Notes to the consolidated financial statements

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 "we", "us," "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. Our ambition is to become a leading global biotechnology company focused on the development and commercialization of novel medicines. Our strategy is to leverage our unique and proprietary target discovery platform, which facilitates our discovery and development of therapies with novel modes of action.

The components of the operating result presented in the financial statements include the following companies: Galapagos NV, Galapagos Real Estate 1 BVBA and Galapagos Real Estate 2 BVBA (Mechelen, Belgium); Galapagos SASU (Romainville, France); Galapagos B.V. (Leiden, the Netherlands); Fidelta d.o.o. (Zagreb, Croatia); Galapagos, Inc. and its subsidiary Xenometrix, Inc. (United States); BioFocus DPI AG and Galapagos GmbH (Basel, Switzerland); and Galapagos Biotech Ltd. (Cambridge, UK).

Our operations had 725 employees as at 31 December 2018 working in the operating facilities in Mechelen (the Belgian headquarters), the Netherlands, France, Croatia, the United States, United Kingdom and Switzerland.

2. Significant accounting policies

Our principal 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), as adopted by the EU. The consolidated financial statements provide a general overview of our activities and the results achieved. They give a true and fair view of our financial position, our financial performance and cash flows, on a going concern basis.

New standards and interpretations applicable for the annual period beginning on 1 January 2018

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers, and clarifications on this IFRS (applicable for annual periods beginning on or after 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRS Standards (2014-2016) Cycle (applicable for annual periods beginning on or after 1 January 2018)

The above new applicable standards affected the consolidated financial statements as follows:

IFRS 15 Revenue from Contracts with Customers

We adopted IFRS 15 on 1 January 2018, using the modified retrospective transition method. The adoption of the new standard resulted in a timing difference of revenue recognition between prior accounting standards and IFRS 15. The cumulative effect of initially applying the new revenue standard was recognized as an adjustment to the opening balance of accumulated deficit and deferred income.

To determine revenue recognition for arrangements that we determine are within the scope of IFRS 15, we perform the following five steps: (i) identify the contract; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

As a consequence of the adoption of the new IFRS standard on 1 January 2018, our consolidated accumulated losses and deferred income were both increased by €83.2 million, reflecting the impact of the new standard on the revenue recognition of the considerations received related to our ongoing license and collaboration agreements. Differences in accounting treatment compared to the former standard were identified for (i) the milestones payments previously received in the scope of our license and collaboration agreement for filgotinib with Gilead, and (ii) the upfront and milestone payments received related to the license and collaboration agreement with AbbVie for cystic fibrosis, which were fully recognized in revenue in the previous years under the former applicable IFRS standard. The collaboration agreement with AbbVie for cystic fibrosis was modified in 2016. Under IAS 18 this modification was accounted for as a separate contract. However, based on the contract modification guidance under IFRS 15 we determined that the upfront payment should be recognized over the term of the modified contract. Finally, the deferred income balance related to the license fee received from Servier in the scope of our license and collaboration agreement in the field of osteoarthritis was fully reclassified to equity as a consequence of the adoption of the new standard. We refer to note 5 Total revenues and other income for further detail.

The impact of the adoption of IFRS 15 on the consolidated financial statements for the year ended 31 December 2018 is detailed in the table below and is due to changes in the accounting policy for revenue recognition compared to prior accounting standards.

	(thousands of €, except per share data)		
	Year ended 31 December 2018		
Income statement	**As reported**	**Balances in accordance with IAS 18**	**Effect of change higher / lower (-)**
Revenues	288,836	232,800	56,036
Loss before tax	**(29,209)**	**(85,245)**	**56,036**
Income taxes	(50)	(50)	–
Net loss	**(29,259)**	**(85,295)**	**56,036**
Basic & diluted loss per share	**(0.56)**	**(1.64)**	**1.08**
Balance sheet	31 December 2018		
Deferred income	149,801	122,617	27,184
Accumulated losses	(297,779)	(270,595)	(27,184)

IFRS 9 Financial Instruments and subsequent amendments

The only financial instrument held by the group subject to change in accounting treatment following the adoption of IFRS 9 – Financial Instruments, was the equity investment in a listed company classified as an available-for-sale financial asset. At 31 December 2017, our balance sheet held shares of this company which were acquired in 2016. The closing price of the share on Euronext as at the end of the year 2017 led to cumulative fair value loss amounting to €0.6 million recognized in other comprehensive income following the accounting treatment applied under IAS 39. Following the adoption of IFRS 9 on 1 January 2018, and considering that the financial asset should be classified and measured at fair value, with changes in fair value recognized in profit or loss, the cumulative fair value loss of €0.6 million previously recognized in other comprehensive income was reclassified to accumulated losses.

Other new standards and interpretations applicable for the annual period beginning on 1 January 2018 did not have any impact on our consolidated financial statements.

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2018

- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Annual improvements to IFRS Standards (2015-2017) Cycle (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Definition of a Business (Amendments to IFRS 3) (applicable for Business Combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, but not yet endorsed in the EU)
- Definition of Material (Amendments to IAS 1 and IAS 8) (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2019 with earlier adoption permitted. However we have not early adopted new or amended standards in preparing our consolidated financial statements. Of the standards that are not yet effective, we expect IFRS 16 to have a material impact on our financial statements in the period of initial application.

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

We are required to adopt IFRS 16 as of 1 January 2019. We will apply IFRS 16 using the modified retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative figures.

We have assessed the estimated impact that the initial application of IFRS 16 will have on our consolidated financial statements, as further described below.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

We will use the following practical expedients permitted by the standard:

- Leases of low-value items
- Short-term leases

We will recognize new assets and liabilities for our leases of mainly buildings and cars. The nature of the expenses related to those leases will change as we will recognize a depreciation charge for the right-of-use assets and an interest expense on the lease liabilities. Previously we recognized operating lease expenses on a straight-line basis over the term of the lease.

We will apply the practical expedient to grandfather the definition of a lease on transition, applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. These liabilities are measured at the present value of the remaining lease payments and discounted using our incremental borrowing rate.

In addition, we will no longer recognize provisions for onerous lease contracts, nor any provisions for termination payments or liabilities to spread the lease expenses on a straight-line basis over the term of the contract in case of variable or staggered lease payments.

Based on the information currently available, we estimate that we will recognize right-of-use assets and corresponding lease liabilities of €26.3 million as of 1 January 2019.

In the statement of profit and loss for accounting year 2019, we expect a shift from lease expenses to depreciation charges and interest cost of about €5.3 million. Operating result is expected to increase with approximately €0.2 million offset by a higher finance cost of €0.4 million. The impact on net result is expected to be immaterial.

In the statement of cash flows for accounting year 2019, we expect a shift from cash flow from operating activities to cash flow from financing activities of approximately €4.9 million with no impact on the net increase/(decrease) in cash and cash equivalents.

IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019)

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017 and will be implemented by the group as from 1 January 2019. The Interpretation clarifies that if it is considered probable that a tax Authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. We performed an assessment of the potential impact of the new interpretation and concluded that it would not have a material impact on our financial statements.

Consolidated reporting

The consolidated financial statements comprise the financial statements of Galapagos NV and entities controlled by Galapagos NV. Control is achieved where Galapagos NV has the power to direct the relevant activities 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 our accounting policies. All intra-group transactions, balances, income and expenses are eliminated when preparing the consolidated financial statements.

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 our 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
- We have the intention to complete the intangible assets and use or sell it
- We have 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
- We are 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 lifes. 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 as from the time they are available for use generally 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. Intangible assets with an indefinite useful life and intangible assets which are not yet available for use are tested for impairment annually, and whenever there is an indication that the asset might be impaired.

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 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.

Financial instruments

Financial assets and financial liabilities are recognized on our balance sheet when we become a party to the contractual provisions of the instrument. Hedging and derivatives have never been used: we do not actively use currency derivatives to hedge planned future cash flows, nor do we make use of forward foreign exchange contracts. Additionally, we don't have financial debts at 31 December 2018.

(i) Financial assets

Financial assets are initially recognized either at fair value or at their transaction price. All recognized financial assets are subsequently measured at either amortized cost or fair value under IFRS 9 on the basis of both Galapagos' business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

- a financial asset that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option;
- a financial asset that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, is measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option;
- all other financial assets are measured at FVTPL;

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

We derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or we transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

We classify non-derivative financial assets into the following categories:

- financial assets at fair value through profit or loss (equity instruments)
- financial assets at amortized cost (receivables and cash and cash equivalents).

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss if we manage such investments and make purchase and sale decisions based on their fair value in accordance with our investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend income, are recognized in profit or loss.

Equity instruments

We hold investments in equity instruments, which based on IFRS 9, are designated as financial assets at fair value through profit or loss, which qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

Financial assets at amortized cost

Receivables

Receivables are designated as financial assets measured at amortized costs. They are initially measured either at fair value or at transaction price, if they do not contain a significant financing component, which is the case for substantially all trade receivables.

All receivables are subsequently measured in the balance sheet at amortized cost, which generally corresponds to nominal value less expected credit loss provision.

Receivables mainly comprise trade and other receivables and research and development (R&D) incentives receivables.

The R&D incentives receivables relate to refunds resulting from R&D incentives on research and development expenses in France and Belgium. Research and development incentives receivables are discounted over the period until maturity date according to the appropriate discount rates.

Cash and cash equivalents

Cash and cash equivalents are financial assets measured at amortized costs and comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by us in the management of our short-term commitments.

Cash and cash equivalents exclude restricted cash which is presented separately in the statement of financial position.

(ii) Financial liabilities

Financial liabilities are initially measured either at fair value or at their transaction price. Subsequent to initial recognition, financial liabilities are measured at amortized cost.

Financial liabilities mainly comprise trade and other liabilities.

Trade and other liabilities are comprised of liabilities that are due less than one year from the balance sheet date and are in general not interest bearing and settled on an ongoing basis during the financial year. They also include accrued expense related to our research and development project costs.

We derecognize a financial liability when our contractual obligations are discharged, cancelled or expire.

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. Our 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 substantively 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.

Foreign currencies

- Functional and presentation currency

  Items included in the financial statements of each of our 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 our 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. We use monthly transaction rates based on the closing exchange rates of the foreign currencies on the last business day of the month preceding the date of the 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 our 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.

Recognition of expenses linked to clinical trial milestones

We recognize expenses specifically linked to clinical trial milestones with regard to patient recruitment and patient treatment (i.e. completion), incurred in carrying out clinical trials, in line with actual patient recruitment or treatment at each period end, in reference to the milestone targets for patient recruitment or treatment.

This involves the calculation of clinical trial accruals at each period end, for which an estimation of the expected full clinical trial milestone cost is required, as well as the current stage of patient recruitment or treatment.

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 for patient recruitment and patient completion 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 the number of patients that have been treated in the trial. In all cases, the full cost of each trial is expensed by the time the final report is received.

Revenue recognition

Revenues to date have consisted principally of milestones, license fees and upfront payments received in connection with collaboration and license agreements. We also generate revenue from our fee-for-service activities.

The revenue recognition policies can be summarized as follows:

We recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. To determine revenue recognition for agreements that we determine are within the scope of IFRS 15, we perform the following five steps: (i) identify the contract; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Collaboration and license agreements with our commercial partners for research and development activities generally include non-refundable upfront fees; costs reimbursements; milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones; license fees, royalties on sales and sometimes profits sharing arrangements.

At contract inception, we assess whether the contract is in scope of IFRS 15. Then, we identify the goods and services promised in the contract, and assess whether they should be seen as distinct performance obligations or not. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

License fees or upfront payments

If the license to our intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, we recognize revenues from non-refundable upfront fees allocated to the license at the point in time the license is transferred to the customer and the customer has the right to use the license.

For licenses that are bundled with other promises, we utilize judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. If over time, revenue is then recognized based on a pattern that best reflects the transfer of control of the service to the customer.

Milestone Payments

A milestone payment is only included in the transaction price when the achievement of the related milestone event is highly probable (usually at the time of achievement of the milestone event). We estimate the amount to be included in the transaction price using the most likely amount method. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, we re-evaluate the probability of achievement of such milestones and any related constraint, and, if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

Reimbursement Income for R&D Services

Collaboration and license agreements may include reimbursement or cost sharing for research and development services: such as outsourcing costs and payment for full-time equivalents at contractual rates. R&D services are performed and satisfied over time given that the customer simultaneously receives and consumes the benefits provided by us.

Such costs reimbursements received are recognized in revenues when costs are incurred and agreed by the parties when we are acting as a principal in the scope of our stake of the R&D activities. If the later condition is not fulfilled, costs reimbursements are accounted for as a decrease of the related expenses.

Royalties

License and collaboration agreements include sales-based royalties, including commercial milestone payments based on the level of sales, and the license has been deemed to be the predominant item to which the royalties relate. Related revenue is recognized as the subsequent underlying sales occur.

Revenue recognition policies applicable to period ended 31 December 2017

The revenue recognition policies applicable to period ended 31 December 2017 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 our involvement. The payments and our involvement relate to a contractually defined phase of the project. At inception, management estimates the period of our 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 we reassess the estimated time and our cost to complete the project phase and adjust 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.

Reimbursement income

Cost reimbursements resulting from license and collaboration agreements with our commercial partners are recognized as reimbursement income in revenue as the related costs are incurred and upon agreement by the parties involved. The corresponding expenses are included in research and development expenditure.
Cost reimbursements from collaboration in which we share equally in the risks and benefits associated with development of a specific drug with a collaboration partner are recognized as decrease of the related incurred research and development expenditure.

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 we can reliably estimate such amounts and collectability is reasonably assured. As such, we generally recognize royalty revenues in the period in which the licensees are reporting the royalties to us 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 we report are not based upon our estimates and such royalty revenues are typically reported in the same period in which we receive payment from our licensees.

Other income

Grants and R&D incentives

As we carry out extensive research and development activities, we benefit 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 our research and development efforts 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 we undertake our activities under joint operations, we as a joint operator recognize in relation to our interest in a joint operation:

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

We account for the assets, liabilities, revenues and expenses relating to our interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When we transact with a joint operation in which we are a joint operator (such as sale or contribution of assets), we are 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 our consolidated financial statements only to the extent of other parties' interests in the joint operation.

When we transact with a joint operation in which we are a joint operator (such as purchase of assets), we do not recognize our share of the gains and losses until we resell those assets to a third party.

Equity instruments

Equity instruments issued by us 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. Re-measurement, 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. Re-measurement 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
- Re-measurement

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in our 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 or a reduction in future contributions to the plans. A liability for a termination benefit is recognized at the earlier of when we can no longer withdraw the offer of the termination benefit and when we recognize any related restructuring costs.

c/ Staff bonus plan

We recognize 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 Euronext-listed biotech companies). The Galapagos share price and the Next Biotech 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 percentage 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 percentage 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

We recognize the possible payment of the deferred component of the Senior Management Bonus Scheme within three years at the moment that the bonus amount is determined, based on the fair value of the liability at each reporting period. The fair value of the liability is measured by use of the Monte Carlo valuation model taking into consideration (a) the average reference price of the Galapagos share and Next Biotech Index, (b) the average price of the reporting period of the Galapagos share and the Next Biotech Index, (c) the simulation of the evolution of the Galapagos share price and the Next Biotech Index based on their volatility and correlation until maturity of the bonus, (d) the applicable discount rates at the end of the reporting period and (e) the probability of the number of beneficiaries assumed to stay with us until maturity of the bonus. The changes in fair value are recognized in profit or loss for the period.

Share-based payments

We grant 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 acceptance. The fair value determined at the acceptance date of the warrants is expensed over time until the end of the vesting period, based on our 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 we have 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 specific to the liability.

Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer 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 our assets 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 it is 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

(i) Financial assets

The impairment loss of a financial asset measured at amortized cost is calculated based on the expected loss model.

For trade receivables that do not contain a significant financing component (i.e. substantially all trade receivables), the loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables.

Impairment losses are recognized in the consolidated income statement.

(ii) Tangible and intangible assets

At each balance sheet date, we review the carrying amount of our 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, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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; and do not include income tax items. We have only two segments (see note 4).

3. Critical accounting estimates and judgments

In the application of the accounting policies, we are 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.

Our 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 critical judgments and estimates that we have 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.

Critical judgments in applying accounting policies

Revenue recognition

Evaluating the criteria for revenue recognition under license and collaboration agreements requires management's judgment to assess and determine the following:

- The nature of the contractual performance obligations and whether they are distinct or should be combined with other performance obligations.
- The pattern of transfer of each promised license and/or R&D activities identified in the contract, sometimes using input or output methods which are based on key assumptions such as forecasted costs and development timelines of our license and collaboration agreements for the assessment of satisfaction of the performance obligation.

The above may significantly influence our financial statements.

We applied the five step model detailed in IFRS 15 to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. The positions taken in applying this standard are detailed below.

The substance of our current arrangements is that we are licensing certain of our intellectual property to collaboration partners and conduct research and development ("R&D") activities. Such activities result in a service that is the output of our ordinary activities. We generate revenue through a number of these arrangements which include license fees, milestone payments, reimbursement income and future sales based milestones and sales based royalties. We assessed that the revenues from our current material licensing and collaboration agreements are in the scope of IFRS 15.

Collaboration with Gilead

We concluded as follows:

- There is one single performance obligation under IFRS 15: the transfer of a license combined with performance of R&D activities. This is because we considered that the license is not distinct in the context of the contract.
- The transaction price of our agreement with Gilead is currently composed of a fixed part, being an upfront license fee and a variable part, being milestone payments and cost reimbursements for R&D activities delivered. Milestone payments are included in the transaction price of the arrangement only when achieved. Sales based milestones and sales based royalties are a part of our arrangement but are not yet included in our revenues as our program is still in Phase 3 of development.
- The transaction price has been allocated to the single performance obligation and revenues have been recognized over the estimated service period based on a pattern that reflects the transfer of the license and progress to complete satisfaction of the R&D activities. This is because we considered that there is a transformational relationship between the license and the R&D activities to be delivered.
- We have chosen an input model to measure the satisfaction of the single performance obligation that considers percentage of costs incurred for this program that are completed each period (percentage of completion method).
- Costs reimbursements received from Gilead are recognized in revenues when costs are incurred and agreed by the parties as we are acting as a principal in the scope of our stake of the R&D activities of our ongoing license and collaboration agreements.

Collaboration with AbbVie

We concluded as follows:

- There is one single performance obligation under IFRS 15: the transfer of a license combined with performance of R&D activities. This is because we considered that the license is not capable of being distinct and is not distinct in the context of the contract.
- The transaction price of our agreement with AbbVie is currently composed of a fixed part, being upfront license fees, and a variable part, being milestone payments and cost reimbursements for R&D activities delivered. Milestone payments are included in the transaction price of the arrangement only when achieved. Sales based milestones and sales based royalties are a part of our arrangement but are not yet included in our revenues as the program is still in Phase 1 & 2 of development.
- The transaction price has been allocated to the single performance obligation and revenues have been recognized over the estimated service period based on a pattern that reflects the transfer of the license and progress to complete satisfaction of the R&D activities. This is because we considered that there is a transformational relationship between the license and the R&D activities to be delivered.
- We have chosen an input model to measure the satisfaction of the single performance obligation that considers a percentage of costs incurred for this program that are completed each period (percentage of completion method).
- Costs reimbursements received from AbbVie are recognized in revenues when costs are incurred and agreed by the parties as we are acting as a principal in the scope of our stake of the R&D activities of our ongoing license and collaboration agreements.

The second amended and restated collaboration agreement signed on 24 October 2018 was assessed to be a contract modification including a change in scope and in pricing as the remaining goods or services are not distinct and form part of the single performance obligation that was partially satisfied at the date of the contract modification. We concluded that we must account for this second amended and restated collaboration agreement as if it was part of the existing contract and recognized as adjustment to revenue the effect of the contract modification on the transaction price and on the measure of progress towards satisfaction of the performance obligation.

Collaboration with Servier

The deferred income balance as of 31 December 2017 related to the license fee received from Servier in the scope of our license and collaboration agreement in the field of osteoarthritis (€5.4 million) was fully reclassified to equity as a consequence of the adoption of IFRS 15. Any increase in the transaction price from future potential development and regulatory milestones, sales based milestones and royalties, will be allocated to the license and will be fully recognized as revenue at a point in time when achieved, as our performance obligation towards Servier has been fully satisfied.

The contract signed with Servier on 8 May 2018 takes over the terms of the previous agreement but additionally includes the framework of a joint Phase 2 clinical trial program in which both parties collaborate, share costs and mutually exchange services. We concluded that this contract modification was not in the scope of IFRS 15 because there is a mutual exchange of services between Servier and Galapago, Servier is not assessed as a customer but as a collaboration partner. Any cost reimbursement from our collaboration partner is not recognized as revenue but accounted as a decrease of the related expenses.

Collaboration with Novartis

We concluded as follows:

- There are two distinct performance obligations under IFRS 15: the transfer of a license and the performance of R&D activities. This is because we considered that the license is capable of being distinct and is distinct in the context of the contract.
- The transaction price of our agreement with Novartis is currently composed of a fixed part, being an upfront license fee, and a variable part, being milestone payments and cost reimbursements for R&D activities delivered. Milestone payments are included in the transaction price of the arrangement only when achieved. Sales based milestones and sales based royalties are a part of our arrangement but are not yet included in our revenues as our program is still in Phase 2 of development. In addition, the agreed consideration for the R&D activities that we will still perform up until the end of the Phase 2 of clinical development was also included in the transaction price.
- The transaction price has been allocated to each of the two distinct performance obligations based on our assessment of their relative stand-alone selling price, this for the R&D activities and using the residual approach to allocate the remainder of the transaction price to the license. Revenues are recognized at a point in time for the transaction price allocated to the transfer of the license as we assessed that the license confers a right to use the intellectual property to Novartis. For the transaction price allocated to the second performance obligation, the R&D activities, revenues are recognized over the estimated service period based on a pattern that reflects the transfer of our services to complete satisfaction of this performance obligation.
- We have chosen an input model to measure the satisfaction of the performance obligation of the R&D activities that considers a percentage of costs incurred for this program that are completed each period (percentage of completion method).
- Costs reimbursements received from Novartis will be recognized in revenues when costs are incurred and agreed by the parties as we are acting as a principal in the scope of the performance of the R&D activities.

Critical accounting estimates

Share-based payments plans

We determine the costs of the share-based payments plans (our 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, for 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 28.

We determine the costs of the deferred component of the Senior Management Bonus Schemes on the basis of the fair value of the liability at each reporting period. Determining the fair value assumes choosing the most suitable valuation model for this liability, in which the characteristics of the Senior Management Bonus plans and the Galapagos share price change relative to the Next Biotech Index have a major influence. This assumes also the input into the valuation model of some relevant judgments, like the simulation of the evolution of the Galapagos share price and the Next Biotech Index based on their volatility and correlation until maturity of the bonus, the applicable discount rates at the end of the reporting period and the probability of the number of beneficiaries assumed to stay with us until maturity of the bonus.

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 our fee-for-service business and as such a deferred tax asset is therefore recognized.

At 31 December 2018, we had a total of €374.2 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 €10.8 million in Switzerland, Croatia and the United States with expiry date between 2019 and 2030. At 31 December 2018, the available tax losses carried forward in Belgium amounted to €305.6 million.

As a company active in research and development in Belgium, we also expect to benefit from the "innovation income deduction (IID)" in Belgium. The innovation income deduction regime allows net profits attributable to revenue from among others patented products (or products for which the patent application is pending) to be taxed at a lower rate than other revenues, i.e., 4.4% (3.75% as of 1 January 2020). The available IID carried forward amounted to €195.4 million at 31 December 2018. It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a *de facto* minimum taxable base, whereby the existing tax attributes have to be allocated into 2 so-called "*baskets*": a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are subject to restrictions. The first basket contains (in order of deduction) the non-taxable items (such as deductible gifts), current year dividends received deduction (DRD), grandfathered patent income deduction (PID), current year innovation income deduction (IID) and investment deduction. The second basket contains (in order of deduction and subject to the restrictions as mentioned hereunder) the current year notional income deduction (NID), DRD carry-forward, IID carry-forward, tax loss carry-forward, unlimited NID carry-forward and NID carry-forward subject to the 7-year limitation. The taxable base can be reduced without any limitation with the deductions contained in the first basket. Any remaining taxable basis below € 1 million can be fully compensated with deductions contained in the second basket. If the remaining taxable basis exceeds € 1 million, the excess above € 1 million can only be compensated with deductions of the second basket up to 70%.

4. Segment information

The group holds two reportable segments, R&D and fee-for-service business.

Segment information for the year 2018

(thousands of €)	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	278,666	10,170		288,836
Internal revenue		8,508	(8,508)	–
Other income	29,000	9		29,009
Revenues & other income	**307,666**	**18,687**	**(8,508)**	**317,845**
Segment result	**(19,734)**	**1,751**		**(17,983)**
Unallocated expenses(1)				(26,824)
Operating loss				**(44,807)**
Financial (expenses)/income				15,598
Result before tax				**(29,209)**
Income taxes				(50)
Net loss				**(29,259)**

(1) The unallocated expenses of €26,824 thousand principally comprise of €26,757 thousand of warrant costs

Segment information for the year 2017

(thousands of €)	R&D	Fee-for-services	Inter-segment elimination	Group
External revenue	118,262	8,825		127,087
Internal revenue		5,104	(5,104)	–
Other income	28,815	15		28,830
Revenues & other income	**147,077**	**13,945**	**(5,104)**	**155,918**
Segment result	**(73,610)**	**86**		**(73,524)**
Unallocated expenses(1)				(16,278)
Operating loss				**(89,802)**
Financial (expenses)/income				(25,705)
Result before tax				**(115,507)**
Income taxes				(198)
Net loss				**(115,704)**

(1) The unallocated expenses of €16,278 thousand principally comprise of €16,536 thousand of warrant costs.

Segment assets and liabilities are not information being provided to management on a recurring basis. This information is therefore not disclosed in our segment information.

Geographical information

In 2018 our operations were mainly located in Belgium, Croatia, France and the Netherlands.

In 2018 our top 10 customers represented 98.6% of the revenues. Our client base in 2018 and 2017 included nine of the largest pharmaceutical companies in the world.

Following table summarizes our revenues by destination of customer:

	Year ended 31 December	
(thousands of €)	2018	2017
North America	117.609	82.050
Europe	171.113	45.037
Asia Pacific	114	–
Total revenues	**288.836**	**127.087**

Following table summarizes our revenues by major customers:

	Year ended 31 December			
	2018		2017	
	(thousands of €)	%	(thousands of €)	%
Gilead				
North America	116,640	40%	80,687	63%
Europe	7,793	3%		
AbbVie				
Europe	89,936	31%	34,049	27%
Novartis				
Europe	55,218	19%		
Servier				
Europe	9,000	3%		
Total revenues from major customers	**278,587**	**96%**	**114,736**	**90%**

Following table summarizes our revenues by destination of our entity:

	Year ended 31 December	
(thousands of €)	2018	2017
Galapagos NV (Belgium)	278.649	118.244
Galapagos SASU (France)	16	18
Fidelta d.o.o. (Croatia)	10.170	8.825
Total revenues	**288.836**	**127.087**

In 2018, we held €110 million of non-current assets (€89 million in 2017) distributed as follows:

- Belgium: €64 million (€47 million in 2017)
- France: €36 million (€34 million in 2017)
- Croatia: €5 million (€4 million in 2017)
- The Netherlands: €4 million (€4 million in 2017)

The increase in non-current assets was mainly explained by the increase in non-current R&D incentives receivables (see note 14).

5. Total revenues and other income

Revenues

The following table summarizes the revenues for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	**2018**	**2017**
Recognition of non-refundable upfront payments and license fees	196,487	71,971
Milestone payments	73,394	42,950
Reimbursement income	8,722	3,273
Other revenues	10,233	8,893
Total revenues	**288,836**	**127,087**

Galapagos' revenues for 2018 amounted to €288.8 million, compared to €127.1 million in 2017. Increased revenues were mainly driven by (i) an upfront payment of €47.5 million from Novartis related to the MOR106 program, (ii) increased recognition in revenue of the upfront payment and milestones related to the filgotinib program with Gilead, (iii) revenue recognition related to the additional upfront payment of $45.0 million from AbbVie in the scope of the restructuring of the collaboration and previous upfront payment and milestones, and (iv) the change in accounting treatment from the adoption of IFRS 15 on 1 January 2018.

The following table summarizes the revenue recognition of upfront payments, license fees and milestone payments for the years ended 31 December 2018 and 2017, as well as the impact of the adoption of IFRS 15. The revenues recognized for the years ended 31 December 2018 are presented under the IFRS 15 standard as well as under the former applicable IAS 18 standard, with a comparison to the year ended 31 December 2017 under the former applicable IAS 18 standard.

Agreement	Consideration (thousand of $)	Consideration (thousand of €)	Collabo-ration start date	IAS 18 Outstanding balance in deferred income as at 31 December 2017	Deferred income reclassified from equity following adoption of IFRS 15	IFRS 15 Outstanding balance in deferred income as at 1 January 2018	IFRS 15 Revenue recognized, year ended 31 December 2018	IAS 18 Revenue recognized, year ended 31 December 2018	IAS 18 Revenue recognized, year ended 31 December 2017	IFRS 15 Outstanding balance in deferred income as at 31 December 2018
						(thousand of €)				
Revenue recognition of considerations received prior to 31 December 2017										
Gilead collaboration agreement for filgotinib – Upfront payment	300,000	275,558	January 2016	187,449	–	187,449	84,806	84,806	62,488	102,643
Gilead collaboration agreement for filgotinib – Subscription agreement[(1)]	N.A.	39,003	January 2016	26,532	–	26,532	12,004	12,004	8,845	14,528
Servier collaboration agreement for osteoarthritis – License fee	N.A.	6,000	June 2010	5,362	(5,362)	–	–	1,532	638	–
AbbVie collaboration agreement for CF – Upfront payment	45,000	34,001	September 2013	–	14,872	14,872	14,140	–	–	732
Total upfront payments and license fees:				**219,343**	**9,510**	**228,853**	**110,950**	**98,342**	**71,971**	**117,903**
Gilead collaboration agreement for filgotinib – Milestone payments	70,000	64,435	January 2016	–	43,832	43,832	19,831	–	9,354	24,001
AbbVie collaboration agreement for CF – Milestone payments	77,500	68,310	September 2013	–	29,878	29,878	28,406	–	33,596	1,471
Total milestones:				**–**	**73,710**	**73,710**	**48,237**	**–**	**42,950**	**25,472**
Total:				**219,343**	**83,220**	**302,563**	**159,187**	**98,342**	**114,921**	**143,375**

(1) Deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39 Financial instruments: recognition and measurement

Agreement	Consideration (thousand of $)	Consideration (thousand of €)	Collaboration start date	IAS 18 Outstanding balance in deferred income as at 31 December 2017	Deferred income reclassified from equity following adoption of IFRS 15	IFRS 15 Outstanding balance in deferred income as at 1 January 2018	IFRS 15 Revenue recognized, year ended 31 December 2018	IAS 18 Revenue recognized, year ended 31 December 2018	IAS 18 Revenue recognized, year ended 31 December 2017	IFRS 15 Outstanding balance in deferred income as at 31 December 2018
						(thousand of €)				
Revenue recognition of considerations received in the year ended 31 December 2018										
Novartis collaboration agreement for MOR106 – Upfront payment	N.A.	47,500	September 2018				47,500	47,500		–
AbbVie collaboration agreement for CF – Upfront payment	45,000	38,874	September 2013				38,037	38,037		837
Total upfront payments and license fees:							**85,537**	**85,537**		**837**
Gilead collaboration agreement for filgotinib – Milestone payments	15,000	12,418	January 2016				7,793	12,418		4,625
AbbVie collaboration agreement for CF – Milestone payments	10,000	8,548	September 2013				8,364	8,548		184
Servier collaboration agreement for osteoarthritis – Milestone payment	N.A.	9,000	June 2010				9,000	9,000		–
Total milestones:							**25,157**	**29,966**		**4,809**
Total:							**110,694**	**115,503**	**–**	**5,646**
Grand total: upfront payments and license fees and milestones							**269,881**	**213,845**		**149,021**

(1) Deferred income of €39 million booked upon signing of the share subscription agreement with Gilead as required under IAS 39 Financial instruments: recognition and measurement

The adoption of IFRS 15 resulted in a timing difference of revenue recognition between IAS 18 and IFRS 15 which negatively impacted the accumulated losses and increased the amount of deferred income (contract liabilities) by an amount of €83.2 million, as shown in the table above (column "Deferred income reclassified from equity following adoption of IFRS 15"). We elected the modified retrospective method for the transition which foresees that prior period figures remain as reported under the previous standard and the cumulative effect of applying IFRS 15 is recognized as an adjustment to the opening balance of equity as at the date of initial application (1 January 2018). The IFRS 15 adoption resulted in the recognition for the year ended 31 December 2018 of €60.8 million of deferred revenues related to previously recognized upfront payments (€12.6 million) and milestones (€48.2 million) under the former applicable standards of IAS 18.

The following table details revenue recognition approach and amounts for the years ended 31 December 2018 and 2017 by collaboration and license contract by type of revenue: upfront payments, milestone payment, reimbursement income, and other revenues.

Disaggregation of revenues

	IFRS 15				IAS 18	
(thousands of €)	Over time	Point in time	2018	2017	Over time	Point in time
Recognition of non-refundable upfront payments and license fees			**196,486**	**71,971**		
Gilead collaboration agreement for filgotinib	✓		96,809	71,333	✓	
AbbVie collaboration agreement for CF	✓		52,176	–	✓	
Novartis collaboration agreement for MOR106		✓	47,500	–		✓
Servier collaboration agreement for osteoarthritis		✓	–	638	✓	
Milestone payments			**73,394**	**42,950**		
Gilead collaboration agreement for filgotinib	✓		27,623	9,354		✓
AbbVie collaboration agreement for CF	✓		36,771	33,596		✓
Servier collaboration agreement for osteoarthritis		✓	9,000	–		✓
Reimbursement income			**8,722**	**3,273**		
Novartis collaboration agreement for MOR106	✓		7,718	–		
AbbVie collaboration agreement for CF	✓		989	453		✓
Servier collaboration agreement for osteoarthritis			–	2,816		✓
Other reimbursement income			16	4		
Other revenues			**10,233**	**8,893**		
Fee-for-services revenues	✓		10,170	8,825	✓	
Other revenues			63	68		
Total revenues			**288,836**	**127,087**		

For the year ended 31 December 2018, €124.4 million related to the Gilead collaboration agreement were recognized in revenue under IFRS 15 in function of costs incurred, applying the percentage of completion method. This revenue recognition consisted of (i) €84.8 million related to the upfront license fee, (ii) €12.0 million related to the deferred income triggered by the accounting treatment of the share subscription agreement under IAS 39 Financial Instruments: recognition and measurement, at the time of signing of the agreement in 2015, (iii) €19.8 million related to milestone payments received prior to 31 December 2017, and (iv) €7.8 million related to milestone payments received in the year 2018. The outstanding balance of deferred income from the Gilead collaboration agreement at 31 December 2018 amounted to €145.8 million which was all reported as current deferred income, as we expect to reach cost cap, as specified below, end of 2019.

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

For the year ended 31 December 2018, €88.9 million income related to the AbbVie collaboration agreement were recognized in revenue under IFRS 15 in function of costs incurred, applying the percentage of completion method. This revenue recognition consisted of (i) €14.1 million related to the initial upfront license fee received in 2013, (ii) €28.4 million related to milestone payments received in previous years, (iii) €8.4 million related to milestones achieved in the year 2018 and finally (iv) €38.0 million related to the $45.0 million (€38.9 million) related to the additional upfront payment received upon execution of the second amended and restated collaboration agreement in October 2018.. The outstanding balance of deferred income from the AbbVie collaboration agreement at 31 December 2018 amounted to €3.3 million, all reported as current deferred income.

On 19 July 2018, MorphoSys and Galapagos announced signing of a global exclusive license agreement with Novartis covering the development and commercialization of the joint program MOR106, a monoclonal antibody directed against IL-17C, which will be developed further in atopic dermatitis (AtD) and potentially other indications. MorphoSys and Galapagos received an equal share of an upfront payment of €95 million and are entitled to potential future milestone payments of up to approximately €850 million plus royalties up to low-teens to low-twenties. Novartis will bear all future research, development, manufacturing and commercialization costs related to MOR106. For the year ended 31 December 2018 the upfront payment received from Novartis of €47.5 million related to the MOR106 program was recognized as revenue.

Finally, for the year ended December 31, 2018, a milestone payment of €9.0 million related to the collaboration agreement for osteoarthritis with Servier, was additionally recognized in revenue.

Reimbursement income increased by €5.4 million, to €8.7 million for the year ended 31 December 2018 compared to €3.3 million for the year ended 31 December 2017, due to higher reimbursements in relation with the MOR106 program with MorphoSys. The reimbursement of certain research and development costs for the year ended 31 December 2017 were related to our collaboration agreements with AbbVie and Servier.

Other revenues increased by €1.3 million, or 15%, to €10.2 million for the year ended 31 December 2018 compared to €8.9 million for the year ended 31 December 2017, principally due to higher revenues from fee-for-service activities.

Other income

The following table summarizes other income for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	**2018**	2017
Grant income	1,609	1,045
Other income	27,400	27,785
Total other income	**29,009**	**28,830**

Total other income was composed of grant income and other income and increased by €0.2 million, or 1%, from €28.8 million for the year ended 31 December 2017 to €29.0 million for the year ended 31 December 2018.

Grant income increased by €0.6 million, or 54%, from €1.0 million for the year ended 31 December 2017 to €1.6 million for the year ended 31 December 2018. The majority of this grant income was related to grants from a Flemish agency, representing approximately 95% of all reported grant income in 2018 (2017: 93%). In many cases these carry clauses which require us to maintain a presence in the same region for a number of years and invest according to pre-agreed budgets.

The increase in grant income was partly compensated by a decrease in other income of €0.4 million, or 1%, from €27.8 million for the year ended 31 December 2017 to €27.4 million for the year ended 31 December 2018. Other income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €9.3 million of other income for the year ended 31 December 2018 compared to €10.3 million for the year ended 31 December 2017
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €11.3 million of other income for the year ended 31 December 2018 compared to €11.2 million for the year ended 31 December 2017
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €6.3 million of other income for the year ended 31 December 2018 compared to €5.3 million for the year ended 31 December 2017

6. 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 2018 and 2017.

	Year ended 31 December	
(thousands of €)	2018	2017
Personnel costs	(81,352)	(59,950)
Subcontracting	(197,644)	(123,054)
Disposables and lab fees and premises costs	(25,525)	(22,277)
Other operating expenses	(18,355)	(13,221)
Total research and development expenditure	**(322,875)**	**(218,502)**

R&D expenditure increased by €104.4 million, or 48%, to €322.9 million for the year ended 31 December 2018, from €218.5 million for the year ended 31 December 2017, reflecting the increase of our investments to advance our partnered and proprietary R&D programs. This increase was principally due to:

- Increased R&D personnel costs of €21.4 million, or 36%, from €59.9 million for the year ended 31 December 2017 to €81.4 million for the year ended 31 December 2018, which was explained by an enlarged workforce and higher warrant costs, mainly as a result of the increase of our share price
- Increase in subcontracting costs by €74.6 million, or 61%, from €123.1 million for the year ended 31 December 2017 to €197.6 million for the year ended 31 December 2018 mainly due to increased spending in our IPF program and in our RA, IBD and other indications program on filgotinib
- Intensified spending of lab consumables was the main driver of the increase in disposables, lab fees and premises costs of €3.2 million, or 15%, from €22.3 million for the year ended 31 December 2017 to €25.5 million for the year ended 31 December 2018
- Other operating expenses increased by €5.2 million, or 39%, from €13.2 million for the year ended 31 December 2017 to €18.4 million for the year ended 31 December 2018, due to an increased headcount.

The table below summarizes our research and development expenditure for the years ended 31 December 2018 and 2017, broken down by research and development expenses under alliance and own funded research and development expenses.

	Year ended 31 December	
(thousands of €)	**2018**	2017
R&D under alliance	(134,046)	(122,663)
Galapagos funded R&D	(188,829)	(95,839)
Total R&D expenditure	**(322,875)**	**(218,502)**

We track all research and development expenditures against detailed budgets and allocate them by individual project. The table below summarizes our research and development expenditure for the years ended 31 December 2018 and 2017, broken down by program:

	Year ended 31 December	
(thousands of €)	**2018**	2017
Filgotinib program (partnered)	(66,138)	(53,212)
CF program (partnered)	(30,137)	(46,192)
IPF program on GLPG1690 (proprietary)	(72,718)	(16,190)
OA program on GLPG1972 (partnered)	(15,751)	(7,317)
AtD program on MOR106 (partnered)	(14,999)	(8,404)
Other	(123,132)	(87,187)
Total R&D expenditure	**(322,875)**	**(218,502)**

R&D expenditure under alliance increased by €11.4 million, or 9%, to €134.0 million for the year ended 31 December 2018, from €122.7 million for the year ended 31 December 2017, mainly due to increased R&D spending in our RA, IBD and other indications program on filgotinib (partnered with Gilead). We increased our investments in our own funded portfolio by €93.0 million, or 97%, to €188.8 million for the year ended 31 December 2018, from €95.8 million for the year ended 31 December 2017, because of intensified research investments in our proprietary programs primarily on our proprietary IPF program GLPG1690, and also due to increased spending on our inflammation and fibrosis programs.

General and administrative expenses

The following table summarizes the general and administrative expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	**2018**	2017
Personnel costs and directors fees	(25,495)	(17,756)
Other operating expenses	(10,136)	(6,659)
Total general and administrative expenses	**(35,631)**	**(24,415)**

General and administrative expenses amounted to €24.4 million for the year ended 31 December 2017 and increased by €11.2 million, or 46%, to €35.6 million for the year ended 31 December 2018. This increase was principally due to higher personnel expenses, which increased by €7.7 million, or 44%, from €17.8 million for the year ended 31 December 2017 to €25.5 million for the year ended 31 December 2018, resulting from various effects, such as increased headcount and increased costs of share-based payments plans (our warrant plans), mainly as a result of the increase of our share price.

Sales and marketing expenses

The following table summarizes the sales and marketing expenses for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	2018	2017
Personnel costs	(2,282)	(2,156)
Other operating expenses	(1,864)	(646)
Total sales and marketing expenses	**(4,146)**	**(2,803)**

Sales and marketing expenses increased by €1.3 million, or 48%, from €2.8 million for the year ended 31 December 2017 to €4.1 million for the year ended 31 December 2018. This increase was mainly due to the fact that we started to build our commercial organization in preparation for the co-promotion activities with Gilead for filgotinib in the co-promotion territories.

7. Staff costs

The table below summarizes the number of our employees on 31 December 2018 and 2017:

	2018	2017
Number of employees on 31 December	725	600
Total	**725**	**600**

The average number of employees during the years 2018 and 2017 was:

	Year ended 31 December	
	2018	2017
Executive officers	5	5
Research and development	553	461
Corporate and support	119	90
Total	**677**	**556**

Their aggregate remuneration comprised:

	Year ended 31 December	
(thousands of €)	2018	2017
Wages and salaries	(61,619)	(46,677)
Social security costs	(11,003)	(9,081)
Retirement benefit costs	(2,994)	(2,175)
Other personnel costs	(27,375)	(16,465)
Total personnel costs	**(102,991)**	**(74,398)**

The other personnel costs mainly related to costs for warrants granted of €21.3 million (2017: €11.8 million). For the costs of warrants granted, see note 28.

8. Financial income/expenses

The following table summarizes financial income and expense for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	2018	2017
Financial income:		
Interest on bank deposit	5,219	3,045
Effect of discounting long term R&D incentives receivables	199	–
Currency exchange gain	11,027	1,797
Fair value gain on financial assets held at fair value through profit or loss	1,203	–
Gain upon sale of financial assets held at fair value through profit or loss	668	–
Other finance income	19	34
Total financial income	**18,335**	**4,877**
Financial expenses:		
Interest expenses	(780)	(936)
Currency exchange loss	(1,174)	(29,176)
Other finance charges	(782)	(469)
Total financial expense	**(2,737)**	**(30,582)**
Total net financial expense (-)/income	**15,598**	**(25,705)**

Financial expenses decreased significantly by €27.8 million, from €30.6 million for the year ended 31 December 2017 to €2.7 million for the year ended 31 December 2018. The currency exchange loss in 2017 primarily related to a currency exchange loss of €27.8 million on deposits held in U.S. dollars. Our cash and cash equivalents include cash held in U.S. dollars, which could generate foreign currency exchange gain or loss in our financial results in accordance with the fluctuation of the EUR/U.S. dollar exchange rate as our functional currency is EUR.

Interest expenses were related to interests on term deposits and on lease of cars.

Financial income increased by €13.4 million, from €4.9 million for the year ended 31 December 2017 to €18.3 million for the year ended 31 December 2018. This increase was due to a currency exchange gain of €10.1 million on our cash and cash equivalents held in U.S. dollar. Interest income was related to interests on term deposits. Net exchange gain amounted to €9.9 million for the year ended 31 December 2018, compared to a net exchange loss of €27.4 million for the year ended 31 December 2017.

For the year ended 31 December 2018, fair value gain on financial assets held at fair value through profit or loss consisted of positive effects from the fair value re-measurement of financial assets classified as equity investments which qualify for level 1 fair value measurement based upon the closing price of such securities at each reporting date. The gain realized upon sale of some of those equity investments was reported in financial income.

9. Taxes

The following table summarizes the income tax recognized in profit or loss for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
(thousands of €)	2018	2017
Current tax	(584)	(218)
Deferred tax	535	20
Income taxes	**(50)**	**(198)**

Current tax amounted to €0.6 million for the year ended 31 December 2018 and €0.2 million for the year ended 31 December 2017, and was related to corporate income taxes for subsidiaries operating on a cost plus basis.

Deferred tax income of €0.5 million for the year ended 31 December 2018 and of €0.02 million for the year ended 31 December 2017 related to subsidiaries working on a cost plus basis and to our fee-for-service business.

Tax liabilities

The below table illustrates the tax liabilities related captions in the balance sheet as at 31 December 2018 and 2017.

	31 December	
(thousands of €)	2018	2017
Current tax payable	1,175	865
Total tax liabilities	**1,175**	**865**

On 31 December 2018, €1.2 million of tax liabilities were primarily related to our subsidiaries operating on a cost plus basis.

Taxes recognized in profit or loss

For the purpose of the disclosure below corporation tax was calculated at 29.58% (2017: 34%) – which is the tax rate applied in Belgium – on the estimated assessable profit for the year. The applied tax rate for other territorial jurisdictions was the tax rate that is applicable in these respective territorial jurisdictions on the estimated taxable result of the accounting year.

	Year ended 31 December	
(thousands of €)	2018	2017
Loss before tax	**(29,209)**	**(115,507)**
Income tax debit / credit (-), calculated using the Belgian statutory tax rate (29.58% in 2018, 34% in 2017) on the accounting income / loss (-) before tax (theoretical)	(8,640)	(39,261)
Tax expenses in income statement (effective)	**50**	**198**
Difference in tax expenses / income to explain	**8,690**	**39,458**
Effect of tax rates in other jurisdictions	411	14
Effect of non-taxable revenues	(11,558)	(11,277)
Effect of share-based payment expenses without tax impact	7,530	5,317
Effect of consolidation elimination without tax impact	382	102
Effect of non-tax-deductible expenses	945	404
Effect of recognition of previously non recognized deferred tax assets	(1,977)	(414)
Effect of tax losses (utilized) reversed	(150)	(763)
Effect of non-recognition of deferred tax assets	13,108	45,895
Effect of change in tax rates	–	181
Total explanations	**8,690**	**39,458**

Non-taxable revenues for the years ended 31 December 2018 and 2017 were related to non-taxable subsidies and tax credits.

10. Income/loss (–) per share

Basic income/loss (–) per share is calculated by dividing the net income/loss (–) attributable to owners of the parent by the weighted average number of ordinary shares issued during the year. Diluted income/loss (–) per share is calculated based on the weighted average number of shares (diluted) also considering outstanding warrants, for which our average share price of the year was higher than the exercise price.

Loss per share

	Year ended 31 December	
	2018	**2017**
Net loss attributable to owners of the parent (thousands of €)	**(29,259)**	**(115,704)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of basic income / loss (-) per share	52,113	49,479
Basic loss per share (€)	**(0.56)**	**(2.34)**
Net loss attributable to owners of the parent (thousands of €)	**(29,259)**	**(115,704)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of diluted income / loss (-) per share	52,113	49,479
Number of dilutive potential ordinary shares	–	–
Diluted loss per share (€)	**(0.56)**	**(2.34)**

As we reported a net loss in 2018 and 2017, the outstanding warrants (specified in note 28) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share is the same for 2018 and 2017.

11. Intangible assets

(thousands of €)	In process technology	Software & databases	Brands, licenses, patents & know-how	Total
Acquisition value				
On 1 January 2017	**5,561**	**7,185**	**1,523**	**14,269**
Additions	1,500	623	2	2,125
Sales and disposals		(100)		(100)
Translation differences		(212)		(212)
On 31 December 2017	**7,061**	**7,496**	**1,525**	**16,082**
Additions		1,561	1,763	3,325
Sales and disposals	(7,061)	(20)	(569)	(7,650)
Translation differences		74		74
On 31 December 2018	**–**	**9,111**	**2,719**	**11,832**
Amortization and impairment				
On 1 January 2017	**5,561**	**6,182**	**1,501**	**13,246**
Amortization		644	8	652
Sales and disposals		(99)		(99)
Translation differences		(212)		(212)
On 31 December 2017	**5,561**	**6,514**	**1,509**	**13,587**
Amortization	417	681	9	1,107
Impairment	1,083			1,083
Sales and disposals	(7,061)	(20)	(569)	(7,650)
Translation differences		74		74
On 31 December 2018	**–**	**7,250**	**949**	**8,200**
Carrying amount				
On 31 December 2017	1,500	982	16	2,495
On 31 December 2018	**–**	**1,862**	**1,771**	**3,632**

The intangible assets increased by €1.1 million from €2.5 million at 31 December 2017, to €3.6 million at 31 December 2018. The amortization of €1.1 million and the impairment of €1.1 million were fully compensated by new additions for €3.3 million.

On 31 December 2018, our balance sheet did not hold any internally generated assets capitalized as intangible asset.

12. Property, plant and equipment

(thousands of €)	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Acquisition value					
On 1 January 2017	**4,412**	**29,733**	**2,973**	**505**	**37,624**
Additions	324	3,178	246	1,564	5,312
Sales and disposals		(844)	(17)		(861)
Reclassifications		881		(881)	–
Translation differences		112	7	1	120
On 31 December 2017	**4,736**	**33,060**	**3,209**	**1,189**	**42,195**
Additions	275	4,674	1,039	4,404	10,392
Sales and disposals		(486)	(826)		(1,311)
Reclassifications		753	13	(766)	–
Translation differences		29	16	0	46
On 31 December 2018	**5,011**	**38,031**	**3,452**	**4,827**	**51,321**
Depreciations and impairment					
On 1 January 2017	**2,025**	**18,252**	**2,184**	**203**	**22,663**
Amortization	316	3,027	234	55	3,633
Sales and disposals		(838)	(17)		(855)
Translation differences	1	53	7		61
On 31 December 2017	**2,342**	**20,495**	**2,407**	**258**	**25,502**
Amortization	344	3,377	236	17	3,974
Sales and disposals		(485)	(826)		(1,310)
Translation differences		16	2		18
On 31 December 2018	**2,686**	**23,403**	**1,819**	**275**	**28,184**
Carrying amount					
On 31 December 2017	2,394	12,565	802	930	16,692
On 31 December 2018	**2,325**	**14,628**	**1,632**	**4,552**	**23,137**

The property, plant and equipment increased from €16.7 million as at 31 December 2017 to €23.1 million as at 31 December 2018. This increase was mainly the result of new additions of €10.4 million, partly compensated by a depreciation charge of €4.0 million.

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.

13. Other non-current assets

Other non-current assets consisted of non-current restricted cash, financial assets held at fair value through profit or loss, and other non-current assets.

	31 December	
(thousands of €)	2018	2017
Non-current restricted cash	1,276	1,158
Financial assets held at fair value through profit or loss	6,000	1,754
Other non-current assets	643	549
Total other non-current assets	**7,919**	**3,461**

Restricted cash amounted to €1.2 million on 31 December 2017, and increased to €1.3 million on 31 December 2018, due to additional bank guarantees with regard to the rental of supplementary office space for the Belgian premises. Restricted cash on 31 December 2018 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €0.7 million and €0.6 million respectively.

Financial assets held at fair value through profit or loss consisted of equity instruments of listed companies. Galapagos has no restrictions on the sale of these equity instruments and the assets are not pledged under any Galapagos' liabilities. These instruments are designated as financial assets held at fair value through profit or loss which qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

Fair value changes on financial assets with fair value through profit or loss are recognized directly in profit or loss.

The table below illustrates these financial assets held at fair value through profit or loss as at 31 December 2018 and 2017.

	31 December	
(thousands of €)	2018	2017
Cost at 1 January	**2,373**	**2,750**
Acquisitions of the year	4,736	–
Disposals of the year	(2,291)	(377)
Cost at 31 December	**4,818**	**2,373**
Fair value adjustment at 1 January	**(619)**	**(399)**
Cancellation of fair value adjustment following disposal	598	55
Fair value adjustment of the year	1,203	(275)
Fair value adjustment at 31 December	**1,182**	**(619)**
Net book value at 31 December	**6,000**	**1,754**

14. Research and development incentives receivables

The table below illustrates the R&D incentives receivables related captions in the balance sheet as at 31 December 2018 and 2017.

	31 December	
(thousands of €)	2018	2017
Non-current R&D incentives receivables	73,443	64,001
Current R&D incentives receivables	11,203	11,782
Total R&D incentives receivables	**84,646**	**75,783**

Total R&D incentives receivables increased by €8.9 million compared to 31 December 2017. This increase is explained by new R&D incentives reported in 2018 for €20.5 million (€9.2 million related to French R&D incentives and €11.3 million related to Belgian R&D incentives), by the release of discounting profit of €0.2 million, and less the payments received related to French R&D incentives amounting to €8.4 million and to Belgian R&D incentives amounting to €3.4 million. The R&D incentives receivables are future expected refunds resulting from R&D incentives on research and development expenses in France and Belgium. Non-current R&D incentives receivables are reported at their net present value and are therefore discounted over the period until maturity date.

The table below provides detailed information on the maturity of the non-current R&D incentives receivables reported in our balance sheet at 31 December 2018.

Non-current R&D incentives receivables

	31 December 2018					
	Maturity date					
(thousands of €)	2020	2021	2022	2023	2024 – 2028	Total
French non-current R&D incentives receivables – nominal value	8,959	9,674	10,226			28,859
French non-current R&D incentives receivables – discounted value	8,959	9,674	10,226			28,859
Belgian non-current R&D incentives receivables – nominal value	3,398	4,009	4,863	6,663	26,355	45,288
Belgian non-current R&D incentives receivables – discounted value	3,398	4,009	4,863	6,663	25,650	44,583
Total non-current R&D incentives receivables – nominal value	**12,358**	**13,683**	**15,089**	**6,663**	**26,355**	**74,148**
Total non-current R&D incentives receivables – discounted value	**12,358**	**13,683**	**15,089**	**6,663**	**25,650**	**73,443**

15. Trade and other receivables and other current assets

	31 December	
(thousands of €)	**2018**	2017
Trade receivables	9,206	22,133
Prepayments	142	543
Other receivables	9,261	5,289
Trade and other receivables	**18,609**	**27,966**
Inventories	276	279
Accrued income	3,863	2,584
Deferred charges	4,104	3,825
Other current assets	**8,244**	**6,688**
Total trade and other receivables & other current assets	**26,852**	**34,653**

Trade and other receivables decreased by €9.4 million to €18.6 million as at 31 December 2018 compared to €28.0 million as at 31 December 2017. This was mainly due to two milestones achieved before year end 2017 in our CF collaboration with AbbVie which were accounted for $20 million (€ 17.0 million): respectively $10 million (€8.6 million) for the Phase 1 trial initiation with GLPG3221 and $10 million (€8.4 million) for the Phase 1 trial initiation with GLPG2851.

We consider that the carrying amount of trade and other receivables approximates their fair value.

The other current assets mainly included accrued income from subsidy projects and deferred charges.

On 31 December 2018, we did not have any provision for expected credit losses.

16. Cash and cash equivalents

	31 December	
(thousands of €)	**2018**	2017
Cash at banks	358,016	288,052
Term deposits	733,537	713,446
Money market funds	199,243	149,711
Cash on hand	–	3
Total cash and cash equivalents	**1,290,796**	**1,151,211**

We reported a cash position of €1,290.8 million at the end of December 2018 compared to €1,151.2 million at year-end 2017. Net cash used in operating activities amounted to €142.5 million for the year ended 31 December 2018. The net cash used in investing activities amounted to €15.9 million for the year ended 31 December 2018. The net cash generated from financing activities amounted to €287.9 million for the year ended 31 December 2018, which can mainly be attributed to the public offering in the U.S. of Galapagos shares for which the cash proceeds from capital and share premium increases amounted to €280.2 million, net of issue costs. In addition, proceeds received on exercise of warrants contributed to cash generated in financing activities in 2018 for an amount of €7.7 million. Finally, €10.1 million of foreign currency exchange rate differences on our cash held in foreign currency positively impacted the ending balance of our cash and cash equivalents.

Cash and cash equivalents comprise cash at banks, short term bank deposits and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value. Our cash management strategy monitors and optimizes our liquidity position. Our cash management strategy may allow short term deposits with an original maturity exceeding 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprised €733.5 million of term deposits which all had an original maturity longer than 3 months. All cash and cash equivalents are available upon maximum one month notice period and without significant penalty. Cash at banks were mainly composed of savings accounts and current accounts. We maintain our bank deposits in highly rated financial institutions to reduce credit risk. Cash invested in highly liquid money market funds represented €199.2 million and was aimed at meeting short-term cash commitments, while reducing the counterparty risk of investment.

On 31 December 2018, our cash and cash equivalents included $320.5 million held in USD, which could generate a foreign currency exchange gain or loss in our financial results in accordance with the fluctuation of the EUR/USD exchange rate as our functional currency is EUR.

17. Share capital

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

	31 December	
(thousands of €)	2018	2017
On 1 January	**233,414**	**223,928**
Share capital increase	19,090	25,323
Costs of capital increase	(15,964)	(15,837)
Share capital on 31 December	**236,540**	**233,414**
Aggregate share capital	294,600	275,510
Costs of capital increase (accumulated)	(58,060)	(42,096)
Share capital on 31 December	**236,540**	**233,414**

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 the share capital of Galapagos NV between 1 January 2017 and 31 December 2018 is as follows:

Date	Share capital increase new shares (thousands of €)	Share capital increase warrants (thousands of €)	Number of shares issued (thousands of shares)	Aggregate number of shares after transaction (thousands of shares)	Aggregate share capital after transaction (thousands of €)
1 January 2017				**46,256**	**250,187**
6 April 2017		1,337	247		
21 April 2017	23,331		4,313		
20 June 2017		281	52		
21 September 2017		152	28		
23 November 2017		222	41		
31 December 2017				**50,937**	**275,510**
1 January 2018				**50,937**	**275,510**
20 March 2018		1,613	298		
20 June 2018		556	103		
17 September 2018	16,021		2,961		
3 October 2018		733	135		
23 November 2018		167	31		
31 December 2018				**54,466**	**294,600**

On 31 December 2018, Galapagos NV's share capital amounted to €294,600 thousand, represented by 54,465,421 shares. All shares were issued, fully paid up and of the same class.

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

The below table summarizes our capital increases for the years 2018 and 2017.

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price warrants (in €/ warrant)	Closing share price on date of capital increase (in €/ share)
On 1 January 2018	**50,936,778**	**233,414**	**993,025**	**1,226,439**		
20 March 2018: exercise of warrants	**298,184**	**1,613**	**2,311**	**3,924**	**13.16**	**83.72**
20 June 2018: exercise of warrants	**102,801**	**556**	**781**	**1,337**	**13.01**	**85.00**
17 September 2018: U.S. public offering						
ADSs (fully paid)	2,961,373	16,021	280,167	296,188		
Underwriter discounts and offering expenses (paid)		(15,964)		(15,964)		
Total U.S. public offering	**2,961,373**	**57**	**280,167**	**280,224**		**99.68**
3 October 2018: exercise of warrants	**135,485**	**733**	**1,281**	**2,014**	**14.86**	**94.32**
23 November 2018: exercise of warrants	**30,800**	**167**	**215**	**382**	**12.40**	**88.90**
On 31 December 2018	**54,465,421**	**236,540**	**1,277,780**	**1,514,320**		

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price warrants (in €/ warrant)	Closing share price on date of capital increase (in €/ share)
On 1 January 2017	**46,256,078**	**223,928**	**649,135**	**873,063**		
6 April 2017: exercise of warrants	**247,070**	**1,337**	**2,697**	**4,034**	**16.33**	**84.60**
21 April 2017: U.S. public offering						
ADSs (fully paid)	4,312,500	23,331	340,593	363,924		81.34
Underwriter discounts and offering expenses (paid)		(15,790)		(15,790)		
Offering expenses still to be paid at 31 December 2017		(47)		(47)		
Total U.S. public offering	**4,312,500**	**7,494**	**340,593**	**348,087**		
20 June 2017: exercise of warrants	**52,030**	**281**	**350**	**632**	**12.14**	**70.66**
21 September 2017: exercise of warrants	**28,100**	**152**	**116**	**268**	**9.55**	**84.62**
23 November 2017: exercise of warrants	**41,000**	**222**	**132**	**354**	**8.63**	**77.53**
On 31 December 2017	**50,936,778**	**233,414**	**993,025**	**1,226,439**		

The board of directors is authorized for a period of five years starting from the date of publication in the Annexes to the Belgian State Gazette of the shareholders' resolution that granted the renewed authorization, being 31 May 2017, 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 subscription 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 shareholders' meeting of 25 April 2017 amounted to €82,561.8 thousand. As of 31 December 2018, €22,703.7 thousand of the authorized capital was used, so that an amount of €59,858.1 thousand still remained available.

18. Other reserves

Actuarial and other gains or losses recognized through other comprehensive income

	31 December	
(thousands of €)	2018	2017
On 1 January	**(1,260)**	**(1,000)**
Change in accounting policy (modified retrospective application IFRS 9)	619	
Restated other reserves at 1 January 2018	**(641)**	
Loss on defined benefit obligation recognized through OCI	(94)	(40)
Reclassification of loss on financial asset available for sale to income statement (after disposal)		55
Loss on financial asset available for sale recognized through OCI		(275)
Other reserves on 31 December	**(735)**	**(1,260)**

Other reserves consisted of a negative of €0.7 million, compared to a negative of €0.6 million in 2017, which was related to the re-measurement of defined benefit obligations recognized through OCI in line with IAS19R Employee Benefits. The negative of €0.6 million at 31 December 2017, related to the fair value adjustment on the available-for-sale equity investment, was transferred to retained earnings following the first adoption of IFRS 9 (see note 13).

There were no tax effects applicable to the amounts included in other reserves.

Derivative financial instruments: currency derivatives

We do 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 we have committed are nil (2017: nil).

On 31 December 2018 the fair value of our currency derivatives was nil (2017: nil).

See note 31 for further information on how we manage financial risks.

19. Translation differences

	31 December	
(thousands of €)	2018	2017
On 1 January	**(1,754)**	**(1,090)**
Translation differences, arisen from translating foreign activities	197	(664)
Translation differences on 31 December	**(1,557)**	**(1,754)**

Translation differences decreased from a negative €1.8 million at the end of December 2017 to a negative of €1.6 million at the end of December 2018 mainly due to fluctuations of the GB pounds and the U.S. dollar exchange rates.

20. Deferred tax

	31 December	
(thousands of €)	2018	2017
Recognized deferred tax assets and liabilities		
Assets	2,514	1,978
Liabilities		
Deferred tax assets unrecognized	223,377	164,079
Deferred taxes in the consolidated income statement	535	20
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	1,973	414
Deferred tax expenses relating to change in tax rates		(181)
Deferred tax expenses relating to use of previously recognized deferred tax assets	(1,438)	(213)

The investment deduction of €1 million (2017: €1 million) could give rise to deferred tax assets. There is no limit in time for the investment deduction. The amount of notional interest deduction that has been accumulated in the past (2017: €2.6 million) could not be carried forward to 2018, the notional interest deduction of the year itself can also not be carried forward.

The consolidated unused tax losses carried forward at 31 December 2018 amounted to €688.7 million (2017: €567 million), €5.7 million were related to unrecognized tax losses with expiry date between 2019 and 2030.

The available statutory tax losses carried forward that can be offset against future statutory taxable profits amounted to €374.2 million on 31 December 2018. These statutory tax losses can be compensated with future statutory profits for an indefinite period except for an amount of €10.8 million in Switzerland, Croatia and the United States with expiry date between 2019 and 2030. On 31 December 2018, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €305.6 million. In addition to the latter, Galapagos NV (Belgium) also benefits from the new Belgian innovation income deduction regime which led to report, on 31 December 2018, a supplementary carried forward tax deduction amounting to €195.4 million that can also be offset against future statutory taxable results. It should be noted however that the Belgian corporate income tax reform introduced as of assessment year 2019 a *de facto* minimum taxable base, whereby the existing tax attributes have to be allocated into 2 so-called "*baskets*": a first basket which contains the tax deductions that can be applied without any restrictions and a second basket which contains the tax deductions that are subject to restrictions. We refer to note 3 for more information.

We have a history of losses. Excluding the impact of possible upfront or milestone payments to be received from collaborations, we forecast to continue incurring taxable losses in the foreseeable future as we continue to invest in clinical and preclinical development programs and discovery platforms. Consequently, no deferred tax asset was set up as at 31 December 2018, except for one subsidiary operating on a cost plus basis and for our fee-for-service business, for which deferred tax assets were recognized for €2.5 million (2017: €2.0 million).

21. Trade and other liabilities

	31 December	
(thousands of €)	2018	2017
Trade and other liabilities	68,038	47,122
Other current liabilities	–	–
Other non-current liabilities	1,578	1,662
Accrued charges	890	1,159
Total trade and other liabilities	**70,506**	**49,942**

Our total trade and other liabilities, amounting to €70.5 million as of 31 December 2018, increased by €20.6 million compared to the €49.9 million reported as of 31 December 2017.

The trade and other liabilities, amounting to €68.0 million as of 31 December 2018, increased by €20.9 million compared to the €47.1 million reported as of 31 December 2017. This increase is mainly due to higher accrued trade liabilities on 31 December 2018, reflecting the intensification of our investments in our R&D programs.

22. Deferred income

	31 December	
(thousands of €)	2018	2017
Deferred income related to contracts		
Gilead collaboration agreement for filgotinib	131,270	187,449
Gilead collaboration agreement for filgotinib(1)	14,528	26,532
AbbVie collaboration for CF	3,223	–
Servier collaboration agreement for osteoarthritis	–	5,362
Deferred income related to contracts in our fee-for-service segment	471	248
Other deferred income (grants)	**309**	**301**
Total deferred income (long term & current)	**149,801**	**219,892**

(1) deferred income of €39 million recognized upon signing of the share subscription agreement with Gilead as required under IAS 39 Financial instruments: recognition and measurement

Deferred income (long term and short term) amounted to €149.8 million at 31 December 2018 and decreased by €70.1 million compared to €219.9 million as at 31 December 2017. The adoption of IFRS 15 resulted in a timing difference of revenue recognition between IAS 18 and IFRS 15 which negatively impacted the accumulated losses and increased the amount of deferred income (contract liabilities) by an amount of €83.2 million, as shown in the table in note 5 'Total revenues and other income' (column "Deferred income reclassified from equity following adoption of IFRS 15").

The outstanding deferred income balance at 31 December 2018 is all short term and included €145.8 million deferred income related to the collaboration agreement with Gilead for filgotinib, €3.2 million deferred income related to the collaboration agreement with AbbVie for CF, €0.5 million related to our fee-for-service segment and €0.3 million of deferred grant income.

23. Note to the cash flow statement

	31 December	
(thousands of €)	2018	2017
Adjustment for non-cash transactions		
Depreciation and amortization	5,081	4,285
Impairment loss	1,083	–
Share-based compensation expenses	26,757	16,536
Increase in retirement benefit obligations and provisions	99	23
Unrealised exchange gains /losses and non-cash other financial expenses	(10,063)	27,457
Fair value adjustment financial assets held at fair value through profit or loss	(1,203)	–
Total adjustment for non-cash transactions	**21,753**	**48,301**
Adjustment for items to disclose separately under operating cash flow		
Interest expense	780	936
Interest income	(5,219)	(3,045)
Tax expense	50	198
Total adjustment for items to disclose separately under operating cash flow	**(4,389)**	**(1,912)**
Adjustment for items to disclose under investing and financing cash flows		
Gain on sale of financial assets held at fair value through profit or loss	(668)	–
Total adjustment for items to disclose separately under investing and financing cash flow	**(668)**	**–**
Change in working capital other than deferred income		
Decrease in inventories	3	22
Increase in receivables	(76)	(27,656)
Increase in liabilities	19,996	14,772
Total change in working capital other than deferred income	**19,922**	**(12,862)**

24. Operating lease obligations

We entered into lease agreements primarily for offices 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 €)	2018	2017
Total minimum lease payments under operating leases	**5,340**	**4,799**

Our outstanding commitments for future minimum lease payments under operating leases are disclosed in the note 25. Off-balance sheet arrangements.

25. Off-balance sheet arrangements

Contractual obligations and commitments

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

On 31 December 2018, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating lease obligations	27,704	4,722	10,024	6,234	6,724
Purchase commitments	199,492	106,516	52,632	40,344	–
Total contractual obligations & commitments	**227,197**	**111,238**	**62,656**	**46,578**	**6,724**

On 31 December 2017, we had outstanding obligations for future minimum rent payments and purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating lease obligations	26,346	4,150	7,820	6,010	8,366
Purchase commitments	65,246	53,010	11,233	1,002	–
Total contractual obligations & commitments	**91,592**	**57,160**	**19,053**	**7,012**	**8,366**

In addition to the tables above, we have a contractual cost sharing obligation related to our collaboration agreement with Gilead for filgotinib. This is disclosed in the Corporate Governance chapter of this report, under "Agreements with major Galapagos NV shareholders". The contractual cost sharing commitment amounted to €74.0 million at 31 December 2018 (€129.0 million at 31 December 2017), for which we have direct purchase commitments of €20.3 million at 31 December 2018 (€10.1 million at 31 December 2017) reflected in the tables above.

26. Contingent assets and liabilities

On 13 March 2014, we announced the signing of a definitive agreement to sell the service division operations to Charles River Laboratories International, Inc., or CRL, for a total consideration of up to €134 million. CRL agreed to pay us an immediate cash consideration of €129 million. The potential earn-out of €5 million due upon achievement of a revenue target 12 months after transaction closing was not achieved. Approximately 5% of the total consideration, including price adjustments, was being held on an escrow account. Four claims were introduced by CRL, which have all been settled for a total amount of €1.3 million. The remaining balance of €6.6 million was released in full, as final agreement between the parties was reached in the first quarter of 2017.

Following the divestment, we remained guarantor until early February 2017 in respect of the lease obligations for certain U.K. premises. Finally, following common practice, we gave representations and warranties which are capped and limited in time (since 1 April 2016, CRL can only introduce a claim covered by the Tax Deed (during a period of 5 years), other claims related to the sale cannot be submitted anymore).

In the course of 2008, a former director of one of our subsidiaries sued for wrongful termination and seeks damages of €1.5 million. We believe that the amount of damages claimed is unrealistically high. On 29 January 2016, the court made a 1st degree judgment, dismissing all claims in full. In appeal, the 2nd degree court instructed the 1st degree court to conduct a new trial. On 14 December 2018, the 1st degree court again dismissed all claims of the plaintiff. On 14 January 2019, the plaintiff lodged an appeal, which is currently pending. The timing of this appeal procedure can however not be predicted with any degree of certainty. Considering the defense elements provided to date, as well as the judgment of the 1st degree court of 14 December 2018, our board and management evaluated the risk to be possible, but not likely. Accordingly, it was decided not to record any provision as the exposure was not considered to be probable.

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

27. Retirement benefit plans

Defined contribution plans

We operate defined contribution systems for our qualifying employees (except for Belgium and France). The assets of the schemes are held separately from ours in designated pension plans. For defined contribution systems, we pay contributions to publicly or privately administered pension or insurance funds. Once the contribution is paid, we do not have any remaining obligation.

Defined benefit plans in Belgium

In view of the minimum returns guarantees, the Belgian plans are classified as defined benefit plans. As at 31 December 2017 a net defined benefit obligation of €169.4 thousand was recorded, which increased to a net defined benefit obligation of €332.4 thousand on 31 December 2018.

Actuarial gains and losses are recognized immediately in equity, with a charge or credit to other comprehensive income (OCI), in accordance with IAS 19R Employee Benefits. They are not recycled subsequently. Actuarial losses of €151.9 thousand were recognized through other comprehensive income (OCI) at the end of 2018 (2017: €53.9 thousand of actuarial gains). The contributions to those plans that were due by the employer for the year ended 31 December 2018 and the year ended 31 December 2017, amounted respectively to €993.0 thousand and €964.0 thousand, of which €49.5 thousand was paid after 31 December 2018 (2017: €64.0 thousand). No contributions were made by the employees.

The plan assets as on 31 December 2018 consisted of €3,357.5 thousand (2017: €2,554.7 thousand) individual insurance reserves, which benefit from a weighted average guaranteed interest rate of 2.65% (2017: 2.41%).

Defined benefit plans in France

We use two defined benefit plans for the employees of our French entity. The defined benefit plans are not supported by funds.

The chemical and pharmaceutical industry's collective bargaining agreements require that our 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 €2,110.1 thousand for 2018 (2017: €2,046.8 thousand). This increase was mainly due to an increased number of participants.

Additionally, there are also seniority premiums obligations in France. The provisions for these premiums amounted to €1,321.7 thousand on 31 December 2018 (on 31 December 2017: €1,365.7 thousand).

Total obligation included in the balance sheet related to the defined benefit plans amounted to €3,431.8 thousand on 31 December 2018 (2017: €3,412.5 thousand).

Actuarial gains and losses are recognized in equity, with a charge or credit to other comprehensive income (OCI), in accordance with IAS 19R Employee Benefits. They are not recycled subsequently. Actuarial gains of €58.5 thousand were recognized through other comprehensive income (OCI) at the end of 2018 (2017: €93.9 thousand of actuarial losses).

Total amounts due by the group to the pension plans in 2018 were €3.0 million (2017: €2.2 million).

Obligations included in the balance sheet

	31 December	
(thousands of €)	**2018**	2017
Present value of funded defined benefit obligation	3,690	2,724
Plan assets	(3,358)	(2,555)
Deficit/ surplus	332	169
Present value of unfunded defined benefit obligation	3,432	3,412
Liability included in the balance sheet	**3,764**	**3,582**

The present value of the gross obligation developed as follows

(thousands of €)	**2018**	2017
Opening balance	6,136	5,308
Current service cost	1,156	863
Actual taxes on contributions paid	(99)	(87)
Interest cost	89	87
Benefits paid	(193)	(157)
Actuarial gains (-) or losses due to experience adjustments	483	(100)
Actuarial gains (-) or losses due to experience adjustments related to new financial assumptions	(420)	222
Actuarial gains (-) or losses due to experience adjustments related to new demographic assumptions	(30)	–
Closing balance	**7,122**	**6,136**

The fair value of the plan assets developed as follows

(thousands of €)	**2018**	2017
Opening balance	(2,555)	(1,788)
Interest income on plan assets	(50)	(41)
Actual administration costs	4	3
Contributions from employer	(849)	(748)
Actual taxes on contributions paid	99	87
Plan assets gain during the period	(7)	(68)
Closing balance	**(3,358)**	**(2,555)**

The fair value of the plan assets is the fair market value of the plan assets. The fair value of the plan assets was calculated as the reduced lump sums (received from the plan administrators) actualized with the assumptions set (discount rate and mortality tables). The total plan assets are equal to the fair value of the plan assets increased with the financing fund.

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

	Year ended 31 December	
(thousands of €)	**2018**	**2017**
Current service cost	1,156	863
Interest cost	89	87
Interest income	(50)	(41)
Administration expenses	4	3
Revaluations of net liability / net asset	(69)	14
Total expense	**1,130**	**926**

Obligation included in the balance sheet reconciles as follows

(thousands of €)	**2018**	**2017**
Opening balance	3,582	3,520
Real employer contributions	(849)	(748)
Total expense recognized in the income statement	1,130	926
Re-measurement on the net defined benefit liability	94	40
Benefits paid	(193)	(157)
Closing balance	**3,764**	**3,582**

The most important actuarial assumptions are

	31 December	
(%)	**2018**	**2017**
Weighted average discount rate	1.76%	1.48%
Expected salary increase	2.50%	2.50%
Inflation rate	1.90%	1.86%

The discount rate was based on the Merrill Lynch yields for AA rated Eurozone corporate bonds (bonds with maturity dates which correspond with the commitments). In addition to the above table, we used mortality tables issued by Belgian and French national institutions for statistics applicable respectively for the Belgian and the French population.

Breakdown of defined benefit obligation by type of plan participants:

	31 December	
(number of participants)	**2018**	**2017**
Active plan participants	402	324

Breakdown of defined benefit obligation by type of benefits:

	31 December	
(thousands of €)	**2018**	**2017**
Retirement and death benefits	5,800	4,770
Other post-employment benefits	1,322	1,366

Major categories of plan assets: fair value plan of assets:

	31 December	
(thousands of €)	2018	2017
Equity	134	153
Debt	3,123	2,402
Cash	101	

Sensitivity analysis on weighted average discount rate: effect on gross obligation

		31 December
Obligation (thousands of €)		2018
Discount rate	1.26%	7,635
Discount rate	1.51%	7,371
Discount rate	1.76%	7,122
Discount rate	2.01%	6,886
Discount rate	2.26%	6,661

Sensitivity analysis on weighted average discount rate: effect on gross obligation

		31 December
Obligation (thousands of €)		2017
Discount rate	0.98%	6,663
Discount rate	1.23%	6,393
Discount rate	1.48%	6,136
Discount rate	1.73%	5,895
Discount rate	1.98%	5,666

28. Warrant plans

Presented below is a summary of warrant activities for the reported periods. Various warrant plans were approved for the benefit of our employees, and for 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, with the exception of the warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which vest on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants.

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, except for warrants granted under Warrant Plan 2015 (B), Warrant Plan 2015 RMV, and Warrant Plan 2016 (B), which become exercisable on the third anniversary of the notary deed enacting the acceptance and issuance of the warrants. In the event of a change of control over Galapagos NV, all outstanding warrants vest immediately and will be immediately exercisable.

The table below sets forth a summary of warrants outstanding and exercisable at 31 December 2018, per warrant plan:

Warrant plan	Allocation date	Expiry date	Exercise price (€)	Outstanding per 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding per 31 December 2018	Exercisable per 31 December 2018
2005	04.07.2005	03.07.2018	6.91	30,000		(30,000)			–	–
2005	15.12.2005	14.12.2018	8.60	7,500		(7,500)			–	–
2006 BNL	28.06.2007	27.06.2020	8.65	735		(735)			–	–
2006 BNL	21.12.2007	20.12.2020	7.12	1,050					1,050	1,050
2007	28.06.2007	27.06.2020	8.65	48,909		(19,535)			29,374	29,374
2007 RMV	25.10.2007	24.10.2020	8.65	32,600		(8,050)			24,550	24,550
2008	26.06.2008	25.06.2021	5.60	77,100					77,100	77,100
2010	27.04.2010	26.04.2018	11.55	42,500		(42,500)			–	–
2011	23.05.2011	22.05.2019	9.95	52,500		(15,000)			37,500	37,500
2012	03.09.2012	02.09.2020	14.19	209,890		(99,850)			110,040	110,040
2013	16.05.2013	15.05.2021	19.38	260,560		(65,000)			195,560	195,560
2014	25.07.2014	24.07.2022	14.54	536,660		(189,100)			347,560	347,560
2014 (B)	14.10.2014	13.10.2022	11.93	150,000		(90,000)			60,000	60,000
2015	30.04.2015	29.04.2023	28.75	517,053			(2,000)		515,053	
2015 (B)	22.12.2015	21.12.2023	49.00	399,000					399,000	
2015 RMV	22.12.2015	21.12.2023	49.00	97,500					97,500	
2016	01.06.2016	31.05.2024	46.10	514,250			(10,000)		504,250	
2016 RMV	01.06.2016	31.05.2024	46.10	120,000					120,000	
2016 (B)	20.01.2017	19.01.2025	62.50	150,000					150,000	
2017	17.05.2017	16.05.2025	80.57	595,500					595,500	
2017 RMV	17.05.2017	16.05.2025	80.57	127,500					127,500	
2018	19.04.2018	18.04.2026	79.88		1,097,745				1,097,745	
2018 RMV	19.04.2018	18.04.2026	79.88		137,500				137,500	
Total				**3,970,807**	**1,235,245**	**(567,270)**	**(12,000)**	**–**	**4,626,782**	**882,734**

	Warrants	Weighted average exercise price (€)
Outstanding on 31 December, 2016	**3,466,407**	**27.06**
Exercisable on 31 December, 2016	669,704	
Granted during the period	873,000	
Forfeited during the year	–	
Exercised during the period	(368,200)	
Expired during the year	(400)	
Outstanding on 31 December, 2017	**3,970,807**	**39.32**
Exercisable on 31 December, 2017	763,344	
Granted during the period	1,235,245	
Forfeited during the year	(12,000)	
Exercised during the period	(567,270)	
Expired during the year	–	
Outstanding on 31 December, 2018	**4,626,782**	**53.30**
Exercisable on 31 December, 2018	882,734	

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

Warrant plans

	2018	2018 RMV	2017	2017 RMV
	19 April 2018	19 April 2018	17 May 2017	17 May 2017
Exercise Price (€)	79.88	79.88	80.57	80.57
Share price at acceptance date (€)	84.88	84.88	68.67	68.67
Fair value on the acceptance date (€)	38.39	38.39	26.85	26.80
Estimated volatility (%)	39.44	39.44	40.06	40.08
Time to expiration (years)	8	8	8	8
Risk free rate (%)	0.51	0.51	0.33	0.29
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 were accounted for in accordance with IFRS 2 Share Based Payments.

Our warrants expense in 2018 amounted to €26,757 thousand (2017: €16,536 thousand).

The following table provides an overview of the outstanding warrants per category of warrant holders at 31 December 2018 and 31 December 2017.

	31 December	
Category (in number of warrants)	**2018**	**2017**
Non-executive directors	216,780	216,060
Executive team	2,139,374	2,039,374
Other	2,270,628	1,715,373
Total warrants outstanding	**4,626,782**	**3,970,807**

The outstanding warrants at the end of the accounting period have an average exercise price of €53.30 (2017: €39.32) and a weighted average remaining expected life of 1,500 days (2017: 1,441 days).

29. Related parties

Relationship and transactions with entities with (joint) control of, or significant influence over, Galapagos

There are no shareholders or other entities who, solely or jointly, control Galapagos or exercise significant influence over Galapagos.

Relationship and transactions with subsidiaries

Please see Note 30 for an overview of the consolidated companies of the group, which are all wholly-owned subsidiaries of Galapagos NV.

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.

Relationship and transactions with key management personnel

Our key management personnel consists of the members of our executive committee and the members of our board of directors. All amounts mentioned in this section are based on expenses recognized in the financial statements for the relevant financial year.

Remuneration of key management personnel

On 31 December 2018, our executive committee had five members: Mr. Onno van de Stolpe, Mr. Bart Filius, Dr. Piet Wigerinck, Dr. Andre Hoekema and Dr. Walid Abi-Saab. On 31 December 2018, our board of directors consisted of seven members: Mr. Onno van de Stolpe, Dr. Raj Parekh, Dr. Werner Cautreels, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Christine Mummery and Dr. Mary Kerr. Dr. Harrold van Barlingen's mandate as director expired immediately after the annual shareholders' meeting of 24 April 2018.

Only the CEO is a member of both the executive committee and the board of directors. Our 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.

The remuneration package of the members of key management personnel comprises:

	Year ended 31 December	
	2018	2017
Remuneration of key management personnel:		
Thousands of € (except for the number of warrants)		
Short-term benefits[(1)]		
Executive committee members as a group	4,702	3,694
Raj Parekh	92	91
Harrold van Barlingen[(2)]	15	45
Howard Rowe	53	45
Werner Cautreels	48	55
Katrine Bosley	45	45
Christine Mummery	40	41
Mary Kerr	46	41
Post-employment benefits[(3)]	305	248
Total benefits excluding warrants	**5,346**	**4,305**
Number of warrants granted in the year		
Executive committee members as a group	350,000	475,000
Raj Parekh	15,000	15,000
Harrold van Barlingen[(2)]		7,500
Howard Rowe	7,500	7,500
Werner Cautreels	7,500	7,500
Katrine Bosley	7,500	7,500
Christine Mummery	7,500	7,500
Mary Kerr	7,500	7,500
Total number of warrants granted in the year	**402,500**	**535,000**
Total cost of warrants granted in the year	**15,507**	**15,699**

(1) Includes for executive committee members: salaries, employer social security contributions, other short-term benefits; includes for board members: board fees, other short-term benefits.
(2) Dr. Van Barlingen's director's mandate expired on 24 April 2018.
(3) Only executive committee members are granted post-employment benefits.

Short-term employee benefits and board fees

The members of the executive committee provide their services to us on a full-time basis.

The five members of the executive committee (including the CEO) who were in function in the course of 2018 were paid an aggregate amount of €1,920.45 thousand in remuneration and received an aggregate amount of €2,569.20 thousand in bonuses (2017: €1,638.71 thousand in remuneration and €1,908.81 thousand in bonuses). The higher amounts in 2018 can be explained by the fact that (a) Dr. Abi-Saab was in function during the entire year in 2018, whereas in 2017 he was in function for only 9 months, (b) the aggregate bonus amount for 2018 also includes the deferred part of an exceptional bonus granted upon the successful Nasdaq listing in 2015, and (c) Dr. Abi-Saab's remuneration of 2018 includes a corrective payment relating to Swiss social security contributions. The aggregate bonus amount for 2018 was composed of three parts: (i) an aggregate bonus of €756.80 thousand, being 50% of the bonus for performance over 2018 (paid in January 2019), with the other 50% being deferred for 3 years, (ii) an aggregate amount of €817.83 thousand as deferred part of the bonus for the performance over 2015 (paid in January 2019), and (iii) an aggregate amount of €994.57 thousand as deferred part of the exceptional special bonus awarded in 2015 for the successful Nasdaq listing in 2015 (paid in January 2019). The aggregate bonus amount for 2017 was composed of 2 parts: (i) an aggregate bonus of €692.06 thousand, being 50% of the bonus for performance over 2017 (paid in January 2018), with the other 50% being deferred for 3 years, and (ii) an aggregate amount of €1,216.75 thousand as deferred part of the bonus for performance over 2014 (paid in January 2018).

Other components of the remuneration of the executive committee members included contributions to health insurance schemes, company cars, tax advisory services and certain fringe benefits of non-material value.

Pursuant to the decision of the annual shareholders' meeting of 24 April 2018, Dr. Parekh received €90 thousand (€80 thousand as chair of the board, and €10 thousand as chair of the nomination and remuneration committee), Dr. Cautreels received €47.5 thousand (€40 thousand as non-executive director, €2.5 thousand as chair of the audit committee until 23 April 2018, €3.75 thousand as member of the audit committee as from 23 April 2018, and €1.25 thousand as member of the nomination and remuneration committee until 20 March 2018), Mr. Rowe received €52.5 thousand (€40 thousand as non-executive director, €1.25 thousand as member of the audit committee until 23 April 2018, €7.5 thousand as chair of the audit committee as from 23 April 2018, and €3.75 thousand as member of the nomination and remuneration committee as from 20 March 2018), Ms. Bosley received €45 thousand (€40 thousand as non-executive director, and €5 thousand as member of the nomination and remuneration committee), Dr. Kerr received €43.75 thousand (€40 thousand as non-executive director, and €3.75 thousand as member of the audit committee as from 20 March 2018), Dr. Mummery received €40 thousand as non-executive director, and Dr. Van Barlingen received €15 thousand (€13.3 thousand as non-executive director until 24 April 2018 and €1.7 thousand as member of the audit committee until 20 March 2018). Pursuant to the decision of the annual shareholders' meeting of 25 April 2017, Dr. Parekh received €90 thousand (€80 thousand as chair of the board, and €10 thousand as chair of the nomination and remuneration committee), Dr. Cautreels received €55 thousand (€40 thousand as non-executive director, €10 thousand as chair of the audit committee and €5 thousand as member of the nomination and remuneration committee), Ms. Bosley, Mr. Rowe and Dr. Van Barlingen each received €45 thousand (€40 thousand as non-executive director and €5 thousand as member of the nomination and remuneration committee or audit committee) and Dr. Mummery and Dr. Kerr each received €40 thousand as non-executive director.

Finally, in 2018, a total amount of €3.7 thousand was paid as other short-term benefit for non-executive directors (2017: €2.7 thousand). These benefits related to the payment of tax advisory services.

Post-Employment Benefits

The post-employment benefits to the members of the executive committee are granted under separate retirement benefit schemes, including pension schemes, post-employment life insurance and additional individual pension contributions.

Severance payments

The employment and management agreements of the members of the executive committee do not provide for severance compensation. They do not contain notice periods that exceed six months. However, Galapagos entered into undertakings with the members of the executive committee providing that, in case their contract with the group is terminated as a result of a change of control of Galapagos NV, they would be entitled to a severance compensation of 12 months' base salary for the Chief Executive Officer and nine months' base salary for the other executive committee members.

Warrants granted in 2018

In 2018, 30,000 warrants were granted to independent directors (2017: 37,500) and 22,500 warrants were granted to the other non-executive directors (2017: 22,500). The higher number of warrants granted in 2017 can be explained by the fact that there was one additional independent director in 2017.

Other

No loans, quasi-loans or other guarantees were given by Galapagos NV or any of its subsidiaries to members of the board and of the executive committee. We have not entered into transactions with our key management personnel, other than as described above with respect to remuneration arrangements relating to the exercise of their mandates as members of the executive committee and the board of directors.

30. Consolidated companies as of 31 December 2018

Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2018 vs 2017)
Biofocus DPI AG in liquidation	Switzerland	100%	
Fidelta d.o.o.	Croatia	100%	
Galapagos Biotech Ltd.	United Kingdom	100%	
Galapagos BV	The Netherlands	100%	
Galapagos GmbH	Switzerland	100%	
Galapagos NV	Belgium	Parent company	
Galapagos Real Estate 1 BVBA	Belgium	100%	100%
Galapagos Real Estate 2 BVBA	Belgium	100%	100%
Galapagos SASU	France	100%	
Galapagos, Inc.	United States	100%	
Xenometrix, Inc.	United States	100%	

In the fourth quarter of 2018 we incorporated two new legal entities in Mechelen, Belgium: Galapagos Real Estate 1 BVBA and Galapagos Real Estate 2 BVBA.

There are no significant restrictions on the group's ability to access or use assets, or settle liabilities, of one of the group's subsidiaries.

31. Financial risk management

See “Risk factors” for additional details on general risk factors.

Financial risk factors

Our financial risks are managed centrally. Our finance department coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning our activities. These relate to the financial markets risk, credit risk, liquidity risk and currency risk. There are no other important risks, such as interest rate risk on borrowings, because we have no financial debt and have a strong cash position. We do not buy or trade financial instruments for speculative purposes.

Categories of financial assets and liabilities:

	31 December	
(thousands of €)	2018	2017
Financial assets held at fair value through profit or loss		
Equity instruments	6,000	1,754
Financial assets at amortized cost		
Cash and cash equivalents	1,290,796	1,151,211
Restricted cash (current and non-current)	1,276	1,158
Trade & other receivables (excl prepayments)	18,467	27,423
R&D incentives receivables (current and non-current)	84,646	75,783
Total financial assets	**1,401,184**	**1,257,329**
Financial liabilities at amortized cost		
Trade and other liabilities	68,038	47,122
Other non-current liabilities	1,502	1,597
Financial lease liabilities	–	9
Tax payable	1,175	865
Total financial liabilities	**70,715**	**49,592**

Financial assets held at fair value through profit or loss

Financial assets held at fair value through profit or loss consisted of equity instruments of listed companies. Galapagos has no restrictions on the sale of these equity instruments and the assets are not pledged under any Galapagos’ liabilities. These instruments are classified as financial assets held at fair value through profit or loss which qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

The market price of those shares might face fluctuations and might be affected by a variety of factors, such as the global economic situation, the business development of competitors, sector mergers and acquisitions; it is difficult to mitigate this risk.

Liquidity risk

Our cash and cash equivalents amounted to €1,290.8 million on 31 December 2018. Cash used in operating activities amounted to €142.5 million for the year ended 31 December 2018. Management forecasts our liquidity requirements to ensure that we have sufficient cash to meet operational needs. Based upon our current expected level of operating expenditures and our existing cash and cash equivalents, we believe that we will be able to fund our operating expenses and capital expenditure requirements at least for the next three years. We have no credit lines. Such forecasting is based on realistic assumptions with regards to milestone and upfront payments to be received, taking into account our 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 for us.

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, we have developed a policy of only dealing with creditworthy counterparties.

We grant credit to our clients in the framework of our normal business activities. Usually, we require no pledge or other collateral to cover the amounts due. Management continuously evaluates the client portfolio for creditworthiness. All our receivables are considered collectable.

We applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on credit risk characteristics and the days past due. The provision for expected credit losses was not significant given that there have been no credit losses over the last three years and the high quality nature of our customers.

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

	31 December	
(thousands of €)	2018	2017
60 - 90 days	236	-
90 - 120 days	12	1
more than 120 days		-

Our cash and cash equivalents are invested primarily in saving and deposit accounts. 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 only variable interest-bearing financial instruments are cash and cash equivalents. Changes in interest rates may cause variations in interest income and expenses resulting from short-term interest-bearing assets. Management does not expect the short-term interest rates to decrease significantly in the immediate foreseeable future, which limits the interest exposure on our cash and cash equivalents.

Effect of interest rate fluctuation

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss, and equity, by approximately €12.9 million (2017: €11.5 million); a 100 basis points decrease in interest rates would have decreased profit and loss, and equity, by approximately €12.9 million (2017: €11.5 million).

Foreign exchange risk

We are exposed to foreign exchange risk arising from various currency exposures. Our principal functional currency is euro, but we receive payments from our main collaboration partners AbbVie and Gilead in U.S. dollars and acquire some consumables and materials in U.S. dollars, Swiss francs, GB pounds and Croatian kuna.

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

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

	Year ended 31 December	
(thousands of €)	2018	2017
Net book value		
Increase in Euros – U.S. Dollars	(27,200)	(21,083)
Increase in Euros – GB Pounds	100	122
Increase in Euros – CH Francs	208	203
Increase in Euros – HR Kunas	611	(185)
Increase in U.S. Dollars – GB Pounds	(923)	(831)

The exchange rate risk on the U.S. dollar is primarily related to our cash and cash equivalents held in U.S. dollars.

Capital risk factors

We manage our capital to safeguard that we will be able to continue as a going concern. At the same time, we want to ensure the return to our shareholders through the results from our research and development activities.

Our capital structure consists of cash at bank and in hand and cash equivalents, financial debt (which we currently don't have: as of 31 December 2018, we have no financial debt), and equity attributed to the holders of our equity instruments, such as capital, reserves and results carried forward, as mentioned in the consolidated statement of changes in equity.

We manage our capital structure and make 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, the new commercial activities, 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.

32. Statutory auditor's remuneration

The statutory auditor's fees for carrying out his mandate at group level amounted to €414.6 thousand in 2018 (2017: €310.0 thousand). The fees for audit-related services executed by the statutory auditor, in particular other assurance engagements primarily related to the performance of the audit or review of the company's financial statements, amounted to €92.1 thousand in 2018 (2017: €90.8 thousand), of which €12.8 thousand related to legal assignments (2017: €13.0 thousand). Fees for persons related to the statutory auditor for carrying out an auditor's mandate at group level amounted to €27.5 thousand in 2018 (2017: €40.0 thousand). Other fees related to non-audit fees, in particular IT consulting fees, amounted to €134.8 thousand for the year 2018 (2017: €40.5 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 statutory auditor in the performance of his audit. The abovementioned additional fees were fully approved by the audit committee in accordance with article 133 §6 of the Belgian Companies Code.

33. Events after balance sheet date

On 20 March 2019, 149,370 warrants were exercised (with an average exercise price of €23.30 per warrant), of which 15,000 warrants were exercised by our CEO, 50,000 warrants by other members of our executive committee, and 11,280 warrants by other members of our board of directors. This resulted in a share capital increase (including issuance premium) of €3,480,747.50 and the issuance of 149,370 new ordinary shares. The closing price of our share on 20 March 2019 was €90.32.

Our consolidated financial statements were approved by the board of directors and authorized for publication, on 26 March 2019. They were signed on behalf of the board of directors by:

(signed)

Onno van de Stolpe
Managing Director and CEO

26 March 2019