Financial statements

Consolidated and non-consolidated financial statements for 2016

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VP Alliance Management

Consolidated financial statements

Consolidated statements of income and comprehensive income

Consolidated income statement

	Year ended 31 December		
(thousands of €, except share and per share data)	2016	2015	Notes
Revenues	129,519	39,563	5
Other income	22,093	21,017	5
Total revenues and other income	**151,612**	**60,579**	
Research and development expenditure	(139,573)	(129,714)	6
General and administrative expenses	(21,744)	(19,127)	6
Sales and marketing expenses	(1,785)	(1,182)	6
Total operating expenses	**(163,103)**	**(150,023)**	
Operating loss	**(11,491)**	**(89,444)**	
Fair value re-measurement of share subscription agreement	57,479	(30,632)	8
Other financial income	9,950	1,987	9
Other financial expenses	(1,692)	(1,539)	9
Profit / loss (–) before tax	**54,246**	**(119,627)**	
Income taxes	(235)	1,218	10
Net income / loss (–)	**54,012**	**(118,410)**	11
Net income / loss (–) attributable to:			
Owners of the parent	54,012	(118,410)	
Basic income / loss (–) per share	**1.18**	**(3.32)**	11
Diluted income / loss (–) per share	**1.14**	**(3.32)**	11
Weighted average number of shares – Basic (in thousands of shares)	45,696	35,700	11
Weighted average number of shares – Diluted (in thousands of shares)	47,308	35,700	

Consolidated statement of comprehensive income

(thousands of €)	Year ended 31 December 2016	2015	Notes
Net income / loss (–)	**54,012**	**(118,410)**	
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligation	(583)	202	29
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of available-for-sale financial assets	(399)		14
Translation differences, arisen from translating foreign activities	(623)	690	21
Other comprehensive income, net of income tax	**(1,605)**	**892**	
Total comprehensive income attributable to:			
Owners of the parent	52,406	(117,517)	

Consolidated statements of financial position

(thousands of €)	31 December 2016	2015	Notes
Assets			
Intangible assets	1,023	1,550	12
Property, plant and equipment	14,961	13,782	13
Deferred tax assets	1,957	1,726	22
Non-current R&D incentives receivables	54,188	49,384	15
Non-current restricted cash	1,098	1,046	16
Other non-current assets	2,880	557	14
Non-currents assets	**76,107**	**68,044**	
Inventories	300	325	
Trade and other receivables	9,728	3,931	17
Current R&D incentives receivables	10,154	9,161	15
Cash and cash equivalents	973,241	340,314	18
Current restricted cash	6,570	6,857	16
Current financial asset from share subscription agreement	–	8,371	8
Other current assets	7,239	5,512	17
Current assets	**1,007,232**	**374,470**	
Total assets	**1,083,338**	**442,514**	
Equity and liabilities			
Share capital	223,928	185,399	19
Share premium account	649,135	357,402	19
Other reserves	(1,000)	(18)	20
Translation differences	(1,090)	(467)	21
Accumulated losses	(112,272)	(177,317)	
Total equity	**758,701**	**364,999**	
Pension liabilities	3,520	2,693	29
Provisions	63	55	25
Finance lease liabilities	9	63	23
Other non-current liabilities	2,469	2,291	24
Non-current deferred income	214,785	–	24
Non-current liabilities	**220,846**	**5,103**	

(thousands of €)	31 December 2016	2015	Notes
Finance lease liabilities	54	52	23
Trade and other payables	31,269	29,482	24
Current tax payable	1,022	2,583	10
Accrued charges	619	490	24
Deferred income	70,827	39,806	24
Current liabilities	**103,791**	**72,412**	
Total liabilities	**324,637**	**77,515**	
Total equity and liabilities	**1,083,338**	**442,514**	

Consolidated cash flow statements

(thousands of €)	2016	2015	Notes
Cash and cash equivalents at beginning of year	**340,314**	**187,712**	18
Net income / loss (–)	54,012	(118,410)	
Adjustments for:			
Tax expense / income (–)	235	(1,218)	10
Other net financial income	(8,258)	(448)	9
Fair value re-measurement of share subscription agreement	(57,479)	30,632	8
Depreciation of property, plant and equipment	3,322	2,372	13
Amortization of intangible fixed assets	860	1,030	12
Net realized gain / loss (–) on foreign exchange transactions	1,229	(398)	
Share-based compensation	11,034	5,036	30
Increase / decrease (–) in provisions	7	(125)	25
Increase in pension liabilities	244	30	29
Gain on sale of fixed assets	(14)	(62)	
Operating cash flows before movements in working capital	**5,192**	**(81,560)**	
Increase (–)/ decrease in inventories	25	(44)	
Increase in receivables	(12,978)	(7,220)	17
Increase / decrease (–) in payables	2,102	(39,508)	24
Increase in deferred income	245,806	12,780	24
Cash generated / used (–) in operations	**240,148**	**(115,553)**	
Interest paid	(47)	(49)	
Interest received	1,066	1,106	
Income taxes paid	(1,763)	(94)	
Net cash flows generated / used (–) in operating activities	**239,403**	**(114,590)**	
Purchase of property, plant and equipment	(4,458)	(6,100)	13
Purchase of and expenditure in intangible fixed assets	(332)	(565)	12
Proceeds from disposal of property, plant and equipment	18	110	13
Decrease in restricted cash	235	2,258	16
Acquisition of available-for-sale financial assets	(2,750)		14
Net cash flows used in investing activities	**(7,287)**	**(4,297)**	

(thousands of €)	2016	2015	Notes
Repayment of obligations under finance leases and other debts	(49)	(43)	23
Proceeds from capital and share premium increases, net of issue costs	391,784	259,410	19
Proceeds from capital and share premium increases from exercise of warrants	4,261	12,003	19
Net cash flows generated in financing activities	**395,996**	**271,370**	
Effect of exchange rate differences on cash and cash equivalents	**4,816**	**118**	
Increase in cash and cash equivalents	**632,927**	**152,601**	
Cash and cash equivalents at end of the year	**973,241**	**340,314**	

Consolidated statements of changes in equity

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2015	**157,274**	**114,182**	**(1,157)**	**(220)**	**(63,944)**	**206,135**
Net loss					(118,410)	(118,410)
Other comprehensive income			690	202		892
Total comprehensive income			**690**	**202**	**(118,410)**	**(117,517)**
Share-based compensation					5,036	5,036
Issue of new shares	40,751	237,952				278,703
Share issue costs	(19,360)					(19,360)
Exercise of warrants	6,734	5,269				12,002
On 31 December 2015	**185,399**	**357,402**	**(467)**	**(18)**	**(177,317)**	**364,999**
On 1 January 2016	**185,399**	**357,402**	**(467)**	**(18)**	**(177,317)**	**364,999**
Net income					54,012	54,012
Other comprehensive income			(623)	(982)		(1,605)
Total comprehensive income			**(623)**	**(982)**	**54,012**	**52,406**
Share-based compensation					11,034	11,034
Issue of new shares	36,575	289,696				326,271
Share issue costs	(269)					(269)
Exercise of warrants	2,223	2,037				4,261
On 31 December 2016	**223,928**	**649,135**	**(1,090)**	**(1,000)**	**(112,272)**	**758,701**

Non-consolidated financial statements

Statement of profit and loss

	Year ended 31 December	
(thousands of €)	2016	2015
Turnover	161,957	59,871
Internally generated intangible assets	125,083	118,010
Other operating income	16,283	15,196
Operating income	**303,322**	**193,076**
Raw materials, consumables and goods for resale	(4,278)	(4,441)
Services and other goods	(119,319)	(131,678)
Remuneration, social security costs and pensions	(16,551)	(15,684)
Depreciation, impairment and other amounts written off on constitution costs, intangible and tangible assets	(203,524)	(82,597)
Other operating charges	(6,365)	(8,471)
Operating profit/loss (–)	**(46,714)**	**(49,795)**
Finance income	8,891	1,551
Finance cost	(1,530)	(1,247)
Profit / loss (–) on ordinary activities before taxes	**(39,354)**	**(49,491)**
Extraordinary income		0
Extraordinary cost	(5,855)	(13,510)
Profit / loss (–) before taxes	**(45,209)**	**(63,001)**
Taxes	(19)	
Profit / loss (–) for the year	**(45,228)**	**(63,001)**
Loss brought forward	(132,756)	(69,756)
Accumulated losses to be carried forward	**(177,984)**	**(132,756)**

Balance sheet

(thousands of €)	31 December 2016	2015
Assets		
Non-current assets	**115,053**	**192,641**
Intangible fixed assets	71,640	154,455
Tangible fixed assets	4,200	3,379
Financial fixed assets	39,212	34,807
Current assets	**1,024,868**	**375,857**
Inventories	296	317
Trade and other receivables	18,576	8,034
Deferred costs	1,123	469
Accrued income	32,283	27,626
Cash and cash equivalents	972,591	339,411
Total assets	**1,139,920**	**568,498**
Equity and liabilities		
Equity	**783,252**	**434,758**
Share capital and reserves	250,187	211,389
Share premium account	709,025	351,442
Accumulated losses	(177,984)	(132,756)
Investment grants	2,025	4,683
Liabilities	**356,667**	**133,740**
Non-current liabilities	**1,292**	**1,234**
Obligations under finance lease (non-current)	9	63
Other liabilities	1,283	1,171
Current liabilities	**355,375**	**132,506**
Trade and other payables	73,315	56,466
Obligations under finance lease (current)	54	52
Tax, payroll and social security liabilities	3,785	3,619
Accrued costs	537	369
Deferred income	277,683	72,000
Total equity and liabilities	**1,139,920**	**568,498**

The non-consolidated annual accounts of Galapagos NV were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2016 closed with a loss of €45.2 million compared to a loss of €63.0 million in 2015. Overall, the result of Galapagos NV is largely affected by the fact that, as from financial year 2010, Galapagos NV capitalizes some of its R&D expenses and revenues that are eligible for such capitalization under Belgian GAAP. This capitalization negatively impacted the net result of Galapagos NV by €29.9 million in 2016, compared to a positive impact of €55.0 million in 2015. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €178.0 million as at 31 December 2016; we refer to the Going Concern Statement for justification for the application of the valuation rules under the going concern assumption.