Financial statements

Consolidated interim financial statements for the first nine months of 2016

Consolidated interim financial statements

Consolidated statements of income and comprehensive income
(unaudited)

Consolidated income statement

	Nine months ended 30 September	
(thousands of €, except share and per share data)	**2016**	2015
Revenues	50,009	32,371
Other income	15,031	14,848
Total revenues and other income	**65,040**	**47,219**
Research and development expenditure	(96,739)	(96,873)
General and administrative expenses	(15,511)	(12,882)
Sales and marketing expenses	(1,272)	(718)
Operating loss	**(48,482)**	**(63,254)**
Fair value re-measurement of Share Subscription Agreement	57,479	–
Other financial income	2,642	1,636
Other financial expenses	(3,500)	(1,198)
Profit / loss (–) before tax	**8,138**	**(62,816)**
Income taxes	(71)	1,411
Net income / loss (–)	**8,067**	**(61,406)**
Net income / loss (–) attributable to:		
Owners of the parent	8,067	(61,406)
Basic income / loss (–) per share	**0.18**	**(1.78)**
Diluted income / loss (–) per share	**0.17**	**(1.78)**
Weighted average number of shares – Basic (in thousands of shares)	45,527	34,578
Weighted average number of shares – Diluted (in thousands of shares)	47,054	34,578

Consolidated statements of comprehensive income

	Nine months ended 30 September	
(thousands of €)	**2016**	2015
Net income / loss (–)	**8,067**	**(61,406)**
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of financial assets available for sale	(122)	
Translation differences, arisen from translating foreign activities	(816)	591
Other comprehensive income, net of income tax	**(938)**	**591**
Total comprehensive income attributable to:		
Owners of the parent	7,129	(60,814)

Consolidated statements of financial position
(unaudited)

(thousands of €)	As at 30 September 2016	As at 31 December 2015
Assets		
Intangible assets	1,150	1,550
Property, plant and equipment	15,032	13,782
Deferred tax assets	1,756	1,726
Non-current R&D incentives receivables	57,928	49,384
Non-current restricted cash	1,098	1,046
Other non-current assets	3,162	557
Non-current assets	**80,127**	**68,044**
Inventories	326	325
Trade and other receivables	8,686	3,931
Current R&D incentives receivables	9,441	9,161
Cash and cash equivalents	930,807	340,314
Current restricted cash	6,859	6,857
Current financial asset from Share Subscription Agreement	–	8,371
Other current assets	6,847	5,512
Current assets	**962,967**	**374,470**
Total assets	**1,043,093**	**442,514**
Equity and liabilities		
Share capital	223,462	185,399
Share premium account	648,830	357,402
Other reserves	(140)	(18)
Translation differences	(1,283)	(467)
Accumulated losses	(162,048)	(177,317)
Total equity	**708,822**	**364,999**
Pension liabilities	2,876	2,693
Provisions	51	55
Finance lease liabilities	23	63
Other non-current liabilities	1,984	2,291
Non-current deferred income	199,512	–
Non-current liabilities	**204,446**	**5,103**

	As at 30 September	As at 31 December
(thousands of €)	2016	2015
Finance lease liabilities	53	52
Trade and other payables	27,749	29,482
Current tax payable	2,108	2,583
Accrued charges	742	490
Deferred income	99,173	39,806
Current liabilities	**129,826**	**72,412**
Total liabilities	**334,272**	**77,515**
Total equity and liabilities	**1,043,093**	**442,514**

Consolidated cash flow statements
(unaudited)

(thousands of €)	Nine months ended 30 September 2016	2015
Cash and cash equivalents at beginning of year	**340,314**	**187,712**
Net income / loss (–)	8,067	(61,406)
Adjustments for:		
Tax expense / income (–)	71	(1,411)
Other net financial expense / income (–)	858	(438)
Fair value re-measurement of Share Subscription Agreement	(57,479)	–
Depreciation of property, plant and equipment	2,428	1,708
Amortization of intangible fixed assets	649	811
Net realized loss on foreign exchange transactions	(192)	(257)
Share-based compensation	7,201	2,716
Decrease in provisions	(5)	(80)
Increase in pension liabilities	183	220
Gain on sale of fixed assets	(14)	–
Operating cash flows before movements in working capital	**(38,232)**	**(58,137)**
Increase in inventories	(1)	(63)
Increase in receivables	(14,727)	(9,468)
Increase / decrease (–) in payables	(1,841)	2,317
Increase / decrease (–) in deferred income	258,878	(25,747)
Cash generated / used (–) in operations	**204,077**	**(91,097)**
Interest paid	(37)	(38)
Interest received	726	870
Income taxes paid	(477)	–
Net cash flows generated / used (–) in operating activities	**204,289**	**(90,265)**
Purchase of property, plant and equipment	(3,627)	(4,231)
Purchase of and expenditure in intangible fixed assets	(250)	(312)
Proceeds from disposal of property, plant and equipment	23	49
Increase (–) / decrease in restricted cash	(54)	2,259
Acquisition of shares available for sale	(2,750)	

(thousands of €)	Nine months ended 30 September 2016	2015
Net cash flows used in investing activities	**(6,657)**	**(2,235)**
Repayment of obligations under finance leases and other debts	(41)	(34)
Proceeds from capital and share premium increases, net of issue costs	391,785	259,859
Proceeds from capital and share premium increases from exercise of warrants	3,489	11,411
Net cash flows generated in financing activities	**395,233**	**271,236**
Effect of exchange rate differences on cash and cash equivalents	**(2,371)**	**96**
Increase in cash and cash equivalents	**590,493**	**178,832**
Cash and cash equivalents at end of reporting period	**930,807**	**366,545**

Consolidated statements of changes in equity
(unaudited)

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2015	**157,274**	**114,182**	**(1,157)**	**(220)**	**(63,944)**	**206,135**
Net loss					(61,406)	(61,406)
Other comprehensive income			591	–		591
Total comprehensive income			**591**	**–**	**(61,406)**	**(60,814)**
Share-based compensation					2,716	2,716
Issue of new shares	40,751	237,952				278,703
Share issue costs	(19,360)					(19,360)
Exercise of warrants	6,390	5,021				11,411
On 30 September 2015	**185,055**	**357,155**	**(566)**	**(220)**	**(122,634)**	**418,791**
On 1 January 2016	**185,399**	**357,402**	**(467)**	**(18)**	**(177,317)**	**364,999**
Net income					8,067	8,067
Other comprehensive income			(816)	(122)		(938)
Total comprehensive income			**(816)**	**(122)**	**8,067**	**7,129**
Share-based compensation					7,201	7,201
Issue of new shares	36,575	289,696				326,271
Share issue costs	(269)					(269)
Exercise of warrants	1,756	1,732				3,489
On 30 September 2016	**223,462**	**648,830**	**(1,283)**	**(140)**	**(162,048)**	**708,822**

Notes

Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *'Interim Financial Reporting,'* as adopted by the European Union. The condensed interim financial statements do not contain all information required for an annual report and should therefore be read in conjunction with Galapagos' Annual Report 2015.

The condensed interim financial statements were subject to a limited review by the Statutory Auditor, but have not been audited.

Details of the unaudited interim results

Revenues and other income

Revenues

The following table summarizes our revenues for the nine months ended 30 September 2016 and 2015.

	Nine months ended 30 September	
(thousands of €)	**2016**	**2015**
Recognition of non-refundable upfront payments	17,562	26,419
Milestone payments	17,567	200
Reimbursement income	9,238	1,901
Other revenues	5,641	3,851
Total revenues	**50,009**	**32,371**

Revenues (€50.0 million vs €32.4 million for the same period last year) were higher due to milestone payments received from AbbVie for our CF program and to an increase of contractually agreed costs recharges on partnered programs (i.e. reimbursement income).

In the first nine months of 2016, reimbursement income amounting to €9.2 million mainly comprised of the reimbursement of certain research and development costs related to the development work under the Galapagos' collaboration agreements for our CF program with AbbVie for €5.6 million and for filgotinib with Gilead for €3.6 million.

Cost reimbursements resulting from Research & Development collaborations are recognized as reimbursement income in revenue as the related costs are incurred. The corresponding R&D expenses are included in the Research & Development expenditures in the consolidated financial statements.

The following table summarizes the upfront payments recognition for the nine months ended 30 September 2016 and 2015.

Agreement	Upfront received	Upfront received	Date of receipt	Revenue recognized, nine months ended 30 September 2016	Revenue recognized, nine months ended 30 September 2015	Outstanding balance in deferred income as at 30 September 2016
	(thousands of $)	(thousands of €)		(thousands of €)		
AbbVie Collaboration Agreement for CF	45,000	34,001	September 2013		11,401	
AbbVie Collaboration Agreement for RA and CD (filgotinib)	150,000	111,582	February 2012		12,045	
First Amendment to AbbVie Collaboration Agreement for RA and CD (filgotinib)	20,000	15,619	March 2013		2,973	
Gilead Collaboration Agreement for filgotinib	300,000	275,558	January 2016	14,500		261,058
Gilead Collaboration Agreement for filgotinib	N.A.	39,003(*)	January 2016	2,052		36,950
ThromboGenics License Agreement for integrin antagonists	N.A.	1,000	April 2016	1,000		
Sirion Biotech License Agreement for RNA interference (RNAi) technologies	N.A.	10	June 2016	10		
Total recognition of non-refundable upfront payments				**17,562**	**26,419**	**298,008**

(*) deferred income of €39 million booked upon signing of the Share Subscription Agreement with Gilead as required under IAS 39.

Revenue recognized in 2015 from upfront non-refundable payments related to the CF collaboration agreement with AbbVie signed in September 2013 and the contract signed with AbbVie in February 2012 for our filgotinib program (including the extension signed in March 2013). Those upfront payments were fully recognized into revenues by the end of August 2015.

In September 2015 AbbVie decided not to opt in, which ended the collaboration agreement regarding our filgotinib program and consequently the period of our involvement. There are no outstanding commitments for us regarding this terminated collaboration for our filgotinib program.

On 16 December 2015, we entered into a global collaboration with Gilead Sciences, Inc. for the development and commercialization of the JAK1-selective inhibitor filgotinib for inflammatory indications. On 19 January 2016, we completed the closing of the global collaboration agreement with Gilead, in the framework of which Gilead made a $425 million (or €392 million) equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This resulted in Gilead owning 6,760,701 ordinary shares of Galapagos NV, representing 14.75% percent of the then-outstanding share capital of Galapagos. We also received a license fee of $300 million. In addition, we are eligible for payments of up to $755 million in development and regulatory milestones and $600 million in sales milestones, with tiered royalties starting at 20% and a profit split in co-promotion territories.

Finally, we agreed on a 20-80 cost split for development costs of the licensed product, i.e. we will support 20% of all development costs. As we do not expect to have a statutory taxable base in the foreseeable future, we did not recognize any additional deferred tax asset following the signing of this new collaboration.

The global collaboration with Gilead foresees continuous involvement from us, since we will perform certain R&D activities in the development phase of the filgotinib program; therefore, management assessed that the upfront payment of $300 million (or €275.6 million) received in January 2016 from Gilead should be spread as a function of the costs incurred for this program, applying the percentage of completion method. In the first nine months of 2016, €14.5 million revenues were recognized regarding this upfront payment.

In connection with the agreement with Gilead, we recognized a deferred income and an offsetting short-term financial asset (derivative) of €39 million upon signing of the Share Subscription Agreement with Gilead, as required under IAS 39. We refer to the note below for further detail. The deferred income will be recognized in function of the costs incurred for this program, applying the percentage of completion method, along with the upfront payment. In the first nine months of 2016, €2.1 million revenues were recognized in the income statement.

In 2016, Galapagos signed a license agreement with Thrombogenics for an integrin antagonist (formerly GLPG0187), for which an upfront payment of €1 million was invoiced and fully recognized, as Galapagos has no further involvement or obligation in the contract.

Other income

The following table summarizes our other income for the nine months ended 30 September 2016 and 2015.

	Nine months ended 30 September	
(thousands of €)	**2016**	**2015**
Grant income	1,451	2,430
Other income	13,581	12,418
Total other income	**15,031**	**14,848**

Other income was stable (€15.0 million vs €14.8 million last year) in the first nine months of 2016.

Results

We realized a net profit of €8.1 million for the first nine months of 2016, compared to a net loss of €61.4 million in the first nine months of 2015.

We reported an operating loss amounting to €48.5 million for the first nine months of 2016, compared to an operating loss of €63.3 million for the same period last year.

Our R&D expenses in the first nine months of 2016 were €96.7 million, compared to €96.9 million in 2015.

Our G&A and S&M expenses were €16.8 million in the first nine months of 2016, compared to €13.6 million in the first nine months of 2015. This increase mainly resulted from higher costs recognized in relation to the warrant plans as a result of the increase of our share price in the past year as well as a slight headcount increase and higher other operational costs

Financial results were primarily driven by the fair value re-measurement of the Share Subscription Agreement, which is explained under the next caption below. Net other financial costs in the first nine months of 2016 amounted to €0.9 million compared to a net other financial income of €0.4 million in 2015; this increase was primarily attributable to €2.4 million of exchange loss on our cash position in USD due to the fluctuation of the USD exchange rate in the first nine months of 2016.

Finally, the income tax expense in the first nine months of 2016 represented a tax expense in a French subsidiary while the income tax profit of €1.4 million in the first nine months of 2015 mainly reflected the setup of an additional deferred tax asset for a French subsidiary for €1.5 million. We had a total of €1.7 million deferred tax assets on the balance sheet for two subsidiaries at the end of the first nine months of 2015 and 2016.

Fair value re-measurement of Share Subscription Agreement

On 16 December 2015, Gilead and Galapagos entered into a global collaboration for the development and commercialization of filgotinib, in the framework of which Gilead committed to an upfront payment of $725 million consisting of a license fee of $300 million and a $425 million equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This agreement was effectively completed and entered into force on 19 January 2016, and the full payment was received.

In connection with this agreement, we recognized in December 2015 a short term financial asset (derivative) and an offsetting deferred income of €39 million upon signing of the Share Subscription Agreement with Gilead as required under IAS 39. This financial asset initially reflected the share premium that Gilead committed to pay above our closing share price on the day of entering into the Share Subscription Agreement. Under IAS 39 the fair value of the financial asset was re-measured at year-end and again upon closing of the Share Subscription Agreement on 19 January 2016, when the financial asset expired. Variations in fair value of the financial asset are recorded in the income statement.

The decrease in the fair value of the financial asset resulting from the increase in the Galapagos share price between signing of the Share Subscription Agreement and 31 December 2015 resulted in a negative, non-cash adjustment fair value charge of €30.6 million in the financial results of 2015.

The subsequent increase in the fair value of the financial asset resulting from the decrease in our share price between 1 January 2016 and 19 January 2016 resulted in a positive non-cash gain of €57.5 million in the financial result of the first quarter of 2016.

On 19 January 2016, the value of the financial asset at maturity amounted to €65.9 million, reflecting the share premium that Gilead paid above our closing share price on the day of the capital increase. This amount was composed of (1) the initial measurement on the day of entering into the Share Subscription Agreement for an amount of €39 million which was reported in deferred income and (2) the subsequent re-measurements of the financial asset, reported as financial result under IAS 39: €30.6 million fair value loss reported in the year 2015 and €57.5 million fair value gain reported in the first quarter of 2016, together a net fair value gain of €26.8 million. This financial asset expired on the effective date of the Share Subscription Agreement.

Segment information

Since the last quarter of 2015, the IFRS 8 threshold of 10% of the combined revenues, external and intersegment, of all segments was met by the external and internal revenues reported by our fee-for-service business Fidelta, located in Croatia. Consequently, there are two reportable segments: R&D and fee-for-service business.

(thousands of €)	Segment information for the nine months ended 30 September 2016 R&D	Fee-For-Services	Inter-segment elimination	Group
External revenue	44,525	5,484	–	50,009
Internal revenue	–	3,901	(3,901)	–
Other income	14,898	133	–	15,031
Revenues & other income	**59,423**	**9,518**	**(3,901)**	**65,040**
Segment result	**(40,546)**	**(736)**		**(41,281)**
Unallocated expenses[1]				(7,201)
Operating loss				**(48,482)**
Financial (expenses) / income				56,621
Result before tax				**8,138**
Income taxes				(71)
Net income / loss (–)				**8,067**

(1) Unallocated expenses consist mainly of expenses for warrant plans under IFRS 2.

(thousands of €)	Segment information for the nine months ended 30 September 2015 R&D	Fee-For-Services	Inter-segment elimination	Group
External revenue	28,580	3,791	–	32,371
Internal revenue	–	3,872	(3,872)	–
Other income	14,654	194	–	14,848
Revenues & other income	**43,234**	**7,857**	**(3,872)**	**47,219**
Segment result	**(58,894)**	**(2,014)**		**(60,908)**
Unallocated expenses[1]				(2,346)
Operating loss				**(63,254)**
Financial (expenses) / income				438
Result before tax				**(62,816)**
Income taxes				1,411
Net income / loss (–)				**(61,406)**

(1) Unallocated expenses consist of €2,716 thousand of expenses for warrant plans under IFRS 2 and €370 thousand of positive adjustment on depreciation charges reported by Fee-For-Services reflecting the expected useful lifetime of certain fixed assets following the purchase accounting of the acquisition of Fidelta in 2010.

The basis of accounting for any transactions between reportable segments is consistent with the valuation rules and with transactions with third parties.

Liquid assets position

Cash, cash equivalents and restricted cash totaled €938.8 million on 30 September 2016.

A net increase of €590.5 million in cash and cash equivalents was recorded during the first nine months of 2016, compared to an increase of €178.8 million during the same period last year. Net cash flows from financing activities were generated for €395.2 million mainly through the share subscription by Gilead. Furthermore, a net cash inflow from operating activities was realized for €204.3 million in the first nine months of 2016 resulting from the license fee of $300 million (€275.6 million) received from Gilead and, by difference, from an operating cash burn of €71.3 million. Finally, €6.7 million was used in investing activities and €2.4 million negative exchange rate differences were generated on cash and cash equivalents.

Restricted cash amounted to €7.9 million at the end of December 2015, and remained stable at the end of September 2016.

Restricted cash on 30 September 2016 was composed of (1) €0.4 million and €0.7 million bank guarantees on real estate lease obligations in Belgium and in the Netherlands respectively, and (2) €6.9 million escrow account containing part of the proceeds from the sale of the service division in 2014 for which the release will be possible after final agreement between the parties on the exposure regarding one outstanding claim. An amount of €0.3 million was accrued in March 2015 based on a preliminary estimate of the exposure.

Cash and cash equivalents amounted to €930.8 million at the end of September 2016 and comprised cash at banks, short term bank deposits and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value. Our cash management strategy may allow short term deposits with an original maturity exceeding 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprised €387.5 million of term deposits with an original maturity longer than 3 months but which are available upon one month notice period. Cash at banks were mainly composed of savings accounts and current accounts. We maintain our bank deposits in highly rated financial institutions to reduce credit risk. Cash invested in highly liquid money market funds represented €100.0 million and was aimed at meeting short-term cash commitments, while reducing the counterparty risk of investment.

	As at 30 September	As at 31 December
(thousands of €)	2016	2015
Cash at banks	443,307	240,292
Term deposits	387,520	100,000
Money market funds	99,979	–
Cash on hand	2	22
Total cash and cash equivalents	**930,807**	**340,314**

On 30 September 2016, our cash and cash equivalents included $124 million held in USD which could generate unrealized exchange gain or loss in our financial results in accordance with the fluctuation of the EUR/USD exchange rate as our functional currency is EUR. We expect to use this cash held in USD to settle our future payables in USD which will be primarily linked to our global collaboration with Gilead for the development of filgotinib.

Furthermore, our balance sheet holds an unconditional and unrestricted receivable from the French government (*Crédit d'Impôt Recherche*[2]) amounting to €39.0 million as of 30 September 2016, to be received in yearly tranches from 2016 to 2020. Our balance sheet also holds a receivable from the Belgian Government for R&D incentives amounting to €28.3 million as of 30 September 2016, to be received in yearly tranches from 2017 until 2026.

Capital increase

On 19 January 2016, Gilead made a $425 million equity investment in Galapagos NV by subscribing to 6,760,701 new ordinary shares at a price of €58 per share, including issuance premium.

Galapagos received €392.1 million of gross proceeds, decreased by €0.26 million of expenses, of which all has been paid at 30 September 2016. The total net cash proceeds from the share subscription by Gilead amounts to €391.9 million.

[2] *Crédit d'Impôt Recherche* refers to an innovation incentive system underwritten by the French government.

The €65.9 million current financial asset from the Share Subscription Agreement reflecting the premium that Gilead paid compared to the closing price of our shares on 19 January 2016 were derecognized via the share premium account.

On 1 April 2016, warrants were exercised at various exercise prices (with an average exercise price of €10.70 per warrant) resulting in a share capital increase (including issuance premium) of €1,409.3 thousand and the issuance of 131,695 new shares. The closing price of the Galapagos share on this date was €36.64.

On 19 May 2016, warrants were exercised at various exercise prices (with an average exercise price of €10.49 per warrant) resulting in a share capital increase (including issuance premium) of €1,476.4 thousand and the issuance of 140,770 new shares. The closing price of the Galapagos share on this date was €45.41.

On 19 September 2016, warrants were exercised at various exercise prices (with an average exercise price of €10.00 per warrant) resulting in a share capital increase (including issuance premium) of €603.3 thousand and the issuance of 60,320 new shares. The closing price of the Galapagos share on this date was €58.62.

On 30 September 2016, Galapagos NV's share capital was represented by 46,169,828 shares. All shares were issued, fully paid up and of the same class.

(thousands of €, except number of shares)	Number of shares	Share capital	Share premium	Share capital and share premium
On 1 January 2016	**39,076,342**	**185,399**	**357,402**	**542,801**
19 January 2016: share subscription from Gilead				
Ordinary shares (fully paid)	6,760,701	36,575	355,546	392,121
Derecognition of financial asset from Share Subscription Agreement			(65,850)	(65,850)
Capital increase expenses (fully paid)		(269)		(269)
Total share subscription by Gilead	**6,760,701**	**36,306**	**289,696**	**326,002**
1 April 2016: exercise of warrants	**131,695**	**668**	**741**	**1,409**
19 May 2016: exercise of warrants	**140,770**	**762**	**715**	**1,476**
19 September 2016: exercise of warrants	**60,320**	**326**	**277**	**603**
On 30 September 2016	**46,169,828**	**223,462**	**648,830**	**872,292**

The number of warrants outstanding per 30 September 2016 amounted to 3,552,657, of which 755,954 were exercisable. During the third quarter of 2016, 634,250 warrants were granted, 2,500 warrants were forfeited and 60,320 were exercised. All warrants offered to the members of the Board of Directors and of the Executive Committee during the third quarter of 2016 (i.e. an aggregate amount of 327,500 warrants) were accepted as per 30 September 2016.

Contingencies and commitments

Contractual obligations and commitments

We entered into lease agreements for office and laboratories which qualify as operating leases. We also have certain purchase commitments principally with CRO subcontractors.

On 30 September 2016, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Operating lease obligations	28,412	4,150	6,780	5,666	11,816
Purchase commitments	21,784	21,103	681	–	–
Total contractual obligations & commitments	**50,196**	**25,253**	**7,461**	**5,666**	**11,816**

Contingent liabilities and assets

On 13 March 2014, we announced the signing of a definitive agreement to sell the service division operations to Charles River Laboratories International, Inc. (the "Buyer") for a total consideration of up to €134 million. The Buyer agreed to pay us an immediate cash consideration of €129 million. The potential earn-out of €5 million due upon achievement of a revenue target 12 months after closing of the transaction was not obtained. Approximately 5% of the total consideration, including price adjustments, is being held on an escrow account. To date, four claims have been introduced by the Buyer, of which three claims have been settled for a total amount of €1.0 million. One claim is still being investigated. An amount of €0.3 million has been accrued in March 2015 based on a preliminary estimate of the exposure. The release of the escrow account will be possible after final agreement between the parties on the amounts at stake.

Following the divestment, we remain guarantor for a limited transitional period in respect of the lease obligations for certain U.K. premises amounting to £4 million future rent payments. The Buyer will fully indemnify us against all liabilities arising in connection with the lease obligation. We evaluated the risk to be remote. Finally, following common practice, we have given representations and warranties which are capped and limited in time (since 1 April 2016, the Buyer can only introduce a claim covered by the Tax Deed (during a period of 5 years), other claims related to the sale cannot be submitted anymore).

In the course of 2008, a former director of one of the subsidiaries sued for wrongful termination and sought damages of €1.1 million. We believe that the amount of damages claimed is unrealistically high. Considering the defense elements provided and the recent court judgment in our favor, our Board and management evaluated the risk to be remote to possible, but not likely. Accordingly, it was decided not to record any provision in 2016, as the exposure was considered to be limited.

Significant accounting policies

There were no significant changes in accounting policies applied by us in these condensed consolidated interim financial statements compared to those used in the most recent annual financial statements of 2015, except for the adoption of new standards and interpretations described below.

New standards and interpretations applicable for the annual period beginning on 1 January 2016

- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (applicable for annual periods beginning on or after 1 January 2016)

- Amendment to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016)

The nature and the effect of these changes were taken into consideration, but the above amendments did not affect the interim condensed consolidated financial statements. We have not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Seasonality

The impact of seasonality or cyclicality on our operations is not regarded as applicable to the unaudited interim condensed consolidated financial statements.

Events after the end of the reporting period

They were no adjusting events nor material non-adjusting events to be reported.

Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 25 October 2016.