks analyzed in the section "risk management" of this report and the corresponding section of the Company's prospectus, including for example flow charts, documentation and protocols, is not yet in place. This is an ongoing process in the Company and has the full attention of the Board. Risk factors and the risk management approach, as well as the sensitivity of our results to external factors and variables are described in more detail in "Risk Management". The internal control system has been discussed with the Board's Audit Committee and the external auditors.

STATUTORY AUDITOR

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

Type of fees	2014	2013	2012
Audit fees	55,000	22,000	22,000
Audit related fees	228,000	0	0
Other non-audit fees	3,725	31,000	19,000
Total	**286,725**	**53,000**	**41,000**

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 (DCC). 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.
A 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 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 per cent. 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.

All Non-executive members of the Board, except for Peter Verhaeghe, have been appointed pursuant to arrangements on binding nominations for such supervisory positions in accordance with the current shareholders' agreement for the Company. There are no arrangements or understandings in place with major shareholders, customers, suppliers or others pursuant to which any member of the management board of the Company (certain of them to be appointed as Executive Directors) has been appointed.

At the date of this annual report, five current Non-Executive Directors do not meet the independence criteria contained in the Dutch Corporate Governance Code. Christina Takke, John de Koning, Bruno Montanari, Michael B. Sheffery and David L. Lacey hold positions with companies that (directly or indirectly) hold an interest of more than 10% in the Company's share capital. See 2.7 ("Biographical details of the members of the Board") above. Other than that, no member of the Board has a conflict of interest (actual or potential) between his duties to the Company and his private interests and/or other duties.

BOARD MEMBERS' INDEMNIFICATION

Pursuant to the Articles, the Company shall indemnify any and all of its Directors, officers, former Directors, 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 group companies, 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 wilful 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 fulfils at least two out of the following three criteria on two successive balance sheet dates: (1) 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 EUR 17.5 million; (2) the net turnover is more than EUR 35 million; and (3) 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.

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 endeavour 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.

DIVERSITY POLICY

Dutch law requires a large company to pursue a policy of having at least 30 per cent. of the seats on the Board held by men and at least 30 per cent. of the seats on the Board held by women. The term "large company" within the meaning of the diversity policy has the same meaning as set out above except that the criteria are tested on one balance sheet date. This allocation of seats will be taken into account in connection with (i) the appointment, or nomination for the appointment, of members of the Board, (ii) drafting the criteria for the size and composition of the Board, as well as the designation, appointment, recommendation and nomination for appointment of Non-Executive Directors; and (iii) drafting the criteria for the Non-Executive Directors. Pursuant to Dutch law, if a large company does not comply with the gender diversity rules, it will be required to explain in its annual report: (i) why

the seats are not allocated in a well-balanced manner; (ii) how it has attempted to achieve a well-balanced allocation; and (iii) how it aims to achieve a well-balanced allocation in the future. This rule will cease to have effect on January 1, 2016.

Although the Company does not qualify as a large company yet, the Board By-Laws include a policy that the Board shall aim, to the extent practicable and appropriate under circumstances, for a diverse composition of Directors in line with the identity of the Company and its business, in terms of such factors as nationality, background, gender (as referred to Article 2:166 of the DCC) and age.
Currently less than 30 percent of the seats in the Board are occupied by female board members. As seats become available, the Board will have the opportunity to assess the effectiveness of the diversity policy and, if at all, how the Company's implementation of the policy should be changed.

CORPORATE GOVERNANCE RULES

The current Dutch Corporate Governance Code entered into force on January 1, 2009. The Dutch Corporate Governance Code applies to all Dutch companies listed on a regulated market or a comparable system in a non-EEA member state. The Dutch Corporate Governance Code contains principles and best practice provisions for the board, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards, and is based on a "comply or explain" principle. Accordingly, the Company is required to disclose in this annual report for which principles and best practices it does not apply the code provisions of the Dutch Corporate Governance Code and, in the event that the Company does not apply a certain provision, to explain the reason why. The full text of the Dutch Corporate Governance Code can be found on *http://commissiecorporategovernance.nl/corporate-governance-code*.

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 will deviate from the best practice provisions in the following areas:

- The Company does not (yet) comply with best practice provision II 1.4 b and c, which requires that the annual report contains a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year, and a description of any major failings in the internal risk management and control systems which have been discovered in the financial year, any significant changes made to these systems and any major improvements planned, and a confirmation that these issues have been discussed with the audit committee and the non-executive board. For the reasons of this deviation from the code, please see the description above in the section "risk management procedures".

- The Company does not comply with best practice provision II.1.5, which requires an 'in control statement' stating that the internal control and risk management systems have worked properly in the year ended 31 December 2014. As further explained in the section "risk management procedures" the development of adequate risk management procedures is an ongoing process which has the full attention of the Board. Although the Board is confident about the quality of the information and the reliability of the figures presented, the internal control procedures and the documentation thereof is still an ongoing process.

- The Company does not comply with best practice provision III 2.1, which requires that all Non-Executive Directors, with the exception of not more than one person, shall be independent. After the completion of the IPO, the Company had eight Non-Executive Directors, of which five do not meet the independence criteria contained in the Code. These five dependent Non-Executive Directors are: (i) Christina Takke; (ii) John de Koning; (iii) Bruno Montanari; (iv) Michael B. Sheffery; as representatives of shareholders and (v) David L. Lacey as advisor of the Company. Given the fact that the Company is a relatively young company, the continuity in the composition of the Board is of great importance. Once a stable framework has been established, the Company shall take appropriate measures to comply with this provision.

- The Company does not comply with best practice provision II 2.5, 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 only recently, and that thus the stock price is still relatively volatile, 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 derivation from principle II 2.5.

- The Company does not comply with best practice provision II 2.11, which requires that the management contracts with the executive directors contain a claw back clause. The management agreements predate the Company's IPO and where thus drafted when provision II 2.11 did not yet apply. The Company is in the process of bringing the Company in line with Dutch corporate governance practice, and as part of that is also reviewing the management contracts.

- The Company does not comply with best practice provision III 3.3, 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 up to this moment not been deemed necessary. However, when in the future new Board members will join the Board of the Company, 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, which requires that chairman of the Board elects a vice-chairman (Non-Executive Director). Up to this moment, the Board has not felt the need to appoint a vice-chairman. Should this change in the future, the board may elect a vice chairman. The board by-laws of the Company already provide for this possibility.

- The Company does not comply with best practice provision III 4.3, which requires that the Non-Executive Directors shall be assisted by the Company secretary. Up to this moment, in practice the Board has not found the need to appoint such company secretary. If in the future circumstances change, and the need arises for appointing such company secretary to help the Non-Executive Directors with their task, the Board By-Laws already provide for the appointment of such person. The Company secretary shall then, either on the recommendation of Non-Executive Directors or otherwise, be appointed and dismissed by the Executive Directors, after the approval of the Non-Executive Directors has been obtained.

- The Company does not comply with best practice provision III 5, 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 Code to the remuneration committee, as well as the selection and nomination committee.

- The Company does not comply with best practice provision III 5.1, which requires that maximum one of member of each committee may not be independent within the meaning of the Code. Both Christina Takke and Michael B. Sheffery are members of the Remuneration and Nomination Committee. Because of their specific knowledge and expertise, the Company believes that it is in the Company's interest to maintain these two persons.

- The Company does not comply with best practice provision III 7, which requires that the remuneration of Non-Executive Directors shall be determined by the General Meeting. Instead, the Board determines the remuneration for the 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 be adopted by the general meeting. This applies to both Executive and Non-executive Directors.

- The Company does not comply with best practice provision III 7.1, which requires that Non-Executive Directors will not be granted any shares or rights to shares as remuneration, as some of the Non-Executive Directors will be granted Shares or rights to subscribe for Shares by way of remuneration, in recognition of the substantial industry expertise they bring to the Company.

- The Company does not comply with best practice provision IV 1.1, 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 line with the DCC 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.

- The Company does not comply with best practice provision IV 2.2, which requires that the meeting of holders of depositary receipts may make recommendations to the management of Stichting Administratiekantoor arGEN-X for the appointment of persons to the position of manager. The Stichting Administratiekantoor arGEN-X has become redundant (as explained above in the section "Remuneration Structure"). The Company intends to liquidate the Stichting Administratiekantoor arGEN-X at which point best practice provision IV 2.2 is no longer relevant to the Company.

- The Company does not have an internal auditor (best practice principle V.3). The audit committee will evaluate yearly the need for such internal auditor and make a recommendation to the Executive Directors based on this evaluation. Such recommendation will be included in the Board reports.

- The Company will report on the activity of the Board committees pursuant to best practice provision III.5.2 and III.5.3. However, since these committees meet at least once per year but a year since their establishment has not yet passed, the activity report is limited to the audit committee meeting(s) that did take place.

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 contracts with shareholders. Each of these documents can be found on the Company's website.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

For the period ended December 31, 2014

RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the consolidated financial statements of arGEN-X N.V. as of December 31, 2014, 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

Eric Castaldi, CFO

March 18 2015

GENERAL INFORMATION

arGEN-X N.V. is the parent company of a clinical-stage biopharmaceutical group focused on creating and developing differentiated antibody therapeutics for the treatment of cancer and severe autoimmune diseases with unmet medical needs (the Group). The Group has internally generated a preclinical and clinical product pipeline that it is developing for oncology and severe autoimmune diseases. arGEN-X's proprietary product portfolio currently consists of two clinical stage antibody products (ARGX-110 and ARGX-111) and two preclinical stage products (ARGX-113 and ARGX-112).

The Group has also entered into selective antibody discovery collaborations using its proprietary technology platform with pharmaceutical and biotechnology companies on a non-exclusive basis, providing multiple sources of potential revenue. The Group has no products with market approval and has not generated any revenues from product sales.

The Group was incorporated in 2008. From inception through 31 December 2014, the Group's operations have been primarily funded through:

- EUR 46.0 million in equity investments from venture capital investors;
- EUR 41.8 million of gross proceeds from the Group Initial Public Offering completed in July 2014 on Euronext Brussels;
- EUR 9.5 million in upfront payments, milestone payments, and research and development funding from industrial partnerships; and
- EUR 8.3 million of grants and tax incentives received.

The Group has never been profitable and has incurred net losses each year since incorporation. The Group's net losses were EUR 10.3 million and EUR 6.1 million for the years ended 31 December 2014, and 2013 respectively. On 31 December 2014, the Group had an accumulated deficit of EUR 35.8 million. Its losses resulted principally from operating expenses incurred in connection with the development of its product portfolio, its research activities and general and administrative costs associated with its operations.

With EUR 56 million in cash and cash equivalents and current financial assets, as of December 31, 2014, the Board is of the opinion that it can submit the annual accounts on a going concern basis. The Group expects its expenses to continue to increase, in line with its strategy of advancing the clinical development of its most advanced products.

The Group employs a business model that relies significantly on outsourcing of its research and development studies 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 STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Non-current assets		**1,134**	**586**
Intangible assets	4.1	7	0
Property, plant and equipment	4.2	166	120
Financial assets	4.3	1	1
Tax receivables	4.4	960	466
Current assets		**57,377**	**24,427**
Trade and other receivables	4.5	1,312	1,100
Prepaid expenses	4.6	92	106
Financial assets	4.7	23,793	500
Cash and cash equivalents	4.8	32,180	22,720
TOTAL ASSETS		**58,510**	**25,013**

EQUITY AND LIABILITIES (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Equity			
Equity attributable to owners of the parent			
Share capital		1,571	466
Share premium		81,940	45,304
Retained earnings		(35,806)	(25,491)
Other reserves		2,377	1,426
Total equity	**4.9**	**50,082**	**21,704**
Non-current liabilities		**0**	**0**
Current liabilities		**8,428**	**3,309**
Trade and other payables	4.10	4,977	2,853
Deferred revenue	4.11	3,451	456
Total liabilities		**8,428**	**3,309**
TOTAL EQUITY AND LIABILITIES		58,510	25,013

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenue	5.1	3,756	2,677
Other operating income	5.2	1,621	2,577
Total operating income		**5,377**	**5,254**
Research and development expenses	5.3	(12,641)	(9,352)
General and administrative expenses	5.4	(3,479)	(2,132)
Operating profit/(loss)		**(10,743)**	**(6,230)**
Financial income	5.7	137	186
Financial expenses	5.7	(3)	(4)
Exchange gains/(losses)	5.7	295	(83)
Result Profit/(loss) before taxes		**(10,314)**	**(6,131)**
Income tax (income/expense)	5.9	0	0
PROFIT/LOSS FOR THE PERIOD		(10,314)	(6,131)
TOTAL COMPREHENSIVE LOSS OF THE PERIOD		(10,314)	(6,131)
Loss attributable to equity holders		(10,314)	(6,131)
Total comprehensive loss attributable to equity holders		(10,314)	(6,131)
Weighted average number of shares outstanding		7,551,576	18,000
Basic and diluted loss per share (in €)	5.10	(1.37)	(341)

There are no non-controlling interests in the Group.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED CASHFLOW STATEMENT (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating result		**(10,743)**	**(6,230)**
Adjustment for non-cash items			
Amortisation of intangible assets	4.1	4	0
Depreciation of property, plant and equipment	4.2	128	121
Expense recognised in respect of share-based payments	4.12	952	245
		(9,659)	(5,864)
Movements in working capital			
Increase/decrease in trade and other receivables	4.5	(706)	(971)
Increase/decrease in other current assets	4.6	14	(21)
Increase/decrease in trade and other payables	4.10	2,124	229
Increase/decrease in deferred revenue	4.11	2,995	25
Cash generated from/(used in) operating activities		**(5,232)**	**(6,602)**
Interests paid		(3)	(4)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(5,235)**	**(6,606)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	4.1	(11)	0
Purchase of property, plant and equipment	4.2	(174)	(65)
Increase/decrease in current financial assets	4.7	(23,293)	550
Interest received	5.7	137	186
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(23,340)**	**671**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	4.9	41,691	13,308
Transaction costs for equity issue	4.9	(3,950)	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		**37,741**	**13,308**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,165**	**7,373**
Cash and cash equivalents at the beginning of the period		22,720	15,430
Exchange gains/(losses) on cash & cash equivalents	5.7	295	(83)
Cash and cash equivalents at the end of the period		**32,180**	**22,720**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent							
	Share capital	Share premium	Retained earnings	Other reserves Equity-settled share-based payment reserve	Total equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
Balance at 1 January 2013	**339**	**30,431**	**(19,360)**	**1,181**	**12,591**	**0**	**12,591**
Total comprehensive income of the period			(6,131)		(6,131)		(6,131)
Issue of share capital	126	14,873			15,000		15,000
Transaction costs for equity issue					0		0
Share-based payment				245	245		245
Balance at 31 December 2013	**466**	**45,304**	**(25,491)**	**1,426**	**21,704**	**0**	**21,704**
Total comprehensive income of the period			(10,314)		(10,314)		(10,314)
Issue of share capital	1,105	40,586			41,691		41,691
Transaction costs for equity issue		(3,950)			(3,950)		(3,950)
Share-based payment				952	952		952
Balance at 31 December 2014	**1,571**	**81,940**	**(35,806)**	**2,378**	**50,082**	**0**	**50,082**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR 2014

1. GENERAL INFORMATION ABOUT THE COMPANY

arGEN-X NV (the Company) is a public company with limited liability incorporated under the laws of the Netherlands. The Company's official seat is in Rotterdam, the Netherlands, and its registered office is at Willemstraat 5, 4811 AH, Breda, the Netherlands. The principal activities of the Company are described in the General Information section. An overview of the Company and its subsidiaries (the Group) are described in note 7.3.

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

The following financial statements were authorized for issue by the Board of Directors meeting on Wednesday March 18, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 FIRST ADOPTION OF IFRS

The financial statements for the period ended 31 December 2014 of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The IFRS accounting framework replaces the previous accounting framework in accordance with Dutch GAAP.

These first annual financial statements include comparative information for the period ended 31 December 2014 and 31 December 2013. Therefore, an opening statement of financial position as per 1 January 2013 has been prepared in accordance with IFRS. This date represents the date of transition to IFRS and is the date at which the impacts of the changes in accounting policies are recognised against equity (retained earnings) in accordance with IFRS 1 – First-time adoption of IFRS.

The objective of this is to provide information on the effect of the adoption of IFRS on arGEN-X's financial statements as previously published in accordance with Dutch GAAP. We provide below the following:

- A reconciliation of the consolidated equity under Dutch GAAP at 1 January 2013 (i.e. date of transition), 31 December 2013 and 31 December 2014 to the consolidated equity under IFRS at the same dates;
- A reconciliation of the consolidated result under Dutch GAAP at 31 December 2013 and 31 December 2014 to the consolidated result under IFRS at the same dates;
- Explanations supporting the reconciliations and the IFRS financial information

The reconciling items between Dutch GAAP and IFRS represent changes in accounting policies. No errors were noted under Dutch GAAP that would have required separate disclosure under IFRS 1. Based on the requirements of IFRS, the statement of financial position as per 31 December 2012 has been restated for the preparation of the opening statement of financial position in accordance with IFRS applicable for annual periods starting on 1 January 2013, i.e. the first year published in accordance with IFRS. In accordance with IFRS, the impacts resulting from the application of the new accounting framework have been recognized against the opening equity (retained earnings) as per 1 January 2013. However, certain adjustments did not have an impact on equity. These are also disclosed in below.

IFRS Adjustments (in thousands of euros)

	Reference	Equity per 01/01/2013	Result 2013	Other comprehensive income 2013	Other movements 2013	Equity per 31/12/2013
Consolidated Dutch GAAP		**12,781**	**(5,974)**	**0**	**15,000**	**21,807**
Share-based payments	(1)	0	(245)	0	245	0
Revenue	(2)	(190)	88	0	0	(102)
Total IFRS adjustments		**(190)**	**(157)**	**0**	**245**	**(102)**
Consolidated IFRS		**12,591**	**(6,131)**	**0**	**15,245**	**21,704**

	Reference	Equity per 01/01/2014	Result 2014	Other comprehensive income 2014	Other movements 2014	Equity per 31/12/2014
Consolidated Dutch GAAP		**21,807**	**(9,450)**	**0**	**37,741**	**50,097**
Share-based payments	(1)	0	(952)	0	952	0
Revenue	(2)	(102)	88	0	0	(15)
Total IFRS adjustments		**(102)**	**(864)**	**0**	**952**	**(15)**
Consolidated IFRS		**21,704**	**(10,314)**	**0**	**38,692**	**50,082**

(1) SHARE-BASED PAYMENTS

The Group issues share-option schemes to its employees. Under Dutch GAAP, the Group applied the intrinsic value method as its accounting policy for share-based payment. Due to the liquidation preferences attached to the preferred shares, the value of the options for common shares is nil in the statutory financial statements under Dutch GAAP.

Instruments issued by the Group need to be measured at fair value at grant date and expensed over the vesting period. Depending on the way of settlement, the instrument is to be treated as follows:

- Equity settled: fair value not subsequently remeasured and expensed against equity
- Cash settled: fair value remeasured at each closing and expensed against liability

The share option scheme granted by the Group meets the definition of an equity-settled share-based payment in accordance with IFRS 2 – Share-based Payment.

As such, the fair value of the option has been measured using the Black and Sholes valuation model, as explained in note 4.12 of the consolidated financial statements of the group.

The recognition of the share-based payment transaction has no impact on net equity, but only impacts within equity, i.e. result of the period (personnel expenses) vs. the equity-settled share-based payment reserve.

(2) REVENUE RECOGNITION

The recognition of revenue from industrial partnerships has been reviewed in the context of the IFRS conversion. As such, it has been concluded that some revenue, more specific license fees for which the Group has a continuing involvement during the license period, should have been deferred in accordance with IAS 18 – Revenue as the significant risks and rewards related to the transactions were not yet completely transferred.

2.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with IFRS as adopted by European Union. The accounting policies described in Note 2 to our consolidated financial statements have been applied in preparing the consolidated financial statements for the year ended December 31, 2014 and for the comparative information for the year ended December 31, 2013.

The consolidated financial statements have been prepared under the assumption that the Group is at going concern and under the historical cost convention.

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

- The principal accounting policies applied in the preparation of the above financial statements are set out below.
- All amounts are presented in thousands of Euro, unless otherwise indicated, rounded to the nearest EUR '000.
- The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:
- IAS 27 Revised 'Separate financial statements', effective for annual periods beginning on or after 1 January 2014. The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 Revised 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2014. The revised standard now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRS 10 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.

- IFRS 12 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2014. This is a new standard on disclosure requirements for all forms of interests in other entities.

- Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements' and IFRS 12 'Disclosure of interests in other entities'. The amendments clarify the transition guidance in IFRS 10, and provide additional transition relief (for example by limiting the requirement to provide adjusted comparative information to only the preceding comparative period or, for disclosures related to unconsolidated structured entities, removing the requirement to present comparative information for periods before IFRS 12 is first applied). These amendments will be effective for annual periods beginning on or after 1 January 2014 which is aligned with the effective date of IFRS 10, 11 and 12.

- Amendments to IAS 32 'Offsetting financial assets and financial liabilities', effective for annual periods beginning on or after 1 January 2014. The amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

- Amendments to IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2014. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. This limited scope amendment corrects this and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment.

- Amendments to IAS 39 'Financial instruments: Recognition and measurement', effective for annual periods beginning on or after 1 January 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Similar relief will be included in IFRS 9 'Financial instruments'.

- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' for investment entities. Effective for annual periods beginning on or after 1 January 2014. The amendments give an exemption to entities that meet an 'investment entity' definition and which display certain characteristics to account for its subsidiaries at fair value.

The following new interpretation and amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2014:

- IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

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

- 'Annual improvements (2011-2013 cycle)' in response to four issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 January 2015. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.

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

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning, 1 January 2014 and have not been endorsed by the European Union:

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

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

- Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB

decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.

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

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

- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2017, subject to EU endorsement.

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

- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.

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

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

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.
The financial statements have been established assuming the Company is in a state of going concern.

2.3 SEGMENT REPORTING

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

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate 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 comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

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

2.5 FOREIGN CURRENCY TRANSACTIONS

FUNCTIONAL AND PRESENTATION CURRENCY

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

TRANSACTIONS AND BALANCES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement part of the statement of 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.

2.6 INTANGIBLE ASSETS

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

Intangible assets related to software are amortised over 3 years.

Expenditure on research activities is recognised 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 recognised 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 recognised 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 recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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 recognised in profit or loss when the asset is derecognised.

2.7 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.

Depreciation is recognised 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 derecognised 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 recognised in profit or loss.

2.8 LEASES

Operating lease payments are recognised 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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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.

2.9 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 recognised 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10 FINANCIAL ASSETS

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. A financial asset and a financial liability are offset if there is a legally enforceable right to set off the recognised amounts and if the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

2.12 TRADE RECEIVABLES

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

2.13 OTHER SHORT TERM INVESTMENTS

Term deposits with an initial term of more than three months are held to maturity and measured at amortised cost.

2.14 CASH AND CASH EQUIVALENTS

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

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

2.15 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 recognised at the proceeds received, net of direct issue costs.

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

2.16 TRADE PAYABLES

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

2.17 PROVISIONS

Provisions are recognised 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 recognised 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 recognised as an asset if it is reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18 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 plans. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. The contributions are recognised as employee benefit expense when they are due".

Since defined contribution plans in Belgium are legally subject to a minimum guaranteed return, according to Belgian legislation, and guarantee is no longer fully insured by the insurance company this defined contribution plan is considered as a defined benefit plan in accordance with IAS 19r.
Although temporary debt at this point might occur but given the non-material nature of such debt, they are not considered at this point in time as a liability for the Company.

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 4.12.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised 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 recognised is the expense that would have been recognised if the terms had not been modified. An additional expense is recognised 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 FINANCIAL LIABILITIES

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

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

The Company does not hold any financial liabilities at fair value through profit or loss.
Other financial liabilities (including borrowings) are subsequently measured at amortised cost using

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

2.21 GOVERNMENT GRANTS

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

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

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

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

2.22 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 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (e.g. differences between carrying amounts under IFRS and the statutory tax bases). Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference

arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

2.23 REVENUE RECOGNITION

The Group generates revenue from Industrial partnerships.

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

INDUSTRIAL PARTNERSHIPS

These industrial partnerships typically contain license fees, non-refundable up-front fees, research and development service fees and milestone payments. The revenue recognition policy for research projects can be summarised as follows:

- License fees are recognised when the Group has fulfilled all conditions and obligations. The license fee will not be recognised if the amount cannot be reasonably estimated and if the payment is doubtful. As the Group has a continuing involvement during the license period, license fees are recognised rateably over the term of the agreement.

- Non-refundable up-front fees for access to prior research results and databases are recognised when earned, if the Group has no continuing performance obligations and all conditions and obligations are fulfilled (this means after the delivery of the required information). If the Group has continuing performance obligations towards the client, the fee will be recognised on a straight-line basis over the contractual performance period (with adjustment to the actual performance period at the end of the contract or at the actual termination date).

- Research and development service fees are recognised as revenue over the life of the research agreement as the required services are provided and costs are incurred. These services are usually in the form of a defined number of full-time equivalents (FTE) at a specified rate per FTE.

- Commercial collaborations resulting in a reimbursement of research and development (R&D) costs are recognised 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.

- Milestone payments are recognised as revenue upon the achievement of the milestone, when all conditions attached have been fulfilled.

- Royalty income from licenses is based on third-party sales of licensed products and is recognized in accordance with contract terms when third-party results are available and are deemed to be reliable. Royalty estimates are made in advance of amounts collected using preliminary sales data received from the third-party.

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

2.24 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.

2.25 BORROWING COSTS

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

GOING CONCERN

The Group has incurred net losses since its inception and on December 31, 2014, its consolidated statement of comprehensive income reflects a net loss, and its consolidated statement of financial position includes a loss carried forward. On March 18, 2015, the Board has examined the consolidated financial statements and accounting standards. Taking into account the cash position following the successful IPO of the Group in July 2014, the Board is of the opinion that it can submit the annual accounts prepared for the Group on a going concern basis.

Whilst the current cash position is sufficient for the Group's immediate and mid-term needs, the Board pointed out that if the R&D activities continue to deliver added value, arGEN-X may seek additional funding to support the continuing development of its portfolio of products or to be able to execute other business opportunities.

MEASUREMENT OF SHARE-BASED PAYMENTS

In accordance with IFRS 2 – Share-based Payment, the fair value of the options at grant date is recognised as an expense in the statement of comprehensive income over the vesting period, the period of delivery of work. Subsequently, the fair value equity-settled is not re-measured.
The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions, which are detailed in note 4.12.

RECOGNITION OF DEFERRED TAX ASSETS

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

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

Since inception, the Company has reported losses, and as a consequence, the Company have unused tax losses. Therefore, management has concluded that deferred tax assets should not be recognised as of December 31, 2014. The deferred tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide any convincing positive evidence that deferred tax assets should be recognised.

4. NOTES RELATING TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1 INTANGIBLE ASSETS

(in thousands of euros)	
Opening balance as at 1 jan 2013	
Purchase price	56
Accumulated depreciation	(56)
Bookvalue at the beginning of the year	0
Movements	
Investments	0
Depreciation	0
Closing balance as at 31 dec 2013	
Purchase price	56
Accumulated depreciation	(56)
Bookvalue at year end	0
Opening balance as at 1 jan 2014	
Purchase price	56
Accumulated depreciation	(56)
Bookvalue at the beginning of the year	0
Movements	
Investments	11
Depreciation	(4)
Closing balance as at 31 december 2014	
Purchase price	67
Accumulated depreciation	(60)
Bookvalue at year end	7

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

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

4.2 PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	IT equipment	Office and lab equipment	Total
Opening balance as at 1 jan 2013			
Purchase price	41	718	759
Accumulated depreciation	(32)	(551)	(583)
Bookvalue at the beginning of the year	9	167	176
Movements			
Investments	1	64	65
Depreciation	(5)	(116)	(121)
Closing balance as at 31 dec 2013			
Purchase price	42	782	824
Accumulated depreciation	(37)	(667)	(704)
Bookvalue at year end	**5**	**115**	**120**
Opening balance as at 1 jan 2014			
Purchase price	42	782	824
Accumulated depreciation	(37)	(667)	(704)
Bookvalue at the beginning of the year	5	115	120
Movements			
Investments	21	153	174
Depreciation	(11)	(117)	(128)
Closing balance as at 31 december 2014			
Purchase price	63	935	998
Accumulated depreciation	(48)	(784)	(832)
Bookvalue at year end	**15**	**151**	**166**

There are no commitments to acquire property, plant and equipment.

Furthermore, no items of property, plant and equipment are pledged.

4.3 NON-CURRENT FINANCIAL ASSETS

In 2012, as part of a partnership agreement signed with RuiYi Inc, 750,000 shares of RuiYi were received by arGEN-X in exchange of the out-licensing of the Group's product ARGX-109. The nominal value of these shares (i.e. 0,001 USD per share, or 750 EUR in total) is considered, at the end of 2014, as the best indication of the fair value of this holding and is recorded as non-current financial assets.

In 2013, another partnership was signed with Fair Journey LDA (an external service provider used by the Group). As part of this transaction, the Group received 150 shares of Fair Journey LDA. The fair value of these shares is considered to be insignificant.

4.4 TAX RECEIVABLES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Tax credit related to research and development expenditure under BE GAAP	960	466

On December 31, 2014, the Group has recorded a tax receivable of KEUR 960, compared to KEUR 466 on December 31, 2103, in relation with a research and development incentive tax scheme in Belgium under which the tax credits can be refunded after five years if not offset against future income tax expense. The R&D tax credits are recorded in other operating income (see note 5.2) in the consolidated statement of comprehensive income. These amounts are expected to be gradually reimbursed in cash as from 2017 onwards.

4.5 TRADE AND OTHER RECEIVABLES

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

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
VAT receivable	60	62
Trade receivables	790	290
Interest receivable	33	32
IWT grants to receive	427	716
	1,312	1,100

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

Trade receivables correspond to amounts invoiced to the industrial partners of the Group. No trade receivables were past due on December 31, 2014. The IWT grant to receive consists of earned income from government grants for which no payments have been received but for which the relating expenditures have been incurred.
For more information on the government grants to receive from IWT see note 5.2

4.6 PREPAID EXPENSES

Prepaid expenses are mainly sub-licence fees which were paid anticipatively, but relating to the next period.

4.7 CURRENT FINANCIAL ASSETS

On December 31, 2014, the current financial assets amounted to KEUR 23,793 and corresponded to financial instruments in the form of money market funds with a recommended maturity of 6 months or more. These funds are highly liquid investments and can be readily convertible into a known

amount of cash. Because of their historical volatility these funds cannot be classified as cash and cash equivalents. Values recognized on the balance sheet are the fair values.

On December 31, 2013, the current financial assets amounted to KEUR 500 and corresponded to a term deposit account with an original maturity of 1 year.

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

4.8 CASH AND CASH EQUIVALENTS

On December 31, 2014, cash and cash equivalents amounted to KEUR 32,180 compared to KEUR 22,720 on December 31, 2013 and included (i) cash on hand and (ii) current and savings accounts in different banks which are independently rated with a minimum rating of 'A' and (iii) short term investment funds in the form of money market funds with a recommended maturity of less than 3 months and with a low historical volatility which allows such money market funds to be classified as cash equivalents. These money market funds are highly liquid investments, can be readily convertible into a known amount of cash and subject to an insignificant risk of changes in value. There were no money market funds on December 31, 2013.

4.9 SHAREHOLDERS' CAPITAL

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

STOCK SPLIT

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

SHARE RESHUFFLING – CONVERSION OF THE PREFERENCE SHARES INTO ONE COMMON CLASS OF SHARES

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

NEW SHARES PURSUANT TO THE IPO

A total of 4,914,607 new ordinary shares (including the over allotted shares pursuant to which the over-allotment option was exercised) was offered in the IPO. This results in a total of 15,705,112 ordinary shares with a nominal value of EUR 0.1 per share.

The table below summarizes these operations:

Shares	
Number of shares outstanding as per 01/01/2013	339,109
Series B2 finance round on 1/07/2013	89,286
Series B2+ finance round on 1/10/2013	37,202
Number of shares outstanding as per 01/01/2014	465,597
1:10 stock split 09/07/2014	4,655,970
share reshuffling 09/07/2014	6,134,535
IPO 10/07/14	4,705,882
over allotment 10/08/14	208,725
Number of shares outstanding as per 31/12/2014	15,705,112

The Initial Public Offering of the Group on Euronext Brussels has raised total gross proceeds of EUR 40 million in July 2014 through the issuance of 4,705,882 new ordinary shares at a subscription price of EUR 8.50. In August 2014, the partial exercise of the overallotment option has raised additional gross proceeds of EUR 1.8 million by the issuance of 208,725 shares.

The increase in capital in 2013 correspond to the second tranche and extension of the Company's B-round financing and the conversion of a loan.

The authorised unissued share capital of the Company amounts to KEUR 4,500 divided into 45 million ordinary shares. As mentioned above the issued share capital consists of 15,705,112 ordinary shares.

4.10 TRADE AND OTHER PAYABLES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Trade payables	1,649	899
Accruals for invoices to receive	1,726	1,198
Short-term employee benefits	1,434	703
Accrued expenses	168	53
	4,977	2,853

The significant increase in trade payables is due to increased clinical and manufacturing activities and timing difference of payments of invoices. The fair value of trade payables approximate their carrying amount. No payables were overdue and all have been settled in January 2015.
The accruals for invoices to receive correspond mainly to late invoices received from suppliers. The total amount of KEUR 1,726 includes (i) an amount of KEUR 1,000 related to invoices to be received from a clinical manufacturing organization for the manufacturing of drug products to be used in clinical trials (ii) an amount of KEUR 490 related to invoices to be received from a clinical research organisation for the pass-through expenses incurred by clinical sites used in relation with the ongoing clinical trials of ARGX110 and ARGX111 and not yet recharged to the Group due to internal administrative backlog.

Short-term employee benefits include payables and accruals for salaries and bonus to be paid to the employees of the Group. The increase in 2014 correspond to an accrual for the payment in 2015 of an additional bonus to the management team in relation with the successful completion of the Group's IPO in July 2014.

4.11 DEFERRED REVENUE

Deferred revenue relates to cash received from industrial partnerships prior to completion of the earnings process. In 2014, deferred revenue increased to KEUR 3,451 compared to KEUR 456 in 2013. This increase in 2014 is explained by the payments received from the industrial partnerships signed in 2014, notably from Shire, Bayer and the Leukemia and Lymphoma Society, which will be recognized as revenue over the course of the agreements.

4.12 SHARE-BASED PAYMENTS

On May 10, 2010 (10,337), November 30, 2010 (6,246), February 1, 2011 (380), May 23, 2013 (30,574), December 4, 2013 (17,475), June 30, 2014 (10,982), September 30 (55,747 and 194,018) and December 18, 2014 (585,450) a total of 911,209 share options were granted to and accepted by the beneficiaries. Of these 911,209 share options, no share options have forfeited, expired or have been exercised as of December 31, 2014.

The share options are granted to employees, consultants or directors of the Company and its subsidiaries. The share options have been granted free of charge. Each employee share option converts into one ordinary share of the Company on exercise. 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 (10 years from the date of grant).

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

(i) 1/3rd of the share options granted will vest on the first anniversary of the granting of the share options, and

(ii) 1/24th of the remaining 2/3rd of the share 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 share options.

No other performance conditions are attached to the share options.

The following share-based payment arrangements were in existence during 2014 and prior years:

Oustanding share options Expiry date	Exercise price per share option (in EUR)	Year ended December 31, 2014	Year ended December 31, 2013
2019	5.25	10,337	10,337
2020	5.25	6,246	6,246
2021	5.25	380	380
2021	3.24	30,574	30,574
2021	3.24	17,475	17,475
2021	3.24	10,982	-
2021	5.25	55,747	-
2021	3.24	194,018	-
2024	7.17	585,450	-
		911,209	65,012

No share options were exercised, forfeited or expired during the year (2014: nil; 2013: nil). Of the options outstanding as of December 31, 2014, 325,759 options were exercisable (2013: 50,309; 2012: 33,866). In 2014 the exercise price for share options granted in previous years was reduced, following the restructuring of the share capital of the company in relation to its IPO.

The weighted-average exercise price for the options exercisable at the end of the period is EUR 2.78 (2013: EUR 3.92; 2012: EUR 4.22).

The fair market value of the share options has been determined based on the Black and Scholes model. The expected volatility used in the model is based on the historical volatility of peer companies (as no volatility was available for the Company). Below is an overview of all the parameters used in this model.

Share options granted from	May 2010 to December 2013
Number of options granted	380 to 30,574
Average fair value of options (in EUR)	17.23 to 51.24
Share price (in EUR	8.50
Exercise price (in EUR)	2.44 to 3.95
Expected volatility	69%
Average expected option life (in years)	8 to 10
Risk-free interest rate	1.48%
Expected dividends	0

Share options granted in	June 2014	September 2014	September 2014	December 2014
Number of options granted	10,982	55,747	194,018	585,450
Average fair value of options (in EUR)	7.18	6.49	7.15	5.65
Share price (in EUR)	8.50	8.50	8.50	7.55
Exercise price (in EUR)	2.44	3.95	2.44	7.17
Expected volatility	69%	69%	69%	69%
Average expected option life (in years)	7	6	7	10
Risk-free interest rate	1.48%	1.48%	1.48%	1.48%
Expected dividends	0	0	0	0

5. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUE

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
License fees	775	183
Milestone payments	1,286	855
Research and development service fees (FTE)	1,695	1,639
Total	**3,756**	**2,677**

License fees, milestone payments and research and development service fees are recognised according to the accounting principles set by the company. The increase in license fees in 2014 correspond principally to the partial recognition in revenue over the period of the upfront payments received in 2014 following the signature of a new collaboration agreement with Bayer and a new Strategic Alliance with Shire. The increase in milestone payment recognized in 2014 results primarily from the milestone payment received from Shire and immediately recognized in revenue in December 2014, following the exercise of their option to advance in preclinical development one or more product candidates, and the payments partially recognized in 2014 following the signature of a research, development and commercialization agreement with the Leukemia and Lymphoma Society in the US.

5.2 OTHER OPERATING INCOME

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
IWT government grants	595	1,797
Grants on employment	532	478
R&D tax incentives	494	303
	1,621	**2,577**

IWT GOVERNMENT GRANTS

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

On December 31, 2014, the situation of the grants received by arGEN-X reflects the expenses incurred by the Group in the various R&D projects sponsored by IWT and is as follows:

1) IWT 1

- Grantor: IWT
- Start date: 01/09/2009
- End date: 31/10/2011
- Amount granted and approved by IWT: KEUR 1,308
- Amount received: KEUR 1,308

1) IWT 2

- Grantor: IWT
- Start date: 01/04/2010
- End date: 31/03/2012
- Amount granted and approved by IWT: KEUR 1,569
- Amount received: KEUR 1,569

1) IWT 3

- Grantor: IWT
- Start date: 01/08/2011
- End date: 30/06/2014
- Amount granted and approved by IWT: KEUR 1,326
- Amount received: KEUR 1,326

4) IWT - TGO

- Grantor: IWT
- Start date: 01/01/2013
- End date: 31/12/2016
- Amount granted and approved by IWT: KEUR 2,697
- Amount received: KEUR 1,847

5) IWT - Baekelandt

- Grantor: IWT
- Start date: 01/01/2014
- End date: 31/12/2017
- Amount granted and approved by IWT: KEUR 277
- Amount received: KEUR 60

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.

OTHER INCENTIVES

- arGEN-X received KEUR 532 in 2014 (compared to KEUR 478 in 2013) as a reduction in withholding taxes for its highly-qualified personnel active in R&D.

- arGEN-X has accounted for a tax receivable of KEUR 494 in 2014 (compared to KEUR 303 in 2013) following an R&D 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).

5.3 RESEARCH AND DEVELOPMENT EXPENSES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Personnel expense	4,039	2,771
Depreciation and amortisation	134	121
Research expenses	7,481	5,777
Materials and consumables	639	481
Other expenses	348	203
	12,641	**9,352**

The increase in personnel expense in 2014 is explained by (i) the recruitment of new R&D personnel in relation with the signature of new partnerships with Bayer and Shire in the first half of 2014, (ii) the share based payment costs recognized in compensation for the grant of stock options to the R&D employees of the Group (see note 4.12).

The research expenses which correspond to the manufacturing and clinical trials costs have increased significantly in 2014 as a result of the progression of ARGX-110 and ARGX-111 into their respective clinical development plans. These studies (first in Human) required notably the production of drug material in a large scale production batch. A third program (ARGX-113) has also started its clinical development during 2014.

Due to the increased activities in R&D in 2014, expenses on materials and consumables have risen to KEUR 639 in 2014 compared to KEUR 481 in 2013 and other expenses (sublicense) to KEUR 348 in 2014 compared to KEUR 203 in 2013.

5.4 GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Personnel expense	904	456
Administrative expenses	755	805
Marketing expenses	270	541
Outsourcing expenses	1,550	330
	3,479	**2,132**

On December 31, 2014, personnel expense for G&A amounted to KEUR 904 compared to KEUR 456 on December 31, 2013. This significant increase is explained by (i) the recruitment of new employees to strengthen the Group's G&A activities and (ii) the share based payment costs recognized in compensation for the grant of stock options to the G&A employees.

Outsourcing expenses have also increased significantly in 2014 principally in relation with (i) the preparation of the IPO of the Group on Euronext Brussels and (ii) the share based payment costs recognized in expenses for the grant of stock options to the board members and certain consultants of the Group.

For more details on remuneration and audit fees we refer to the Corporate Governance section on this subject in the Annual report.

5.5 PERSONNEL EXPENSES

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

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Short-term employee benefits	4,026	2,924
Post-employment benefits	93	75
Share-based payment	824	227
	4,943	**3,226**

The significant increase of the short- term employee benefits recorded in 2014 is explained by the new recruitments in both the R&D and G&A departments.
The share-based payment increased in 2014 is due to the additional stock options granted to employees, directors and consultants in 2014 and the modifications on the historical options in relation with the IPO of the Company (see note 4.12).

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

Number of FTE	Year ended December 31, 2014	Year ended December 31, 2013
Research and development	27.5	19.5
General and administrative	3.0	2.0
	30.5	**21.5**

5.6 OPERATING LEASES

Operating Lease commitments (in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Not later than 1 year	225	209
Later than 1 year and not later than 5 years	1,713	414
Later than 5 years	0	0
	1,938	**623**

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

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

In 2014 the Group has signed a binding term sheet for a new lease agreement that will be signed in 2015 for new laboratory and office spaces in Ghent. The new lease agreement will be for a period of 9 years starting from April 1st 2016, with the possibility to terminate the lease by giving a notice of at least twelve (12) months in advance at the occasion of the third and sixth anniversary of the agreement.

For its offices in the Netherlands the Company has a lease agreement renewable on an annual base.

5.7 FINANCIAL RESULT AND EXCHANGE GAINS/(LOSSES)

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Interest income on bank deposits	137	186
Other financial income	0	0
Financial income	137	186
Financial expenses	(3)	(4)
Exchange gains/(losses)	295	(83)
	429	**99**

Financial income, which correspond to the return on the financial investments of the Group's cash and cash equivalents and financial instruments, decreased in 2014 compared to 2013, due to the decrease of interest rates paid by the market in 2014.
The exchange gains of KEUR 295 in December 2014 were realized by converting USD accounts into EUR at a favourable conversion rate.

5.8 RETIREMENT BENEFIT OBLIGATIONS.

The Group has a pension plan in the context of a group insurance for all employees. This pension plan is a defined contribution plan, but due to the Belgian legislation, the employer is obliged to guarantee a minimum return on the contribution. This guarantee is no longer fully insured and therefore, these defined contribution plans are defined benefit plans in accordance with IAS19R. Based on the yearly cost and the limited number of persons involved in the plan, the Group decided not to include any provision in their consolidated statement of financial position, since the impact was considered as not material. The Group has recognized an expense of KEUR 93 in 2014 related to this defined contribution plan.

5.9 INCOME TAXES

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

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Current income taxes	0	0
Total	**0**	**0**
Loss of the year	(10,314)	(6,131)
Stock issuance costs	(3,950)	0
Share-based payments	952	245
R&D capitalisation	1,431	1,684
Other permanent differences	(595)	(1,797)
Expected income tax credit	**(3,119)**	**(1,500)**
Impact unrecognized deferred tax asset	3,119	1,500
Effective income taxes	**0**	**0**

Corporate tax is calculated at 25% (same in 2013), which is the tax rate applicable in the Netherlands, of the estimated assessable profit of the year. Current group result before tax is a loss before tax as well as last year. The applied tax rate for the other territorial jurisdiction (Belgium) is the tax rate applicable in that jurisdiction (33.99 %). For the purposes of the above overview the effect of difference is tax rate between both jurisdictions in considered not to be material.

The unrecognised deferred tax asset on deductible temporary differences, unused tax losses and unused tax credits amount to KEUR 15,227 on 31 December 2014 compared to KEUR 12,108 on 31 December 2013.

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

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

5.10 LOSS PER SHARE

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Loss of the year	(10,314)	(6,131)
Weighted average number of shares outstanding	7,551,576	18,000
Basic and diluted loss per share (in €)	**(1.37)**	**(341)**

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 euros)	Year ended December 31, 2014	Year ended December 31, 2013
Non-current financial assets	1	1
Current financial assets	23,793	500
Financial assets available for sale	**23,794**	**501**
Trade and other receivables	1,312	1,100
Cash and cash equivalents	32,180	22,720
Loans and receivables	**33,492**	**23,820**
Total financial assets	**57,286**	**24,321**
Non-current financial liabilities	0	0
Current financial liabilities	0	0
Trade and other payables	4,977	2,853
Financial liabilities at amortised cost	**4,977**	**2,853**
Total financial liabilities	**4,977**	**2,853**

FINANCIAL ASSETS AVAILABLE FOR SALE:

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

LOANS AND RECEIVABLES:

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

FINANCIAL LIABILITIES:

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

6.2 CAPITAL RISK

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of limited financial debt, cash and cash equivalents and short-term investments and equity attributed to the holders of equity instruments of the Group, such as capital, reserves and retained earnings as mentioned in the consolidated statement of changes in equity. The Group makes the necessary adjustments in the light of changes in the economic circumstances, risks associated to the different assets and the projected cash needs of the current and projected research activities. The current cash situation and the anticipated cash generation and cash burn 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 Group can issue new shares or enter into financing agreements.

6.3 CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

The Group also holds short term investment funds in the form of money market funds with a recommended maturity of ranging from 3 to 12 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 3 amounts is A-.

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. Since all of these are immediately tradable and convertible in cash, there is a limited 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 not exposed to interest rate risk as the Group entities do not hold any interest-bearing borrowings.

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 euros)	Year ended December 31, 2014	Year ended December 31, 2013
USD	663	2.060
GBP	2	35

If the USD/EUR exchange rate would increase/decrease with 10%, this would have a negative/positive impact of KEUR 60 (compared to KEUR 187 in 2013). If the GBP/EUR exchange rate would increase/decrease with 10%, this would have no significant impact.

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

7. OTHER DISCLOSURES

7.1 RELATED PARTY TRANSACTIONS

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Short term employee benefits	1,864	1,350
Post employment benefits	60	27
Share-based payment	616	227
	2,540	**1,603**

For more details on remuneration we refer to the Corporate Governance section on this subject in the Annual report.

7.2 CONTINGENCIES

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

7.3 COMMITMENTS

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

For information on the operating leases see note 5.6

7.4 OVERVIEW OF CONSOLIDATION SCOPE

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

Name	Registration number	Country	Participation	Main activity
arGEN-X 110 BV	853245496	Netherlands	100,00%	Biotechnical research on drugs and pharma processes
arGEN-X 111 BV	853245332	Netherlands	100,00%	Biotechnical research on drugs and pharma processes
ArGEN-X BVBA	0818292196	Belgium	100,00%	Biotechnical research on drugs and pharma processes

7.5 EVENTS AFTER THE BALANCE SHEET DATE

- In January 2015 arGEN-X has launched its Innovative Access Program (IAP)
  The Innovative Access Program leverages the proven power of the SIMPLE Antibody™ platform in creating best-in-class antibodies across multiple therapeutic areas complementary to arGEN-X's strategic focus. Through collaboration with academic centers of excellence and emerging biotech companies, arGEN-X provides access to its antibody discovery technologies and offers technical support and proprietary know-how where needed. Deal structures are designed to be flexible with the first collaborations announced with an unnamed US-based biotechnology company active in the field of dyslipidemia research and with the de Duve Institute (Université Catholique de Louvain, Belgium) in the field of cancer immunotherapy.

- In February 2015 Lonza and arGEN-X have announced a multi-product license agreement for therapeutic antibodies
  The multi-product license agreement secures long-term access for arGEN-X and its strategic partners to Lonza's proprietary GS Xceed™ System for creation and development of cell lines to be utilized in the manufacture of biopharmaceuticals. Lonza has manufactured two of arGEN-X's clinical-stage proprietary therapeutic antibodies to date, as well as a third program expected to commence clinical trials in 2015. Under the new agreement, arGEN-X has access to the GS Xceed™ System for the development and manufacture of both current and future therapeutic antibody products.

- In March 2015 arGEN-x expanded preclinical pipeline with ARGX-115: a novel SIMPLE Antibody™ for cancer immunotherapy
  arGEN-X has exercised its option to exclusively license a first-in-class, preclinical therapeutic antibody candidate, now ARGX-115, to target GARP, a novel immune checkpoint with potential in cancer immunotherapy. arGEN-X believes that GARP plays a key role in the ability of tumors to escape the patient's immune system. ARGX-115 was discovered under arGEN-X' Innovative Access Program with Université Catolique de Louvain (UCL)/de Duve Institute (BE).

- In March 2015 arGEN-X incorporated arGEN-X 113 B.V.
  As the activities related to ARGX-113 are considered a separate project from the main activities of arGEN-X, the development of this drug will be further continued in arGEN-X 113 B.V., a newly incorporated 100% subsidiary of arGEN-X N.V. The incorporation of the new subsidiary will allow for the creation of value separate from the main activities of arGEN-X. Furthermore, the separation of ARGX-113 from the other activities of the Group in a separate legal entity, will stimulate the continuity of the project and enable the possibility of individual investments in- or sale of ARGX-113 in the future.

COMPANY FINANCIAL STATEMENTS

Company financial statements for arGEN-X NV

For the period ended December 31, 2014

COMPANY BALANCE SHEET AS AT DEC 31 2014 • ARGEN-X NV

ASSETS (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Non-current assets			
Tangible Fixed Assets	2		
Computer equipment		1	2
Financial Fixed Assets	3		
Investments in Group Companies		4,082	2,916
Minority Interests		1	1
Total Non-Current Assets		**4,084**	**2,919**
Current assets			
Receivables	**4**	**1,795**	**695**
Financial assets	**5**	**23,793**	**500**
Cash and cash equivalents	**6**	**29,361**	**19,047**
Total Current Assets		**54,949**	**20,242**
TOTAL ASSETS		**59,032**	**23,161**

EQUITY AND LIABILITIES (in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Equity	**7**		
Share Capital		1,571	466
Share Premium		81,940	45,304
Retained earnings		(35,806)	(25,491)
Reserve for Share-based payments		2,377	1,426
		50,082	21,704
Current Liabilities	**8**		
Accounts Payable		322	77
Intercompany payables		5,000	786
Taxes payable		7	6
Accrued expenses		169	132
Deferred revenue		3,451	456
		8,949	1,457
TOTAL EQUITY AND LIABILITIES		**59,032**	**23,161**

COMPANY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DEC 31 2014 • ARGEN-X NV

(in thousands of euros)	Note	Year ended December 31, 2014	Year ended December 31, 2013
Profit (loss) after tax		(6,604)	(1,001)
Share of profit (loss) of investments after taxes	9	(3,711)	(5,130)
Company profit (loss) of the year		**(10,315)**	**(6,131)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS OF ARGEN-X NV

ACCOUNTING INFORMATION AND POLICIES

Basis of preparation

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

As the financial data of the company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).
In case no other policies are mentioned, refer to the accounting policies as described in the summary of significant accounting policies in the consolidated financial statements. For an appropriate interpretation, the company financial statements of arGEN-X NV should be read in conjunction with the consolidated financial statements.

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the company has control. The company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the company or its intermediate holding entities. They are derecognised from the date that control ceases.

The company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

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

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

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

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

Amounts due from investments are stated initially at fair value and subsequently at amortised cost. Amortised 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.

These first annual financial statements include comparative information for the period ended 31 December 2014 and 31 December 2013. Therefore, an opening statement of financial position as per 1 January 2013 has been prepared in accordance with the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. This date represents the date of transition to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report and is the date at which the impacts of the changes in accounting policies are recognised against equity (retained earnings) in accordance the consolidated financial statements.

The objective of this is to provide information on the effect of the adoption of the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report on arGEN-X's financial statements as previously published in accordance with Dutch GAAP. We provide below the following:

- A reconciliation of the equity under Dutch GAAP at 1 January 2013 (i.e. date of transition), 31 December 2013 and 31 December 2014 to the equity under IFRS at the same dates;

- A reconciliation of the result under Dutch GAAP at 31 December 2013 and 31 December 2014 to the result under IFRS at the same dates;
- Explanations supporting the reconciliations and the IFRS financial information

The reconciling items between Dutch GAAP and IFRS represent changes in accounting policies. Based on the requirements of IFRS, the statement of financial position as per 31 December 2012 has been restated for the preparation of the opening statement of financial position in accordance with IFRS applicable for annual periods starting on 1 January 2013, i.e. the first year published in accordance with IFRS. In accordance with IFRS, the impacts resulting from the application of the new accounting framework have been recognized against the opening equity (retained earnings) as per 1 January 2013. However, certain adjustments did not have an impact on equity. These are also disclosed in below.

IFRS Adjustments	Reference	Equity per 01/01/2013	Result 2013	Other comprehensive income 2013	Other movements 2013	Equity per 31/12/2013
Company Dutch GAAP		12,781	(5,974)	0	15,000	21,807
Share-based payments	(1)	0	(245)	0	245	0
Revenue	(2)	(190)	88	0	0	(102)
Total IFRS adjustments		(190)	(157)	0	245	(102)
Company IFRS		12,591	(6,131)	0	15,245	21,704

IFRS Adjustments	Reference	Equity per 01/01/2014	Result 2014	Other comprehensive income 2014	Other movements 2014	Equity per 31/12/2014
Company Dutch GAAP		21,807	(9,450)	0	37,741	50,097
Share-based payments	(1)	0	(952)	0	952	0
Revenue	(2)	(102)	88	0	0	(15)
Total IFRS adjustments		(102)	(864)	0	952	(15)
Company IFRS		21,704	(10,314)	0	38,692	50,082

(1) SHARE-BASED PAYMENTS

The Group issues share-option schemes to its employees. Under Dutch GAAP, the Group applied the intrinsic value method as its accounting policy for share-based payment. Due to the liquidation preferences attached to the preferred shares, the value of the options for common shares is nil in the company financial statements under Dutch GAAP.

Instruments issued by the Group need to be measured at fair value at grant date and expensed over the vesting period. Depending on the way of settlement, the instrument is to be treated as follows:

- Equity settled: fair value not subsequently remeasured and expensed against equity
- Cash settled: fair value remeasured at each closing and expensed against liability

The share option scheme granted by the Group meets the definition of an equity-settled share-based payment in accordance with IFRS 2 – Share-based Payment.

As such, the fair value of the option has been measured using the Black and Scholes valuation model, as explained in note 4.12 of the consolidated financial statements of the group.

The recognition of the share-based payment transaction has no impact on net equity, but only impacts within equity, i.e. result of the period (personnel expenses) vs. the equity-settled share-based payment reserve.

(2) REVENUE RECOGNITION

The recognition of revenue from industrial partnerships has been reviewed in the context of the IFRS conversion. As such, it has been concluded that some revenue, more specific license fees for which the Group has a continuing involvement during the license period, should have been deferred in accordance with IAS 18 – Revenue as the significant risks and rewards related to the transactions were not yet completely transferred.

TANGIBLE FIXED ASSETS

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

	Computers	Office and lab	Total
Opening balance as at 1 jan 2013			
Purchase price	11	24	35
Accumulated depreciation	(8)	(22)	(30)
Bookvalue at the beginning of the year	3	2	5
Movements			
Investments	0	0	0
Depreciation	(1)	(2)	(3)
Closing balance as at 31 dec 2013			
Purchase price	11	24	35
Accumulated depreciation	(9)	(24)	(33)
Bookvalue at year end	**2**	**0**	**2**
Opening balance as at 1 jan 2014			
Purchase price	11	24	35
Accumulated depreciation	(9)	(24)	(33)
Bookvalue at the beginning of the year	2	0	2
Movements			
Investments	0	0	0
Depreciation	(1)	0	(1)
Closing balance as at 31 december 2014			
Purchase price	11	24	35
Accumulated depreciation	(10)	(24)	(34)
Bookvalue at year end	**1**	**0**	**1**

FINANCIAL FIXED ASSETS

The financial fixed assets consist of

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

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Investments in Group Companies		
Opening Balance net book value	2,916	2,026
Investments	4,877	6,021
Share of Profit of Investments	(3,711)	(5,130)
Investments in Group Companies	4,082	2,916
Minority Interests		
Opening Balance	1	1
Investment	0	0
Balance as at year-end	1	1
	4,083	2,917
Amounts due from investments		
License fee BVBA	250	250
Social security expats 2014 BVBA	17	0
Cash 110 BV	57	1
Cash 111 BV	59	1
	383	252

Current Assets

Related-party transactions

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

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

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

RECEIVABLES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
VAT receivable	274	17
Trade receivables	708	290
Intercompany receivables	383	252
Interest receivable	33	31
Other receivables	304	105
Prepaid expenses	93	0
	1,795	695

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

FINANCIAL ASSETS

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Short-term deposit 12 m	0	500
Money market fund 6 m	6,797	0
Money market fund 12 m	16,996	0
	23,793	500

CASH AND CASH EQUIVALENTS

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Current account	2,053	2,568
Savings account	17,106	16,479
Money market fund 3 m	10,202	0
	29,361	19,047

EQUITY

For the details on Equity we refer to note 4.9 of the consolidated IFRS statements.
For the details on Share Based Payments we refer to note 4.12 of the consolidated IFRS statements.

CURRENT LIABILITIES

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
Payables		
Accounts payable	322	77
Intercompany payables	5,000	786
Taxes payables	7	6
	5,329	869
Deferred revenue		
Partner income received in advance	3,451	456
Accrued expenses	169	132
	8,949	1,457

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

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.

Information relating to employees

During the year 2014 the Company had an average of 0.2 FTE (2013: 0.2).

For details on remuneration and audit fees, we refer to the Corporate Governance section in the annual report.

The table below shows the cash remuneration received by Executive Directors for the year ended December 31, 2014 (in euro). A scenario analysis based on best practice clause II.2.1. of the Dutch Corporate Governance Code was made.

Name	Base salary	Cash bonus*	Pension contributions	Social security costs	Total
Tim Van Hauwermeiren	198,000	164,000	8,600	9,500	380,100
Eric Castaldi	140,000	136,000	25,000	46,000	347,000
Total	**338,000**	**300,000**	**33,600**	**55,500**	**727,100**

Eric Castaldi joined the Board on July 9, 2014.

* *Including a singular variable pay in connection with the IPO corresponding to 100% of the regular variable pay, paid at the beginning of 2015.*

The table below shows the stock options granted to the Executive Directors during the year ended December 31, 2014 (in number of ESOPs).

Name	ESOPs
Tim Van Hauwermeiren	152,163
Eric Castaldi	146,007
Total	**298,170**

The table below shows the options granted to executive directors which have vested during the year ended December 31, 2014.

Name	Options vested in 2014	Exercise Price	Options vested in 3015	Exercise Price	Options vested in 2016	Exercise Price	Options vested in 2017	Exercise Price
Tim Van Hauwermeiren	42,038	€ 2.44	35,000	€ 7.17	35,000	€ 7.17	35,000	€ 7.17
Eric Castaldi	0	N/A	47,254	€ 2.44	27,002	€ 2.44	6,751	€ 2.44
			21,667	€ 7.17	21,667	€ 7.17	21,677	€ 7.17

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

Name	Remuneration	Total
Peter Verhaeghe	20,000	20,000
Christina Takke	N/A	N/A
John de Koning	N/A	N/A
Bruno Montanari	N/A	N/A
Harrold van Barlingen	N/A	N/A
Michael B. Sheffery	N/A	N/A
David L. Lacey	38,000	38,000
Werner Lanthaler*	26,000	26,000
Total	**84,000**	**84,000**

** Werner Lanthaler joined the Board on April 8, 2014.*

The table below shows the ESOPs granted to the non-executive members of the Board during the year ended December 31, 2014 (in number of ESOPs).

Name	ESOPs
Peter Verhaeghe	9.844
David L. Lacey	14.443
Werner Lanthaler*	19.416
Total	**43.703**

** Werner Lanthaler joined the Board on April 8 2014.*

No loans, advance payments or guarantees have been provided to Executive or Supervisory Directors.

9. RESULT ON PARTICIPATIONS

(in thousands of euros)	Year ended December 31, 2014	Year ended December 31, 2013
arGEN-X BVBA	1,166	890
arGEN-X 110 BV	(3,329)	(3,364)
arGEN-X 111 BV	(1,548)	(2,657)
	(3,711)	(5,130)

Breda, March 18, 2015

The Directors

Tim Van Hauwermeiren
CEO

Eric Castaldi
CFO

OTHER INFORMATION

Provision in the articles of association governing the appropriation of results

The Annual General Meeting of Shareholders shall determine the appropriation of results.

Proposal for appropriation of the result

It is proposed to appropriate the loss of KEUR 10,315 to the other reserves. In advance of the decision of the General Meeting of Shareholders has this proposal been processed in the annual accounts.

INDEPENDENT AUDITOR'S REPORT

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

Independent auditor's report

To: the general meeting and supervisory board of arGEN-X N.V.

Report on the financial statements 2014

Our opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of arGEN-X N.V. as at 31 December 2014 and of its result and cash flows for the year then ended 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 give a true and fair view of the financial position of arGEN-X N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2014 of arGEN-X N.V., Breda ('the company'). The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the following statements for 2014: the consolidated statements of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the company profit and loss account for the year then ended; and
- the notes, comprising accounting information and policies and other explanatory information.

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The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

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

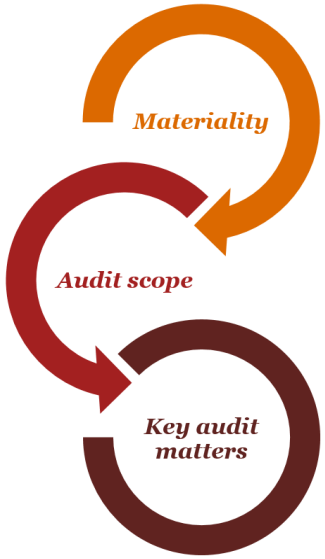
We are independent of arGEN-X N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants'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

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

Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the board of directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.



Materiality

- Overall materiality: €585,000 which represents 1% of total assets.

Audit scope

- We conducted all our audit work at the company's location in Ghent, Belgium.
- The company and its three subsidiaries were in scope for our group audit.

Key audit matters

- Initial Public Offering and organizational development
- Revenue recognition in accordance with IAS 18
- Share based payments in accordance with IFRS 2

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€585,000 (2013: €203,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of stakeholders and given the stage of development. Since the company is an R&D company with limited revenues and significant investments in its programs, stakeholders are mainly interested in the ability of the company to finance its activities. Therefore, we believe that total assets is an important metric for the company, since the total assets mainly consist of cash and cash equivalents and financial assets.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €29,500 (2013: €10,150) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we concluded that all group entities required audit procedures by our audit engagement team.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include financial instruments, revenue recognition, going concern assessment (given the company's research phase, the limited revenues and the volatile industry) and share based payments.

By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

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

Key audit matter	***How our audit addressed the matter***
Initial Public Offering and organizational development In 2014, following the company's listing on Euronext Brussels, the company was required to transition from preparing its consolidated financial statements including comparatives which were based on Dutch GAAP to EU-IFRS. The effect of this transition from Dutch GAAP to EU-IFRS has been disclosed in note 2.1. Furthermore the listing on Euronext Brussels resulted in a number of additional governance and reporting requirements compared to previous years due to specific requirements for listed companies. This area was important to our audit because of the more stringent reporting regime, including an increased number of stakeholders. During the year the company developed its internal control framework and corporate governance following the initial public offering and will continue to do so going forward.	Our audit procedures included, amongst others, the following procedures: we tested the board of directors' assessment of the impact of the transition to EU-IFRS and the assumptions and estimates they made in relation to its financial reporting based on EU-IFRS. We specifically focused on the additional disclosure requirement based on EU-IFRS and the additional Dutch requirements for listed companies. We tested whether the consolidated- and company financial statements meet the IFRS requirements and Dutch law by involving our internal experts to review the annual report and the financial statements. Another important aspect of our audit procedures was the organizational development and corporate governance initiatives that took place in 2014. We verified documentation prepared by the board of directors and tested whether the implemented procedures were adhered to.

Revenue recognition in accordance with IAS 18

In addition to existing contracts, the company entered into new agreements with partners in 2014. Based on the (industry specific) nature and variety, the existing and new agreements were an important area in the audit. Furthermore, the revenues are an indication of the success of the entity in achieving its goals. In addition, this area was important to our audit because of the relatively more complex (partnership) agreements, following the further development of the company. Details on the revenues recognized are included in note 5.1 of the consolidated financial statements.

Our audit procedures included, amongst others, discussion of the third party 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 procedures performed by the board of directors and 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. We focussed our testing, in particular, on milestones agreed in the contract and related compensation received by the company.

Share based payments in accordance with IFRS 2

The group has share based payments which are significant in the context of the overall results of the group. The valuation and measurement techniques used to determine the expenses related to these share based payments involve a number of subjective judgements.
The valuation and measurement of the share based payments also require significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including, for example volatility of share price) can have a significant impact on the related expenses.
Refer to note 2 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 4.12 for detailed share based payment disclosures. This area was important to our audit because of the volatile business environment which can indirectly have an impact on the reported share based payment expenses.

Our audit procedures included, amongst others, testing the Directors' assessment of the assumptions made in relation to the valuation and measurement of the share based payments.
Specific focus areas were:
- we obtained the board of directors' valuation model for the share based payments and involved internal experts to benchmark the underlying assumptions with external market information.
- we tested the procedures with respect to granting the options to the employees, consultants and board of directors and verified that the appropriate approvals were obtained and documented by the company.
- we tested the vesting conditions.
- we tested disclosed management remunerations.
- we verified the disclosures related to share based payments and other IFRS 2 disclosures and with the Dutch reporting requirements.

Responsibilities of the board of directors and the supervisory board

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Annual Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all frauds or errors.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the Annual Report and the other information

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

- We have no deficiencies to report as a result of our examination whether the Annual Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Annual Report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were first appointed as auditors of arGEN-X N.V. for the financial statements of 2009, which since then has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 6 years. On 18 June 2014 we were appointed by the supervisory board as the auditors of arGEN-X N.V. for financial year 2014 following the passing of a resolution by the shareholders at the annual meeting held on 18 June 2014.

Eindhoven, 20 March 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.M.N. Admiraal RA

Appendix to our auditor's report on the financial statements 2014 of arGEN-X N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- 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 intentional 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 the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. 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, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.