Financial statements

Consolidated interim financial statements for the first half-year of 2019

Unaudited condensed consolidated interim financial statements for the first six months of 2019

Consolidated statements of income and comprehensive income
(unaudited)

Consolidated income statement

	Second quarter of		Six months ended 30 June	
(thousands of €, except share and per share data)	**2019**	2018	**2019**	2018
Revenues	58,738	49,676	91,785	87,583
Other income	8,852	7,358	16,724	14,289
Total revenues and other income	**67,590**	**57,034**	**108,509**	**101,872**
Research and development expenditure	(94,372)	(81,680)	(177,567)	(151,444)
General and administrative expenses	(13,711)	(8,503)	(22,931)	(15,200)
Sales and marketing expenses	(3,875)	(602)	(5,620)	(1,014)
Total operating expenses	**(111,958)**	**(90,784)**	**(206,119)**	**(167,658)**
Operating loss	**(44,367)**	**(33,750)**	**(97,610)**	**(65,786)**
Financial income	(1,349)	6,499	5,651	8,109
Financial expenses	(1,472)	5,553	(3,816)	(1,241)
Loss before tax	**(47,188)**	**(21,698)**	**(95,776)**	**(58,919)**
Income taxes	(61)	(75)	(129)	(137)
Net loss	**(47,249)**	**(21,773)**	**(95,905)**	**(59,056)**
Net loss attributable to:				
Owners of the parent	(47,249)	(21,773)	(95,905)	(59,056)
Basic and diluted loss per share	**(0.86)**	**(0.42)**	**(1.76)**	**(1.16)**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Consolidated statement of comprehensive income / loss (-)

	Second quarter of		Six months ended 30 June	
(thousands of €)	**2019**	2018	**2019**	2018
Net loss	**(47,249)**	**(21,773)**	**(95,905)**	**(59,056)**
Items that may be reclassified subsequently to profit or loss:				
Translation differences, arisen from translating foreign activities	(215)	154	52	151
Other comprehensive income / loss (–), net of income tax	**(215)**	**154**	**52**	**151**
Total comprehensive income / loss (–) attributable to:				
Owners of the parent	(47,463)	(21,619)	(95,853)	(58,905)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Consolidated statements of financial position
(unaudited)

	30 June	31 December
(thousands of €)	2019	2018
Assets		
Intangible assets	7,191	3,632
Property, plant and equipment	51,180	23,137
Deferred tax assets	2,516	2,514
Non-current R&D incentives receivables	82,644	73,443
Other non-current assets	5,712	7,919
Non-current assets	**149,244**	**110,645**
Trade and other receivables	42,067	18,609
Current R&D incentives receivables	11,644	11,203
Cash and cash equivalents	1,147,923	1,290,796
Other current assets	6,970	8,244
Current assets	**1,208,604**	**1,328,851**
Total assets	**1,357,848**	**1,439,496**
Equity and liabilities		
Share capital	238,475	236,540
Share premium account	1,283,650	1,277,780
Other reserves	(735)	(735)
Translation differences	(1,505)	(1,557)
Accumulated losses	(376,518)	(297,779)
Total equity	**1,143,367**	**1,214,249**
Retirement benefit liabilities	3,939	3,764
Non-current lease liabilities	20,457	–
Other non-current liabilities	1,373	1,578
Non-current liabilities	**25,769**	**5,342**
Current lease liabilities	5,141	–
Trade and other liabilities	86,216	68,928
Current tax payable	1,031	1,175
Current deferred income	96,325	149,801
Current liabilities	**188,712**	**219,905**
Total liabilities	**214,481**	**225,247**
Total equity and liabilities	**1,357,848**	**1,439,496**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Consolidated cash flow statements
(unaudited)

	Six months ended 30 June	
(thousands of €)	**2019**	2018
Net loss of the period	**(95,905)**	**(59,056)**
Adjustment for non-cash transactions	23,278	8,978
Adjustment for items to disclose separately under operating cash flow	(2,864)	(1,340)
Adjustment for items to disclose under investing and financing cash flows	(3)	–
Change in working capital other than deferred income	(15,918)	18,165
Decrease in deferred income	(53,478)	(59,967)
Cash used in operations	**(144,890)**	**(93,219)**
Interest paid	(628)	(848)
Interest received	3,866	2,789
Corporate taxes paid	(88)	–
Net cash flows used in operating activities	**(141,740)**	**(91,278)**
Purchase of property, plant and equipment	(5,033)	(3,003)
Purchase of intangible fixed assets	(3,535)	(722)
Proceeds from disposal of property, plant and equipment	2	1
Acquisition of financial assets held at fair value through profit or loss	(177)	–
Proceeds from sale of financial assets held at fair value through profit or loss	82	–
Net cash flows used in investing activities	**(8,661)**	**(3,724)**
Payment of lease liabilities	(2,144)	(7)
Proceeds from capital and share premium increases from exercise of warrants	7,805	5,261
Net cash flows generated in financing activities	**5,661**	**5,254**
Decrease in cash and cash equivalents	**(144,740)**	**(89,748)**
Cash and cash equivalents at beginning of the period	**1,290,796**	**1,151,211**
Decrease in cash and cash equivalents	**(144,740)**	**(89,748)**
Effect of exchange rate differences on cash and cash equivalents	**1,866**	**5,304**
Cash and cash equivalents at end of the period	**1,147,923**	**1,066,766**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Consolidated statements of changes in equity
(unaudited)

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2018	**233,414**	**993,025**	**(1,754)**	**(1,260)**	**(211,441)**	**1,011,983**
Change in accounting policy (modified retrospective application IFRS 15)					(83,220)	(83,220)
Change in accounting policy (modified retrospective application IFRS 9)				619	(619)	–
Restated total equity at 1 January 2018	**233,414**	**993,025**	**(1,754)**	**(641)**	**(295,279)**	**928,766**
Net loss					(59,056)	(59,056)
Other comprehensive income			151			151
Total comprehensive income / loss (–)	**–**	**–**	**151**	**–**	**(59,056)**	**(58,905)**
Share-based compensation					10,540	10,540
Exercise of warrants	2,169	3,092				5,261
On 30 June 2018	**235,583**	**996,117**	**(1,604)**	**(641)**	**(343,796)**	**885,659**
On 1 January 2019	**236,540**	**1,277,780**	**(1,557)**	**(735)**	**(297,779)**	**1,214,249**
Change in accounting policy (modified retrospective application IFRS 16)					416	416
Restated total equity at 1 January 2019	**236,540**	**1,277,780**	**(1,557)**	**(735)**	**(297,363)**	**1,214,665**
Net loss					(95,905)	(95,905)
Other comprehensive income			52			52
Total comprehensive income / loss (–)	**–**	**–**	**52**	**–**	**(95,905)**	**(95,853)**
Share-based compensation					16,751	16,751
Exercise of warrants	1,935	5,870				7,805
On 30 June 2019	**238,475**	**1,283,650**	**(1,505)**	**(735)**	**(376,518)**	**1,143,367**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the unaudited consolidated interim financial statements for the first six months of 2019

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and as issued by the IASB. The condensed consolidated interim financial statements do not contain all information required for an annual report and should therefore be read in conjunction with Galapagos' annual report 2018.

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

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 consolidated financial statements of 31 December 2018, except for the adoption of new standards and interpretations described below.

- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)

The nature and the effect of these changes were taken into consideration, and the above amendments affected the condensed consolidated interim financial statements as follows:

We adopted IFRS 16 on 1 January 2019, in accordance with the transitional provisions of IFRS 16, using the modified retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of the comparative figures.

On adoption of IFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments and discounted using our incremental borrowing rate as of 1 January 2019. Our weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.55%.

The differences between our total operating lease commitments as reported in note 25 of our consolidated financial statements of 31 December 2018 and the total lease liabilities recognized in our statement of financial position as at 1 January 2019 are summarized below.

(thousands of €)	
Operating lease commitments disclosed as at 31 December 2018	**27,704**
Less: discounting effect using the lessee's incremental borrowing rate at the date of initial application	(1,223)
Less: other	(569)
Lease liability recognized as at 1 January 2019	**25,912**
Of which are:	
current lease liabilities	4,516
non-current lease liabilities	21,396

The change in accounting policy affected the statement of financial position as at 1 January 2019 as follows:

(thousands of €)	1 January 2019
Property, plant and equipment (right-of-use assets)	26,406
Other current assets (prepaid expenses)	(494)
Effect on total assets	**25,912**
Accumulated losses	416
Lease liabilities (current and non-current)	25,912
Deferred income	(416)
Effect on total equity and liabilities	**25,912**

We applied the following practical expedients, as permitted by IFRS 16, on transition date:

- Reliance on the previous definition of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

Other new standards and interpretations applicable for the annual period beginning on 1 January 2019 did not have any impact on our condensed consolidated interim financial statements.

We have not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

Change in accounting policies with effect from 1 January 2019 as a result of the adoption of IFRS 16:

Whereas until the end of 2018, we made a distinction between finance leases (presented on the balance sheet) and operating leases (off-balance sheet commitments), we recognized as from 1 January 2019 right-of-use assets on the balance sheet and corresponding lease liabilities (measured on a present value basis). These liabilities reflect the expected lease payments to be made in the future, estimated at the commencement date of the leases. After initial recognition, these lease liabilities are measured at amortized cost.

The right-of-use assets (mainly comprising the initial lease liability) are measured at cost and depreciated over their useful life on a straight-line basis. The right-of-use assets are presented in the statement of financial position under the caption “Property, plant and equipment” and the lease liabilities are presented as current and non-current lease liabilities.

Each lease payment is allocated between the lease liability and financial expenses.

Management judgments and estimates

Preparing interim financial statements in compliance with IFRS requires management to make judgments and estimates and to use assumptions that may significantly influence the reported amounts of assets and liabilities, the notes on contingent assets and liabilities on the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates. We refer to our annual report 2018, except for the judgments and estimates as a result of the application of IFRS 16.

Details of the unaudited condensed consolidated interim results

Revenues and other income

Revenues

The following table summarizes our revenues for the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
(thousands of €)	2019	2018
Recognition of non-refundable upfront payments and license fees	**42,113**	**52,753**
Gilead collaboration agreement for filgotinib	41,069	49,331
AbbVie collaboration agreement for CF	1,044	3,422
Milestone payments	**33,383**	**28,567**
Gilead collaboration agreement for filgotinib	10,034	16,023
AbbVie collaboration agreement for CF	23,349	12,544
Reimbursement income	**11,344**	**558**
Novartis collaboration agreement for MOR106	10,595	–
AbbVie collaboration agreement for CF	749	558
Other revenues	**4,944**	**5,705**
Fee-for-services revenues	4,878	5,641
Other	66	64
Total revenues	**91,785**	**87,583**

Revenues (€91.8 million for the first six months of 2019 vs €87.6 million for the first six months of 2018) were higher due to a milestone achieved in June 2019 related to the CF program with AbbVie and higher reimbursement income mainly from Novartis in the scope of our collaboration for MOR106. This was partly compensated by a lower over time recognition in revenue of the upfront payments and milestone payments related to the filgotinib program with Gilead.

For the first six months of 2019, €51.1 million of deferred income related to the Gilead collaboration agreement was recognized in revenue in function of costs incurred, applying the percentage of completion method. This consisted of the over time revenue recognition of (i) €36.0 million related to the upfront license fee, (ii) €5.1 million related to the deferred income triggered by the accounting treatment of the share subscription agreement under IAS 39 Financial Instruments: recognition and measurement, at the time of signing of the agreement in 2015, and (iii) €10.0 million related to milestone payments. The outstanding balance of deferred income from the Gilead collaboration agreement at 30 June 2019 amounted to €94.7 million all reported as current deferred income, as we expect to reach, at the end of 2019, the predetermined level of development study costs further described hereafter.

In December 2015, we entered into a license and collaboration agreement to co-develop filgotinib with Gilead in rheumatoid arthritis, Crohn's disease, ulcerative colitis and other indications. We are responsible for funding 20% of the associated global development costs of the program. We have retained certain mechanisms to give us cost protection as filgotinib advances in clinical development. We can defer our portion of the global co-development study costs if they exceed a predetermined level, which we expect to reach at the end of 2019, and this deferment would be credited against future milestones, royalties or profit sharing at our option. If there are no future amounts to be paid by Gilead, we will not be obligated to make any payments to Gilead for such deferment.

We refer to the section 'Events after the end of the reporting period' of this interim report for the latest development in our collaboration with Gilead, which did not affect our financial statements for the first six months of 2019.

For the first six months of 2019, €2.2 million of the remaining deferred income related to the AbbVie collaboration agreement was recognized in revenue in function of costs incurred, applying the percentage of completion method. This consisted of the over time revenue recognition of (i) €1.1 million related to the upfront license fees, and (ii) €1.1 million related to milestone payments received in previous years. Additionally we achieved a milestone of $25 million (€22.4 million) of which €22.2 million were recognized in revenue in the first half of 2019. The remaining outstanding balance of current deferred income from the AbbVie collaboration agreement at 30 June 2019 amounted to €1.2 million.

For the first six months of 2019, €10.6 million of reimbursement income was recognized as revenue related to our R&D activities in the scope of our collaboration agreement with Novartis and MorphoSys for MOR106.

Other revenues amounting to €4.9 million mainly consisted of service revenues from our fee-for-service business.

Other income

Other income increased to €16.7 million in the first six months of 2019 compared to €14.3 million in the first six months of 2018, mainly driven by higher income from R&D incentives.

Results

We realized a net loss of €95.9 million for the first six months of 2019, compared to a net loss of €59.1 million in the first six months of 2018.

We reported an operating loss amounting to €97.6 million for the first six months of 2019, compared to an operating loss of €65.8 million for the first six months of 2018.

Our R&D expenditure in the first six months of 2019 amounted to €177.6 million, compared to €151.4 million in the first six months of 2018. This planned increase was mainly due to an increase of €10.2 million in subcontracting costs primarily related to our IPF program and other proprietary programs. Furthermore, personnel costs increased explained by a planned headcount increase and higher costs related to warrant plans as a result of the increase in the number of beneficiaries and of the Galapagos share price.

The table below summarizes our R&D expenditure for the six months ended 30 June 2019 and 2018, broken down by program.

	Six months ended 30 June	
(thousands of €)	**2019**	2018
Filgotinib program (partnered)	(30,406)	(32,210)
CF program (partnered)	(1,793)	(21,014)
IPF program on GLPG1690 (proprietary)	(41,668)	(24,107)
OA program on GLPG1972 (partnered)	(9,733)	(7,621)
AtD program on MOR106 (partnered)	(12,460)	(7,661)
Other	(81,507)	(58,832)
Total R&D expenditure	**(177,567)**	**(151,444)**

Our G&A and S&M expenses were €28.6 million in the first six months of 2019, compared to €16.2 million in the first six months of 2018. This increase mainly resulted from higher personnel costs due to a planned headcount increase as well as higher costs for warrant plans as a result of the increase in the number of beneficiaries and of the Galapagos share price.

Net financial income in the first six months of 2019 amounted to €1.8 million compared to net financial income of €6.9 million in the first six months of 2018, and was primarily attributable to €1.9 million of unrealized exchange gain on our cash position in U.S. dollars (€5.3 million of unrealized exchange gain on our cash position in U.S. dollars in the first six months of 2018).

Segment information

We have two reportable segments: R&D and our fee-for-service business Fidelta, located in Croatia.

	Six months ended 30 June 2019			
(thousands of €)	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	86,907	4,878		91,785
Internal revenue		3,581	(3,581)	–
Other income	16,717	7		16,724
Revenues & other income	**103,624**	**8,466**	**(3,581)**	**108,509**
Segment result	**(81,269)**	**410**		**(80,859)**
Unallocated expenses(1)				(16,751)
Operating loss				**(97,610)**
Financial (expenses)/income				1,834
Result before tax				**(95,776)**
Income taxes				(129)
Net loss				**(95,905)**

(1) Unallocated expenses consist of expenses for warrant plans under IFRS 2 Share based payments.

	Six months ended 30 June 2018			
(thousands of €)	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	81,942	5,641		87,583
Internal revenue		4,126	(4,126)	–
Other income	14,287	2		14,289
Revenues & other income	**96,229**	**9,770**	**(4,126)**	**101,872**
Segment result	**(57,446)**	**2,200**		**(55,246)**
Unallocated expenses(1)				(10,540)
Operating loss				**(65,786)**
Financial (expenses)/income				6,867
Result before tax				**(58,919)**
Income taxes				(137)
Net loss				**(59,056)**

(1) Unallocated expenses consist of expenses for warrant plans under IFRS 2 Share based payments.

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 and cash equivalents totaled €1,147.9 million on 30 June 2019.

A net decrease of €142.9 million in cash and cash equivalents was recorded during the first six months of 2019, compared to a net decrease of €84.4 million during the first six months of 2018. This net decrease was composed of €152.5 million of operational cash burn, offset by (i) €7.8 million of cash proceeds from capital and share premium increases from exercise of warrants in the first six months of 2019 and (ii) €1.9 million of unrealized positive exchange rate differences.

Cash and cash equivalents amounted to €1,147.9 million at the end of June 2019 and comprised cash and cash equivalents 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 three months while monitoring all liquidity aspects. Cash and cash equivalents comprised €514.7 million of term deposits with an original maturity longer than three 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 €199.0 million and aim at meeting short-term cash commitments, while reducing the counterparty risk of investment.

	30 June	31 December
(thousands of €)	2019	2018
Cash at banks	434,228	358,016
Term deposits	514,701	733,537
Money market funds	198,993	199,243
Total cash and cash equivalents	**1,147,923**	**1,290,796**

On 30 June 2019, our cash and cash equivalents included $279.4 million held in U.S. dollars which could generate foreign exchange gains or losses in our financial results in accordance with the fluctuation of the EUR/U.S. dollar exchange rate as our functional currency is EUR.

Finally, our balance sheet held R&D incentives receivables from the French government *(Crédit d'Impôt Recherche),* to be received in four yearly tranches, and R&D incentives receivables from the Belgian Government, for a total of €94.3 million as at 30 June 2019.

Capital increase

On 30 June 2019, Galapagos NV's share capital was represented by 54,823,101 shares. All shares were issued, fully paid up and of the same class. The below table summarizes our capital increases for the half-year ended 30 June 2019.

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price warrants	Closing share price on date of capital increase
On 1 January 2019	54,465,421	236,540	1,277,780	1,514,320		
20 March 2019: exercise of warrants	149,370	808	2,673	3,481	23.30	90.32
20 June 2019: exercise of warrants	208,310	1,127	3,198	4,325	20.76	113.55
On 30 June 2019	54,823,101	238,475	1,283,650	1,522,125		

Note to the cash flow statement

	Six months ended 30 June	
(thousands of €)	2019	2018
Adjustment for non-cash transactions		
Depreciation and amortization	5,653	3,684
Share-based compensation	16,751	10,540
Increase in retirement benefit liabilities and provisions	168	149
Unrealised exchange gains (–) /losses and non-cash other financial expenses	(1,424)	(5,241)
Fair value adjustment financial assets held at fair value through profit or loss	2,130	(154)
Total adjustment for non-cash transactions	**23,278**	**8,978**
Adjustment for items to disclose separately under operating cash flow		
Interest expense	452	415
Interest income	(3,445)	(1,892)
Tax expense	129	137
Total adjustment for items to disclose separately under operating cash flow	**(2,864)**	**(1,340)**
Adjustment for items to disclose under investing and financing cash flows		
Gain on sale of assets	(3)	–
Total adjustment for items to disclose under investing and financing cash flows	**(3)**	**–**
Change in working capital other than deferred income		
Decrease in inventories	3	12
Increase in receivables	(32,895)	(3,204)
Increase in payables	16,974	21,357
Total change in working capital other than deferred income	**(15,918)**	**18,165**

Contingencies and commitments

Contractual obligations and commitments

We entered into lease agreements for offices, laboratories and cars. As a consequence of the adoption of IFRS 16 Leases, on 1 January 2019, lease obligations in the scope of the new standard are presented as lease liabilities in the statements of financial position and no longer disclosed separately as off-balance sheet commitments.

We also have certain purchase commitments principally with CRO subcontractors and certain collaboration partners.

On 30 June 2019 we had outstanding obligations for purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Purchase commitments	237,242	150,649	75,174	9,792	1,627

In addition to the table above, we have a contractual cost sharing obligation related to our collaboration agreement with Gilead for filgotinib. The contractual cost sharing commitment amounted to €48.4 million at 30 June 2019 for which we have direct purchase commitments of €19.1 million at 30 June 2019 reflected in the table above.

We refer to the section "Events after the end of the reporting period" of this interim report for the latest development in our collaboration with Gilead, which did not affect our financial statements for the first six months of 2019.

Contingent liabilities and assets

We refer to our annual report 2018 for a description of our contingent liabilities and assets as no material change is to be disclosed for the first six months of 2019.

Related party transactions

On 10 April 2019, the members of the board of directors and the executive committee were offered new warrants under Warrant Plan 2019, subject to acceptance. The final number of accepted warrants under Warrant Plan 2019 was enacted by notary deed on 12 July 2019. The members of the board and the executive committee accepted all warrants offered to them. Under Warrant Plan 2019, the warrants have an exercise term of eight years as of the date of the offer. The exercise price of the warrants is €95.11. Each warrant gives the right to subscribe for one new Galapagos share. As regards the directors, the warrants vest over a period of 36 months at a rate of 1/36th per month. As regards the other beneficiaries, the warrants vest only and fully on the first day of the fourth calendar year following the calendar year in which the grant was made. The warrants are not transferable and can in principle not be exercised prior to 1 January 2023.

The table below sets forth the number of warrants offered under Warrant Plan 2019 to each member of the board and executive committee in office during the first six months of 2019:

Name	Title	Number of 2019 warrants offered
Onno van de Stolpe	Chief Executive Officer; Executive director	100,000
Raj Parekh	Non-executive director; Chairman of the board	15,000
Peter Guenter	Non-executive director	7,500
Howard Rowe	Non-executive director	7,500
Katrine Bosley	Non-executive director	7,500
Mary Kerr	Non-executive director	7,500
Piet Wigerinck	Chief Scientific Officer	50,000
Bart Filius	Chief Operating Officer; Chief Financial Officer	65,000
Andre Hoekema	Chief Business Officer	50,000
Walid Abi-Saab	Chief Medical Officer	50,000

We note that Mr. Peter Guenter was appointed as a non-executive, independent director by the shareholders' meeting on 30 April 2019 and the board mandates of Dr. Werner Cautreels and Dr. Christine Mummery ended on 30 April 2019.

During the first six months of 2019, there were no changes to related party transactions disclosed in the 2018 annual report that potentially had a material impact on the financials of the first six months of 2019.

Events after the end of the reporting period

On 14 July 2019 we and Gilead announced that we have entered into a 10-year global research and development collaboration. Through this agreement, Gilead will gain access to our innovative portfolio of compounds, including six molecules currently in clinical trials, more than 20 preclinical programs and a proven drug discovery platform.

We will receive a $3.95 billion upfront payment and a $1.1 billion equity investment from Gilead. We will use the proceeds to expand and accelerate our research and development programs. Gilead will receive an exclusive product license and option rights to develop and commercialize all current and future programs in all countries outside Europe. In addition, we and Gilead have agreed to amend certain terms in the agreement governing filgotinib, to provide a broader commercialization role for us in Europe.

Gilead will also nominate two individuals to our board of directors following the closing of the transaction.

As part of the collaboration, Gilead gains rights to GLPG1690, our Phase 3 candidate for idiopathic pulmonary fibrosis. Gilead also receives option rights for GLPG1972, a Phase 2b candidate for osteoarthritis, in the United States. In addition, Gilead receives option rights on all of our other current and future clinical programs outside of Europe.

Terms of the collaboration

We will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study, Gilead will have the option to acquire an expanded license to the compound. If the option is exercised, we and Gilead will co-develop the compound and share costs equally. Gilead will maintain option rights to our programs through the 10-year term of the collaboration and for up to an additional three years thereafter for those programs that have entered clinical development prior to the end of the collaboration term.

If GLPG1690 is approved in the United States, Gilead will pay us an additional $325 million milestone fee. For GLPG1972, Gilead has the option to pay a $250 million fee to license the compound in the United States after the completion of the ongoing Phase 2b study in osteoarthritis. If certain secondary efficacy endpoints are met, Gilead would pay us up to an additional $200 million. Following opt in, we would be eligible to receive up to $550 million in regulatory and commercial milestones.

For all other programs resulting from the collaboration, Gilead will make a $150 million opt-in payment per program and will owe no subsequent milestones. We will receive tiered royalties ranging from 20-24% on net sales of all our products licensed by Gilead as part of the agreement.

Filgotinib collaboration

Under the amended agreement, we will have greater involvement in filgotinib's global strategy and participate more broadly in the commercialization of the product in Europe, providing the opportunity to build a commercial presence on an accelerated timeline. We and Gilead will co-commercialize filgotinib in France, Germany, Italy, Spain and the United Kingdom and retain the 50/50 profit share in these countries that was part of the original filgotinib license agreement, and under the revised agreement, we will have an expanded commercial role. We retain exclusive rights in Belgium, the Netherlands and Luxembourg, where the 50/50 profit share also applies. The companies will share future global development costs for filgotinib equally, in lieu of the 80/20 cost split provided by the original agreement. Other terms of the original license agreement remain in effect, including the remaining $1.27 billion in total potential milestones and tiered royalties ranging from 20-30% payable in territories outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom.

Terms of the equity investment

Gilead's equity investment will consist of a subscription for new Galapagos shares at a price of €140.59 per share, representing at 14 July 2019 a 20% premium to Galapagos' 30-day, volume-weighted average price. This will increase Gilead's stake in Galapagos from approximately 12.3% to 22.1% of the issued and outstanding shares in Galapagos. In addition, we intend to seek shareholder approval to issue two warrants allowing Gilead to further increase its ownership of Galapagos to up to 29.9% of the company's issued and outstanding shares. The agreement also includes a 10-year standstill restricting Gilead's ability to seek to acquire Galapagos or increase its stake in Galapagos beyond 29.9% of the company's issued and outstanding shares, subject to limited exceptions.

The transaction, which is expected to close late in the third quarter of 2019, is subject to certain closing conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and receipt of merger control approval from the Austrian Federal Competition Authority.

Approval of interim financial statements

The interim financial statements were approved by the board of directors on 22 July 2019.