Financial statements

Consolidated and non-consolidated financial statements for 2017

Innovative medicines aimed at **changing**

people's lives

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)	2017	2016	Notes
Revenues	127,087	129,519	5
Other income	28,830	22,093	5
Total revenues and other income	**155,918**	**151,612**	
Research and development expenditure	(218,502)	(139,573)	6
General and administrative expenses	(24,415)	(21,744)	6
Sales and marketing expenses	(2,803)	(1,785)	6
Total operating expenses	**(245,720)**	**(163,103)**	
Operating loss	**(89,802)**	**(11,491)**	
Fair value re-measurement of share subscription agreement	–	57,479	8
Other financial income	4,877	9,950	9
Other financial expenses	(30,582)	(1,692)	9
Profit / loss (–) before tax	**(115,507)**	**54,246**	
Income taxes	(198)	(235)	10
Net income / loss (–)	**(115,704)**	**54,012**	11
Net income / loss (–) attributable to:			
Owners of the parent	(115,704)	54,012	
Basic income / loss (–) per share	**(2.34)**	**1.18**	11
Diluted income / loss (–) per share	**(2.34)**	**1.14**	11
Weighted average number of shares – Basic (in thousands of shares)	49,479	45,696	11
Weighted average number of shares – Diluted (in thousands of shares)	49,479	47,308	

Consolidated statement of comprehensive income

	Year ended 31 December		
(thousands of €)	2017	2016	Notes
Net income / loss (–)	**(115,704)**	**54,012**	
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligation	(40)	(583)	28
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of available-for-sale financial assets	(220)	(399)	14
Translation differences, arisen from translating foreign activities	(664)	(623)	21
Other comprehensive income, net of income tax	**(924)**	**(1,605)**	
Total comprehensive income attributable to:			
Owners of the parent	(116,629)	52,406	

Consolidated statements of financial position

(thousands of €)	31 December 2017	2016	Notes
Assets			
Intangible assets	2,495	1,023	12
Property, plant and equipment	16,692	14,961	13
Deferred tax assets	1,978	1,957	22
Non-current R&D incentives receivables	64,001	54,188	15
Non-current restricted cash	1,158	1,098	16
Other non-current assets	2,303	2,880	14
Non-currents assets	**88,627**	**76,107**	
Inventories	279	300	
Trade and other receivables	27,966	9,728	17
Current R&D incentives receivables	11,782	10,154	15
Cash and cash equivalents	1,151,211	973,241	18
Current restricted cash	–	6,570	16
Other current assets	6,409	7,239	17
Current assets	**1,197,647**	**1,007,232**	
Total assets	**1,286,274**	**1,083,338**	
Equity and liabilities			
Share capital	233,414	223,928	19
Share premium account	993,025	649,135	19
Other reserves	(1,260)	(1,000)	20
Translation differences	(1,754)	(1,090)	21
Accumulated losses	(211,441)	(112,272)	
Total equity	**1,011,983**	**758,701**	
Pension liabilities	3,582	3,520	28
Provisions	65	63	
Finance lease liabilities	–	9	
Other non-current liabilities	1,597	2,469	23
Non-current deferred income	97,348	214,785	24
Non-current liabilities	**102,592**	**220,846**	

(thousands of €)	31 December 2017	2016	Notes
Finance lease liabilities	9	54	
Trade and other payables	47,122	31,269	23
Current tax payable	865	1,022	10
Accrued charges	1,159	619	23
Current deferred income	122,544	70,827	24
Current liabilities	**171,699**	**103,791**	
Total liabilities	**274,291**	**324,637**	
Total equity and liabilities	**1,286,274**	**1,083,338**	

Consolidated cash flow statements

(thousands of €)	2017	2016	Notes
Cash and cash equivalents at beginning of year	**973,241**	**340,314**	18
Net income / loss (–)	(115,704)	54,012	
Adjustments for:			
Tax expense	198	235	10
Other net financial expense / income (–)	25,705	(8,258)	9
Fair value re-measurement of share subscription agreement	–	(57,479)	8
Depreciation of property, plant and equipment	3,633	3,322	13
Amortization of intangible fixed assets	652	860	12
Net realized gain / loss (–) on foreign exchange transactions	(357)	1,229	
Share-based compensation	16,536	11,034	29
Increase in provisions	1	7	
Increase in pension liabilities	22	244	28
Gain on sale of fixed assets	–	(14)	
	(69,315)	**5,192**	
Decrease in inventories	22	25	
Increase in receivables	(27,656)	(12,978)	17
Increase in payables	14,772	2,102	23
Increase / decrease (–) in deferred income	(65,722)	245,806	24
Cash generated / used (–) in operations	**(147,899)**	**240,148**	
Interest paid	(273)	(47)	
Interest received	1,341	1,066	
Income taxes paid	(199)	(1,763)	
Net cash flows generated / used (–) in operating activities	**(147,030)**	**239,403**	
Purchase of property, plant and equipment	(5,312)	(4,458)	13
Purchase of and expenditure in intangible fixed assets	(2,125)	(332)	12
Proceeds from disposal of property, plant and equipment	7	18	13
Decrease in restricted cash	6,510	235	16
Acquisition of available-for-sale financial assets	–	(2,750)	14
Proceeds from sale of available-for-sale financial assets	372	–	14

(thousands of €)	2017	2016	Notes
Net cash flows used in investing activities	**(549)**	**(7,287)**	
Repayment of obligations under finance leases and other debts	(65)	(49)	
Proceeds from capital and share premium increases, gross amount	363,924	392,121	19
Issue costs paid related to capital and share premium increases	(15,790)	(337)	19
Proceeds from capital and share premium increases from exercise of warrants	5,288	4,261	19
Net cash flows generated in financing activities	**353,357**	**395,996**	
Effect of exchange rate differences on cash and cash equivalents	**(27,808)**	**4,816**	
Increase in cash and cash equivalents	**177,970**	**632,927**	
Cash and cash equivalents at end of the year	**1,151,211**	**973,241**	

In order to align with the presentation for the year ended 31 December 2017, the consolidated cash flow statement for the year ended 31 December 2016 was adjusted as follows: (i) the issue cost paid, related to share capital and the resulting increase in share premium has been reclassified and shown separately from the gross amount of the proceeds from capital and share premium increases, and (ii) acquisition of available-for-sale financial assets were shown separately from the proceeds from sale of available-for-sale financial assets.

Consolidated statements of changes in equity

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
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**
On 1 January 2017	**223,928**	**649,135**	**(1,090)**	**(1,000)**	**(112,272)**	**758,701**
Net loss					(115,704)	(115,704)
Other comprehensive income			(664)	(260)		(924)
Total comprehensive income			**(664)**	**(260)**	**(115,704)**	**(116,629)**
Share-based compensation					16,536	16,536
Issue of new shares	23,331	340,593				363,924
Share issue costs	(15,837)					(15,837)
Exercise of warrants	1,992	3,296				5,288
On 31 December 2017	**233,414**	**993,025**	**(1,754)**	**(1,260)**	**(211,441)**	**1,011,983**

Non-consolidated financial statements

Statement of profit and loss

	Year ended 31 December	
(thousands of €)	2017	2016
Turnover	131,496	161,957
Internally generated intangible assets	198,401	125,083
Other operating income	20,753	16,283
Operating income	**350,649**	**303,322**
Raw materials, consumables and goods for resale	(4,763)	(4,278)
Services and other goods	(201,196)	(119,319)
Remuneration, social security costs and pensions	(24,770)	(16,551)
Depreciation, impairment and other amounts written off on constitution costs, intangible and tangible assets	(251,434)	(203,524)
Other operating charges	(7,718)	(6,365)
Non-recurring operating costs	(543)	(5,855)
Operating loss	**(139,775)**	**(52,569)**
Finance income	8,357	8,891
Finance cost	(34,421)	(1,530)
Loss before taxes	**(165,839)**	**(45,209)**
Taxes	(34)	(19)
Loss for the year	**(165,874)**	**(45,228)**
Loss brought forward	(177,984)	(132,756)
Accumulated losses to be carried forward	**(343,858)**	**(177,984)**

Balance sheet

	31 December	
(thousands of €)	2017	2016
Assets		
Non-current assets	**66,148**	**115,053**
Intangible fixed assets	20,904	71,640
Tangible fixed assets	5,551	4,200
Financial fixed assets	39,693	39,212
Current assets	**1,220,685**	**1,024,868**
Inventories	267	296
Trade and other receivables	32,098	18,576
Deferred costs	1,168	1,123
Accrued income	41,376	32,283
Cash and cash equivalents	1,145,775	972,591
Total assets	**1,286,833**	**1,139,920**
Equity and liabilities		
Equity	**985,031**	**783,252**
Share capital and reserves	275,510	250,187
Share premium account	1,052,915	709,025
Accumulated losses	(343,858)	(177,984)
Investment grants	464	2,025
Liabilities	**301,802**	**356,667**
Non-current liabilities	**897**	**1,292**
Obligations under finance lease (non-current)	–	9
Other liabilities	897	1,283
Current liabilities	**300,905**	**355,375**
Trade and other payables	94,665	73,315
Obligations under finance lease (current)	9	54
Tax, payroll and social security liabilities	6,168	3,785
Accrued costs	1,084	537
Deferred income	198,977	277,683
Total equity and liabilities	**1,286,833**	**1,139,920**

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 2017 closed with a loss of €165.9 million compared to a loss of €45.2 million in 2016. 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 €17.4 million in 2017, compared to a negative impact of €29.9 million in 2016. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €343.9 million as at 31 December 2017; we refer to the Going Concern Statement for justification for the application of the valuation rules under the going concern assumption.