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Notes to our consolidated financial statements for 2014

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1. General information

Galapagos NV is a limited liability company incorporated in Belgium and has its registered office at Generaal De Wittelaan L11/A3, 2800 Mechelen, Belgium. In the notes to the consolidated financial statements, references to "the Group" or "Galapagos" include Galapagos NV together with its subsidiaries.

R&D

The R&D operations are specialized in the discovery and development of small molecules. The Group's ambition is to become a leading global biotechnology company focused on the development and commercialization of novel medicines. The Group's strategy is to leverage its unique and proprietary target discovery platform, which facilitates its discovery and development of therapies with novel modes of action.

The components of the operating result for continuing operations presented in the financial statements include the following companies: Galapagos NV (Mechelen, Belgium); Galapagos SASU (Romainville, France); Galapagos B.V. (Leiden, The Netherlands); Fidelta d.o.o. (Zagreb, Croatia); BioFocus, Inc. and its subsidiaries, BioFocus DPI LLC, and Xenometrix, Inc.; BioFocus DPI AG (Basel, Switzerland) and its subsidiary Discovery Partners International GmbH (Heidelberg, Germany); and Inpharmatica Ltd. (Saffron Walden, UK).

The Group's continuing operations have around 400 employees working in the operating facilities in Mechelen (the Belgian headquarters), The Netherlands, France, and Croatia.

Services

Galapagos sold its service division to Charles River Laboratories International, Inc. on 1 April 2014.

The legal entities that were sold as part of this transaction were BioFocus DPI (Holdings) Ltd., BioFocus DPI Ltd., Argenta Discovery 2009 Ltd. and Cangenix Ltd. Galapagos B.V. was not sold, its service division operations were carved out by means of an asset deal.

As a result of this sale the service division is reported as discontinued operations.

2. Significant accounting policies

The principal Group accounting policies are summarized below.

Basis of preparation and going concern assumption

The consolidated financial statements are prepared in accordance with the International Financing Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) and the interpretations issued by the IASB's International Financial Reporting Interpretation Committee. The consolidated financial statements provide a general overview of the Group's activities and the results achieved. They give a true and fair view of the entity's financial position, its financial performance and cash flows, on a going concern basis.

Standards and interpretations applicable for the annual period beginning on 1 January 2014

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)

- IAS 27 *Separate Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2014

- IFRS 9 *Financial Instruments* and subsequent amendments (not yet endorsed in the EU)
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in the EU)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in the EU)
- 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, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits - Employee Contributions* (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- IFRIC 21 *Levies* (applicable for annual periods beginning on or after 1 January 2014)

The new standards applicable did not have any impact on the Group's financials.

Reclassification made to the consolidated financial statements

Subsequent to the issuance of the Group's consolidated financial statements as of and for the year ended 31 December 2013, management made the following reclassifications to the comparative figures:

- €3,306 thousand of restricted cash was reclassified out of cash and cash equivalents and was presented separately in our consolidated statement of financial position. Corresponding reclassifications were made to our consolidated statement of cash flows to present changes in restricted cash balances as cash flows from investing activities.
- €1,325 thousand of interest and other financial income was reclassified as cash flows from operating activities, instead of cash flows from financing activities for the year ended 31 December 2013.

The reclassifications in the comparative figures mentioned above have been reflected in the consolidated financial statement and accompanying note. They did not have an impact on the consolidated income statement, total assets, total liabilities or equity.

Group reporting

The consolidated financial statements comprise the financial statements of Galapagos NV and entities controlled by Galapagos NV. Together they constitute the Group. Control is achieved where Galapagos NV has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. The results of subsidiaries are included in the income statement and statement of comprehensive income from the effective date of acquisition up to the date when control ceases to exist. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated when preparing the consolidated financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

Goodwill arising on business combinations is recognized as an asset and initially measured as excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary less the value of the non-controlling interests at date of the acquisition. Goodwill is not amortized but tested for impairment on an annual basis and whenever there is an indication that the cash generating unit to which goodwill has been allocated may be impaired. Goodwill is stated at cost less accumulated impairment losses. An impairment loss recognized for goodwill is not reversed in a subsequent period.

In cases in which the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities less the value of the non-controlling interests exceeds cost, all fair values and cost calculations are reassessed. In the event that an excess still exists, it is immediately recognized in the profit or loss statement.

Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development activities is recognized only if all of the following conditions are met:

- Technically feasible to complete the intangible asset so that it will be available for use or sale
- The Group has the intention to complete the intangible assets and use or sell it
- The Group has the ability to use or sell the intangible assets
- The intangible asset will generate probable future economic benefits, or indicate the existence of a market
- Adequate technical, financial and other resources to complete the development are available
- The Group is able to measure reliably the expenditure attributable to the intangible asset during its development.

The amount capitalized as internally generated intangible assets is the sum of the development costs incurred as of the date that the asset meets the conditions described above.

Internally generated intangible assets are amortized on a straight-line basis over their estimated useful lives. If the recognition criteria for accounting as an intangible asset are not met, development costs are recognized as an expense in the period in which they are incurred.

Intellectual property, which comprises patents, licenses and rights, is measured internally at purchase cost and is amortized on a straight-line basis over the estimated useful life on the following bases:

- Customer relationships: 1–10 years
- In process technology: 3–5 years
- Software & databases: 3–5 years
- Brands, licenses, patents & know how: 5–15 years

In the event an asset has an indefinite life, this fact is disclosed along with the reasons for being deemed to have an indefinite life.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment loss. Depreciation is recognized so as to write off the cost or valuation of assets over their useful lives, using the straight-line method, on the following bases:

- Installation & machinery: 4–15 years
- Furniture, fixtures & vehicles: 4–10 years

Any gain or loss incurred at the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in profit or loss.

Leasehold improvements

Leasehold improvements are depreciated over the term of the lease, unless a shorter useful life is expected.

Assets held under finance lease

Assets held under finance leases are depreciated over their useful lives on the same bases as owned assets or, where shorter, over the term of the related lease agreement.

Inventories

Inventories are valued at the lower of cost and net realizable value. The net realizable value represents the estimated sales price less all estimated costs for completion and costs for marketing, sales and logistics.

Cost of raw materials comprises mainly purchase costs. Raw materials are not ordinarily interchangeable, and they are as such accounted for using the specific identification of their individual cost.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Hedging and derivatives have never been used: the Group does not actively use currency derivatives to hedge planned future cash flows, nor does the Group make use of forward foreign exchange contracts.

Research and development incentives receivables

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value reduced by appropriate allowances for irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short term deposits and highly liquid investments. Cash and cash equivalents exclude restricted cash which is presented separately in the statement of financial position.

Trade payables

Trade payables bear no interest and are measured at their nominal value.

Taxation

Income tax in the profit or loss accounts represents the sum of the current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit of the year. The taxable profit of the year differs from the profit as reported in the financial statements as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability-method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. As such, a deferred tax asset for the carry forward of unused tax losses will be recognized to the extent that is probable that future taxable profits will be available.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets relating to tax losses carried forward are recognized to the extent that it is probable that the related tax benefit will be realized.

Foreign currencies

- Functional and presentation currency

  Items included in the financial statements of each of the Group's entities are valued using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Euros, which is Galapagos NV's functional and presentation currency.

- Transactions and balances in foreign currency

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

  Non-monetary assets and liabilities measured at historical cost that are denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

- Financial statements of foreign group companies

  The results and financial position of all Group entities that have a functional currency different from Euro are translated as follows:

  - Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
  - Income and expenses for each income statement are translated at average exchange rates;
  - All resulting cumulative exchange differences are recognized as a separate component of equity;
  - Such cumulative exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Revenue recognition

Revenues to date have consisted principally of milestones, license fees and upfront payments received in connection with collaboration and alliance agreements. The Group also generates revenue from its fee-for-service activities, and various research and development incentives and grants.

Collaboration and alliance agreements with Galapagos' commercial partners for research and development activities generally include non-refundable upfront fees; milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones; license fees and royalties on sales.

The revenue recognition policies can be summarized as follows:

Upfront payments

Non-refundable, upfront payments received in connection with research and development collaboration agreements are deferred and recognized over the relevant, required periods of the Group's involvement. The payments and the Group's involvement relate to a contractually defined phase of the project. At inception Management estimates the period of the Group's involvement as well as the cost involved in the project. Upfront payments are recognized over the estimated period of involvement, either on a straight line basis or based on the cost incurred under the project if such cost can be reliably estimated. Periodically the Group reassesses the estimated time and cost to complete the project phase and adjusts the time period over which the revenue is deferred accordingly.

Milestone payments

Research milestone payments are recognized as revenues when achieved. In addition, the payments have to be acquired irrevocably and the milestone payment amount needs to be substantive and commensurate with the magnitude of the related achievement. Milestone payments that are not substantive, not commensurate or that are not irrevocable are recorded as deferred revenue. Revenue from these activities can vary significantly from period to period due to the timing of milestones.

Licenses

Revenues from term licenses are spread over the period to which the licenses relate, reflecting the obligation over the term, to update content and provide ongoing maintenance. Revenues from perpetual licenses are recognized immediately upon sale to the extent that there are no further obligations.

Royalties

Royalty revenues are recognized when the Group can reliably estimate such amounts and collectability is reasonably assured. As such, the Group generally recognizes royalty revenues in the period in which the licensees are reporting the royalties to the Group through royalty reports, that is, royalty revenues are generally recognized in arrears, i.e. after the period in which sales by the licensees occurred. Under this accounting policy, the royalty revenues the Group reports are not based upon the Group estimates and such royalty revenues are typically reported in the same period in which the Group receives payment from its licensees.

Grants and R&D incentives

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

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as sale or contribution of assets), the Group is considered to be concluding the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

Equity instruments

Equity instruments issued by the Group are measured by the fair value of the proceeds received, net of direct issue costs.

Employee benefits

a/ Defined contribution plans

Contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

b/ Defined benefit plans

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expenses or income
- Remeasurement

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans in future contributions to the plans. A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

c/ Staff bonus plan

The Group recognizes an expense in the income statement for staff bonus plans.

d/ Management bonus plan

The Executive Committee members, together with other senior managers, are eligible to receive bonuses under the Senior Management Bonus Scheme established in 2006. Pursuant to the rules of the Senior Management Bonus Scheme, 50% of the bonus is paid immediately around year-end and the payment of the remaining 50% is deferred for three years. The deferred 50% component is dependent on the Galapagos share price change relative to the Next Biotech Index (which tracks Galapagos' peers). The Galapagos share price and Index at the start and end of the 3-year period is calculated by the average price over the preceding and last month of the 3-year period, respectively.

- If the Galapagos share price change is better than or equal to the change in the Next Biotech Index, the deferred bonus will be adjusted by the share price increase/decrease and paid out.
- If the Galapagos share price change is up to 10% worse than the change in the Next Biotech Index, 50% of the deferred bonus will be adjusted by the share price increase/decrease and paid out, and the remainder will be forfeited.
- If the Galapagos share price change is more than 10% worse than the change in the Next Biotech Index the deferred bonus will be forfeited.

Galapagos recognizes 75% of the possible payment within three years at the moment that the bonus amount is determined, which reflects both an estimation of the number of employees that will remain within Galapagos for three years as well as the probability that the share price will meet the target. Since the bonus is calculated by reference to Galapagos' share price, it is accounted for as a cash-settled share-based payment under IFRS 2. The liability incurred is measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

Share-based payments

The Group grants equity-settled incentives to certain employees, Directors and consultants in the form of warrants. Equity-settled warrants are measured at fair value at the date of grant. The fair value determined at the grant date of the warrants is expensed over the vesting period, based on the Group's estimate of warrants that are expected to be exercised. Fair value is measured by use of the Black & Scholes model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Provisions

Provisions are recognized on the balance sheet when a Group company has a present obligation as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of the money and, when appropriate, the risk specified to the liability.

Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease substantially transfers all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The payments are divided proportionally between the financial costs and a diminution of the outstanding balance of the obligation, so that the periodic interest rate on the outstanding balance of the obligation would be constant. Interest is recognized in the income statement, unless it is directly attributable to the corresponding asset, in which case they are capitalized.

Rents paid on operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually, and whenever there is an indication that the asset might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash generating unit is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss resulting from a sale of a subsidiary is recognized as income. In other cases impairment losses of goodwill are never reversed.

Net income/loss per share

Basic net income/loss per share is computed based on the weighted average number of shares outstanding during the period. Diluted net income per share is computed based on the weighted-average number of shares outstanding including the dilutive effect of warrants, if any.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.

Segment reporting

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

3. Segment information

Following the sale of the service division on 1 April 2014, the continuing operations relate primarily to R&D activities. Consequently there is one reportable segment.

Geographical information

In 2014 the Group's R&D continuing operations were located in Belgium, Croatia, France and The Netherlands.

In 2014 the Group's continuing operations top 10 customers represents 98% of the revenues. The Group's continuing operations client base includes four of the top 20 pharmaceutical companies in the world in 2014 and 2013.

Following table summarizes Group revenues by destination of customer:

	Year ended 31 December,	
(thousands of €)	2014	2013
United States	31,100	46,963
Europe	38,169	29,662
Asia Pacific	100	
Total revenues	**69,368**	**76,625**

Following table summarizes Group revenues of the continuing operations by destination of Group company:

	Year ended 31 December,	
(thousands of €)	2014	2013
Galapagos NV (Belgium)	65,448	73,913
Galapagos SASU (France)	108	
Fidelta d.o.o. (Croatia)	3,726	2,514
Xenometrix, Inc. (United States)	86	198
Total revenues	**69,368**	**76,625**

In 2014, Galapagos held €57 million of non-current assets (€114 million in 2013) distributed as follows:

- France: €26 million (€27 million in 2013)
- Belgium: €25 million (€24 million in 2013)
- Croatia: €4 million (€4 million in 2013)
- The Netherlands: €1 million (€2 million in 2013)

The decrease in non-current assets is explained by the sale of the service division located in the United Kingdom which was contributing €57 million of non-current assets in 2013.

4. Total Revenues and other Income

Revenues

The following table summarizes the revenues for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	2014	2013
Recognition of non-refundable upfront payments	45,838	51,751
Milestone payments	19,768	20,488
Other revenues	3,762	4,387
Total Revenues	**69,368**	**76,625**

Total revenue decreased by €7.3 million, or 9%, to €69.4 million for the year ended 31 December 2014, from €76.6 million for the year ended 31 December 2013. This decrease was mainly driven by lower recognition of non-refundable upfront payments, as explained below.

Revenue from non-refundable upfront payments relates to the deferred recognition of upfront payments received under the agreements with AbbVie, amounting to €111.6 million in 2012 and €49.6 million in 2013, which are amortized over a period ranging from 27 to 40 months, based on the estimated period of the Group's involvement.

Milestone revenues decreased by €0.7 million, or 4%, to €19.8 million for the year ended 31 December 2014 compared to €20.5 million for the year ended 31 December 2013. This decrease was primarily related to fewer milestones achieved in 2014 compared to 2013 as a result of the maturing pipeline of projects under alliance. For the year ended 31 December 2014 €8.3 million of milestones were recognized in relation with the CF Collaboration Agreement with AbbVie and €11.5 million of milestones primarily related to partnered programs with Janssen Pharmaceutica, Servier and GSK. For the year ended

31 December 2013, €20.5 million of milestones primarily related to partnered programs with Janssen Pharmaceutica, Servier and GSK.

Other revenues decreased by €0.6 million, or 14%, to €3.8 million for the year ended 31 December 2014 compared to €4.4 million for the year ended 31 December 2013, principally due to lower revenues from fee-for-service activities.

Other income

The following table summarizes other income for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Grant income	5,646	5,054
Other income	15,008	14,893
Total Other income	**20,653**	**19,947**

Total other income was composed of grant income and other income and increased by €0.7 million, or 4%, from €19.9 million for the year ended 31 December 2013 to €20.7 million for the year ended 31 December 2014.

The increase in total other income was primarily attributed to increased grant income, which increased by €0.6 million, or 12%, from €5.1 million for the year ended 31 December 2013 to €5.6 million for the year ended 31 December 2014. The majority of this grant income was related to grants from a Flemish agency, representing approximately 90% of all reported grant income in both years. In many cases these carry clauses which require the Group to maintain a presence in the same region for a number of years and invest according to pre-agreed budgets.

Other income increased slightly by €0.1 million, or 1%, from €14.9 million for the year ended 31 December 2013 to €15.0 million for the year ended 31 December 2014. Other income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €7.8 million of other income for the year ended 31 December 2014 compared to €8.1 million for the year ended 31 December 2013.
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €4.3 million of other income for the year ended 31 December 2014 compared to €4.1 million for the year ended 31 December 2013.
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and The Netherlands, representing €2.4 million of other income for the year ended 31 December 2014 compared to €2.2 million for the year ended 31 December 2013.

5. Operating costs

Operating result has been calculated after charging (–) / crediting:

Research and development expenditure

The following table summarizes research and development expenditure for the years ended 31 December 2014 and 2013.

(thousands of €)	Year ended 31 December, 2014	2013
Personnel costs	(31,038)	(29,385)
Subcontracting	(54,293)	(44,760)
Disposables and lab fees and premises costs	(16,830)	(15,840)
Other operating expenses	(8,949)	(9,395)
Total research and development expenditure	**(111,110)**	**(99,380)**

R&D expenditure increased by €11.7 million, or 12%, to €111.1 million for the year ended 31 December 2014, from €99.4 million for the year ended 31 December 2013. This increase was principally due to:

- Increased R&D personnel costs of €1.7 million, or 6%, from €29.4 million for the year ended 31 December 2013 to €31.0 million for the year ended 31 December 2014, which was explained by an enlarged workforce, principally on the Belgian site (Mechelen). This was driven to a large extent by the new CF alliance with AbbVie (signed in September 2013), and to a smaller extent by the development project portfolio, predominantly the filgotinib project for RA and CD.
- Increased subcontracting costs of €9.5 million, or 21%, from €44.8 million for the year ended 31 December 2013 to €54.3 million for the year ended 31 December 2014. This cost increase was mainly driven by increased subcontracting costs of €5.7 million for the RA and CD collaboration with AbbVie, reflecting the progress of the filgotinib program. To a lesser extent subcontracting costs increased by €2.9 million for the CF collaboration with AbbVie.
- Intensified use of lab consumables was the main driver of the increase in disposables, lab fees and premises costs of €1.0 million, or 6%, from €15.8 million for the year ended 31 December 2013 to €16.8 million for the year ended 31 December 2014.
- Other operating expenses slightly decreased by €0.4 million, or 5%, from €9.4 million for the year ended 31 December 2013 to €8.9 million for the year ended 31 December 2014.

General and administrative expenses

The following table summarizes the general and administrative expenses for the years ended 31 December 2014 and 2013.

(thousands of €)	Year ended 31 December, 2014	2013
Personnel costs and directors fees	(8,087)	(7,156)
Other operating expenses	(5,788)	(5,197)
Total general and administrative expenses	**(13,875)**	**(12,353)**

General and administrative expenses amounted to €12.4 million for the year ended 31 December 2013 and increased by €1.5 million, or 12%, to €13.9 million for the year ended 31 December 2014. This increase was principally due to personnel costs, which increased by €0.9 million, or 13%, from €7.2 million for the year ended 31 December 2013 to €8.1 million for the year ended 31 December 2014, resulting from various effects, such as increased costs of share-based payments plans (warrant plans) and change in classification between R&D and general and administrative expenditure for some management functions. In addition, other operating expenses increased by €0.6 million, or 11%, from €5.2 million for the year ended 31 December 2013 to €5.8 million for the year ended 31 December 2014, mainly due to higher professional fees.

Sales and marketing expenses

The following table summarizes the sales and marketing expenses for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	2014	2013
Personnel costs	(579)	(994)
Other operating expenses	(412)	(470)
Total sales and marketing expenses	**(992)**	**(1,464)**

Sales and marketing expenses decreased by €0.5 million, or 32%, from €1.5 million for the year ended 31 December 2013 to €1.0 million for the year ended 31 December 2014.

Restructuring and integration costs

	Year ended 31 December,	
(thousands of €)	2014	2013
Restructuring costs	(669)	(290)
Total restructuring and integration costs	**(669)**	**(290)**

The restructuring and integration costs amounted to €0.7 million for the year ended 31 December 2014 and to €0.3 million for the year ended 31 December 2013 and were entirely related to workforce reductions within certain of the R&D operations.

6. Staff costs

The table below describes the evolution of the employees of the Group between the years 2014 and 2013. The decrease is primarily due to the sale of the service division.

	Year ended 31 December,	
	2014	2013
Number of employees on 31 December	417	810
Total	**417**	**810**

The average number of employees of the continuing operations during the years 2014 and 2013 was:

	Year ended 31 December,	
	2014	2013
Key Management	4	4
Laboratory staff	353	348
Administrative staff	64	67
Total	**421**	**419**

Their aggregate remuneration comprised:

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Wages and salaries	(26,891)	(26,260)
Social security costs	(7,468)	(6,363)
Pension costs	(1,454)	(1,260)
Other personnel costs	(2,635)	(2,097)
Total personnel costs	**(38,447)**	**(35,979)**

The other personnel costs mainly relate to costs for warrants granted of €2.2 million (2013: €1.8 million). For the costs of warrants granted, see note 32.

7. Finance income and expense

The following table summarizes finance income and expense for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Finance income		
Interest on bank deposit	1,155	1,179
Effect of discounting long term R&D incentives receivables	920	409
Currency exchange gain	198	590
Other financial income	17	4
Total Financial income	**2,291**	**2,182**
Finance expense		
Interest expenses	(110)	(156)
Currency exchange loss	(652)	(1,130)
Other financial charges	(105)	(116)
Total Financial expense	**(867)**	**(1,402)**
Total Finance income	**1,424**	**780**

Finance income increased slightly by €0.1 million, or 5%, from €2.2 million for the year ended 31 December 2013 to €2.3 million for the year ended 31 December 2014.

Finance expense decreased by €0.5 million, or 38% from €1.4 million for the year ended 31 December 2013 to €0.9 million for the year ended 31 December 2014, primarily reflecting lower exchange rate losses arising from U.S. dollars. Interest expenses are related to interests paid on financial lease.

8. Taxes

Income taxes relating to continuing operations

The following table summarizes the income tax recognized in profit or loss for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Current tax	(2,396)	
Deferred tax	293	(676)
Total Taxes	**(2,103)**	**(676)**

Current tax recorded in 2014 for an amount of €2.4 million relates to a tax provision for subsidiaries operating under cost plus transfer pricing arrangements, triggered by a change in estimate in 2014. Deferred tax recorded in 2014 for an amount of €0.3 million relates to one subsidiary operating on a cost plus basis for the group.

Deferred tax charges representing €0.7 million for the year ended 31 December 2013 related to the reversal of a deferred tax asset on tax losses carried forward in Croatia. Due to a revised business strategy of the subsidiary in 2013 (transition towards service company), the company would no longer be in a taxable position or even be profitable in the foreseeable future, which explained the reversal of the deferred tax asset.

Tax liabilities

The below tables illustrate the tax liabilities related captions in the balance sheet for the year ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Current tax payable	2,582	50
Total tax liabilities	**2,582**	**50**

The tax liabilities amounting to €2.6 million on 31 December 2014 are primarily related to the recognition of tax liabilities for one of the subsidiaries operating on a cost plus basis for the group for €2.1 million due to a change in estimates. In addition, taxes on gain on the sale of the service division are included in the tax liabilities for €0.4 million. The income tax expense in connection with the sale of the service division was only €0.4 million, since the gain is considered as a capital gain under Belgian tax law, which is subject to a tax rate of less than 1%.

Taxes recognized in profit or loss

(thousands of €)	Year ended 31 December, 2014	2013
Continuing operations		
Current tax	(2,396)	
Deferred tax	293	(676)
Total continuing operations	**(2,103)**	**(676)**
Discontinued operations		
Current tax	(437)	(165)
Deferred tax	203	3,956
Total discontinued operations	**(234)**	**3,791**
Total taxes	**(2,337)**	**3,115**

Corporation tax is calculated at 34% (2013: 34%)—which is the tax rate applied in Belgium—of the estimated assessable profit for the year. The applied tax rate for other territorial jurisdictions is the tax rate that is applicable in these respective territorial jurisdictions on the estimated taxable result of the accounting year.

(thousands of €)	Year ended 31 December, 2014	2013
Loss before tax from continuing operations	(35,201)	(16,135)
Income before tax from discontinued operations	70,748	4,941
Income / loss (–) before tax	**35,548**	**(11,194)**
Income tax debit / credit (–), calculated using the Belgian statutory tax rate (34%) on the accounting income / loss (–) before tax (theoretical)	12,083	(3,805)
Tax expenses in income statement (effective) from continuing operations	2,103	676
Tax expenses / income (–) in income statement (effective) from discontinued operations	234	(3,791)
Tax expenses / income (–) in income statement (effective)	**2,337**	**(3,115)**
Difference in tax expenses / income (–) to explain	**(9,746)**	**690**
Effect of tax rates in other jurisdictions	6	(22)
Effect of non taxable revenues	(41,249)	(6,817)
Effect of consolidation entry without tax impact	12,786	(388)
Effect of non tax deductible expenses	1,459	1,188
Effect of recognition of previously non recognized deferred tax assets	(293)	(3,595)
Effect of change in tax rates	(165)	(245)
Effect of tax losses (utilized) reversed	(1,549)	(499)
Effect from under or over provisions in prior periods	2,144	(89)
Effect of non recognition of deferred tax assets	17,688	10,821
Effect of R&D tax credit claims	(572)	(340)
Effect of derecognition of previously recognized deferred tax assets		676
Total Explanations	**(9,746)**	**690**

The main difference between the theoretical tax and the effective tax for the year 2014 is primarily explained by low capital gain tax (less than 1%) under Belgian tax law, on the gain on sale of the service division, and by the unrecognized deferred tax assets on tax losses carried forward for which the Group conservatively assesses that it is not likely that these will be realized in the foreseeable future.

9. Discontinued operations

The following table summarizes the results from discontinued operations for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €, except share and per share data)	**2014**	**2013**
Service revenues	17,502	61,074
Other income	669	1,902
Total revenues and other income	**18,171**	**62,976**
Services cost of sales	(11,283)	(41,297)
General and administrative expenses	(3,772)	(14,077)
Sales and marketing expenses	(255)	(948)
Restructuring and integration costs	(38)	(760)
Gain on sale of service division	67,508	-
Operating income	**70,331**	**5,895**
Finance income / expense (–)	417	(954)
Income before tax	**70,748**	**4,941**
Income taxes	(234)	3,791
Net income from discontinued operations	**70,514**	**8,732**
Basic and diluted income per share from discontinued operations	**2.34**	**0.30**
Weighted average number of shares (in thousands of shares)	30,108	28,787

The service division was sold on 1 April 2014. The above table illustrates the results of the discontinued operations included in the consolidated results of operations for the years ended 31 December 2014 and 2013. For the year ended 31 December 2014, results only relate to the period from 1 January 2014 through the disposal on 1 April 2014.

Service revenues amounted to €17.5 million in the first quarter of 2014 which showed a strong increase compared to the revenue trend in 2013. Other income reported in 2014 represented income from R&D incentives related to one quarter of activity. Services cost of sales, general and administrative expenses and sales and marketing expenses showed a slight increase compared to the trend of the operating costs in 2013, following the growth of the service division.

Net income amounting to €70.5 million in 2014 was mainly driven by the €67.5 million gain on disposal of the service division.

Cash flows from discontinued operations can be summarized as follows:

	Year ended 31 December,	
(thousands of €)	2014	2013
Net cash flows generated / used (–) in operating activities	(1,722)	7,855
Net cash flows generated / used (–) in investing activities	122,580	(4,308)
Net cash flows generated / used (–) in financing activities		(34)
Net cash generated	**120,858**	**3,513**

10. Result per share

Basic result per share and diluted result per share are calculated by dividing the net result attributable to shareholders by the weighted average number of ordinary shares issued during the year:

Income / loss per share

	Year ended 31 December,	
	2014	2013
Result for the purpose of basic income / loss (–) per share (thousands of €)	**33,211**	**(8,079)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of basic income / loss per share	30,108	28,787
Basic income / loss (–) per share (€)	**1.10**	**(0.28)**
Result for the purpose of diluted income / loss (–) per share (thousands of €)	**33,211**	**(8,079)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of diluted income / loss per share	30,108	28,787
Number of dilutive potential ordinary shares		
Diluted income / loss (–) per share (€)	**1.10**	**(0.28)**

As the Group's continuing operations report a net loss, the outstanding warrants (specified in note 32) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share are the same.

11. Goodwill

(thousands of €)	
On 1 January 2013	**37,667**
Acquisition of subsidiaries	1,572
On 31 December 2013	**39,239**
Sale of the service division	(39,239)
On 31 December 2014	

Goodwill increased in 2013 and is related to the acquisition of Cangenix Ltd. (U.K.) by the service division on 4 January 2013.

The allocation of this goodwill through a Purchase Price Allocation (PPA) exercise has been performed in line with IFRS 3 and the outcome was that no purchase price was allocated to tangible or intangible assets, as the purchase was driven by acquiring skills relating to structured-based biology and not customer base or customer relationships.

The decrease of the goodwill to €0 was exclusively due to the sale of the service division to Charles River. The Group did not hold goodwill related to its continuing operations in its balance sheet.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Services – BioFocus		29,040
Services – Argenta		10,199
Total goodwill		**39,239**

12. Intangible assets

(thousands of €)	Customer relationships	In process technology	Software & databases	Brands, licenses, patents & know-how	Total
Acquisition value					
On 1 January 2013	**2,055**	**5,561**	**7,232**	**17,783**	**32,629**
Additions			545		545
Sales and disposals			(35)		(35)
Translation differences			(62)	(85)	(147)
On 31 December 2013	**2,055**	**5,561**	**7,681**	**17,698**	**32,993**
Additions			728	15	743
Sales and disposals			(503)		(503)
Sale of the service division	(2,055)			(16,227)	(18,282)
Translation differences			183	26	209
On 31 December 2014	**0**	**5,561**	**8,088**	**1,512**	**15,161**
Amortization and impairment					
On 1 January 2013	**810**	**5,561**	**5,811**	**11,022**	**23,205**
Amortization	102		607	1,409	2,118
Sales and disposals			(35)		(35)
Translation differences			(62)	(65)	(127)
On 31 December 2013	**912**	**5,561**	**6,321**	**12,366**	**25,161**
Amortization	25		748	294	1,067
Sales and disposals			(500)		(500)
Sale of the service division	(937)			(11,853)	(12,790)
Reclassifications			(666)	666	
Translation differences			184	24	208
On 31 December 2014	**0**	**5,561**	**6,087**	**1,497**	**13,147**
Carrying amount					
On 31 December 2013	1,143		1,359	5,332	7,832
On 31 December 2014			**2,000**	**15**	**2,015**

The intangible assets decreased by €5.8 million from €7.8 million for the year ended 31 December 2013, to €2.0 million for the year ended 31 December 2014. This decrease was mainly due to the sale of the service division on 1 April 2014 by €5.5 million.

13. Property, plant and equipment

(thousands of €)	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Acquisition value					
On 1 January 2013	**13,712**	**47,015**	**4,350**	**2,886**	**67,962**
Additions	265	5,460	168	1,730	7,623
Sales and disposals		(358)	(17)	(644)	(1,019)
Other increase		102			102
Reclassifications		393		(393)	
Translation differences	(79)	(360)	(46)	(13)	(498)
On 31 December 2013	**13,898**	**52,251**	**4,455**	**3,565**	**74,169**
Additions	117	1,155	104	685	2,061
Sales and disposals	(1,733)	(4,549)	(73)		(6,355)
Sale of the service division	(4,022)	(23,677)	(1,919)	(370)	(29,988)
Reclassifications		3,543	16	(3,559)	
Translation differences	26	97	11		134
On 31 December 2014	**8,286**	**28,820**	**2,594**	**321**	**40,021**
Depreciations and impairment					
On 1 January 2013	**11,753**	**32,834**	**2,869**	**2,408**	**49,864**
Depreciation	1,028	4,399	249	360	6,036
Sales and disposals		(313)	(5)	(637)	(955)
Other increase	1	2			2
Reclassifications					
Translation differences	(66)	(203)	(27)	(7)	(303)
On 31 December 2013	**12,715**	**36,720**	**3,086**	**2,123**	**54,644**
Depreciation	639	2,531	243	168	3,581
Sales and disposals	(1,700)	(4,011)	(42)		(5,753)
Sale of the service division	(3,694)	(17,404)	(1,247)	(299)	(22,644)
Reclassifications		1,884		(1,884)	
Translation differences	24	70	6	2	102
On 31 December 2014	**7,984**	**19,790**	**2,046**	**110**	**29,930**
Carrying amount					
On 31 December 2013	1,183	15,532	1,368	1,441	19,525
On 31 December 2014	**302**	**9,031**	**547**	**210**	**10,091**

The property, plant and equipment decreased from €19.5 million for the year ended 31 December 2013 to €10.1 million for the year ended 31 December 2014. This decrease is mainly the result of the sale of the service division, both on lines 'Sales and disposals' (assets carved out) and 'Sale of the Service division'.

There are no pledged items of property, plant and equipment. There are also no restrictions in use on any items of property, plant and equipment.

14. Research and Development incentives receivables

The table below illustrates the R&D incentives receivables related captions in the balance sheet for the years ended 31 December 2014 and 2013.

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Non-current R&D incentives receivables	43,944	39,347
Current R&D incentives receivables	7,351	10,625
Total R&D incentives receivables	**51,296**	**49,972**

Total R&D incentives receivables increased by €1.3 million compared to 31 December 2013. This increase is explained by a new R&D incentives reported in 2014 for €11.9 million (€7.6 million related to French R&D incentives and 4.3 million related to Belgian R&D incentives) less the payment received related to French R&D incentives amounting to €8.6 million. The remaining variance of €1.9 million was explained by the phasing out of the consolidation scope of the service division which contributed to the Group's total current R&D receivables at the end of 2013.

The R&D incentives receivables relate to refunds resulting from R&D incentives on research expenses in France, the U.K. (2013) and Belgium. Non-current R&D incentives receivables are discounted over the period until maturity date.

The below table provides detailed information on the maturity of the non-current R&D incentives receivables reported in the balance sheet at 31 December 2014.

Non-current R&D incentives receivables

	Year ended 31 December, 2014					
	Maturity date					
(thousands of €)	2016	2017	2018	2019	2020	**Total**
French non-current R&D incentives receivables – nominal value	7,830	8,185	8,214			24,229
French non-current R&D incentives receivables – discounted value	7,830	8,185	8,214			24,229
Belgian non-current R&D incentives receivables – nominal value	3,632	3,377	3,922	4,458	4,327	19,716
Belgian non-current R&D incentives receivables – discounted value	3,632	3,377	3,916	4,424	4,255	19,604
Total non-current R&D incentives receivables – nominal value	**11,462**	**11,561**	**12,136**	**4,458**	**4,327**	**43,944**
Total non-current R&D incentives receivables – discounted value	**11,462**	**11,562**	**12,130**	**4,424**	**4,255**	**43,833**

15. Other non-currrent assets

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Other non-current assets	215	220
Total other non-current assets	**215**	**220**

16. Restricted cash

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Non-current restricted cash	306	3,306
Current restricted cash	10,422	
Total restricted cash	**10,728**	**3,306**

Restricted cash of €3.3 million on 31 December 2013 was related to a €3 million bank guarantee issued in 2013 for the rental of the new premises in France which will expire on 30 June 2015, and €0.3 million rent deposit for premises in Mechelen, Belgium.

Restricted cash increased to €10.7 million for the year ended 31 December 2014. This increase is related to an escrow account containing part of the proceeds from the sale of the service division in 2014. The amounts on the escrow account will be released on 30 June 2015 if no claim is introduced by the buyer, Charles River Laboratories International, Inc. As at 31 December 2014, two claims have been introduced by Charles River Laboratories International, Inc and were fully accrued for on the balance sheet for a total amount of €0.1 million.

17. Inventory

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Raw materials and supplies (net)	281	249
Total inventory	**281**	**249**

Inventory only consists of raw materials and supplies.

18. Trade and other receivables and other current assets

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
Trade receivables	1,340	13,291
Prepayments	9	2,124
Other receivables	1,862	3,792
Trade and other receivables	**3,211**	**19,207**
Accrued income	3,242	4,271
Deferred charges	1,384	820
Other current assets	**4,625**	**5,091**
Total trade and other receivables & other current assets	**7,836**	**24,299**

The movements in 2014 presented in the table above resulted primarily from the sale of the service division.

The Group considers that the carrying amount of trade and other receivables approximates their fair value. The other current assets mainly include accrued income from subsidy projects and deferred charges.

19. Cash and cash equivalents

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
Bank balances	187,711	138,172
Cash at hand	1	4
Total cash and cash equivalents	**187,712**	**138,175**

The Group reported a cash position of €187.7 million at the end of December 2014 compared to €138.2 million at year-end 2013. The Group's operating activities reported use of €75.6 million of cash in 2014 while the investing activities brought €120.6 million of cash in-flow mainly due the proceeds from the sale of the service division (€130.8 million) and €4.2 million from the financing activities.

Cash and cash equivalents comprise cash in hand and short term bank deposits or short term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value. The Group's cash management strategy monitors and optimizes the Group's liquidity position. The Group's cash management strategy may allow short term deposits with an original maturity exceeding 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprise €50 million of term deposits with an original maturity longer than 3 months.

20. Share capital

The share capital of Galapagos NV, as included in the articles of association, reconciles to 'Share capital' on the balance sheet as follows:

	Year ended 31 December,	
(thousands of €)	2014	2013
On 1 January	**154,542**	**139,347**
Share capital increase	2,732	16,356
Costs of capital increase		(1,161)
Share capital on 31 December	**157,274**	**154,542**
Aggregate share capital	163,904	161,171
Costs of capital increase (accumulated)	(6,629)	(6,629)
Share capital on 31 December	**157,274**	**154,542**

Costs of capital increases are netted against the proceeds of capital increases, in accordance with IAS 32 Financial instruments: disclosure and presentation.

History of share capital

The history of share capital between 1 January 2013 and 31 December 2014 is as follows:

Date	Share capital increase new shares (in thousands of €)	Share capital increase warrants (in thousands of €)	Number of shares issued (in thousands of shares)	Aggregate number of shares after transaction (in thousands of shares)	Aggregate share capital after transaction (in thousands of €)
1 January 2013				**26,771**	**144,815**
5 April 2013		1,069	198		
29 April 2013	14,590		2,697		
1 July 2013		488	90		
21 October 2013		193	36		
6 December 2013		16	3		
31 December 2013				**29,794**	**161,171**
10 April 2014		1,649	305		
4 July 2014		982	182		
25 September 2014		66	12		
9 December 2014		35	7		
31 December 2014				**30,299**	**163,904**

On 1 January 2013, the share capital of Galapagos NV amounted to €144,815.6 thousand, represented by 26,770,747 shares. All shares were issued, fully paid up and of the same class.

On 5 April 2013, warrants were exercised at various exercise prices under Warrant Plan 2006 Belgium/The Netherlands, Warrant Plan 2006 UK, Warrant Plan 2007, Warrant Plan 2008, Warrant Plan 2008 (B), Warrant Plan 2009 and Warrant Plan 2009 (B). The exercise resulted in a share capital increase of €1,069 thousand (plus €113 thousand in issuance premium) and the issuance of 197,581 new shares.

On 29 April 2013, within the framework of the authorized capital and with cancellation of the preferential subscription rights, the Board of Directors of Galapagos NV decided to increase the share capital by €14,589.9 thousand (plus €39,346.8 thousand in issuance premium) by means of a private placement with institutional investors, resulting in the issuance of 2,696,831 new shares.

On 1 July 2013, warrants were exercised at various exercise prices under Warrant Plan 2002 Belgium, Warrant Plan 2005, Warrant Plan 2006 UK, Warrant Plan 2007 RMV, Warrant Plan 2008, Warrant Plan 2009 and Warrant Plan 2009 (B). The exercise resulted in a share capital increase of €487.7 thousand (plus €96.5 thousand in issuance premium) and the issuance of 90,143 new shares.

On 21 October 2013, warrants were exercised at various exercise prices under Warrant Plan 2002 Belgium, Warrant Plan 2005, Warrant Plan 2006 UK, Warrant Plan 2008, Warrant Plan 2009 and Warrant Plan 2009 (B). The exercise resulted in a share capital increase of €193.2 thousand (plus €49.6 thousand in issuance premium) and the issuance of 35,719 new shares.

On 6 December 2013, warrants were exercised at various exercise prices under Warrant Plan 2007 RMV and Warrant Plan 2009. The exercise resulted in a share capital increase of €16.3 thousand (plus €2.9 thousand in issuance premium) and the issuance of 3,025 new shares.

On 31 December 2013, the share capital amounted to €161,171.6 thousand, represented by 29,794,046 shares. All shares were issued, fully paid up and of the same class.

On 10 April 2014, warrants were exercised at various exercise prices under Warrant Plan 2002 Belgium, Warrant Plan 2005, Warrant Plan 2006 Belgium/The Netherlands, Warrant Plan 2006 UK, Warrant Plan 2007 RMV, Warrant Plan 2009, Warrant Plan 2009 (B), Warrant Plan 2010 and Warrant Plan 2010 (B). The exercise resulted in a share capital increase of €1,648.9 thousand (plus €732.3 thousand in issuance premium) and the issuance of 304,791 new ordinary shares.

On 4 July 2014, warrants were exercised at various exercise prices under Warrant Plan 2006 Belgium/ The Netherlands, Warrant Plan 2006 UK, Warrant Plan 2007 RMV, Warrant Plan 2008, Warrant Plan 2009, Warrant Plan 2010 and Warrant Plan 2010 (B). The exercise resulted in a share capital increase of €982.0 thousand (plus €880.3 thousand in issuance premium) and the issuance of 181,507 new ordinary shares.

On 25 September 2014, warrants were exercised at various exercise prices under Warrant Plan 2006 Belgium/The Netherlands, Warrant Plan 2006 UK and Warrant Plan 2010. The exercise resulted in a share capital increase of €66.3 thousand (plus €63.7 thousand in issuance premium) and the issuance of 12,260 new ordinary shares.

On 9 December 2014, warrants were exercised at various exercise prices under Warrant Plan 2005 and Warrant Plan 2006 Belgium/The Netherlands. The exercise resulted in a share capital increase of €35.3 thousand (plus €20.9 thousand in issuance premium) and the issuance of 6,525 new ordinary shares.

On 31 December 2014, the share capital amounted to €163,904.1 thousand, represented by 30,299,129 shares. All shares were issued, fully paid up and of the same class.

All of the share issuances listed above were for cash consideration.

Other information

	Ordinary shares	Total
Accounting par value of shares (€)	5.41	5.41

The Board of Directors is authorized for a period of five years starting from the date of the Shareholders' Meeting that granted the renewed authorization, being 23 May 2011, to increase the share capital of Galapagos NV within the framework of the authorized capital through contributions in kind or in cash, with limitation or cancellation of the shareholders' preferential rights. Said authorization can be renewed. The Board of Directors is currently not authorized to increase the share capital after notification by the FSMA (Financial Services and Markets Authority) of a public takeover bid on Galapagos NV's shares.

The authorized capital as approved by the Extraordinary General Shareholders' Meeting of 23 May 2011 amounted to €142,590.8 thousand. As of 31 December 2014, €24,763.8 thousand of the authorized capital was used, so that an amount of €117,826.9 thousand still remained available under the authorized capital.

21. Share premium

	Year ended 31 December,	
(thousands of €)	2014	2013
On 1 January	**112,484**	**72,876**
Increase as a result of private placement		39,346
Increase as a result of exercise of warrants	1,698	262
Share premium on 31 December	**114,182**	**112,484**

22. Other reserves

Actuarial gains or losses recognized through other comprehensive income

	Year ended 31 December,	
(thousands of €)	2014	2013
On 1 January	**47**	
Actuarial gains or losses (–) recognised through OCI	(267)	47
Other reserves on 31 December	**(220)**	**47**

The other reserves amount to a negative of €220 thousand (2013: €47 thousand) and relate to remeasurement of defined benefit obligation booked through OCI in line with IAS19R.

Derivative financial instruments: currency derivates

The Group does not actively use currency derivatives to hedge planned future cash flows. On the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are nil (2013: nil).

On 31 December 2014 the fair value of the Group's currency derivatives is estimated to be nil (2013: nil).

The Group does not designate its foreign currency denominated debt as a hedge instrument for the purpose of hedging the translation of its foreign operations.

See note 38 for further information on how the Group manages financial risks.

23. Translation differences

(thousands of €)	Year ended 31 December, 2014	2013
On 1 January	**170**	**994**
Translation differences, arisen from translating foreign activities	460	(824)
Translation differences, arisen from the sale of the service division	(1,787)	
Translation differences on 31 December	**(1,157)**	**170**

Translation differences decreased to a negative of €1.2 million at the end of December 2014 mainly due to the sale of the service division which reported positive translation differences of €2.0 million at the end of December 2013.

24. Deferred tax

(thousands of €)	Year ended 31 December, 2014	2013
Recognized deferred tax assets and liabilities		
Assets	**293**	**4,558**
Liabilities		**(2,192)**
Continuing operations		
Assets	293	
Liabilities		
Discontinued operations		
Assets		4,558
Liabilities		(2,192)
Deferred tax assets unrecognized	**104,484**	**105,529**
Continuing Operations	104,484	100,160
Discontinued Operations		5,369
Deferred taxes	**496**	**3,280**
Continuing operations	293	(676)
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	293	
Deferred tax expenses relating to write down of previously recognized deferred tax assets		(676)
Discontinued operations	203	3,956
Deferred tax expenses net relating to origination and reversal of temporary differences	203	427
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)		3,529

The notional interest deduction for an amount of €2.6 million (2013: €2.6 million) and the investment deduction of €1 million (2013: €1 million) could give rise to deferred tax assets. The amount of notional interest deduction that has been accumulated in the past can be carried forward for maximum seven years, the notional interest deduction of 2012 and following years will not be carried forward according to a change in the Belgian tax legislation. There is no limit in time for the investment deduction.

The consolidated unused tax losses carried forward at 31 December 2014 amounted to €315 million (2013: €329 million), €21.8 million were related to unrecognized tax losses with expiry date between 2015 and 2029.

The available statutory tax losses carried forward that can be offset against future statutory taxable profits amounted to €220 million on 31 December 2014. These statutory tax losses can be compensated with future statutory profits for an indefinite period except for an amount of €18 million in Switzerland, Croatia, the US and The Netherlands with expiry date between 2015 and 2029. On 31 December 2014, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €136 million.

For one subsidiary operating on a cost plus basis for the group a deferred tax asset was set up for an amount of €0.3 million in 2014 (2013: €0 million).

A deferred tax asset for tax losses carried forward, which are limited in time (three years), was reversed for the Croatian subsidiary for an amount of €0.7 million in 2013 because of the current year loss and forecasted losses in the near future due to the fact that the entity is in a transition period to go from an R&D subcontractor company to a fee-for-service company.

The deferred tax assets and liabilities recorded on the balance sheet at 31 December 2013 related to discontinued operations.

The Group has a history of losses. Excluding the impact of possible upfront or milestone payments to be received from collaborations, the Group forecasts to continue incurring taxable losses in the foreseeable future as it continues to invest in clinical and pre-clinical development programs and discovery platforms. Consequently, no deferred tax asset has been set up as at 31 December 2014, except for one subsidiary operating on a cost plus basis for the group for which a minor deferred tax asset was set up (of €0.3 million as explained above).

25. Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	Year ended 31 December,		Year ended 31 December,	
(thousands of €)	**2014**	2013	**2014**	2013
Amounts payable under finance lease				
Within one year	58	238	52	226
In the second to fifth years inclusive	121	237	115	167
After five years				
	179	**475**	**167**	**393**
Less future finance charges	12	82		
Present value of lease obligation	**167**	**393**		
Less amount due for settlement within 12 months			52	226
Amount due for settlement after 12 months			**115**	**167**

	Net book value		Acquisition cost	
	Year ended 31 December,		Year ended 31 December,	
(thousands of €)	**2014**	2013	**2014**	2013
Leased assets				
Installation & machinery	161	384	295	2,534
Total leased assets	**161**	**384**	**295**	**2,534**

The Group leases certain of its installation and machinery under finance leases. For the year ended 31 December 2014, the average borrowing rate was 6.27% (2013: 6.17%). The interest rates were fixed at the date of the contracts. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The decrease in leased assets in 2014 is mainly related to a finance lease of lab equipment in the Belgian entity which ended in 2014.

The fair value of the Group's lease obligations approximates their carrying value.

26. Trade and other payables

	Year ended 31 December,	
(thousands of €)	2014	2013
Trade payables	29,344	29,365
Other current liabilities	663	
Other non-current liabilities	923	2,462
Accrued charges	585	3,858
Deferred income	27,026	78,979
Total trade and other payables	**58,541**	**114,664**
Included in current liabilities	57,618	112,202
Included in non-current liabilities	923	2,462
Total trade and other payables	**58,541**	**114,664**

The Group's trade and other payables, amounting to €58.5 million as of 31 December 2014, decreased by €56.1 million compared to the €114.7 million reported as of 31 December 2013.

The trade payables amounting to €29.3 million as of 31 December 2014 remain stable compared to the €29.4 million at 31 December 2013.

The accrued charges show a decrease of €3.3 million compared to the ending balance on 31 December 2013 which can be fully explained by the sale of the service division.

Deferred income amounts to €27.0 million at 31 December 2014, which decreased by €52.0 million compared to 31 December 2013. This decrease can mainly be explained by revenues from non-refundable upfront payments recognized in the income statement for €45.8 million. For the year ended 31 December 2014, €15.0 million revenue was deferred for the filgotinib program for rheumatoid arthritis and Crohn's disease with AbbVie, and €11.4 million was deferred for the CF program with AbbVie. The remainder, being €0.6 million, was mainly composed of discounting effects on non-current R&D incentives receivables and deferred revenues from grants.

27. Provisions

(thousands of €)	Post-employment benefits (non-current)	Other provisions (non-current)	Restructuring provision (current)	Other provisions (current)	Total
On 31 December 2013	**7**	**660**	**81**		**747**
Additional provisions	7			73	80
Provisions utilized amounts		(3)	(50)		(53)
Sale of the service division		(604)			(604)
Translation differences		4	1		5
On 31 December 2014	**14**	**57**	**32**	**73**	**176**

The decrease in provisions in 2014 is mainly due to the sale of the service division (€0.6 million).

As of 31 December 2013, the non-current provision was mainly related to a dilapidation provision for facilities located in the U.K. of €0.6 million. The decrease of €0.1 million in the (current) restructuring provision in 2013 is related to utilized amounts related to the leased premises in Basel, Switzerland, which is credited to the income statement on line item Provisions within general and administrative expenses.

28. Operating lease obligations

The Group entered into lease agreements for office and laboratories which qualify as operating leases.

Minimum lease payments under operating leases recognized in the income statement for the year

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Continuing operations	3,676	4,059
Discontinued operations	643	2,433
Total minimum lease payments under operating leases	**4,319**	**6,492**

Regarding outstanding commitments for future minimum lease payments under operating leases, see off-balance sheet arrangements as explained in note 29 below.

29. Off-balance sheet arrangements

Contractual obligations and commitments

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

On 31 December 2014, the Group's continuing operations had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

	Payments due by period				
(thousands of €)	**Total**	Less than 1 year	1–3 years	3–5 years	More than 5 years
Operating lease obligations	35,030	3,759	8,517	5,931	16,823
Purchase commitments	36,052	28,992	7,060		
Total contractual obligations & commitments	**71,082**	**32,751**	**15,577**	**5,931**	**16,823**

30. Contingent assets and liabilities

The French entity has signed a lease agreement in October 2013 for new office premises in the "Parc Biocitech" in Romainville, France (with effect from 1 February 2015) to replace the current premises in Romainville. The agreement is entered into for a 12-year period. The net rent amounts to €1.4 million on an annual basis. Galapagos NV, as the parent company, has issued a guarantee on first demand for €2 million to lessor of the building. Additionally a bank guarantee, amounting to €3 million, was issued for the rental of the new premises. These guarantees entered into force upon signature of the lease agreement and will expire on 30 June 2015 after the move into the new facilities.

On 13 March 2014, the Group 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. Charles River agreed to pay Galapagos an immediate cash consideration of €129 million. Upon achievement of a revenue target 12 months after transaction closing, Galapagos will be eligible to receive an earn-out payment of €5 million. In addition, approximately 5% of the total price consideration, including price adjustments, is being held on an escrow account which will be released on 30 June 2015 if no claim has been introduced by the Buyer. Following the divestment, Galapagos remains guarantor for a limited transitional period in respect of the lease obligations for certain U.K. premises amounting to £40 million future rent payments. The Buyer will fully indemnify Galapagos NV against all liabilities arising in connection with the lease obligation. Galapagos evaluated the risk to be remote. Finally, following common practice, Galapagos NV has given customary representations and warranties which are capped and limited in time.

In the course of 2008, a former director of one of the subsidiaries sued for wrongful termination and seeks damages of €1.1 million. The Group believes that the amount of damages claimed is unrealistically high. In 2014, the court requested an external advisor to evaluate the exact amount of damages. This analysis is still ongoing. Considering the defense elements provided in favor of Galapagos and also the latest evolution in the court, the Board and management evaluated the risk to be remote to possible, but not likely. Accordingly, it was decided not to record any provision in 2014 as the exposure is considered to be limited.

31. Retirement benefit plans

Defined contribution plans

The Group operates defined contribution systems for all of its qualifying employees. The assets of the schemes are held separately from those of the Group in designated pension plans. For defined contribution systems, the Group pays contributions to publicly or privately administered pension- or insurance funds. Once the contribution is paid, the Group does not have any remaining obligation.

The personnel of the Group in Belgium participate in a defined contribution plan (extra-legal pension). The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25% on employer contributions and 3.75% on employee contributions. These rates, which apply as an average over the entire career, may be modified by Royal Decree in which case the new rate(s) apply to both the accumulated past contributions and the future contributions as from the date of modification. Therefore, those plans were basically accounted for as defined contribution plans.

As at 31 December 2014 no net liability was recognised (2013: nil) in the balance sheet as the difference between the minimum guaranteed reserves and the actual accumulated reserves is not deemed material.

The contributions for those plans that were due by the employer for 2014 and 2013 amounted to respectively €465.6 thousand and €367.9 thousand, of which €32.9 thousand was paid after 31 December 2014 (2013: €33.9 thousand). No contributions were made by the employees.

The plan assets as at 31 December 2014 consisted of €886.4 thousand individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 3.0%, and €0.2 thousand reserves in collective financing funds.

Similar pension schemes apply to the Group's entities in other countries. The amounts due by the Group's continuing operations to these pension plans in 2014 were €1.5 million in total (2013: €1.3 million). The amounts due by the Group's discontinued operations to these pension plans in 2013 were €3.0 million in total.

Defined benefit plans

The Group uses two defined benefit plans for France. The defined benefit plans are not supported by funds.

The Chemical and Pharmaceutical Industry's collective bargaining agreements require that the French entity pays a retirement allowance depending on the seniority of the employees at the moment they retire. The benefit obligations for these retirement allowances amounted to €1,622.3 thousand for 2014 (2013: €1,207.2 thousand). This increase is mainly due to changed actuarial assumptions (decrease of discount rate from 3.00% to 1.75%).

Additionally, there are also seniority premiums paid in France. The provisions for these premiums amounted to €1,242.9 thousand in 2014 (2013: €981.8 thousand).

Total obligation included in the balance sheet related to the defined benefit plans amounts to €2,865.2 thousand for the year ended 31 December 2014 (2013: €2,189.0 thousand).

Actuarial gains and losses are recognized immediately on the balance sheet, with a charge or credit to other comprehensive income (OCI), in accordance with IAS 19R. They are not recycled subsequently. Actuarial losses of €266.6 thousand have been booked through other comprehensive income (OCI) at the end of 2014 (2013: €46.6 thousand of actuarial gains).

Obligations included in the balance sheet

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
Present value of funded defined benefit obligation	2,865	2,189
Fair value of plan assets		
Shortage	2,865	2,189
Liability included in the balance sheet	**2,865**	**2,189**

The present value of the gross obligation developed as follows:

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
Opening balance	2,189	2,035
Current service cost	228	228
Interest cost	65	60
Benefits paid	(48)	(51)
Actuarial gains (–) or losses due to experience adjustments	82	(89)
Actuarial losses due to experience adjustments related to new financial assumptions	347	
Actuarial gains (–) or losses due to experience adjustments related to new demographic assumptions	3	5
Closing balance	**2,865**	**2,189**

Amounts recognized in profit or loss for defined benefit plans are as follows:

	Year ended 31 December,	
(thousands of €)	**2014**	2013
Current service cost	228	228
Interest cost	65	60
Revaluations of net liability / net asset	165	(37)
Total expense	**457**	**251**

Obligation included in the balance sheet reconciles as follows:

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
Opening balance	2,189	2,035
Total expense recognized in the income statement	457	251
Remeasurement on the net defined benefit liability	267	(47)
Benefits paid	(48)	(51)
Closing balance	**2,865**	**2,189**

The most important actuarial assumptions are:

	Year ended 31 December,	
(%)	**2014**	2013
Discount rate	1.75	3.00
Expected salary increase	2.25	2.50

Sensitivity analysis on discount rate: effect on obligation

	Year ended 31 December,
Obligation (thousands of €)	**2014**
Discount rate 1.25%	3,068
Discount rate 1.50%	2,964
Discount rate 1.75%	2,865
Discount rate 2.00%	2,772
Discount rate 2.25%	2,682

Sensitivity analysis on discount rate: effect on obligation

	Year ended 31 December,
Obligation (thousands of €)	**2013**
Discount rate 2.50%	2,337
Discount rate 2.75%	2,261
Discount rate 3.00%	2,189
Discount rate 3.25%	2,120
Discount rate 3.50%	2,055

32. Warrant plans

Presented below is a summary of warrant plans activities for the reported periods. Various warrant plans were approved for the benefit of employees of the Group, Directors and independent consultants of Galapagos NV. For warrant plans issued prior to 2011, the warrants offered to the employees and independent consultants vest according to the following schedule: 10% of the warrants vest on the date of the grant; an additional 10% vest at the first anniversary of the grant; an additional 20% vest at the second anniversary of the grant; an additional 20% vest at the third anniversary of the grant; and an additional 40% vest at the end of the third calendar year following the grant. The warrants granted under warrant plans created from 2011 onwards vest at the end of the third calendar year following the year of the grant, with no intermediate vesting. The warrants offered to Directors vest over a period of 36 months at a rate of 1/36th per month. Warrants cannot be exercised before the end of the third calendar year following the year of the grant. Pursuant to a resolution adopted at the Extraordinary Shareholders' Meeting held on 23 May 2011, a provision has been incorporated in the warrant plans, which provides that in the event of a change of control of the Group, all outstanding warrants vest immediately and will be immediately exercisable.

After the reverse 4:1 share split approved by the Shareholders' Meeting held on 29 March 2005, four warrants under Warrant Plan 2002 Belgium entitle the warrant holder to subscribe for one ordinary share. For the warrant plans created from 2005 onwards, one warrant entitles the warrant holder to subscribe for one ordinary share. In the summaries and tables below, the numbers of warrants issued under Warrant Plan 2002 Belgium are divided by four to avoid a mixture of rights.

The table below sets forth a summary of warrants outstanding and exercisable at December 31, 2014, per warrant plan:

Warrants	Allocation date	Expiry date	Exercise price (€)	Outstanding per 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding per 31 December 2014	Exercisable per 31 December 2014
2002 B	09.07.2004	08.07.2017	4	31,250					31,250	31,250
2002 B	31.01.2005	30.01.2017	6.76	47,500		2,500			45,000	45,000
2005	04.07.2005	03.07.2018	6.91	145,000		14,000			131,000	131,000
2005	23.11.2005	22.11.2018	8.35	32,500					32,500	32,500
2005	15.12.2005	14.12.2018	8.6	12,500					12,500	12,500
2005	22.11.2006	21.11.2019	8.65	1,050		525			525	525
2006 BNL	13.02.2006	12.02.2019	8.61	46,470		11,372			35,098	35,098
2006 BNL	22.11.2006	21.11.2019	8.65	6,000		6,000			0	0
2006 BNL	04.05.2007	03.05.2020	9.22	7,500					7,500	7,500
2006 BNL	28.06.2007	27.06.2020	8.65	735					735	735
2006 BNL	21.12.2007	20.12.2020	7.12	2,100					2,100	2,100
2006 UK	01.06.2006	31.05.2014	8.7	3,748		3,748			0	0
2006 UK	22.11.2006	21.11.2014	8.65	735		735			0	0
2006 UK	28.06.2007	27.06.2015	8.43	6,000		6,000			0	0
2007	28.06.2007	27.06.2015	8.65	108,126					108,126	108,126
2007	28.06.2007	27.06.2020	8.65	104,644					104,644	104,644
2007 RMV	25.10.2007	24.10.2020	8.65	50,400		1,050			49,350	49,350
2008	26.06.2008	25.06.2021	5.6	136,140		5,525			130,615	130,615
2009	01.04.2009	31.03.2017	5.87	278,500		120,250			158,250	158,250
2009 B	02.06.2009	01.06.2014	7.09	42,540		42,540			0	0
2009 B	02.06.2009	01.06.2017	7.09	75,000		75,000			0	0
2010	27.04.2010	26.04.2018	11.55	456,750		210,750			246,000	246,000
2010 B	27.04.2010	26.04.2015	11.55	190,108		5,088			185,020	185,020
2010 C	23.12.2010	26.04.2018	11.74	75,000					75,000	75,000
2011	23.05.2011	22.05.2019	9.95	536,500			54,000		482,500	
2011 B	23.05.2011	22.05.2016	9.95	127,750					127,750	
2012	03.09.2012	02.09.2020	14.19	435,490			60,000		375,490	
2013	16.05.2013	15.05.2021	19.38	592,040			138,800		453,240	
2013 B	18.09.2013	17.09.2021	15.18	75,000					75,000	
2014	25.07.2014	24.07.2022	14.54		571,660				571,660	
2014B	14.10.2014	13.10.2022	11.93		150,000				150,000	
Total				**3,627,076**	**721,660**	**505,083**	**252,800**		**3,590,853**	**1,355,213**

	Warrants	Weighted average exercise price (€)
Outstanding on 31 December 2012	**3,347,709**	**9.51**
Exercisable on 31 December 2012	844,181	
Granted during the period	677,790	
Forfeited during the year	(71,010)	
Exercised during the period	(326,468)	
Expired during the year	(945)	
Outstanding on 31 December 2013	**3,627,076**	**11.50**
Exercisable on 31 December 2013	1,138,438	
Granted during the period	721,660	
Forfeited during the year	(252,800)	
Exercised during the period	(505,083)	
Expired during the year		
Outstanding on 31 December 2014	**3,590,853**	**12.06**
Exercisable on 31 December 2014	1,355,213	

The table below sets forth the inputs into the valuation of the warrants.

Belgian Plans

	2014	**2014**	2013	2013
	14 Oct	**25 Jul**	16 May	18 Sep
Exercise price (€)	11.93	14.54	19.38	15.18
Current share price (€)	10.95	14.38	17.74	14.87
Fair value on the grant date (€)	4.35	6.14	7.75	6.80
Estimated volatility (%)	38.03	38.76	38.76	38.76
Time to expiration (years)	8	8	8	8
Risk free rate (%)	0.58	0.58	1.99	1.99
Expected dividends	None	None	None	None

The exercise price of the warrants is determined pursuant to the applicable provisions of the Belgian Companies Code .

The estimated volatility is calculated on the basis of the historical volatility of the share price over the expected life of the warrants, validated by reference to the volatility of a representative biotech index.

The time to expiration of the warrant is calculated as the estimated duration until exercise, taking into account the specific features of the plans.

The warrants have been accounted for in accordance with International Financial Reporting Standard 2 on Share Based Payments. IFRS 2 takes effect for all warrants offered after 7 November 2002.

Warrants expense of the Group in 2014 amounted to €2,952 thousand (2013: €2,742 thousand).

The following table provides an overview of the outstanding warrants per category of warrant holders at 31 December 2014.

Category

	Year ended 31 December,	
(in number of warrants)	**2014**	**2013**
Non-executive directors	199,070	192,350
Executive team	1,445,000	1,382,500
Other	1,946,783	2,052,226
Total warrants outstanding	**3,590,853**	**3,627,076**

The outstanding warrants at the end of the accounting period have an average exercise price of €12.06 (2013: €11.50) and a weighted average remaining expected life of 1,639 days (2013: 1,628 days).

33. Related parties

Intercompany transactions between Galapagos NV and its subsidiaries, and amongst the subsidiaries, have been eliminated in the consolidation and are not disclosed in this note.

Trading transactions

In 2014 and 2013, Galapagos NV and its affiliates had no trading transactions with parties that are considered as related parties as defined in IAS24.

Potential conflicts of interest between the Company and its directors

Pursuant to a power of attorney granted by the Shareholders' Meeting held on 29 April 2014, the Board, upon recommendation of the Nomination and Remuneration Committee, allocated the aggregate annual remuneration for all Directors (other than Dr. Parekh and the CEO) for the exercise of their mandate as a Director of Galapagos NV in 2014, amounting in total to maximum €200 thousand (plus expenses) as follows: (a) remuneration for non-executive Directors who do not represent a shareholder (Dr. Van Barlingen and Mr. Rowe): €20 thousand; (b) remuneration for non-EU-based directors (who do not represent a shareholder) and/or for Directors who actively and on a regular basis provide independent clinical, scientific and/or transactional advice to the Board of Directors (Dr. Cautreels, Dr. Sato and Ms. Bosley): €40 thousand; and (c) additional remuneration for the Chairman of the Audit Committee (Dr. Cautreels): €5 thousand. The aforementioned amounts are identical to the remuneration of the Directors for the exercise of their mandate during the previous years. Dr. Parekh, the Chairman of the Board, is compensated through a consultancy agreement only (see note 34).

There are no loans between Galapagos NV and the members of its Board of Directors or its Executive Committee.

The remuneration of key management (including the CEO) is set out in note 34.

In 2014 (as in 2013), there were no arrangements or understandings with major shareholders pursuant to which a representative of such shareholder became a member of the Board of Directors or the Executive Committee of the Group.

In 2014, a total of 119,260 warrants were issued to the Directors, of which 100,000 for the CEO; these warrants were issued by the Board of Directors within the framework of the authorized capital, in accordance with the resolution of the Shareholders' Meeting of 29 April 2014. In 2013, the total number of warrants issued to Directors was 124,240 (of which 100,000 for the CEO);

these warrants were issued by the Board of Directors within the framework of the authorized capital, in accordance with the resolution of the Shareholders' Meeting of 30 April 2013.

34. Remuneration of key management personnel

On 31 December 2014, the Executive Committee comprised four members: Mr. Onno van de Stolpe, Dr. Andre Hoekema, Dr. Piet Wigerinck and Mr. Bart Filius. In the course of 2014, two individuals ceased to be members of the Executive Committee: Mr. David Smith, with effect from 1 April 2014, and Mr. Guillaume Jetten, with effect from 1 May 2014. The remuneration package of the members of the Executive Committee who were in function in the course of 2014 comprises:

	Year ended 31 December,	
Thousands of € (except for the number of warrants)	**2014**	2013
Short-term employee benefits (*)	1,506	2,450
Post-employment benefits	184	135
Total benefits excluding warrants	**1,690**	**2,585**
Number of warrants offered in the year	330,000	265,000

(*) includes: salaries, employer social security contributions, other short term benefits.

The above table includes the normal payments for compensation and benefits made to Mr. Smith and Mr. Jetten up to the respective date of cessation of their mandate as Executive Committee member. In addition, upon termination of his employment, Mr. Jetten received a total payment of €574.4 thousand.

The members of the Executive Committee provide their services for the Group on a full-time basis. Their remuneration includes all costs for the Group, including retirement contributions.

The 330,000 warrants offered in 2014 to the members of the Executive Committee were offered under Warrant Plan 2014, with the exception of the warrants offered to Mr. Filius (150,000 warrants), which were offered under Warrant Plan 2014 (B).

The retirement benefits to the members of the Executive Committee are part of the retirement benefit scheme to which all qualified personnel are entitled; the contributions are paid as a percentage of the gross annual salary.

The Executive Committee members, together with other senior managers, are eligible to receive bonuses under the Senior Management Bonus Scheme established in 2006. Pursuant to the rules of the Senior Management Bonus Scheme, 50% of the bonus is paid immediately around year-end and the payment of the remaining 50% is deferred for three years. The deferred 50% component is dependent on the Galapagos share price change relative to the Next Biotech Index (which tracks the Company's peers). The Galapagos share price and Index at the start and end of the 3-year period is calculated by the average price over the preceding and last month of the 3-year period, respectively.

- If the Galapagos share price change is better than or equal to the change in the Next Biotech Index, the deferred bonus will be adjusted by the share price increase/decrease and paid out.
- If the Galapagos share price change is up to 10% worse than the change in the Next Biotech Index, 50% of the deferred bonus will be adjusted by the share price increase/decrease and paid out, and the remainder will be forfeited.
- If the Galapagos share price change is more than 10% worse than the change in the Next Biotech Index the deferred bonus will be forfeited.

To be entitled to any deferred payment under the bonus scheme, the beneficiary must still be in the Group's employ.

The six members of the Executive Committee (including the CEO) who were in function in the course of 2014 were paid an aggregate amount of €1,151.6 thousand in remuneration and received an aggregate amount of €268.6 thousand in bonuses. The aggregate bonus amount was composed of 2 parts: (i) an aggregate bonus of €234 thousand, being 50% of the bonus for performance over 2014 (paid in early January 2015), with the other 50% being deferred for 3 years, (ii) an aggregate amount of €34.6 thousand as an exceptional special bonus granted to Mr. Smith in connection with his instrumental role in the divestment of the Group's services division. No performance bonus was awarded for the year 2011, as three out of five of the corporate objectives for 2011 were not achieved. Therefore, no deferred part of the bonus for the year 2011 was paid out in 2014.

The five members of the Executive Committee (including the CEO) who were in function in the course of 2013 were paid an aggregate amount of €1,467.5 thousand in remunerations and received an aggregate amount of €841.9 thousand in bonuses. The aggregate bonus amount was composed of 2 parts: (i) an aggregate bonus of €377.9 thousand, being 50% of the bonus for performance over 2013 (paid in early January 2014), with the other 50% being deferred for 3 years; and (ii) an aggregate amount of €464.1 thousand paid in early January 2014 as the 50% deferred part of the bonus over 2010; this deferred part was established at the end of 2013 using a multiple of 1.205 of the deferred part of the 2010 bonus, as a result of the share price performance over the period 2010-2013.

Other components of the remuneration of the Executive Committee members included contributions to the Group's pension and health insurance schemes, company cars and certain fringe benefits of non-material value.

Only the CEO is a member of both the Executive Committee and the Board of Directors. The CEO does not receive any special remuneration for his Board membership, as this is part of his total remuneration package in his capacity as member of the Executive Committee.

No loans, quasi-loans or other guarantees were given to members of the Board and of the Executive Committee.

Transactions with non-executive directors

In connection with the compensation of Directors, the annual Shareholders' Meeting of 29 April 2014 resolved to establish the total maximum amount of the annual remuneration for all Directors together (excluding Dr. Parekh and the CEO) for the exercise of their mandate as a Director of Galapagos NV, on an aggregate basis, at €200 thousand (plus expenses). The same annual Shareholders' Meeting granted a power of attorney to the Board to determine the remuneration of the individual Board members within the limits of said aggregate amount. Pursuant to this power of attorney, the Board determined, upon recommendation of the Nomination and Remuneration Committee, the allocation of the aggregate annual remuneration for Directors as follows: (a) remuneration for non-executive Directors who do not represent a shareholder (Dr. Van Barlingen and Mr. Rowe): €20 thousand; (b) remuneration for non-EU-based Directors (who do not represent a shareholder) and/or for Directors who actively and on a regular basis provide independent clinical, scientific and/or transactional advice to the Board of Directors (Dr. Cautreels, Dr. Sato and Ms. Bosley): €40 thousand; (c) additional remuneration for the Chairman of the Audit Committee (Dr. Cautreels): €5 thousand. The aforementioned levels of remuneration are a continuation of the fees as paid in previous years.

In 2014, a total amount of €145 thousand was paid to the independent Directors as Board fees (2013: €137 thousand) and €17 thousand as expenses (2013: €26 thousand).

In 2014 an aggregate amount of €20 thousand in Board fees was paid to the Directors who are not independent Directors and who do not represent a shareholder (2013: €20 thousand) and €6 thousand as expenses (they did not claim reimbursement of expenses in 2013).

In case a Director attends less than 75% of the meetings of the Board of Directors, the annual compensation set out above shall be reduced pro rata the absence score of such director. This rule did not require implementation in 2014 or 2013.

Directors who represent a shareholder on the Board of Directors will only receive reimbursement for the expenses they incur for attending meetings of the Board of Directors and no other compensation or fees for their Board membership. There were no such directors in 2014 or 2013.

As of 1 August 2005, the Chairman of the Board, Dr. Parekh, receives an annual consulting fee of £50 thousand as compensation for his specific assignment to assist the Group in strategic positioning, financing and acquisitions, including, amongst others, the evaluation of several alternative corporate transactions, including potential company and compound acquisitions, as well as strategic alliance opportunities. Dr. Parekh does not receive other cash compensation from the Group, except for cash reimbursement of incurred expenses.

In 2014, 11,340 warrants were granted to independent Directors (2013: 16,320) and 7,920 warrants were granted to the other non-executive Directors (2013: 7,920).

35. Consolidated companies as of 31 December 2014

Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2014 vs 2013)
Continuing operations			
BioFocus DPI AG	Switzerland	100%	
BioFocus DPI LLC	United States	100%	
BioFocus, Inc.	United States	100%	
Discovery Partners International GmbH	Germany	100%	
Galapagos B.V.	The Netherlands	100%	
Galapagos NV	Belgium	parent company	
Fidelta d.o.o.	Croatia	100%	
Galapagos SASU	France	100%	
Inpharmatica Ltd.	United Kingdom	100%	
Xenometrix, Inc.	United States	100%	
Discontinued operations *			
Argenta Discovery 2009 Ltd.	United Kingdom	0%	(100%)
BioFocus DPI (Holdings) Ltd.	United Kingdom	0%	(100%)
BioFocus DPI Ltd.	United Kingdom	0%	(100%)
Cangenix Ltd.	United Kingdom	0%	(100%)

* On 1 April, 2014 these entities were sold to Charles River.

36. Company acquistions and disposals

Company disposals: sale of service division

On 1 April 2014, the Group sold its service division—comprising all service operations of BioFocus and Argenta in the UK and The Netherlands—to Charles River Laboratories International, Inc.. In particular, the Group disposed of following companies which were previously fully consolidated: BioFocus DPI (Holdings) Ltd. and BioFocus DPI Ltd. (Saffron Walden, UK), Argenta Discovery 2009 Ltd. (Harlow, UK) and its subsidiary Cangenix Ltd. (Canterbury, UK). In addition, also certain assets from Galapagos B.V. (Leiden, The Netherlands) have been acquired by Charles River Laboratories International, Inc..

(thousands of €)	1 April, 2014
Consideration received in cash and cash equivalents	137,760
Correction on consideration still to settle	(650)
Total consideration	**137,110**

(thousands of €)	1 April, 2014
Cash	6,115
Trade and other receivables	18,165
Current assets	**24,280**
Goodwill	39,246
Fixed assets	13,397
Deferred tax assets	4,588
Non-current assets	**57,231**
Trade payables	(2,569)
Other payables	(5,263)
Current liabilities	**(7,832)**
Provisions	(604)
Deferred tax liabilities	(1,996)
Other non-current liabilities	(549)
Non-current liabilities	**(3,149)**
Net assets disposed of	**70,531**

(thousands of €)	1 April, 2014
Total consideration	137,110
Net assets disposed of	(70,531)
Effect from Cumulative Translation Adjustments reclassified from equity	1,787
Costs associated to sale	(858)
Gain on disposal	**67,508**

The gain on the sale is included in the income from discontinued operations for the year ended 31 December 2014.

(thousands of €)	1 April, 2014
Consideration received in cash and cash equivalents	137,760
Less: cash and cash equivalent balances disposed	(6,115)
Total consideration received	**131,645**
Costs associated to sale	(858)
Cash in from disposal of subsidiaries, net of cash disposed	**130,787**

Company acquisitions

On 4 January 2013 Galapagos acquired Cangenix Ltd. which is located in Canterbury, UK. Cangenix is a structure-based drug discovery company and has been added to the Argenta service offering. It was formed in 2011 by scientists from the Structural Biology and Biophysics group at Pfizer Sandwich, UK. Recognized as experts in the field, the Cangenix team brings over 70 years of combined experience in the application of protein crystallography and biophysical techniques to drug discovery. Cangenix contributed €1.3 million of revenues for the period between the date of acquisition and 31 December 2013. In the 9 months reference period prior to the date of acquisition, Cangenix reported €0.7 million of revenues. The consideration paid for Cangenix in the course of 2013 amounted to €1.2 million, including €0.1 million of cash and cash equivalents acquired. A deferred consideration of €0.5 million has been recognized on the balance sheet and is payable after two years upon achievement of certain conditions. The goodwill arising on the acquisition of Cangenix Ltd. amounts to €1.6 million.

Condensed balance sheet Cangenix at acquisition date

(thousands of €)	4 January 2013
Fixed assets	100
Work in progress	7
Debtors and prepayments	134
Cash	84
Total assets	**325**
Equity	207
Trade payables and advances received	67
Accrued charges and other liabilities	51
Total Equity and liabilities	**325**
Net assets	207
Goodwill	1,572
Total consideration	**1,779**
Deferred consideration	(543)
Cash consideration on acquisition	**1,236**
Cash and cash equivalents acquired	(84)
Cash consideration, net of cash acquired	**1,152**

As part of the sale of the services division, Cangenix was sold on 1 April 2014 and presented under discontinued operations.

37. Critical accounting estimates and judgments

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

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

Drafting financial statements in accordance with IFRS requires management to make judgments and estimates and to use assumptions that 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.

The following are the Group's critical judgments and estimates that the Group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements presented elsewhere in this annual report.

Recognition of clinical trial expenses

The Group recognizes expenses incurred in carrying out clinical trials during the course of each clinical trial in line with the state of completion of each trial. This involves the calculation of clinical trial accruals at each period end to account for incurred expenses. This requires estimation of the expected full cost to complete the trial as well as the current stage of trial completion.

Clinical trials usually take place over extended time periods and typically involve a set-up phase, a recruitment phase and a completion phase which ends upon the receipt of a final report containing full statistical analysis of trial results. Accruals are prepared separately for each clinical trial in progress and take into consideration the stage of completion of each trial including the number of patients that have entered the trial and whether the final report has been received. In all cases, the full cost of each trial is expensed by the time the final report is received. There have not been any material adjustments to estimates based on the actual costs incurred for each period presented.

Revenue recognition

Evaluating the criteria for revenue recognition with respect to the Group's research and development and collaboration agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. In particular, such judgments are made with respect to determination of the nature of transactions, whether simultaneous transactions shall be considered as one or more revenue-generating transactions, allocation of the contractual price (upfront and milestone payments in connection with a collaboration agreement) to several elements included in an agreement, and the determination of whether the significant risks and rewards have been transferred to the buyer. Collaboration agreements are reviewed carefully to understand the nature of risks and rewards of the arrangement. All of the Group's revenue-generating transactions have been subject to such evaluation by management.

Share-based payments plans

The Group determines the costs of the share-based payments plans (warrant plans) on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, by which the characteristics of the grant have a decisive influence. This assumes also the input into the valuation model of some relevant judgments, like the estimated expected life of the warrant and the volatility. The judgments made and the model used are further specified in note 32.

Pension obligations

The cost of a defined pension arrangement is determined based on actuarial valuations. An actuarial valuation assumes the estimation of discount rates, estimated returns on assets, future salary increases, mortality figures and future pension increases. Because of the long term nature of these pension plans, the valuation of these is subject to important uncertainties. See note 31 for additional details.

Impairment of goodwill

Changes in management assumptions on profit margin and growth rates used for cash flow predictions could have an important impact on the results of the Group. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Considering that the consideration received for the sale of the service division is much higher than its net assets value, such estimation of the value in use is no longer necessary at the end of 2013.

Corporate income taxes

Significant judgment is required in determining the use of tax loss carry forwards. Deferred tax assets arising from unused tax losses or tax credits are only recognized to the extent that there are sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized. Management's judgment is that such convincing evidence is currently not sufficiently available except for one subsidiary operating intercompany on a cost plus basis and as such only a minor deferred tax asset is therefore recognized. As of 31 December 2014, the Group had a total of approximately €220 million of statutory tax losses carried forward which can be compensated with future taxable statutory profits for an indefinite period except for an amount of €18 million in Switzerland, Croatia, the United States and The Netherlands with expiry date between 2015 and 2029. As of 31 December 2014, the available tax losses carried forward in Belgium amounted to €136 million.

38. Financial risk management

See "Risk factors" for additional details on general risk factors.

Financial risk factors

The financial risks of the Group are managed centrally. The finance department of Galapagos coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning the activities of the Group. These relate to the credit risk, liquidity risk and currency risk. There are no other important risks, such as or interest rate risk, because the Group has nearly no financial debt and has a strong cash position. The Group does not buy or trade financial instruments for speculative purposes.

Categories of material financial assets and liabilities:

	Year ended 31 December,	
(thousands of €)	2014	2013
Financial assets		
Cash at bank and in hand	187,712	138,175
Restricted cash (current and non-current)	10,728	3,306
Trade receivables	1,340	13,291
R&D incentives receivables (current and non-current)	51,296	49,972
Other amounts receivable	1,862	3,792
Total financial assets	**252,937**	**208,536**
Financial liabilities		
Trade payables	30,007	29,365
Other non-current liabilities	923	2,462
Leasing debts	167	393
Tax payable	2,582	50
Total financial liabilities	**33,679**	**32,270**

Liquidity risk

The Group's consolidated balance sheet shows an amount of €63.9 million as incurred losses at the end of 2014. Management forecasts the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group has no credit lines. Such forecasting is based on realistic assumptions with regards to milestone and upfront payments to be received, taking into account the Group's past track record, including the assumption that not all new projects that are being planned will be realized.

Credit risk

The term "credit risk" refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The trade receivables consist of a limited amount of creditworthy customers, many of which are large pharmaceutical companies, spread over different geographical areas. To limit the risk of financial losses, the Group has developed a policy of only dealing with creditworthy counterparties.

Galapagos grants credit to its clients in the framework of its normal business activities. Usually, the Group requires no pledge or other collateral to cover the amounts due. Management continuously evaluates the client portfolio for creditworthiness. All receivables are considered collectable, except for these for which a provision for doubtful debtors has been established.

Aging balance of receivables that are due, but that are still considered collectable

	Year ended 31 December,	
(thousands of €)	**2014**	**2013**
60–90 days	17	1,034
90–120 days		
more than 120 days	45	

The Group's cash and cash equivalents are invested primarily in saving and deposit accounts. Saving and deposit accounts generate a small amount of interest income. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted at the beginning of the term.

Interest rate risk

The Group is not currently exposed to significant interest rate risk. The only variable interest-bearing financial asset is cash at banks. The effect of an increase or decrease in interest rates would only have an immaterial effect in profit or loss.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures. The Group's functional currency is euro, but the Group receives payments from its main business partner AbbVie in U.S. dollar and acquires some consumables and materials in U.S. dollars, Swiss Francs, GB Pounds and Croatian Kuna.

To limit this risk, the Group attempts to align incoming and outgoing cash flows in currencies other than EUR. In addition, contracts closed by the different entities of the Group are mainly in the functional currencies of that entity, except for the alliance agreements signed with AbbVie for which payments are denominated in U.S. dollars.

In order to further reduce this risk, Galapagos implemented a netting system within the Group in the course of 2012, which restrains intra-group payments between entities with a different functional currency.

The exchange rate risk in case of a 10% change in the exchange rate amounts to:

	Year ended 31 December,	
(thousands of €)	2014	2013
Net book value		
Euros – US Dollars	589	521
Euros – GB Pounds	138	185
Euros – CH Francs	181	163
Euros – HR Kunas	215	798
CH Francs – GB Pounds		1
HR Kunas – GB Pounds		31
US Dollars – GB Pounds	807	708

The magnitude of the amounts for the year ended 31 December 2014 decreased mainly in the conversion Euros—HR Kunas.

Capital risk factors

The Group manages its capital to safeguard that the Group will be able to continue as a going concern. At the same time, the Group wants to ensure the return to its shareholders through the results from its research and development activities.

The capital structure of the Group consists of cash at bank and in hand and cash equivalents, financial debt (which currently the Group barely has: as of 31 December 2014, the Group has no financial debt other than finance leases and advances from Oseo, a French public organization for innovation support, for €1.2 million), and equity attributed to the holders of equity instruments of Galapagos, such as capital, reserves and results carried forward, as mentioned in the consolidated statement of changes in equity.

The Group manages its capital structure and makes the necessary adjustments in the light of changes of economic circumstances, the risk characteristics of underlying assets and the projected cash needs of the current research and development activities.

The adequacy of the capital structure will depend on many factors, including scientific progress in the research and development programs, the magnitude of those programs, the commitments to existing and new clinical CROs, the ability to establish new alliance or collaboration agreements, the capital expenditures, market developments and any future acquisition.

Neither Galapagos NV nor any of its subsidiaries are subject to any externally imposed capital requirements, other than those imposed by generally applicable company law requirements.

39. Auditor's remuneration

The Auditor's fees for carrying out his mandate on the level of the Group headed by Galapagos NV amounted to €80.0 thousand in 2014 (2013: €94.4 thousand). The fees for audit related services executed by the Auditor, in particular other assurance engagements, amounted to €117.3 thousand in 2014 (2013: €20.9 thousand). Fees for persons related to the Auditor for carrying out an auditor's mandate on the level of the group headed by Galapagos NV amounted to €40.8 thousand in 2014 (2013: €105.7 thousand). The fees paid in 2014 for non-audit services executed in this Group by persons related to the auditor for tax and advisory services amounted to €9.8 thousand (2013: €22.5 thousand). The Audit Committee and the Board of Directors are of the opinion that these non-audit services do not affect the independence of the Auditor in the performance of his audit. The abovementioned additional fees were approved by the Audit Committee.

40. Events after balance sheet date

On 12 March 2015, Janssen Pharmaceutica and Galapagos NV terminated their research alliance and option agreements to develop and commercialize compounds for the treatment of inflammation initially focusing on RA. All rights to the candidate drugs developed under these agreements are returned to Galapagos.

The consolidated financial statements of Galapagos were approved by the Board of Directors and authorized for issue, on 26 March 2015. They were signed on its behalf by:

(signed)

Onno van de Stolpe
Managing Director and CEO
26 March 2015

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of income and comprehensive income, the consolidated statements of financial position, the consolidated cash flow statements and the consolidated statements of changes in equity for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Galapagos NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.
The consolidated statement of financial position shows total assets of 270 467 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended of 33 211 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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 group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Galapagos NV give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.
As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 27 March 2015
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Gert Vanhees