Foundation & Future

Annual Report 2021

Galápagos

Pioneering for patients

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The Galapagos group

An overview of Galapagos,
its strategy and portfolio in 2021

Foundation & Future

Letter from the management

Dear shareholder,

2021 was a year of reflection, resulting in refocused R&D activities and resized spend, as well as commercial roll-out, with a major effort to launch Jyseleca® throughout Europe.

We made excellent progress with Jyseleca (filgotinib) and successfully completed the process of becoming Marketing Authorization Holder (MAH) in Europe for our first medicine. Improving patients' lives is at the core of what we do, and becoming a fully integrated, independent European biopharma is a major achievement to make that mission a reality for patients suffering from chronic debilitating conditions.

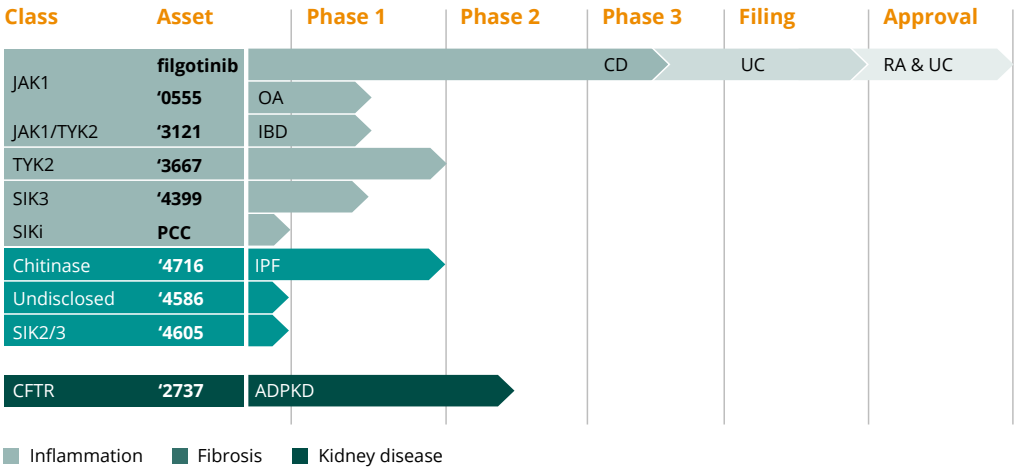
One year after receiving approval for Jyseleca in Europe for the treatment of adults with moderate to severe rheumatoid arthritis (RA), we secured reimbursement in 14 countries, including the major markets of Germany, France, Spain, Italy, and Great Britain. As of 31 December 2021, we reported €14.8 million of Jyseleca sales in Europe out of a total in-market performance of €25.7 million, supporting confidence in the potential of our filgotinib franchise in Europe and in our own commercial capabilities.

We also received approval by the European Commission (EC), and most recently by the Medicines and Healthcare products Regulatory Agency (MHRA) in Great Britain, for a second indication for Jyseleca for patients suffering from moderate to severe active ulcerative colitis (UC). We are now progressing full steam ahead with the commercial roll out and Jyseleca is currently on the market for UC in Germany and the Netherlands, with other European territories to follow in the course of 2022.

We announced the completion of patient enrollment in the global Phase 3 DIVERSITY study with filgotinib in Crohn's Disease (CD), with topline results anticipated in the first half of 2023. In October, we announced that we will be solely responsible for all development activities for DIVERSITY and the long-term extension study starting 1 April 2022. Gilead will make a one-time payment of $15 million to support Galapagos with the remaining DIVERSITY trial costs, and should the EC grant regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY trial, royalties payable by Galapagos to Gilead will be reduced by 30% across all filgotinib indications, or 5.6% to 10.5% of net sales in Europe. These royalties are payable as of 2024.

Also for filgotinib, we were pleased to report on the primary endpoint with the MANTA and MANTA-RAy studies investigating the effect on semen parameters, indicating that 8.3% of patients on placebo and 6.7% of patients on filgotinib had a 50% or more decline in sperm concentration at week 13.

Differentiated portfolio



Note: filgotinib is approved for RA in EU and Japan, approved for UC in EU and filed for UC in Japan

Due to the unfavorable risk/benefit profile observed by an Independent Data Monitoring Committee (IDMC) in the Phase 3 study of ziritaxestat (GLPG1690) in idiopathic pulmonary fibrosis (IPF), we had to discontinue further development of this program. This not only was a major setback for Galapagos but most importantly for patients suffering from this terrible disease for which current treatment options remain limited.

In 2021, we also made important progress across our broader inflammation pipeline, most notably with our TYK2 and SIKi programs. We observed clinical activity with our TYK2 inhibitor GLPG3667 in a Phase 1b study in psoriasis (Pso), and we are currently finalizing a Phase 1 dose escalation study in healthy volunteers. We reported results from the first patient studies of our SIKi program with SIK2/3 inhibitor GLPG3970. The biological activity observed in the studies in Pso and UC highlights the pioneering role we are playing to unravel the role of SIKi in inflammation, and support further development of our SIKi portfolio. We are currently working on a set of follow-up SIKi compounds with improved pharmacology and selectivity profiles, and plan to select a preclinical candidate to move into a healthy volunteer study this year.

Beyond inflammation, we completed patient recruitment in our MANGROVE Phase 2 trial with GLPG2737, a novel Cystic Fibrosis Transmembrane Conductance Regulator (CFTR) inhibitor, in autosomal dominant polycystic kidney disease (ADPKD), with results expected in 2023.

I am very proud of our committed teams for working tirelessly to bring novel mode of action medicines to patients, and now that my tenure at the helm of this company is drawing to an end, I could not be more honored to hand over the baton to Dr. Paul Stoffels on 1 April.[1] As a co-founder and board member in the early years, Paul has a keen understanding of our roots as well as who we are today. I strongly believe that Paul's strategic and inspirational leadership, along with his deep knowledge of both the industry and Galapagos, make him the right next CEO to deliver tremendous value to all stakeholders, including investors, shareholders, and patients.

[1] Acting via Stoffels IMC BV

R&D

In the field of inflammation:

- We received approval in Europe from the EC for filgotinib 200mg (Jyseleca) for the treatment of moderate to severe UC
- Gilead announced that NICE recommended filgotinib for reimbursement for moderate to severe RA patients in Great Britain
- We initiated the FILOSOPHY Phase 4 study with filgotinib in RA
- We and Gilead announced interim data on the MANTA and MANTA-RAy studies. 8.3% of patients on placebo and 6.7% of patients on filgotinib had a 50% or more decline in sperm concentration at week 13; these results are being shared with regulatory authorities
- We announced completion of patient enrollment for DIVERSITY Phase 3 study with filgotinib in CD including a 10-week induction phase, followed by a 47-week maintenance phase. Topline results are anticipated in the first half of 2023
- We reported encouraging exploratory data from the DIVERGENCE 2 trial with filgotinib in fistulizing CD
- We observed activity with TYK2 inhibitor GLPG3667 in Pso, with a generally safe and well tolerated profile, and are currently completing a dose escalation study in healthy volunteers
- We reported on biological activity with SIK2/3 inhibitor GLPG3970 in inflammation, and more particularly in the CALOSOMA Phase 1b study in Pso and the SEA TURTLE Phase 2a study in UC. We did not see activity in the LADYBUG trial in RA. Following the first read-outs with GLPG3970, we decided to terminate the TAPINOMA Phase 1b study with GLPG3970 in systemic lupus erythematosus due to slow recruitment in this trial and low likelihood of success
- We published the SELECTION Phase 3 data (Feagan *et al.* 2021) in *The Lancet* and the FINCH 1 Phase 3 data (Combe et al. 2021) and FINCH 3 Phase 3 data (Westhovens et al. 2021) in the *Annals of the Rheumatic Diseases*

In fibrosis:

- We discontinued development of ziritaxestat, GLPG1690, in the ISABELA Phase 3 program in IPF

Other clinical programs:

- We announced the full recruitment for the MANGROVE Phase 2 trial with investigational CFTR inhibitor GLPG2737 in patients with ADPKD

Corporate:

- On 4 January 2021 we sold fee-for-service business Fidelta to Selvita for a total of €37.1 million
- We raised €3.3 million from subscription right exercises
- We announced an extension of the lock-up period for Gilead's current shares (currently 25.49%) in Galapagos to 2024

- We announced the planned departure of Piet Wigerinck, our Chief Scientific Officer, and the planned retirement of Onno van de Stolpe, founder and Chief Executive Officer
- We received the second installment of €75 million from Gilead in Q2, following payment of an earlier installment of €35 million in January 2021, included under the revised filgotinib agreement as announced in December 2020
- We announced that we will assume operational and financial responsibility for the ongoing DIVERSITY clinical study in CD with filgotinib and the long-term extension study. Gilead will make a one-time payment of $15 million to Galapagos to support the costs of the DIVERSITY clinical program, and if the EC grants regulatory approval based on data from the DIVERSITY trial, royalties payable by Galapagos to Gilead will be reduced by 30% across all filgotinib indications
- As MAH for Jyseleca in RA and UC, we own full commercialization responsibilities across Europe

Post-period events:

- We are finalizing the Phase 1 study with SIK3 inhibitor GLPG4399 in healthy volunteers
- On 11 February 2022, EMA announced that its Pharmacovigilance Risk Assessment Committee (PRAC) started an article 20 specific pharmacovigilance procedure to investigate the safety data for all JAK inhibitors following recent results from the ORAL surveillance study with tofacitinib (Xeljanz®, Pfizer) as well as the data from an observational study with baricitinib (Olumiant®, Eli Lilly)
- We appointed Dr. Paul Stoffels[1] as Chief Executive Officer and successor for our current CEO and founder Onno van de Stolpe effective 1 April 2022. Onno will stay on until October 31 2022 as an advisor to hand over his activities and support Paul in specific projects.
- We received approval in Great Britain from the MHRA for filgotinib 200mg (Jyseleca) for the treatment of moderate to severe UC. Gilead anticipates a decision for Jyseleca in UC from the Japanese authorities in the first half of 2022
- We announced Sobi as our third-party partner for the distribution and commercialization of Jyseleca in Eastern and Central Europe, Portugal, Greece, and the Baltic countries
- We decided to terminate the GLIDER Phase 2a study with SIK2/3 inhibitor GLPG3970 in Sjögren's disease

2021: Details of the financial results

After the sale of our fee-for-service business (Fidelta) to Selvita on the 4 January 2021 for a total consideration of €37.1 million, we only have one remaining reporting segment. The results of Fidelta, including the impact of the 2021 sale, are presented as "Net results from discontinued operations" in our consolidated income statements for the year 2021 and 2020.

Net revenues from continuing operations

Our net revenues from continuing operations for 2021 amounted to €484.8 million, compared to €478.1 million in 2020.

[1] Acting via Stoffels IMC BV

We reported net sales of Jyseleca in 2021 amounting to €14.8 million, which reflects the sales booked by Galapagos after the country-by-country transition from Gilead.

Collaboration revenues amounted to €470.1 million in 2021, compared to €478.1 million last year. The revenue recognition linked to the upfront consideration and milestone payments in the scope of the collaboration with Gilead for filgotinib, amounted to €235.7 million in 2021 (€228.1 million in 2020). The revenue recognition related to the exclusive access rights for Gilead to our drug discovery platform amounted to €230.6 million in 2021 (€229.6 million in 2020). Additionally we have recognized royalty income from Gilead for Jyseleca for €3.8 million in 2021 (compared to €16.2 million in 2020, which was mainly from income related to upfront payments from a distribution agreement for the commercial launch of filgotinib in Japan).

Our deferred income balance on 31 December 2021 includes €1.8 billion allocated to our drug discovery platform that is recognized linearly over 10 years, and €0.6 billion allocated to the filgotinib development that is recognized over time until the end of the development period.

Results from continuing operations

We realized a net loss from continuing operations of €125.4 million in 2021, compared to a net loss of €311.0 million in 2020.

We reported an operating loss amounting to €165.6 million in 2021, compared to an operating loss of €178.6 million in 2020.

Cost of sales related to Jyseleca net sales in 2021 amounted to €1.6 million.

Our R&D expenditure in 2021 amounted to €491.7 million, compared to €523.7 million in 2020. This decrease was primarily due to the winding down of the programs with ziritaxestat (IPF), MOR106 (atopic dermatitis), and GLPG1972 (OA) and reduced spend on our other programs. This was partly offset by costs increases for our filgotinib, Toledo (SIKi) and TYK2 programs, on a yearly comparison basis.

Our S&M and G&A expenses were respectively €70.0 million and €140.9 million in 2021, compared to respectively €66.5 million and €118.8 million in 2020. This increase was primarily due to an increase in personnel costs resulting from an increase in headcount and other operating expenses mainly driven by the commercial launch of filgotinib in Europe. This increase was partly offset by higher cost recharges from us to Gilead in the scope of our commercial cost sharing for filgotinib in Europe.

Other operating income (€53.7 million in 2021 vs €52.2 million in 2020) slightly increased, mainly driven by higher grant income.

We reported a non-cash fair value gain from the re-measurement of initial warrant B issued to Gilead, amounting to €3.0 million in 2021 (€3.0 million in 2020), mainly due to the decreased implied volatility of the Galapagos share price and its evolution between 31 December 2020 and 31 December 2021.

Net other financial income in 2021 amounted to €39.6 million, compared to net other financial loss of €134.2 million in 2020. Net other financial income in 2021 was primarily attributable to

€57.2 million of currency exchange gains on our cash and cash equivalents in U.S. dollars, and to €8.8 million of net interest expenses. The other financial expenses also contained the effect of discounting our long term deferred income of €9.3 million.

Results from discontinued operations

The net profit from discontinued operations for the year ended 31 December 2021 consisted of the gain on the sale of Fidelta, our fee-for-services business, for €22.2 million.

Group net results

We reported a group net loss in 2021 of €103.2 million, compared to a net loss of €305.4 million in 2020.

Cash, cash equivalents and current financial investments

Current financial investments and cash and cash equivalents totaled €4,703.2 million on 31 December 2021 as compared to €5,169.3 million on 31 December 2020 (including the cash and cash equivalents included in the assets classified as held for sale).

Total net decrease in cash and cash equivalents and current financial investments amounted to €466.1 million in 2021, compared to a net decrease of €611.5 million in 2020. This net decrease was composed of (i) €564.8 million of operational cash burn[2], offset by (ii) €6.8 million positive changes in (fair) value of current financial investments and €59.9 million of mainly positive exchange rate differences, (iii) €3.3 million of cash proceeds from capital and share premium increase from exercise of subscription rights in 2021, and (iv) €28.7 million cash in from disposal of subsidiaries.

Our balance sheet on 31 December 2021 included R&D incentives receivables from the French government (*Crédit d'Impôt Recherche*[3]), and from the Belgian Government, for a total of €144.0 million.

Outlook for 2022

Early in 2022, we announced the appointment of Dr. Paul Stoffels[1] as successor for founder and current CEO Onno van de Stolpe, effective 1 April 2022. Paul is widely recognized as an inspirational industry leader with exceptional R&D as well as global executive experience, with an outstanding track record of accelerated product development in biotech and pharma through insightful acquisitions and strategic partnerships.

In 2022, we expect reimbursement decisions in most key European markets for Jyseleca in UC, and we anticipate our distribution partner Sobi to progress further with reimbursement discussions for Jyseleca in RA and UC in Eastern and Central Europe, Portugal, Greece, and the Baltic countries. In Japan, our collaboration partner Gilead expects a decision on the use of Jyseleca in UC in the first half of 2022.

[2] We refer to **note 20** of our consolidated financial statements for an explanation and reconciliation of this alternative liquidity measure
[3] *Crédit d'Impôt Recherche* refers to an innovation incentive system underwritten by the French government
[1] Acting via Stoffels IMC BV

Earlier this year, the EMA announced that its Pharmacovigilance Risk Assessment Committee (PRAC) started an article 20 specific pharmacovigilance procedure to investigate the safety data for all JAK inhibitors following recent results from the ORAL Surveillance study with tofacitinib[4] as well as the data from an observational study with baricitinib[5]. Following initiation of this procedure, all JAKi MAHs will be invited to submit evidence and we will continue to work with the EMA. The European Commission has asked the EMA to give its opinion by 30 September 2022.

Within our broader inflammation portfolio, we expect the read out from a healthy volunteer Phase 1b trial with JAK1 inhibitor GLPG0555 for application in knee osteoarthritis and from multiple Phase 1 trials in healthy volunteers. We aim to progress our TYK2 inhibitor GLPG3667 into a Phase 2 program, following the dose escalation Phase 1 study currently being finalized, also taking into account the current regulatory and competitive landscape for TYK2 as a class. We aim to advance selected compounds with optimized pharmacology and selectivity from our SIKi portfolio into the clinic. Within our fibrosis portfolio, we are evaluating the start of a Phase 2 trial with chitinase inhibitor GLPG4716 in lung fibrosis.

For 2022 we anticipate a further significant reduction of our cash burn and expect to land between €450 and €490 million. This includes sales for Jyseleca that we anticipate between €65 and €75 million.

We believe our strong cash balance affords us the opportunity to develop our pipeline through internal as well as externally sourced assets. We expect our scientific expertise, strong leadership, and growing commercial franchise to propel us forward as we rebuild a differentiated pipeline of novel mode of action drug candidates to help patients in need of new treatment options.

We want to thank you for your continued support as we took important decisions and actions to set our foundations for future growth. My 23 years at the helm of this company have been an incredible journey and I am very pleased that Paul will take over as CEO. Together with the board and our strong management team, we believe that we can look forward with confidence to the future of our company.

Respectfully,

Onno van de Stolpe
CEO

[4] Xeljanz®, Pfizer
[5] Olumiant®, Eli Lilly

COVID-19 impact

As the COVID-19 pandemic continues, we continue to innovate to accommodate for the new situation and minimize the impact to operations. We closely follow local governmental measures and apply these as appropriate within our organization, guided and supported by our dedicated COVID-19 task force teams. All local and global task force teams meet regularly and make recommendations directly to the COO.

We report the following impacts for 2021:

- *Staff*
  In 2021, we continued to follow the strict measures put in place to help prevent the spread of the COVID-19 virus and protect the physical and mental health of our staff. We rolled out our global and site-specific business continuity plans and continue to take appropriate recommended precautions.

  During lock-down periods, we arranged for essential tasks to be carried out within our facilities. Consequently, the majority of our Research staff continues to work from the office/labs, with periodic exceptions for local lockdowns during which no staff is allowed into the facilities. For those employees coming to the office, we maintain stringent cleaning and sanitation protocols, and we strictly respect social distancing policies at all times in order to minimize risk of exposure.

  Based on the learnings from the first year of the pandemic, we piloted and gradually implemented a hybrid working model in 2021, in locations where the ongoing COVID-19 situation and corresponding local governmental measures permitted to do so.

  Additionally, we learned that most of the international travel could be replaced by virtual meetings, resulting in improved cost efficiency, a better work-life balance, and a reduced carbon footprint. The positive impact of this forced way-of-working has been retained and has become part of our corporate travel guidance.

- *Research portfolio*
  By prioritizing the most advanced projects very early on, increasing the flexibility of our staff in the labs within projects, maintaining our hiring efforts as planned, and increasing our outsourcing, we sustained our research delivery, kept the compound management facility running at all times, and continued our early drug research and the implementation of new modalities for target or drug discovery.

  The scorecard of the research department objectives shows a similar productivity compared to previous years, indicating that we were able to minimize the impact, at least on the short term.

- *Development portfolio*
  We have a business continuity plan for our clinical development programs. We closely monitor each program in context of the current global and local situation of the pandemic and the associated specific regulatory, institutional, government guidance and policies related to COVID-19. Within the boundaries of these guidances and policies, and in consultation with our CROs and clinical trial sites, we applied various measures to minimize the impact of the COVID-19 pandemic on our clinical development programs, with the primary aim to ensure the safety of our trial participants and to preserve the data integrity and scientific validity of the trials. These measures were implemented on a case-by-case basis, tailored to the specific study and country needs at any given time, with specific attention paid to vulnerable populations and the use of investigational medicines with immunosuppressive properties. The measures include, amongst others, increased, transparent communication to all stakeholders and the direct supply of investigational medicines to patients. For each clinical trial, we actively monitor and document the impact of COVID-19 to mitigate the study where necessary and to facilitate the interpretation and reporting of results.

- *Filgotinib filing process UC*
  As of publication of this report, our collaboration partner Gilead had not been informed by the regulatory agency in Japan of approval timeline delays.

- *Manufacturing and supply chain*
  To date, there has been no COVID-19 impact to the commercial supply of filgotinib. All sites involved in the manufacturing of filgotinib are established sites that currently manufacture other marketed products and are in good standing with the FDA and are GMP certified. Galapagos became marketing authorization holder of filgotinib in the European Economic Area and Great Britain end 2021, and is responsible for manufacturing. The same manufacturing sites as Gilead continue to supply filgotinib except for secondary packaging and labelling for which a new vendor has been selected.

- *Commercial organization*
  The form of outreach of our commercial teams to physicians and hospitals was impacted by the COVID-19 pandemic and consequent travel restrictions, and thus became partially virtual. The teams invested in digital channels as part of the overall commercial build strategy, and these channels are being utilized during our ongoing commercial launch. Thus far we note no material impact on the relative competitiveness of our commercial operations due to travel restrictions, nor has there been an impact of COVID-19 on our ability to engage in market access discussions. Nevertheless, healthcare systems are under pressure across Europe, increasing the volatility in reimbursement procedures and potentially reducing the number of new therapy options initiated by healthcare providers.

At a glance

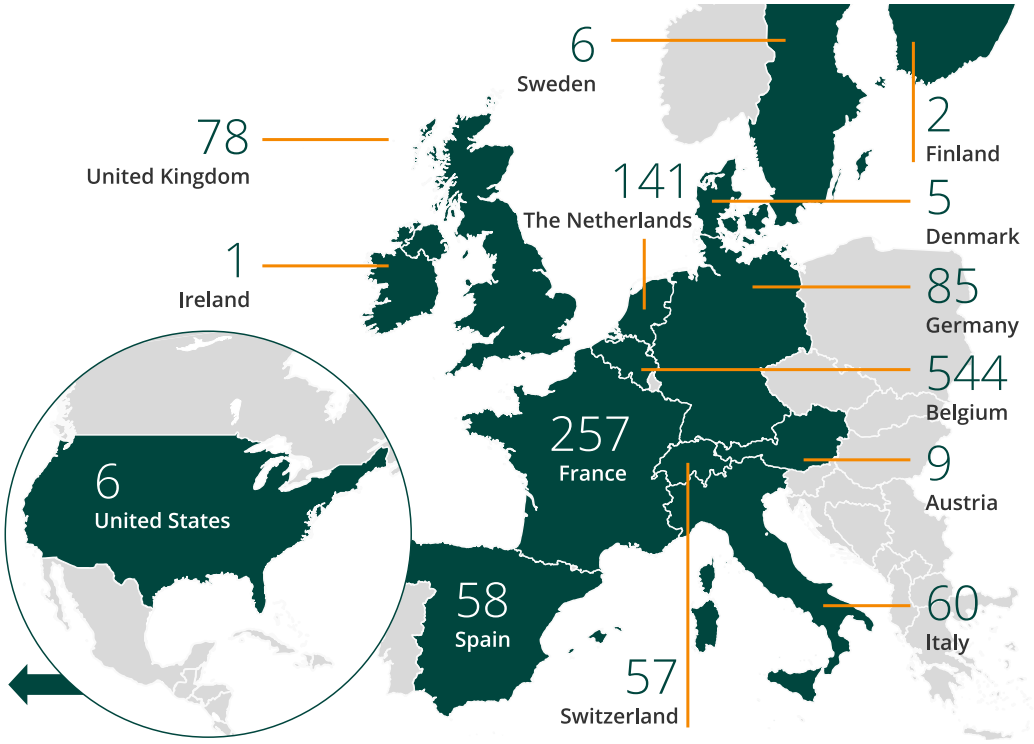
Consolidated Key Figures

(thousands of €, if not stated otherwise)	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Income statement(*)			
Product net sales	14,753	2	-
Collaboration revenues	470,093	478,051	834,901
Cost of sales	(1,629)	-	-
R&D expenditure	(491,707)	(523,667)	(420,090)
S, G&A expenses	(210,855)	(185,225)	(96,959)
Other operating income	53,749	52,207	50,896
Operating profit/loss (-)	(165,596)	(178,632)	368,748
Net financial results	42,598	(131,143)	(220,223)
Taxes	(2,423)	(1,226)	165
Net profit/loss (-) from continuing operations	(125,422)	(311,001)	148,689
Net profit from discontinued operations, net of tax	22,191	5,565	1,156
Net profit/loss (-)	(103,231)	(305,436)	149,845
Balance sheet			
Cash and cash equivalents	2,233,368	2,135,187	1,861,616
Current financial investments	2,469,809	3,026,278	3,919,216
R&D incentives receivables	144,013	135,728	115,356
Assets	5,193,160	5,717,731	6,068,609
Shareholders' equity	2,643,362	2,670,355	2,875,658
Deferred income	2,364,701	2,809,133	3,000,646
Other liabilities	185,097	238,242	192,305

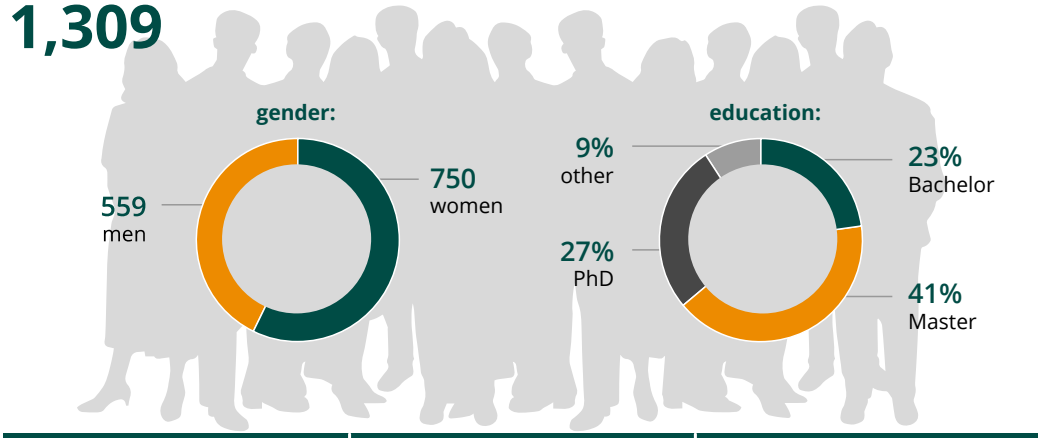
(thousands of €, if not stated otherwise)	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Cash flow			
Operational cash flow/operational cash burn (-)(**)	(564,840)	(517,404)	3,162,809
Cash flow generated from/used in (-) operating activities	(503,827)	(427,336)	3,208,617
Cash flow generated from/used in (-) investing activities	541,238	757,288	(3,764,660)
Cash flow generated from/used in (-) financing activities	(3,876)	22,040	1,335,751
Increase in cash and cash equivalents	33,535	351,994	779,708
Transfer to current financial investments	-	-	(198,922)
Effect of currency exchange rate fluctuation on cash and cash equivalents	56,763	(70,539)	(9,966)
Cash and cash equivalents on 31 December	2,233,368	2,143,071	1,861,616
Cash and cash equivalents from continuing operations	2,233,368	2,135,187	1,861,616
Cash and cash equivalents classified as assets held for sale	-	7,884	-
Current financial investments on 31 December	2,469,809	3,026,278	3,919,216
Total current financial investments and cash and cash equivalents on 31 December	4,703,177	5,169,349	5,780,832
Financial ratios			
Number of shares issued on 31 December	65,552,721	65,411,767	64,666,802
Basic income/loss (-) per share (in €)	(1.58)	(4.69)	2.60
Diluted income/loss (-) per share (in €)	(1.58)	(4.69)	2.49
Share price on 31 December (in €)	49.22	80.48	186.50
Total group employees on 31 December (number)(***)	1,309	1,489	1,003

(*) The comparatives of 31 December 2019 have been restated to consider the impact of classifying the Fidelta business as discontinued operations in 2019.
(**) We refer to note 20 of our consolidated financial statements for an explanation and reconciliation of this alternative liquidity measure.
(***) The number of employees on 31 December 2020 and on 31 December 2019 included respectively 185 and 158 employees of Fidelta, which has been sold to Selvita on 4 January 2021.

Employees per site



Number of employees Galapagos group



Average age: **43**	**Number of employees older than 45:** **595**	**Nationalities:** **42**
Average years of service: **3.74**	**Employee turnover:** **8.81%**	**New hires in 2021:** **328**

Total number of employees includes consultants and temporary staff

Strategy

Our mission is to develop and commercialize first-in-class medicines based on novel targets to improve patients' lives.

Using human primary cells, we discover which proteins ("targets") play a key role in disease pathways. We then identify and develop small molecules that are designed to inhibit these targets, and thereby positively influence the course of the disease. This approach is designed to address the root cause of the disease rather than just treating symptoms, and has produced a differentiated pipeline of molecules.

In 2021, we became the official Marketing Authorization Holder (MAH) for Jyseleca in the European Economic Area (EEA) and Great Britain, realizing our ambition to become a fully integrated, independent European biopharma. We are committed to pioneering for patients, with the aim to enrich our product pipeline to address unmet medical needs, both through internal R&D efforts and externally sourced opportunities.

The key elements of our strategy include:

- Maximize and capture the value of our target discovery platform and our differentiated pipeline based on novel modes of action
  We continue to scale-up our target and drug discovery productivity, and as a result of the strategic revision exercise announced in 2021, we set goals to focus and adjust the overall risk profile of our clinical pipeline. We also continue to explore additional modalities of drug therapies, such as PROTACs[1] and oligonucleotides, and are actively collaborating with external research partners to accelerate the innovation process.
- Grow our Jyseleca franchise in the European Union and Great Britain
  We successfully completed the process of becoming MAH of Jyseleca following the amended agreement with Gilead announced in December 2020 (see **Notes to the consolidated financial statements**) and continue the roll-out of Jyseleca in RA and UC throughout the European Union and Great Britain. Patient enrollment for DIVERSITY Phase 3 in CD was completed in October 2021, and we anticipate topline results in the first half of 2023. Gilead remains responsible for sales outside of Europe and obtained approval for filgotinib in RA in Japan in 2020 where it is distributed by co-promotion partner Eisai. Gilead also submitted the application for approval of filgotinib in UC in Japan and anticipates a decision for approval in the first half of 2022.
- Deploy stringent cost discipline and operational excellence to maintain a strong balance sheet and execute to internal and externally sourced opportunities
  Following a strategic review of operations in March 2021, we initiated a cost savings program of €150 million on a full year basis, where more than 50% of these targeted savings were realized in 2021. Meanwhile we diligently evaluate business development opportunities to strengthen our R&D engine and product pipeline.

[1] Proteolysis Targeting Chimeras

- Build long-term value and accelerate our pipeline with our collaboration partner Gilead
  In July 2019 we and Gilead entered into a strategic R&D collaboration, giving Gilead access to our innovative portfolio of compounds and our drug discovery platform, in return for a $3.95 billion upfront payment and a $1.5 billion equity investment (including the exercise of warrant A). Gilead is subject to a 10-year standstill, securing our long-term independence, with a lock-up of the full 25.49% of outstanding shares currently held by Gilead until 22 August 2024.

  We strongly believe that the long-term collaboration with Gilead is mutually beneficial: we gain access to Gilead's extensive experience in drug development and commercialization, and Gilead has access to our platform and pipeline, with option rights to our current and future programs outside Europe. If Gilead opts in, the program is co-developed, and Galapagos and Gilead share all costs.

  Following the amendment in 2020 of the arrangement for the commercialization and development of filgotinib, we assumed sole responsibility for commercialization of Jyseleca in Europe and for the clinical development for the majority of the ongoing trials with filgotinib. For further details: see the **Notes to the consolidated financial statements**.

Going concern statement

To date, we have incurred significant operating losses, which are reflected in the balance sheet showing €367.2 million accumulated losses as at 31 December 2021. We realized a consolidated net loss of €103.2 million for the year ended 31 December 2021. Our existing current financial investments and cash and cash equivalents of €4,703.2 million at 31 December 2021 will enable us to fund our operating expenses and capital expenditure requirements at least for the next 12 months. The supervisory board is also of the opinion that additional financing could be obtained, if required. Taking this into account, as well as the potential developments of our drug discovery and development activities, the supervisory board is of the opinion that it can submit the financial statements on a going concern basis. Whilst our current financial investments and cash and cash equivalents are sufficient at least for the next 12 months, the supervisory board points out that if the R&D activities go well, we may seek additional funding to support the continuing development of our products or to be able to execute other business opportunities.

Risk management and internal control

Risk management is embedded in our strategy and is considered important for achieving our operational targets.

To safeguard the proper implementation and execution of the group's strategy, our management board has set up internal risk management and control systems within Galapagos. The supervisory board has delegated an active role to the audit committee members to monitor the design, implementation and effectiveness of these internal risk management and control systems. The purpose of these systems is to manage in an effective and efficient manner the significant risks to which Galapagos is exposed.

The internal risk management and control system is designed to ensure:

- the careful monitoring of the effectiveness of our strategy
- Galapagos' continuity and sustainability, through consistent accounting, reliable financial reporting and compliance with laws and regulations
- our focus on the most efficient and effective way to conduct our business

We have defined our risk tolerance on a number of internal and external factors including:

- financial strength in the long run, represented by revenue growth and a solid balance sheet
- liquidity in the short run; cash
- business performance measures; operational and net profitability
- scientific risks and opportunities
- dependence on our alliance partners
- compliance with relevant rules and regulations
- reputation

The identification and analysis of risks is an ongoing process that is naturally a critical component of internal control. On the basis of these factors and Galapagos' risk tolerance, the key controls within Galapagos will be registered and the effectiveness will be monitored. If the assessment shows the necessity to modify the controls we will do so. This could be the situation if the external environment changes, or the laws or regulations or the strategy of Galapagos change.

The financial risks of Galapagos are managed centrally. The finance department of Galapagos coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning the activities of the group. These relate to the following financial markets risks: credit risk, liquidity risk, currency and interest rate risk. Our interest rate risk is limited because we have nearly no financial debt. In case of decreasing interest rates we will face a reinvestment risk on our strong cash position. The group does not buy or trade financial instruments for speculative purposes. For further reference on financial risk

management, see **note 33** of the notes to the consolidated financial statements. We also refer to the **Risk factors** section of the annual report for additional details on general risk factors.

The company's internal controls over financial reporting are a subset of internal controls and include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by the EU, and that our receipts and expenditures are being made only by authorized persons
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements

Our internal control over financial reporting includes controls over relevant IT systems that have an impact on financial reporting including accuracy and completeness of our account balances.

Since the company has securities registered with the U.S. Securities and Exchange Commission (SEC) and is a large accelerated filer within the meaning of Rule 12b-2 of the U.S Securities Exchange Act of 1934, the company needs to assess the effectiveness of internal control over financial reporting and provide a report on the results of this assessment.

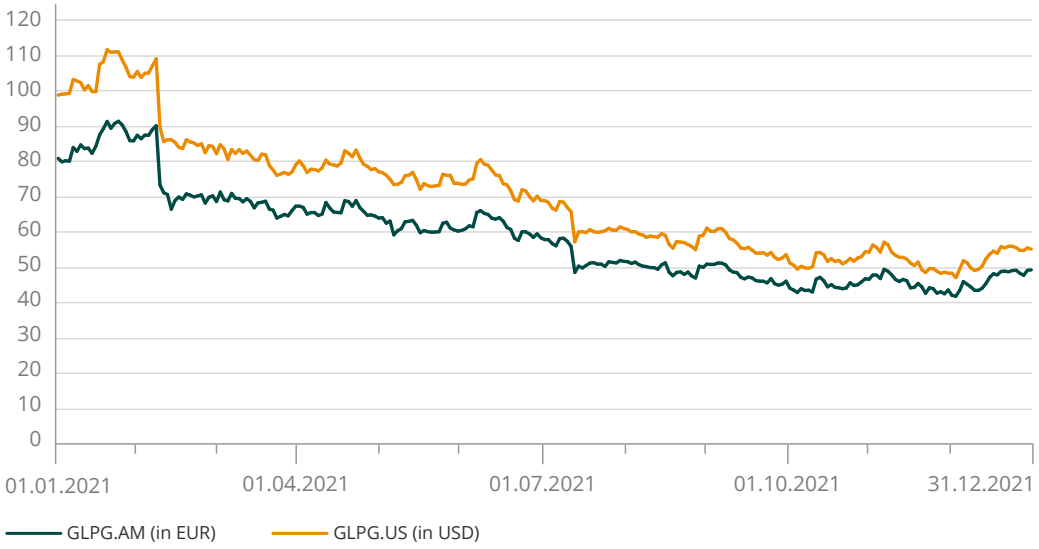
In 2021 management has reviewed its internal controls over financial reporting based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and engaged an external advisor to help assess the effectiveness of those controls.

As described in Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules implementing such act, we will include the management and the statutory auditor's assessment of the effectiveness of internal control over financial reporting in our annual report on Form 20-F, which is expected to be filed with the SEC on or around the publication date of the present annual report.

The Galapagos share

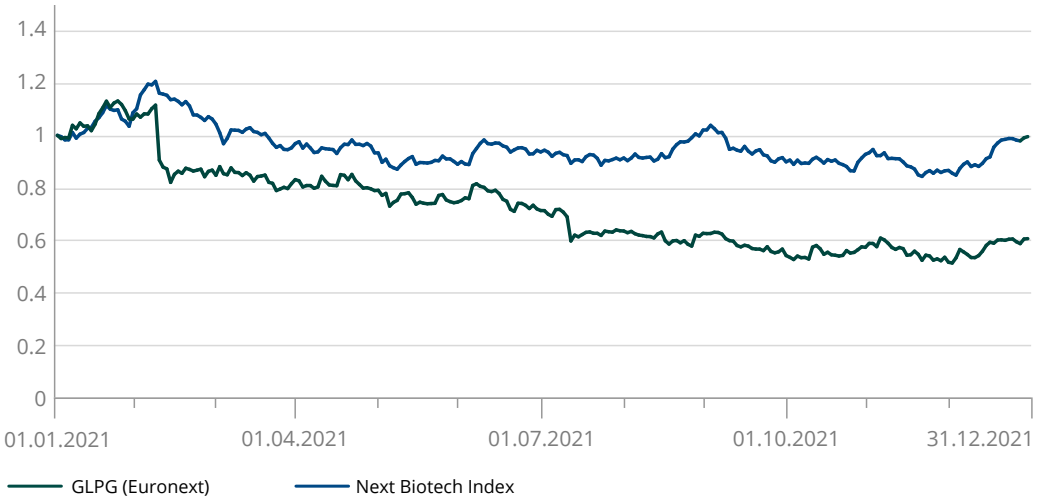
Galapagos NV (ticker: GLPG) has been listed on Euronext Amsterdam and Brussels since 6 May 2005 and on the Nasdaq Global Select Market since 14 May 2015. Galapagos NV forms part of the Bel20 index (top 20 listed companies) on Euronext Brussels, the AMX Index (Amsterdam Midcap-index) on Euronext Amsterdam, and the NBI (Nasdaq Biotechnology Index) on Nasdaq in New York.

The Galapagos share in 2021

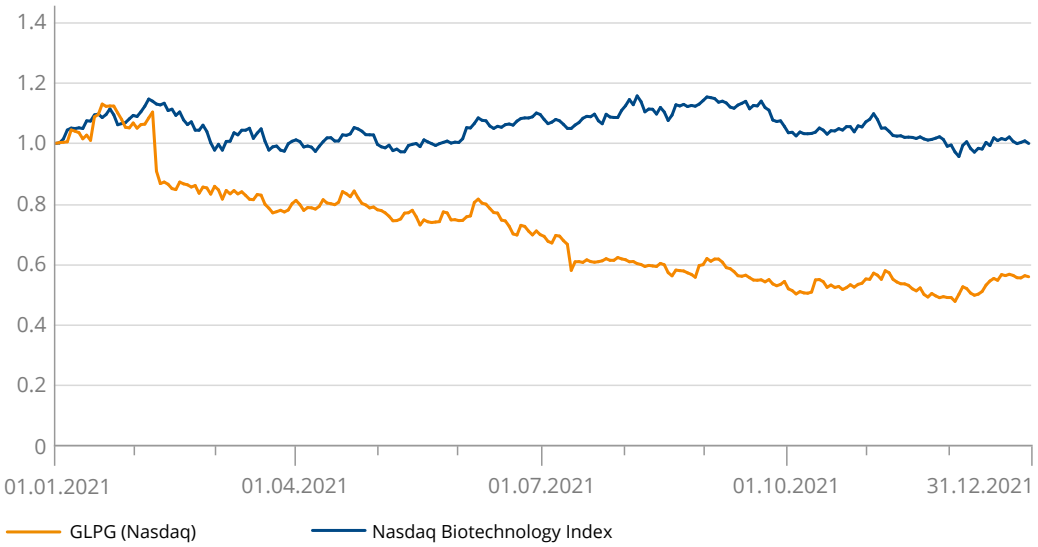


In 2021, the average daily trading volume on Euronext was 436,605 shares and €26.1 million turnover. The daily trading volume on Nasdaq in 2021 was 279,359 ADSs and $19.5 million turnover.

Galapagos vs Next Biotech Index in 2021



Galapagos vs Nasdaq Biotechnology Index in 2021



Investor relations activities

In 2021 we attracted additional coverage from sell-side analysts. Currently, 17 analysts cover the Galapagos stock.

Our IR team presented at 30 (virtual) conferences in 2021 in Europe and the U.S. Several broker-organized and self-organized roadshows and virtual meetings were held throughout the U.S., Europe, and Asia, during which we held approximately 600 meetings.

We organized webcasts to present our 2020 Full Year, and our 2021 Q1, Half Year, and Q3 results, and certain conference presentations.

The main topics of discussion with investors in 2021 included the launch of Jyseleca (filgotinib) in RA in Europe and the approval of Jyseleca for the treatment of UC by the European Union, the collaboration with partner Gilead (including the extension of the lock-up period), the refocusing of our pipeline and rightsizing of our operations, the early clinical activity observed with our SIK program with SIK2/3 inhibitor GLPG3970, the positive topline results with our selective TYK2 inhibitor GLPG3667, and the planned departure of our CSO and planned retirement of our CEO and founder.

Overview statutory results of Galapagos NV

This overview only concerns the **non-consolidated statutory results** of Galapagos NV. These results are part of the consolidated results as discussed in the **Letter from the management**.

Galapagos NV's operating income in 2021 amounted to €916.0 million compared to €1,037.0 million in 2020. This decrease is due to a lower turnover for €55.4 million, primarily due to decreased milestone revenues, upfront payments and royalties related to the collaboration agreement with Gilead. There was also a decrease due to internally generated intangible assets – being capitalized R&D expenses – which contributed by €68.1 million less to operating income than previous year. Other operating income amounted to €18.5 million, including €7.3 million of grants recognized for R&D projects and €9.0 million recuperation of withholding taxes for scientists.

The operating costs of 2021 amounted to €1,107.7 million compared to €1,146.0 million in 2020. Services and other goods decreased substantially to €500.0 million compared to €543.0 million in 2020, primarily due to decreased internal and external subcontracting for our preclinical studies and clinical trials as well as decreased fees for insourced personnel.

Material purchases increased slightly from €10.3 million in 2020 to €13.1 million in 2021.

Personnel costs in 2021 amounted to €70.4 million compared to €59.9 million in 2020. The number of employees at Galapagos NV at the end of 2021 amounted to 460 as compared to 508 at the end of 2020, excluding insourced personnel. The average number of FTE in 2021 however increased to 487, compared to 436 in 2020.

Depreciation decreased to €401.8 million in 2021, compared to €467.8 million in 2020, and related primarily to amortization of R&D expenses.

Galapagos NV's 2021 financial income increased to €85.8 million compared to €25.8 million in 2020, while financial costs decreased to €28.1 million compared to €139.9 million in 2020. This can mainly be explained by higher currency exchange gains on U.S. dollar in 2021. Non-recurring finance income in 2021 consisted of €33.5 million of gain on sale of subsidiaries. Non-recurring finance cost in 2021 consisted of impairment on financial assets.

Tax income recorded in 2021 of €20.2 million as compared to €21.6 million tax income in 2020, related to tax incentives for investments in intangible fixed assets.

Galapagos NV capitalizes its incurred R&D expenses to the extent that the costs capitalized do not exceed a prudent estimate of their value in use or their future economic benefits for the entity. The ability to recover the capitalized amounts takes into account assumptions (e.g. future peak sales, market share, sale prices, attrition rates regarding the successful completion of the different R&D phases) which have a highly judgmental nature and depend on the outcome of uncertain factors which are beyond the control of the entity (e.g. test results). The achievement of

these assumptions is critical and may impact the recoverability of the amounts capitalized. R&D expenses capitalized are fully amortized in the year in which they are capitalized.

Investments in fixed assets in 2021 amounted to €10.5 million, excluding the internally generated assets. They consisted mainly of investments in intangible assets, being a license payment and software, as well of costs for building improvements, new laboratory and IT equipment.

Non-current and current other receivables amounted to respectively €92.5 million and €116.6 million and included the receivable for tax incentives amounting to respectively €92.5 million and €6.6 million in 2021, compared to other receivables for tax incentives of €78.3 million and €5.5 million in 2020.

Galapagos NV's cash position at the end of 2021 amounted to €4,681.3 million.

The non-consolidated annual accounts of Galapagos NV which we submit for your approval were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2021 closed with a loss of €92.7 million compared to a loss of €196.0 million in 2020. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €369.2 million as at 31 December 2021; we refer to the **Going concern statement** for justification for the application of the valuation rules under the going concern assumption.

In 2021, Galapagos NV did not make use of financial instruments.

Disclaimer and other information

This report contains all information required by Belgian law.

Galapagos NV is a limited liability company organized under the laws of Belgium and has its registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium. Throughout this report, the term "Galapagos NV" refers solely to the non-consolidated Belgian company and references to "we," "our," "the group" or "Galapagos" include Galapagos NV together with its subsidiaries.

This report is published in Dutch and in English. Galapagos is responsible for the translation and conformity between the Dutch and English versions. In case of inconsistency between the Dutch and the English versions, the Dutch version shall prevail.

This document is the PDF version of the report, and is a translation of the official Dutch language version in the European single electronic format (ESEF) of the Annual Report 2021. The official Dutch language ESEF version of the report is available on our website (**www.glpg.com**). Please note that the official ESEF version takes precedence over the PDF version.

This report, including the statutory financial statements of Galapagos NV, is available free of charge and upon request to be addressed to:

Galapagos NV
Investor Relations
Generaal De Wittelaan L11 A3 2800 Mechelen
Belgium
Tel: +32 15 34 29 00
E-mail: **ir@glpg.com**

A digital version of this report, including the statutory financial statements of Galapagos NV, is available on our website, **www.glpg.com**.

We will use reasonable efforts to ensure the accuracy of the digital version, but do not assume responsibility if inaccuracies or inconsistencies with the printed document arise as a result of any electronic transmission. Therefore, we consider only the printed version of this report to be legally valid. Other information on our website or on other websites does not form a part of this report.

As a U.S. listed company, we are also subject to the reporting requirements of the U.S. Securities and Exchange Commission, or SEC. An annual report will be filed with the SEC on Form 20-F. The Form 20-F is available in the SEC's EDGAR database (**https://www.sec.gov/edgar.shtml**) and a link thereto is posted on our website.

With the exception of filgotinib's approval for the treatment of (i) rheumatoid arthritis by the European Commission, Great Britain's Medicines and Healthcare products Regulatory Agency and the Japanese Ministry of Health, Labour and Welfare, and (ii) ulcerative colitis by the

European Commission and Great Britain's Medicines and Healthcare products Regulatory Agency, our drug candidates mentioned in this report are investigational; their efficacy and safety have not been fully evaluated by any regulatory authority.

Jyseleca® is a trademark of Galapagos NV and Gilead Sciences, Inc. or its related companies.

Forward-looking statements

This report contains "forward-looking statements", all of which involve certain risks and uncertainties. When used in this report, the words "believe," "anticipate," "expect," "intend," "plan," "seek," "estimate," "may," "will," "could," "stand to," "continue," "further," "encouraging," "aim," and similar expressions are intended to identify forward-looking statements. Forward-looking statements contained in this report include, but are not limited to, statements made in the "**Letter from the management**", statements made in the section captioned "Outlook for 2022", statements regarding guidance from management, including about the strategic re-evaluation and of the expected operational cash burn during financial year 2022, statements regarding expected financial results, statements regarding the amount and timing of potential future milestones, opt-in and/or royalty payments by Gilead, Galapagos' strategic R&D ambitions and potential changes of such ambitions, statements regarding our expectations of commercial sales of filgotinib, statements regarding the global R&D collaboration with Gilead for the commercialization and development of filgotinib and the transition of European commercialization rights for filgotinib to us, statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in RA, UC and CD, including the MANTA/MANTA-RAy trials, (ii) with GLPG3667 in Pso and UC, (iii) GLPG3312, GLPG3970 and GLPG4399 in inflammation, (iv) GLPG2737 in ADPKD, (v) GLPG0555 in OA, (vi) GLPG3121 in IBD, (vii) GLPG4586 and GLPG4605 in fibrosis and (viii) GLPG4716 in lung fibrosis, statements related to the EMA's planned safety review of JAK inhibitors used to treat certain inflammatory disorders, including filgotinib, initiated at the request of the European Commission (EC) under article 20 of Regulation (EC) No 726/2004, statements regarding interactions with regulatory authorities, the timing or likelihood of additional regulatory authorities' approval of marketing authorization for filgotinib for RA, UC or any other indication, including the IBD indication for filgotinib in Europe, Japan, and the U.S. and UC indication for filgotinib in Japan, and the U.S., statements regarding the timing or likelihood of pricing and reimbursement interactions for filgotinib, statements regarding the build-up of our commercial organisation for filgotinib, statements regarding the expected impact of COVID-19, and statements regarding our strategy, business plans and focus. We caution the reader that forward-looking statements are based on management's current expectations and beliefs, and are not guarantees of future performance. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors which might cause our actual results, financial condition and liquidity, performance or achievements, or the development of the industry in which we operate, to be materially different from any historic or future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements, including, without limitation, the risk that one or more assumptions, beliefs or expectations underlying management's guidance regarding our 2022 revenues, operating expenses, and financial results may be incorrect (including one or more of its assumptions underlying its expense expectations), risks related to the inherent uncertainties associated with competitive developments, clinical trial, product development activities and regulatory approval requirements (including that data from our clinical research programs in rheumatoid arthritis, Crohn's disease, ulcerative colitis, inflammatory bowel disease,

lung fibrosis, idiopathic pulmonary fibrosis, osteoarthritis, other inflammatory indications and kidney disease may not support registration or further development of our product candidates due to safety, efficacy, or other reasons, including ziritaxestat for IPF, systemic sclerosis or any other indication), risks related to our reliance on collaborations with third parties (including, but not limited to, our collaboration partner Gilead), risks related to completing the transition of European rights to filgotinib from Gilead to us, the risk that our projections and expectations regarding the commercial potential of filgotinib and any other product candidates may be inaccurate, risks related to continued regulatory review of filgotinib following approval by relevant regulatory authorities and the EMA's planned safety review of JAK inhibitors used to treat certain inflammatory disorders, including the risk that the EMA and/or other regulatory authorities determine that additional non-clinical or clinical studies are required with respect to filgotinib, the risk that the EMA may require that the marketing authorization for filgotinib in the EU be amended, the risk that the EMA may impose JAK class-based warnings, and the risk that the EMA's planned safety review may negatively impact acceptance of filgotinib by patients, the medical community, and healthcare payors, the risk that Galapagos' expectations regarding the costs and revenues associated with the transfer of European commercialization rights to filgotinib may be incorrect, and risks relating to the impact of the COVID-19 pandemic. A further list and description of these risks, uncertainties and other risks can be found in our Securities and Exchange Commission filing and reports, including in our most recent annual report on Form 20-F filed with the Security and Exchange Commission, or SEC, and our subsequent filings and reports filed with the SEC. We also refer to the "**Risk Factors**" section of this report. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. We expressly disclaim any obligation to update any such forward-looking statements in this document to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements, unless specifically required by law or regulation.

R&D

Research & Development

Foundation & Future

Our broad pipeline and innovative drug discovery engine

We discover and develop small molecule medicines with novel modes of action, several of which are currently in clinical development in multiple diseases with high unmet medical need. Our highly flexible discovery platform is applicable across many therapeutic areas.

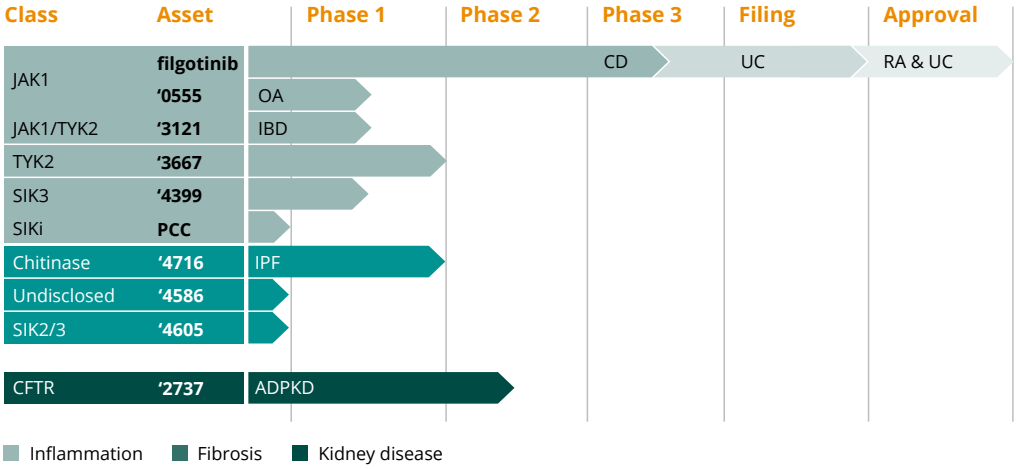
Having achieved approval in the European Union, Great Britain, and Japan for our first ever medicine in RA, and in the European Union and Great Britain in UC, we remain highly committed to progressing our pipeline of drug candidates to address unmet medical needs and improve the lives of millions. We refocused our product portfolio by critically examining the risk profile and breadth of the pipeline.

Our differentiated clinical pipeline includes: 1) preferential JAK1 inhibitor filgotinib, which is approved for the treatment of RA in the European Union, Great Britain, and Japan, approved for the treatment of UC in the European Union and Great Britain and submitted for approval in UC in Japan, and currently in a Phase 3 trial in CD; 2) GLPG3667, a TYK2 inhibitor which showed activity in a Phase 1b study in Pso in 2021; 3) GLPG4399, a SIK3 inhibitor currently in Phase 1; 4) GLPG4716, a chitinase inhibitor in-licensed from OncoArendi, for which we anticipate to start a Phase 2 study in lung fibrosis; and 5) GLPG2737, a CFTR-inhibitor, currently in Phase 2 in ADPKD.

In both our inflammation and fibrosis portfolios, we have multiple novel mechanism of action candidates in early research. These programs are almost exclusively based on inhibiting targets which were identified using our proprietary target discovery platform.

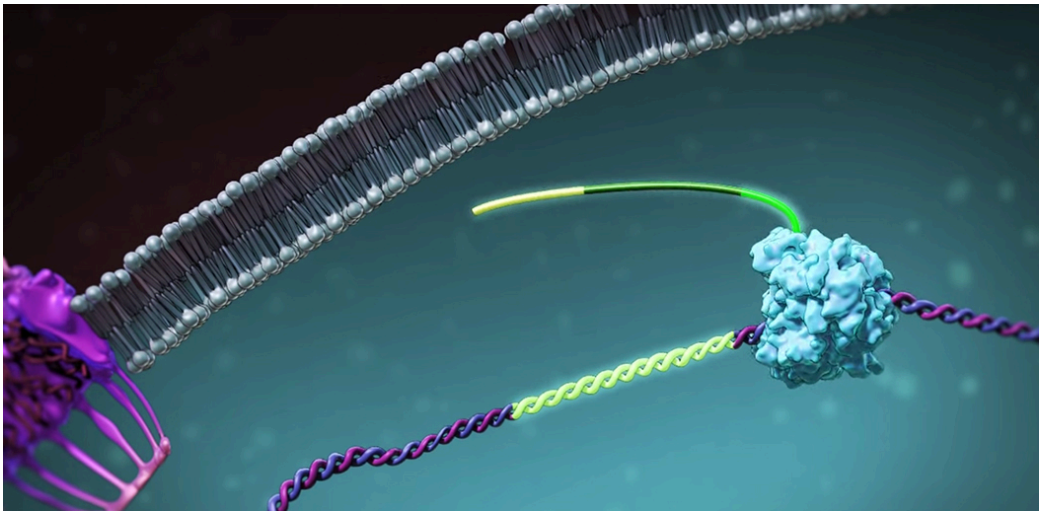
Below is an overview of our current key pipeline assets:

Our clinical pipeline



Note: filgotinib is approved for RA in EU and Japan, approved for UC in EU and filed for UC in Japan

Versatile target discovery platform



Our target discovery platform provides a significant and substantial competitive advantage as it:

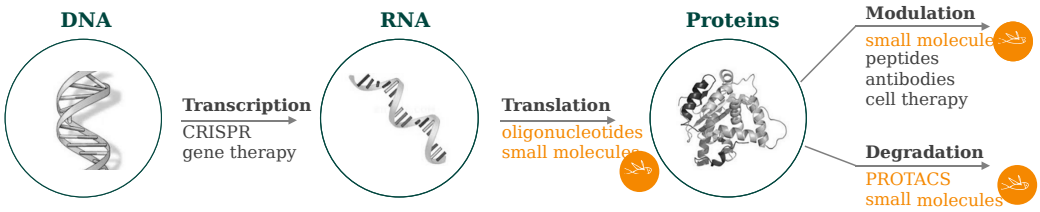
- closely mimics the *in vivo* situation through the use of primary human cells with a relevant trigger and readout for a specific disease phenotype;
- identifies possible points to intervene in a disease pathway by suppressing the expression of an individual protein in these pathways; and
- enables us to rapidly analyze all of the druggable and non-druggable genes and select pharmaceutically tractable protein targets directly by their ability to regulate key disease biology.

A proof of success of this unique approach is demonstrated with filgotinib which acts on preferential JAK1, a novel target which role in a specific disease was discovered by us using our discovery platform.

The human genome consists of tens of thousands of genes which code for the proteins that make up the human body. Nearly all chronic diseases and disorders are caused by a disruption in the normal function of certain proteins. The main goal of the biopharma industry is to discover and develop molecules that alter the activity or expression of these proteins so that normal function returns and the cause of the disease is minimized or eliminated. One of the main obstacles in discovering new drugs is to understand exactly which of the body's tens of thousands of proteins play a key role in a particular disease. Once these proteins are discovered, they become targets for drug design. Finding these targets is one of the critical steps in the drug discovery process. Our approach to target discovery is unique as our discovery platform focuses on target identification using primary human cells, and incorporates patient data and pathway screening early on, which we believe is the best way to study the effect that a protein might have on the disease in the human body.

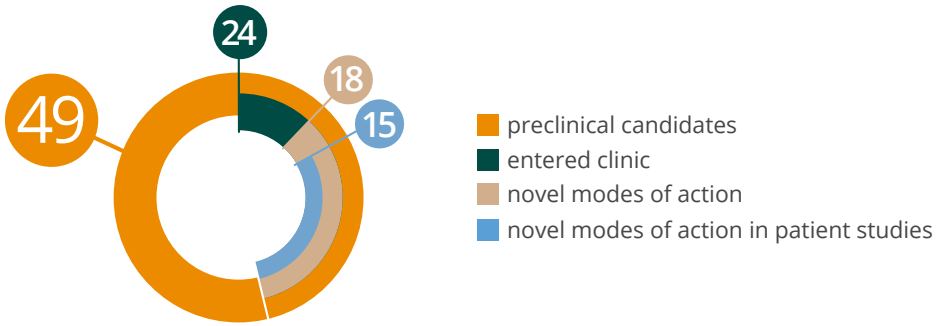
To study proteins in human cells, we take advantage of the distinctive properties of viruses in combination with RNA interference. The virus particle has the capability to infect almost every type of human cell. The virus particles we work with have been engineered to act as a shuttle vehicle, allowing the delivery of specific pieces of DNA into human cells. Additionally, these viruses cannot replicate in the human cells they infect and do not interfere with the processes in the cell. We engineered the viruses to carry small pieces of DNA, specific for individual human genes. When the virus enters the cell, this piece of DNA leads to the production of a short sequence of RNA that is processed in the cell to become "short interfering RNA," or siRNA, which specifically interferes with the mRNA of the protein it was designed for. As a result, the cells block, or "knock-down," the production of a certain protein and determine its impact on restoring normal function.

Our drug discovery research is based on the targets discovered using this technology. We started by focusing on 6,000 human genes that belong to the small molecules druggable genome. We are in the process of expanding our expertise with novel technologies such as oligonucleotide-based techniques (antisense (AS) or siRNA) and degrader approaches (Proteolysis Targeting Chimeras or PROTACs). These additions enable us to go broader and explore a broader set, coming closer to the total of 20,000 protein-coding genes. Once a target is validated, we will use the most suitable method to develop a potential therapeutic drug.



In small molecule drug discovery, an assay developed to assess the activity of the target is subjected to large collections of chemical small molecules allowing the identification of chemical structures that interact with the target to block or activate its activity. These chemical structures are then modified to obtain a preclinical candidate, and upon successful optimization and preclinical testing in animal models, the product candidate is tested in humans. Other technologies to modulate relevant targets, such as oligonucleotides or PROTACs, are being explored. In both cases the result is the removal of the target from the cells leading to the prevention of its disease-contributing effects. Based on the properties of the target and its cellular location, one or more modalities are selected and developed.

This discovery approach provides starting points for the discovery and development of drugs with new modes of action. Since 2009, we have generated 49 preclinical candidates. Of these, 24 have entered first-in-human clinical development, 18 of which are believed to have novel modes of action, and 15 entered into patient studies.



In addition to our pipeline of molecules in the clinic, we have multiple discovery programs advancing toward clinical development.

Our inflammation franchise

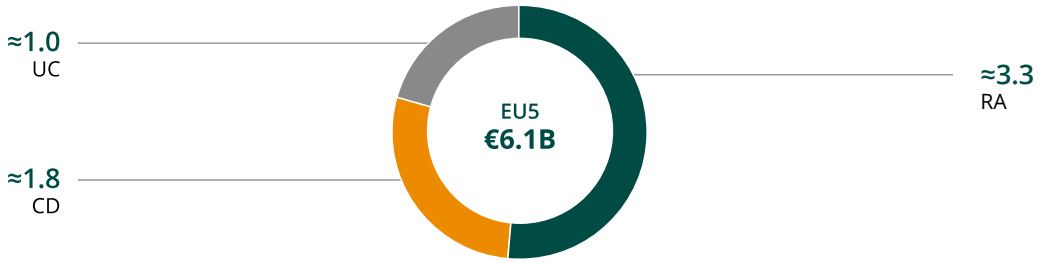
Our first approved medicine

In 2021, we made significant progress with our Jyseleca (filgotinib) franchise. In September, we celebrated Jyseleca's first year on the market following the approval for the treatment of adult patients with moderate to severe active RA in the European Union, Great Britain, and Japan. Following the amended agreement with Gilead from late 2020, we successfully completed the transfer of commercial activities from Gilead, and we are the proud MAH of Jyseleca in the European Economic Area (EEA) and Great Britain since December 2021. In addition, filgotinib is now also approved in the European Union and Great Britain for the treatment of adult patients with moderate to severe UC, adding a second indication for filgotinib.

After years of hard work by so many, we are very excited to bring a new treatment option to patients living with RA and UC throughout Europe.

The market for anti-inflammatory drugs in Europe is considerable: it is estimated that the inflammation market today in the five largest European markets is worth approximately €6.1 billion, with about 50% of the current market going to RA therapies and about 50% to UC and CD combined:

EU5 inflammation market in 2021, €B



RA: rheumatoid arthritis CD: Crohn's disease UC: ulcerative colitis
Source: RA (DRG 2021), IBD (source range estimation from DRG, Pharma Intelligence, IQVIA 2021). All biologics and tsDMARDs.[1]

It is our ambition that by the second half of this decade, Jyseleca could generate peak sales of ~€500 million in RA, UC, and CD in Europe, targeting an 8 – 12% share of the total estimated market for RA, UC, and CD in the five largest markets in Europe.

[1] tsDMARDs: targeted synthetic disease-modifying antirheumatic drugs

Jyseleca in RA

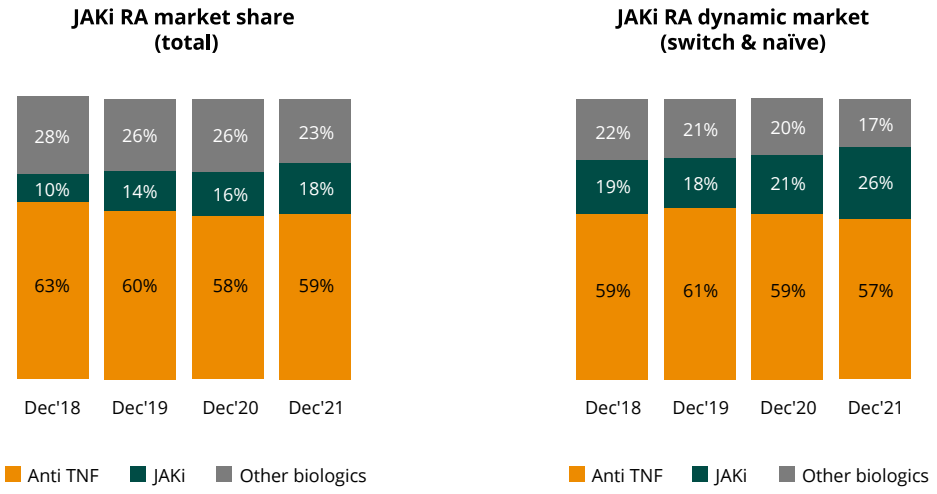
RA is a chronic autoimmune disease that affects more than three million patients in the United States and Europe. RA is characterized by inflammation and degeneration of the joints. Patients suffer from pain, stiffness, and restricted mobility due to a persistent inflammation of multiple joints, ultimately resulting in irreversible damage of the joint cartilage and bone. The current market for RA treatments in the EU5 is approximately €3.3 billion, with 60% of patients treated with advanced therapies, including injectables, biological therapies and tsDMARDS.

Despite progress in the treatment of RA, there remains a considerable unmet need as sustained remission is rare.[1]

Oral therapies targeting the Janus kinase (JAK) signaling pathway are approved to treat inflammatory diseases. In 2003, we discovered JAK1 as a novel, differentiated target in an inflammation target discovery assay and subsequently developed filgotinib as a novel small molecule inhibitor with preferential selectivity for JAK1.

Within the commercial space of the RA market in the EU5, we observe an expanding market share for JAK inhibitors, compared to anti-TNF and other biologics. To date there are 4 JAK inhibitors approved for the treatment of RA in EU5, including Jyseleca as a JAK1 preferential inhibitor. The growth of the JAK class can be seen in both the total and dynamic (switchers and naïve patients) market share, as shown in the figure below.

Expanding JAKi market in EU5



Source: Therapy Watch, Q4 2021 (6-month average)

[1] Chen Y, et al. Clin Rheumatol. 2019 Mar;38(3):727-738. doi: 10.1007/s10067-018-4340-7. Epub 2018 Oct 19.

Regulatory approvals of Jyseleca in RA

In September 2020, Jyseleca (filgotinib 200mg and 100mg) obtained approval in European Union, Great-Britain, and Japan for the treatment of adult patients with moderate to severe active RA.

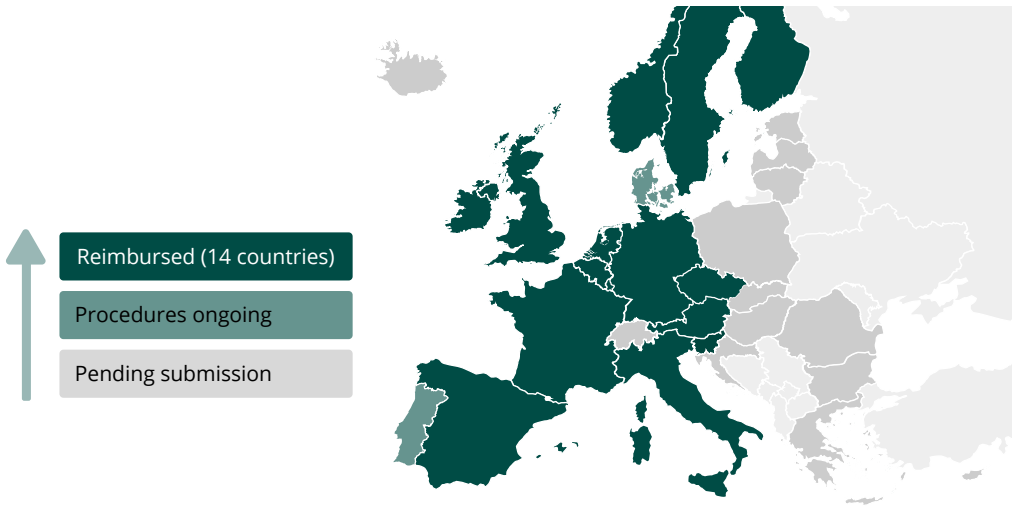
The European Summary of Product Characteristics for filgotinib, which includes contraindications and special warnings and precautions, is available at **www.ema.europa.eu**. The interview form from the Japanese Ministry of Health, Labour and Welfare is available at **www.info.pmda.go.jp**. The individual Great Britain and Northern Ireland Summary of Product Characteristics can be found at **www.medicines.org.uk/emc** and **www.emcmedicines.com/en-GB/northernireland** respectively.

In 2020, Gilead received a Complete Response Letter (CRL) from the U.S. FDA for the New Drug Application (NDA) for filgotinib. Consequently, Gilead decided not to advance with resubmission in the U.S. for approval of filgotinib as a treatment for RA.

Commercialization of Jyseleca in RA

In 2021, we took full ownership of the manufacturing and commercialization of Jyseleca in Europe and became MAH in 27 European countries, Iceland, Norway, and Liechtenstein. The medicine is now reimbursed in 14 countries, including the major markets of Germany, France, Spain, Italy, and Great Britain. In Central and Eastern Europe, Portugal, Greece and the Baltic countries, our partner Sobi is responsible for the distribution and commercialization. The graphic below represents the reimbursement progress throughout Europe since approval in September 2020. See details on the revised Gilead collaboration on filgotinib in the **Notes to the consolidated financial statements**.

Jyseleca reimbursement in RA



Eastern and Central Europe, Portugal, Greece, Baltic countries partnered with Sobi

Following the amended agreement, Gilead remains responsible for Jyseleca outside of Europe, including in Japan where Jyseleca is approved in RA and is co-marketed with Eisai.

Safety and efficacy in the filgotinib RA development program

Filgotinib has shown favorable results in terms of onset of action, efficacy, safety, and tolerability from the FINCH Phase 3 and DARWIN Phase 2 clinical study programs.

As part of the filgotinib development program we initiated FINCH 4 in RA. The FINCH 4 study is a multi-center, open-label, long-term extension study to assess the safety and efficacy of filgotinib in patients with RA, enrolling subjects who completed either FINCH 1, FINCH 2, or FINCH 3 studies.

We and Gilead published integrated safety data from 7 RA studies in *Annals of the Rheumatic Diseases* (Winthrop *et al* 2021). Data were integrated from 3 Phase 3 studies (FINCH 1 – 3), 2 Phase 2 studies (DARWIN 1, 2), and 2 long-term extension studies (DARWIN 3, FINCH 4) including up to 5.6 years of filgotinib exposure, and over a median of 1.6 years. In this pooled analysis, filgotinib was well-tolerated, and no new safety concerns were identified. Adverse events of MACE and DVT/PE were rare and occurred in similar numbers among all treatment groups, and with similar incidence rate across dose groups. The data highlight the acceptable safety and tolerability profile of filgitinib as monotherapy and in conjunction with MTX/csDMARDs[2] in RA.

In animal toxicology studies in the preclinical phase, filgotinib at an exposure dose above the approved dose in humans induced adverse effects on semen parameters. Consequently, Gilead and Galapagos committed to conducting dedicated male patient semen analysis studies in RA, AS, and PsA patients, called MANTA-RAy, and in UC and CD patients called MANTA, concurrent to all Phase 3 programs.

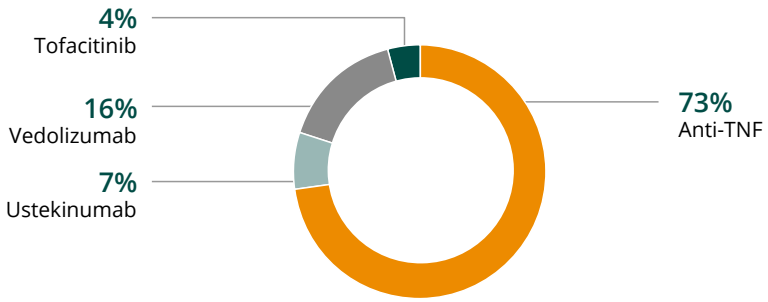
In March 2021, we were pleased to report on the primary endpoint with the MANTA and MANTA-RAy studies investigating the effect on semen parameters, indicating that 8.3% of patients on placebo and 6.7% of patients on 200mg filgotinib had a 50% or more decline in sperm concentration at week 13.

[2] csDMARD, conventional synthetic disease-modifying antirheumatic drugs

Jyseleca in UC

UC is an inflammatory bowel disease resulting in ulcerations and inflammation of the inner layer of the colon and rectum. The current market for UC treatments is estimated at ~€1.0 billion in the five largest European markets.

Current treatment landscape in UC in EU



Source: UC Therapy Watch (Research Partnership) Q3 2021. Share of prescriptions of advanced therapies

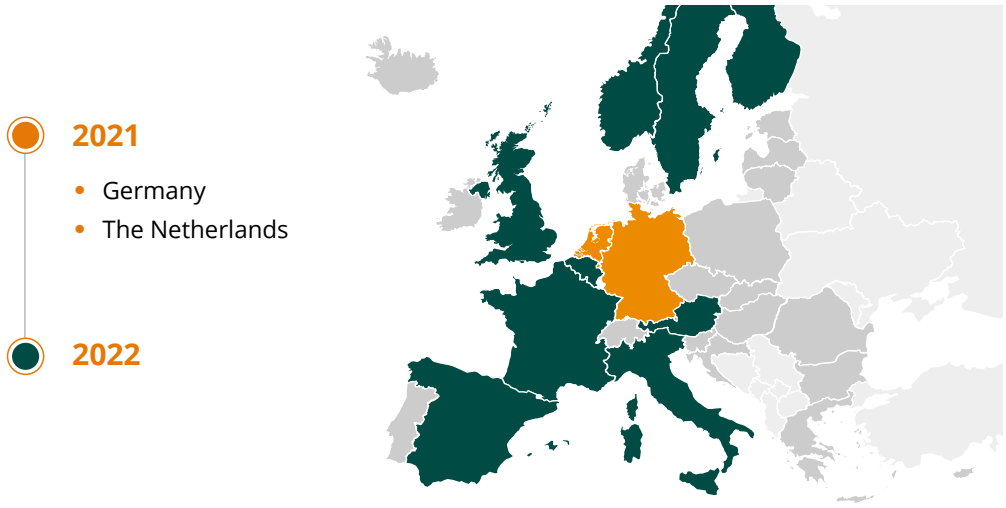
Biologic therapies for UC were dominated by tumor necrosis factor (TNF) antagonists for nearly 20 years, but anti-integrin and anti-interleukin (IL)-12/IL-23 antibodies have recently become available. Although the introduction of advanced therapies has improved the treatment of some patients, 30% of patients do not respond to treatment,[1] and 19% to 59% of initial responders don't have a sustainable treatment response.[2,3] Therefore, the medical need for improved treatment efficacy with additional treatment options remains high.

Commercialization and regulatory progress of Jyseleca in UC

Following approval of Jyseleca (200mg) for the treatment of adults with moderate to severe UC in the European Union in 2021 and in January 2022 in Great Britain, Jyseleca is now launched in UC in Germany and the Netherlands, with roll-out throughout the rest of Europe anticipated this year.

[1] Allez M et al. Report of the ECCO pathogenesis workshop on anti-TNF therapy failures in inflammatory bowel diseases: definitions, frequency and pharmacological aspects. J Crohns Colitis. 2010 Oct;4(4):355-66;
[2,] Ma C et al. Outpatient Ulcerative Colitis Primary Anti-TNF Responders Receiving Adalimumab or Infliximab Maintenance Therapy Have Similar Rates of Secondary Loss of Response. J Clin Gastroenterol. 2015 Sep;49(8):675-82;
[3] Ma C et al. Outpatient Ulcerative Colitis Primary Anti-TNF Responders Receiving Adalimumab or Infliximab Maintenance Therapy Have Similar Rates of Secondary Loss of Response. J Clin Gastroenterol. 2015 Sep;49(8):675-82;

Jyseleca launches in UC in EU



Countries in dark grey are planned for launch in 2022 and onwards, in part managed by Sobi

The European Summary of Product Characteristics for filgotinib, which includes contraindications and special warnings and precautions, is available at **www.ema.europa.eu**. The individual Great Britain and Northern Ireland Summary of Product Characteristics can be found at **www.medicines.org.uk/emc** and **www.emcmedicines.com/en-GB/northernireland** respectively.

Gilead is responsible for Jyseleca outside Europe and submitted the new drug application in Japan for filgotinib in UC to the Pharmaceuticals and Medical Devices Agency (PMDA) in the first half of 2021. A decision on its potential approval is anticipated in the first half of 2022.

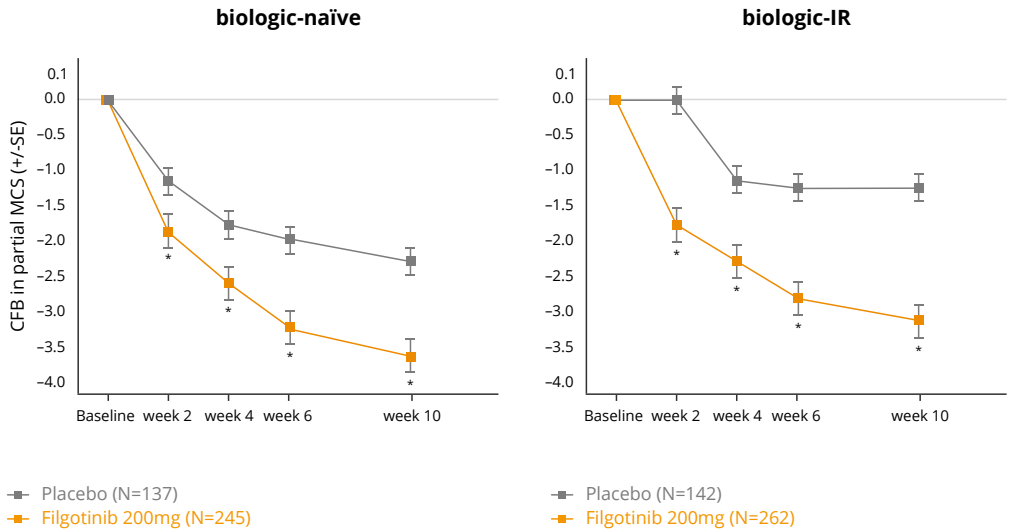
Safety and efficacy in the filgotinib UC development program

Filgotinib 200mg has shown favorable results in terms of rapid onset of action, efficacy, safety, and tolerability from the SELECTION Phase 3 program in patients with moderate to severe UC. The SELECTION Phase 3 data (Feagan *et al.* 2021) were published in *The Lancet*.

Both in biologic-naïve and in biologic-experienced patients a rapid onset of action for filgotinib 200mg at week 2, with a sustained effect up to 10 weeks, was observed in a pre-specified exploratory analysis of the SELECTION study. The graph below shows the rapid onset in both cohorts using the partial Mayo Clinic Score.

Rapid response with symptom relief from week 2

Induction (SELECTION)

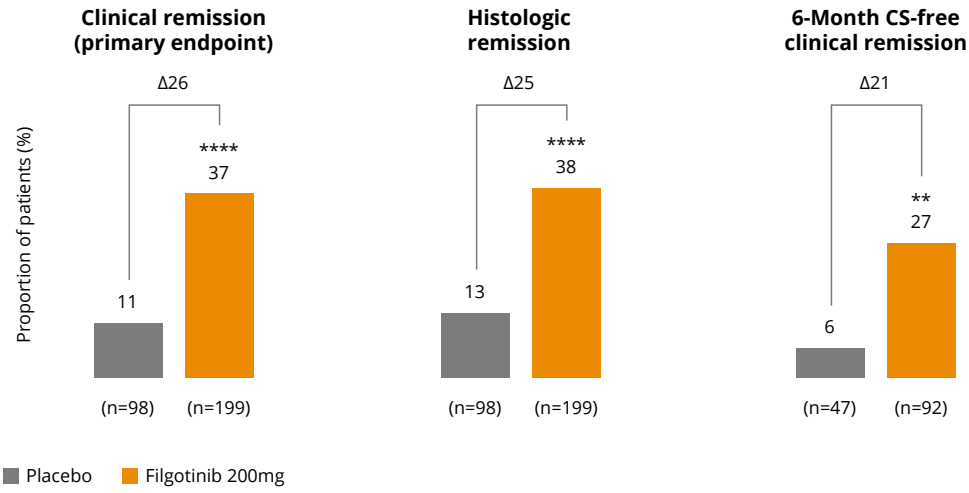


Results from a pre-specified exploratory analysis
* P < .05 filgotinib vs placebo (nominal p-values)
Biologic-IR: biologic-inadequate response, CFB: change from baseline, partial MCS: partial Mayo Clinic Score
Partial Mayo Clinic Score is based on all MCS subscores except for the endoscopy score

Additionally, data from a post hoc analysis of the maintenance study showed a greater proportion of biologic-naïve and biologic-experienced patients receiving filgotinib 200mg maintained clinical remission up to 58 weeks versus those receiving placebo (37% versus 11% p<0.001) and had histologic remission (38% versus 13% p<0.001), 6-month corticosteroid-free clinical remission (27% versus 6% p<0.01), as shown in the graph below, and published in *The Lancet* (Feagan *et al.* 2021).

Sustained remission at week 58

Maintenance (SELECTION)



** P < .01; **** P < .0001 filgotinib vs placebo
CS: corticosteroid
Clinical remission as measured by EBS (endoscopy subscore of 0 or 1, rectal bleeding subscore of 0, stool frequency subscore of 0 or 1)

We presented a set of new data from the SELECTION study and SELECTION long-term extension study in UC at the European Crohn's and Colitis Organisation (ECCO) 2022 annual conference. The key findings were:

1. Continued treatment with filgotinib for up to additional 96 weeks in the long-term extension study was effective in maintaining long-term improvements in UC symptoms;
2. Retreatment with filgotinib upon interruption, resulted in recovery of efficacy in most patients and that filgotinib was well tolerated with no new safety concern;
3. Filgotinib's efficacy profile was consistent and the safety profile acceptable regardless of the age group, analysing patients with up to 75 years of age;
4. Filgotinib was able to achieve the high bar of efficacy as defined by a combined endpoint of clinical and quality of life (QoL) remission, endoscopic and biomarker improvement.

Furthermore, additional safety data from the SELECTION studies were presented at the 16th European Crohn's and Colitis Organisation (ECCO) 2021 virtual congress (Schreiber *et al.* 2021).

Data were analyzed from the SELECTION induction, maintenance, and long-term extension study with a cumulative treatment exposure of 1,207 patient years for filgotinib 200mg versus 318 patient years for placebo, showing results consistent with the original induction and maintenance studies, where filgotinib was well tolerated in patients with moderately to severely active UC.

Filgotinib in CD

FITZROY Phase 2 and global DIVERSITY Phase 3 program in CD

CD is an IBD of unknown cause, resulting in chronic inflammation of the gastrointestinal (GI) tract with a relapsing and remitting course. The market today for CD treatments is estimated to approximately €1.8 billion in the five largest European markets.

Today, with the most advanced therapies, only 30 – 40% of CD patients on treatment achieve prolonged clinical remission. There are currently no highly effective oral therapies approved for CD and, like RA, treatment is dominated by injectable, biological treatments including anti-TNF therapies. Anti-TNF agents have improved the management of CD; however, not all patients respond to these drugs, and secondary loss of response during the first year is reported in up to 50% of patients annually in placebo-controlled trials. Therefore, a considerable unmet need remains with existing treatments.

Dysregulation of the JAK signaling pathway has also been associated with CD, which suggests that filgotinib, with its preferential selectivity for JAK1, may offer an attractive alternative for the treatment of CD. It is hypothesized that with preferential inhibition of JAK1, unwanted side effects such as anemia may be reduced. This is of particular importance to IBD patients, who frequently experience fecal blood loss.

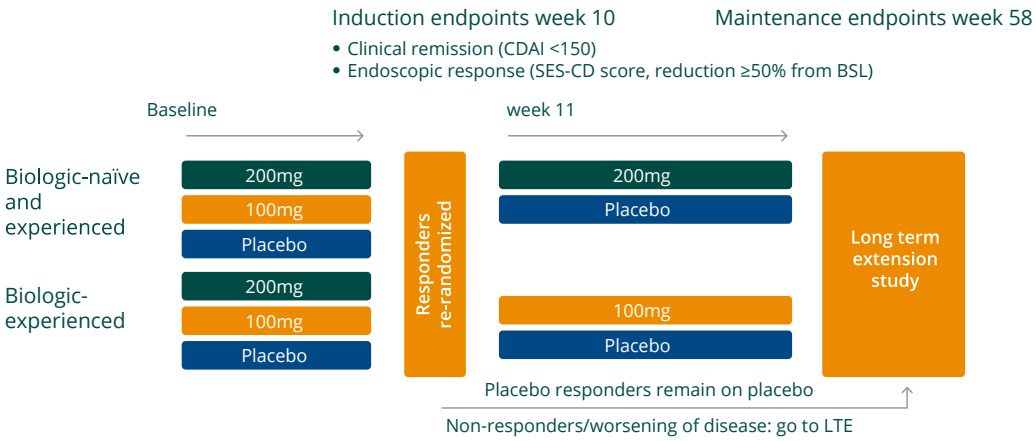
The FITZROY Phase 2 trial (NCT02048618) evaluated the efficacy and safety of 200mg once-daily filgotinib in 174 patients with moderate to severe active CD and mucosal ulceration, who were either anti-TNF naive or anti-TNF failures. As reported in *The Lancet* (Vermeire *et al*. 2016), the FITZROY trial achieved the primary endpoint of clinical remission at week 10, and filgotinib demonstrated a favorable tolerability profile consistent with the DARWIN trials in RA.

Gilead initiated the Phase 3 DIVERSITY trial (NCT02914561) with filgotinib in CD in November 2016. In October 2021, we announced the completion of patient enrollment with topline data anticipated in the first half of 2023. The DIVERSITY Phase 3 trial investigates the efficacy and safety of 100mg and 200mg filgotinib once-daily compared to placebo in patients with moderate to severe active disease including those with prior antibody therapy failure. The DIVERSITY trial enrolled 1,374 patients from the U.S., Europe, Latin America, Canada, and Asia/Pacific regions. Men and women in the DIVERSITY trial will be randomized to receive placebo, 100mg, or 200mg filgotinib. Due to preclinical findings with filgotinib regarding semen parameters, in the U.S. randomization to 200mg was restricted to male patients who failed at least one anti-TNF therapy and vedolizumab.

Following the amended agreement with Gilead, Galapagos will now become the sole sponsor of the DIVERSITY trial and the long-term extension study. The parties intend to complete the transfer no later than 30 June 2022. Under the terms of the agreement and upon completion of the transfer, Gilead will make a one-time payment of $15 million to Galapagos. From 1 April 2022,

Galapagos will also be solely responsible for all development costs for DIVERSITY. In addition, if the EMA grants regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY trial, then royalties payable by Galapagos to Gilead will be reduced by 30% across all filgotinib indications and will become 5.6 to 10.5% of net sales in Europe. These royalties are payable as of 2024. Gilead remains responsible for commercial activities outside of Europe.

Phase 3 DIVERSITY in CD

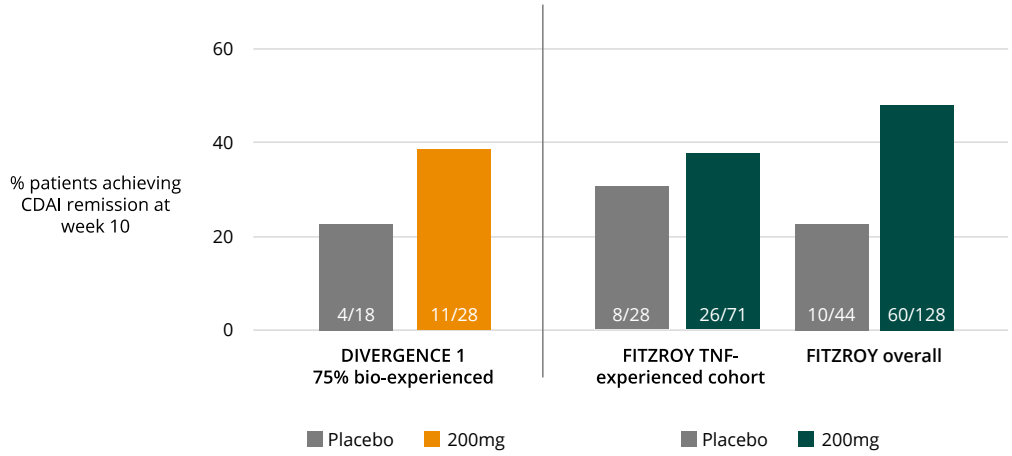


Filgotinib is not approved in CD by any regulatory authority

Adjacent to the filgotinib Phase 3 programs, we and Gilead are conducting dedicated studies evaluating the potential impact of filgotinib on semen parameters in male CD and UC patients (MANTA) and in male RA, PsA, and AS patients (MANTA-RAy).

In March 2017, Gilead initiated a Phase 2 study in small bowel CD (DIVERGENCE 1, NCT03046056) and a Phase 2 study in fistulizing CD (DIVERGENCE 2, NCT03077412). Gilead stopped recruitment in DIVERGENCE 1 early, completing the randomized, placebo controlled trial at week 10 for 46 patients, 75% of whom were biologic experienced. Filgotinib demonstrated a similar level of CDAI remission in DIVERGENCE 1 as in the TNF experienced cohort of the FITZROY Phase 2 study in CD (see graph below).

CDAI remission in DIVERGENCE 1

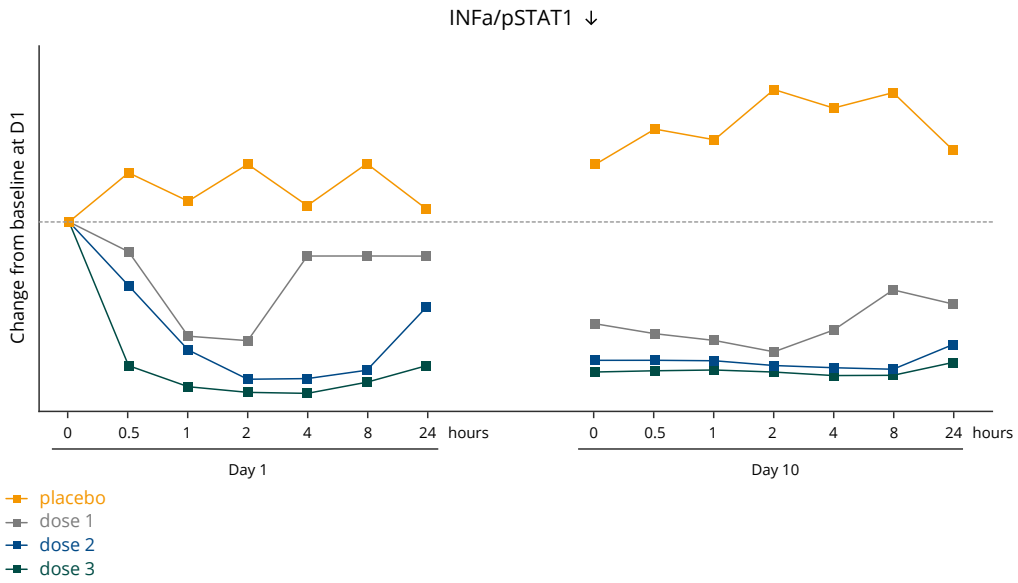


Notes: data on file, CDAI remission = CDAI <150, recruitment for the DIVERGENCE 1 study was stopped early

Our TYK2 program with GLPG3667

GLPG3667 is a reversible and selective TYK2 kinase domain inhibitor discovered by us.

In 2020, we tested the molecule in a healthy volunteer study. This Phase 1 study was a randomized, double-blind, placebo-controlled dose escalation study evaluating safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of single and multiple ascending oral doses of GLPG3667 for 13 days. Blood was drawn at multiple time points on Day 1 and on Day 10 and stimulated *ex vivo* with several cytokines, including IFNα, to analyze the level of inhibition in pSTAT signaling. The Phase 1 data showed an encouraging PK profile for once-daily dosing and PD activity of GLPG3667:

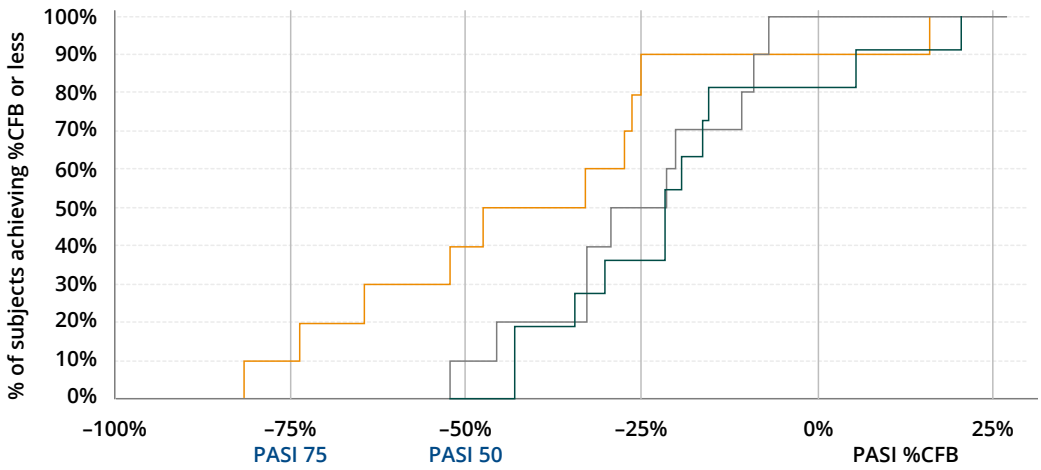


Following these results, we initiated a randomized, placebo-controlled, double-blind Phase 1b study in 31 patients with moderate to severe plaque psoriasis. Patients were randomized in a 1:1:1 ratio to a daily oral dose of GLPG3667 (low dose or high dose) or placebo, for a total of 4 weeks.

In July 2021, we announced positive topline results demonstrating that GLPG3667 was generally well tolerated with a positive efficacy signal at week 4:

- At week 4, four out of 10 patients in the high dose group had a PASI 50 response, defined as at least a 50% improvement in PASI from baseline, compared to one out of 10 subjects on placebo. There were no subjects with a PASI 50 response on the low dose of GLPG3667. The 4 responders in the high dose group of GLPG3667 achieved a 52%, 65%, 74% and 81% improvement respectively in their PASI scores from baseline, while the subject randomized to placebo improved by 52%. Positive efficacy signals were also observed with the high dose for other endpoints, including affected Body Surface Area and physician and patient global assessment, versus placebo at week 4.

GLPG3667: clinical activity in Pso at week 4



Note: CFB: change from baseline; Pso: psoriasis

- One subject in the low dose group interrupted participation in the study for one day for exacerbation of psoriasis. The majority of treatment related adverse events (AEs) were mild in nature and transient. There were no deaths or serious adverse events (SAEs) in this 4-week study.

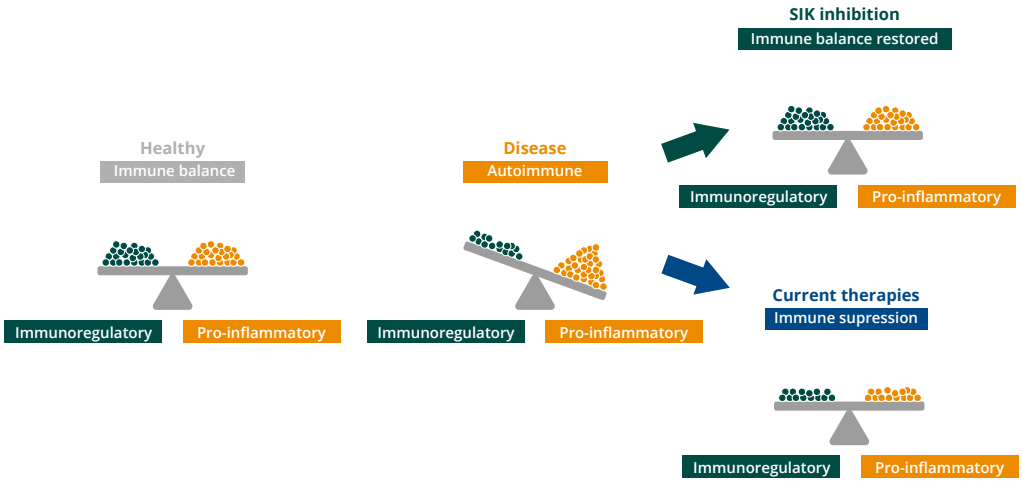
We are currently completing a dose escalation Phase 1 study to determine the optimal dose to progress into a Phase 2 program, which is planned in 2022.

Our SIK program

The Salt-Inducible Kinases (SIKs) belong to a novel target class in inflammation which we discovered with our proprietary target discovery platform. The search for this novel target class started with the ambition to find new anti-inflammatory drug candidates with a favorable efficacy and safety profile relative to existing therapies. Although significant progress has been made with novel therapies in recent years, for instance in psoriasis, there remains a high unmet need for diseases related to overactive inflammation in joints, the bowel, and other organs.

Molecules discovered by us and which inhibit the different members of the SIK family have shown the potential to modulate anti-inflammatory cytokines and pro-inflammatory cytokines. Targeted and selective inhibition of SIK proteins brings an opportunity to restore the immune balance that is typically out of balance in autoimmune diseases. This approach brings potential differentiation from existing therapies that predominantly act by suppressing the immune system (see figure below).

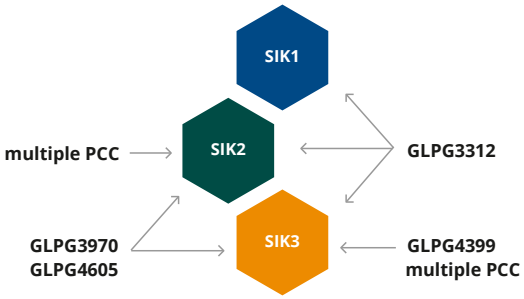
Restoring the immune balance



SIK portfolio

The family of SIKs contains three targets: SIK1, SIK2 and SIK3. In our search for compounds acting on these targets, over 5,000 molecules were synthesized leading to more than 11 different chemical series with multiple selectivity profiles. Our first efforts in the space led to compound GLPG3312, a pan-SIK inhibitor, that was tested in Phase 1 and soon thereafter replaced by a more selective SIK2/3 compound, GLPG3970. We initiated a series of early-stage clinical trials with GLPG3970 and reported the first topline results in July 2021. These initial results resulted in proof-of-mechanism data, elucidating the role of SIKs in inflammation. GLPG4399, a selective SIK3 inhibitor, is in Phase 1, whereas tissue selective SIK2/3 inhibitor GLPG4605 and other SIK inhibitors are advancing preclinically (see figure below). Several other compounds with different profiles are being explored in discovery.

Optimization through innovative chemistry

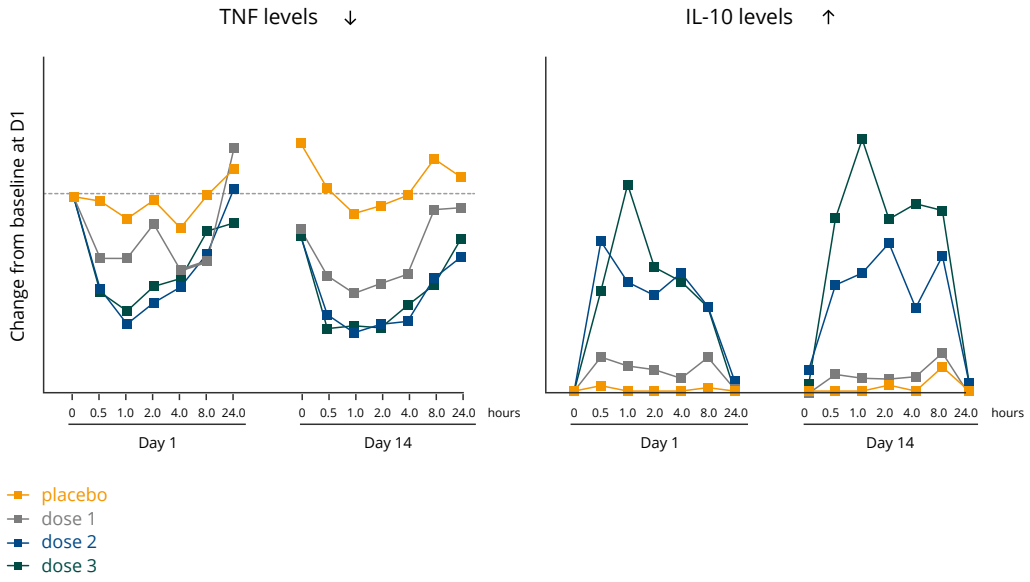


GLPG3970: encouraging Phase 1 data

Following positive results across a range of preclinical models, we evaluated GLPG3970 in a Phase 1 single and multiple ascending dose study which demonstrated that GLPG3970 was well tolerated. In addition, GLPG3970 had a dose-dependent effect on two key cytokines representative for its dual mode of action (see figure below). The pro-inflammatory cytokine, TNFα, decreased with increased compound dosing (left). The anti-inflammatory cytokine, IL-10, increased (right) with increasing compound dosing.

Dual mode of action confirmed *ex vivo*

Mean per treatment



Pioneering role of SIKi in inflammation

We evaluated GLPG3970 in three randomized, placebo-controlled, double-blind studies: i) a Phase 1b study in patients with moderate to severe psoriasis and ii) two Phase 2a studies in patients with moderate to severely active UC and RA. GLPG3970 or placebo were administered orally once-daily for 6 weeks. The main objectives of the studies were to evaluate the safety and tolerability of GLPG3970 as well as early signs of biological and clinical activity.

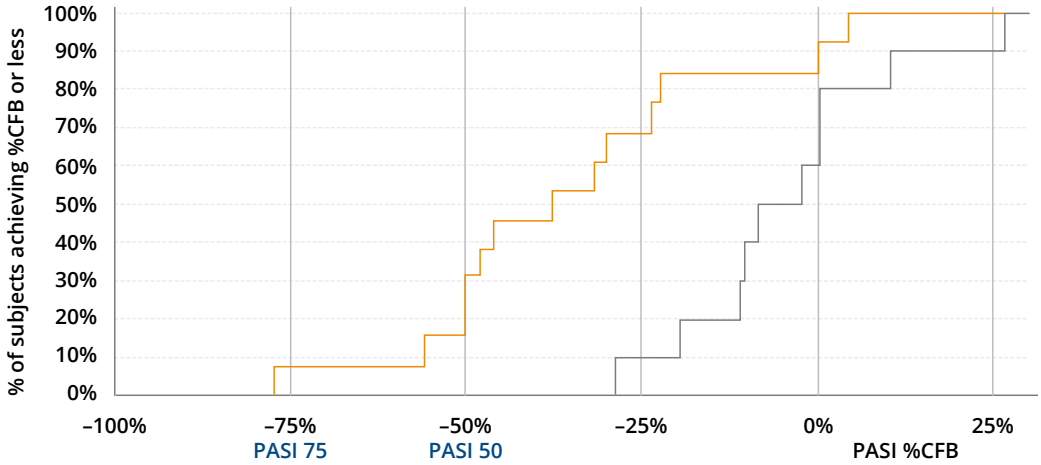
Across the three studies, GLPG3970 was generally safe and well tolerated. There were no deaths nor serious adverse events, and the majority of treatment emergent adverse events (TEAEs) were mild or moderate in nature.

CALOSOMA Phase 1b study in psoriasis

This randomized placebo-controlled study enrolled 26 patients with moderate to severe psoriasis.

At week 6, four out of 13 patients on GLPG3970 had a PASI 50 response, defined as at least a 50% improvement of baseline PASI, compared to none on placebo. Specifically, the four responders achieved 50%, 50%, 56%, and 77% improvement in their PASI scores from baseline, reaching statistical significance compared to placebo (p=0.002) at week 6. Positive signals of clinical activity were also consistently observed for other endpoints, including affected Body Surface Area and physician and patient global assessment, versus placebo at week 6.

GLPG3970: clinical activity in Pso at week 6



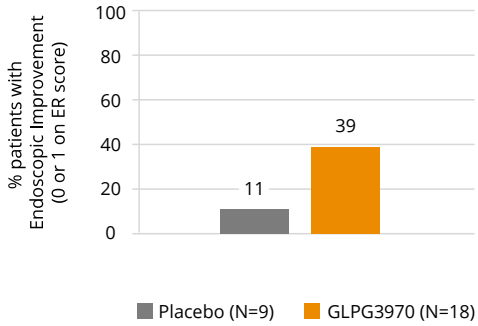
Note: CFB: change from baseline

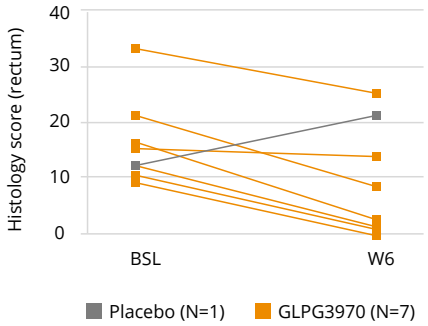
SEA TURTLE Phase 2a study in UC

This randomized placebo-controlled study enrolled 31 biologic-naïve patients with moderate to severely active UC.

At week 6, positive signals on objective parameters such as endoscopy, histology, and fecal calprotectin were observed in patients treated with GLPG3970. These findings did not translate in a differentiation from placebo on change from baseline in the total Mayo Clinical Score (MCS), the primary endpoint of this 6-week study (GLPG3970 -2.7, placebo -2.6). Seven out of 18 patients on GLPG3970 who underwent endoscopy at week 6 met the criteria for Endoscopic Improvement, defined as a score of 0 or 1 on the endoscopic response score, compared to one out of 9 patients on placebo. The robustness of these signals will be further examined by assessing the correlation to histological endpoints and tissue biomarker data.

Signal on objective endpoints in UC with GLPG3970





Endoscopic Improvement supported by histology results

Note: ER: Endoscopic Response, histology as measured by the Robart's Histology Score (RHI), UC: ulcerative colitis

LADYBUG Phase 2a study in RA

This randomized placebo-controlled study enrolled 28 patients with moderate to severely active RA and an inadequate response to methotrexate.

At week 6, patients on GLPG3970 showed no differentiation from placebo on change from baseline in DAS28 (CRP) response (GLPG3970 -1.29, placebo -1.24), nor on most other efficacy endpoints.

Outlook SIK portfolio

From these three clinical studies we learned that the SIK pathway has the potential to play an important role in inflammation and confirms the therapeutic potential of SIK inhibitors in inflammatory diseases. Although we will not progress GLPG3970 into clinical development, the study results are an essential part of the broad evidence package that we are assembling on our SIK program. This strengthens our understanding of the best approach going forward. Today, we have several molecules targeting SIK2 and SIK3 with higher potency, as well as more selective molecules acting on SIK2 and SIK3 combined, that we aim to advance. Generating data with relative inhibition of SIK2 versus SIK3 will deepen our knowledge of the safety profile and inform us which isoforms best match with specific inflammatory conditions. We are currently finalizing a Phase 1 study with our SIK3 inhibitor GLPG4399 in healthy volunteers.

Our fibrosis portfolio

Fibrotic disorders represent an area of significant unmet need and we currently focus our R&D efforts on Idiopathic Pulmonary Fibrosis (IPF) and adjacent indications involving lung fibrosis.

About IPF

IPF is a major cause of morbidity and mortality globally. It is a chronic, relentlessly progressive fibrotic disorder of the lungs that typically affects adults over the age of 40. In 2018, 232,000 patients were diagnosed with IPF in the U.S., EU4 & UK and Japan,[1] and this population is expected to grow, due to improved diagnosis, the aging population and worsening air pollution. The clinical prognosis of patients with IPF is poor, with median survival at diagnosis only two to four years. There are currently no treatment options available that can reverse or stop the progression of disease and improve the quality of life of patients. Lung transplantation may be an option for some patients with progressive disease and minimal comorbidities.

Esbriet (pirfenidone, marketed by Roche/Genentech) and Ofev (nintedanib, marketed by Boehringer Ingelheim) are approved in the U.S. and Europe for the treatment of mild to moderate IPF, and have been shown to slow the rate of functional decline in IPF. These medicines are gaining ground as the standard of care worldwide with combined sales of $3.5 billion in 2020.[2]

While these approvals represent a major breakthrough for IPF patients, these novel therapies do not stop the decline in lung function and patients continue to experience disease worsening. Additionally, the adverse effects associated with these therapies are considerable[3] (e.g., diarrhea and liver function test abnormalities with Ofev; nausea and rash with Esbriet). There remains thus a high unmet medical need for patients with IPF.

GLPG4716

GLPG4716 is a novel, small molecule CHIT1/AMCase dual-inhibitor targeting a key pathway implicated in inflammation and tissue remodeling. Increased chitinase activity has been observed in several inflammatory, fibrotic diseases. We in-licensed GLPG4716 from OncoArendi in November 2020 which we are planning to start a Phase 2 study in lung fibrosis.

[1] Source: Decision Resources Group, Global Data, Galapagos Custom Research
[2] Sales figures from Roche (pirfenidone; Esbriet®) and Boehringer Ingelheim (nintedanib; Ofev®)
[3] Dempsey TM et al. Clinical effectiveness of antifibrotic medications for idiopathic pulmonary fibrosis. *Am J Respir Crit Care Med* 2019 Jul 15; 200:168.

Other pipeline

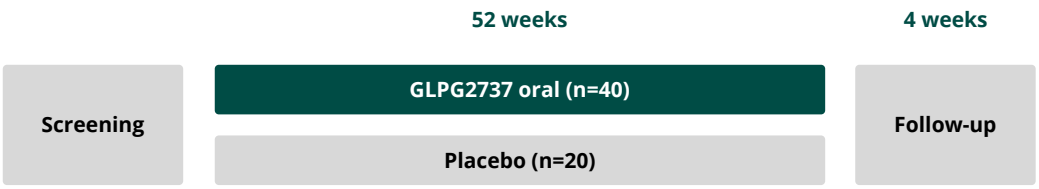
Our CFTR program with GLPG2737 in ADPKD

Autosomal dominant polycystic kidney disease (ADPKD) affects approximately 12.5 million people worldwide and is the fourth leading cause of kidney failure today.[1] Typically with this disease, both kidneys enlarge with fluid-filled cysts, leading to kidney failure for approximately half of patients by the age of 60, and requiring dialysis and possibly kidney transplantation.[2] Patients may also suffer from hypertension, abdominal pain, kidney infections, cyst ruptures, bleeding, and other symptoms impacting quality of life. Other organs may be affected as well. Treatment is aimed at relieving symptoms and controlling the accompanying hypertension. Currently, only one therapy (tolvaptan[3]) is available to slow down the progression of cyst development and renal insufficiency; however, not all patients tolerate this therapy.[4]

GLPG2737 is a Cystic Fibrosis Transmembrane Conductance Regulator (CFTR) inhibitor which was observed to be well tolerated by patients in previous clinical trials. It is hypothesized that inhibition of the CFTR channel might reduce cyst growth and kidney enlargement for patients with ADPKD.

We are currently investigating GLPG2737 in the MANGROVE Phase 2 randomized, double-blind, placebo-controlled trial evaluating a once-daily oral dose of GLPG2737. GLPG2737 or placebo is administered for 52 weeks, followed by an open-label extension period of 52 weeks, in 66 ADPKD patients with rapidly progressing disease. The primary objectives of the trial are to assess the effect on growth of total kidney volume over 52 weeks compared to placebo as well as overall safety and tolerability. The secondary objectives include renal function, pharmacokinetics, and pharmacodynamics.

MANGROVE study with GLPG2737



Note: ADPKD: Autosomal dominant polycystic kidney disease; eGFR: Estimated Glomerular Filtration Rate (eGFR)

In November 2021 we announced completion of patient recruitment in the MANGROVE study, with topline results anticipated in the first half of 2023.

[1] Chebib F.T., Torres V.E. Autosomal Dominant Polycystic Kidney Disease: Core Curriculum 2016. *Am J Kidney Dis.* May 2016, 67 (5) 792-810
[2] Parfrey P.S., Bear J.C., Morgan J., Cramer B.C., McManamon P.J., Gault M.H., et al. The diagnosis and prognosis of autosomal dominant polycystic kidney disease. *N Engl J Med.* 1990;323(16):1085–90
[3] Jynarque®, Otsuka
[4] Chebib F.T., Perrone R.D., Chapman A.B., Dahl N.K., Harris P.C., Mrug M., et al. A Practical Guide for Treatment of Rapidly Progressive ADPKD with Tolvaptan. *JASN.* October 2018, 29 (10) 2458-2470

Our JAK1 program with GLPG0555 in OA

GLPG0555 is a proprietary JAK1 inhibitor currently being evaluated in a randomized, double-blind, placebo-controlled Phase 1b study with readout in 2022. The primary objectives of the study include safety and tolerability of single intra-articular doses of GLPG0555 in healthy volunteers. Secondary objectives include the pharmacokinetics and pharmacodynamics of GLPG0555.

Our JAK1/TYK2 program with GLPG3121

We discovered GLPG3121 as a selective JAK1/TYK2 inhibitor with potential in inflammatory diseases. GLPG3121 is currently being evaluated in a randomized, double-blind, placebo-controlled Phase 1 study to assess the safety, tolerability, and pharmacokinetics in healthy volunteers with a decision to continue further development of the compound expected in 2022.

Our R&D portfolio

We continue to leverage our science and target discovery engine to further broaden our portfolio of candidate medicines. In our pipeline currently 10 programs are in lead optimization, 5 preclinical programs are developed towards testing in humans and 7 are in clinical stage programs.

Deep R&D portfolio

21 validated targets

10 programs in LO

5 preclinical candidate programs

7 clinical stage programs

* LO: Lead optimization

Our R&D collaborations

Our collaboration with Gilead

In July 2019, we and Gilead entered into a strategic R&D collaboration, giving Gilead access to our innovative portfolio of compounds and our drug discovery platform, in return for a $3.95 billion upfront payment and a $1.5 billion equity investment (including the exercise of warrant A). Gilead is subject to a 10-year standstill, securing our long-term independence, and a lock-up until 22 August 2024. Following the amendment of the arrangement for the commercialization and development of filgotinib late 2020, we have assumed sole commercial responsibility in Europe and clinical development for the majority of ongoing trials with filgotinib. For the remainder of the pipeline, we are eligible to receive a $150 million opt-in fee per program, plus tiered royalties ranging from 20 – 24% on net sales of all our products outside of Europe (ex-filgotinib) opted-in by Gilead. Galapagos retains European commercialization rights. Gilead remains responsible for filgotinib outside Europe, including in Japan where filgotinib is approved and co-marketed with Eisai. We received payments from Gilead in connection with changes in responsibility for the commercialization and development of filgotinib in Europe, and Gilead will receive royalties from European net sales on filgotinib.

Following the amended agreement with Gilead announced in October 2021, Galapagos will become now the sole sponsor of the DIVERSITY trial of filgotinib in CD and the long-term extension study. The parties intend to complete the transfer no later than 30 June 2022. Under the terms of the agreement and upon completion of the transfer, Gilead will make a one-time payment of $15 million to Galapagos. From 1 April 2022, Galapagos will also be solely responsible for all development costs for DIVERSITY. In addition, if the EMA grants regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY trial, then royalties payable by Galapagos to Gilead will be reduced by 30% across all filgotinib indications and will become 5.6 to 10.5% of net sales in Europe. These royalties are payable as of 2024. Gilead remains responsible for commercial activities outside of Europe. See also **Notes to the consolidated financial statements**.

Collaboration to further strengthen our commercial launch

In October 2021, we signed an agreement with Sobi regarding the distribution of Jyseleca. Sobi will distribute the medicine in Central and Eastern Europe, Greece, Portugal, and the Baltic countries.

Inlicensing to further strengthen the inflammation franchise

In April 2020, we announced a global collaboration with Ryvu focused on the discovery and development of novel small molecule drugs in inflammation. In December 2021, we exercised our exclusive option to license IP developed by Ryvu. Pursuant to this option exercise, Galapagos

is granted exclusive worldwide rights to continue the research, development and commercialization of the program based on compounds discovered and developed by Ryvu.

In August 2020, we announced a global collaboration with Scipher Medicine to advance novel drug targets identified by Scipher for the treatment of IBD. We will jointly validate a suite of novel IBD targets discovered by Scipher, after which we have the exclusive option to progress up to five targets into drug discovery and development. Under the terms of the agreement, we will retain the rights for the discovery, development, and commercialization of therapeutics for the selected target(s).

Our fibrosis collaborations

In January 2019 we announced a global collaboration with Fibrocor focused on novel targets in IPF. Fibrocor is responsible for all research activities until lead optimization, and we are responsible for the further development and commercialization of the in-licensed programs. Galapagos took an undisclosed equity stake in Fibrocor (privately held).

In November 2020 we entered into an exclusive collaboration and license agreement with OncoArendi Therapeutics for the global development and commercialization of GLPG4716, a chitinase inhibitor, in IPF. Under the terms of the agreement, we are responsible for the further development and commercialization of the program. In addition, we have the option to initiate negotiations to obtain development or commercialization rights for selected preclinical candidate molecules.

In October 2018, we and AbbVie amended and restated our collaboration agreement whereby AbbVie took over all programs in CF. AbbVie obtained exclusive worldwide rights to the current CF investigational drug candidate portfolio developed by the two companies in the course of the collaboration, with the exception of GLPG1837 and GLPG2737. We retain rights to these two compounds for use outside the field of CF. AbbVie will be responsible for all future activities and will bear all costs associated with the CF portfolio. We will be eligible to receive additional milestone payments pending completion of certain development, regulatory, and commercial milestones in CF by AbbVie. In the event AbbVie receives regulatory approval and realizes commercial sales in CF, we are eligible to receive royalties ranging from single digit to low teens. AbbVie further agrees to pay us, if approved, tiered single digit royalties on global commercial sales from the candidate indications outside of CF.

Other early-stage collaborations

We have a collaboration agreement with e-therapeutics, as announced in June 2020, to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially in other fibrotic indications. e-therapeutics will be responsible for all computational activities for the selected compounds. We will perform all experimental testing and are responsible for development and commercialization. Under the terms of the agreement, e-therapeutics received an upfront payment and is eligible to receive near-term payments plus pre-clinical, clinical, regulatory, and commercial milestone payments.

Risk factors

Description of the risks of which investors should be aware

Foundation & Future

Risks related to commercialization

The marketing and sale of filgotinib or future approved products may be unsuccessful or less successful than anticipated. We are heavily dependent on the success of filgotinib, which is approved for the treatment of RA in the European Union, Great Britain and Japan, and for the treatment of UC in the European Union and Great Britain, and under regulatory review for the treatment of ulcerative colitis in Japan.

The commercial success of filgotinib and of any future products will depend upon the degree of market acceptance by physicians, healthcare payers, patients, and the medical community.

We have limited sales and distribution experience and are currently building a marketing and sales organization. We expect to continue to invest significant financial and management resources to continue to build these capabilities and to establish a European commercial infrastructure. To the extent any of our product candidates for which we maintain commercial rights is approved for marketing, if we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our products, we may not be able to market and sell any product effectively, or generate product revenues.

Coverage and reimbursement decisions by third-party payers may have an adverse effect on pricing and market acceptance. Legislative and regulatory activity may exert downward pressure on potential pricing and reimbursement for any of our product candidates, if approved, that could materially affect the opportunity to commercialize.

Risks related to product development and regulatory approval

We operate adequate standard operating procedures to secure the integrity and protection of our research and development activities and results, and the optimum allocation of our R&D budgets. The progress of the most important research and development programs is continuously monitored by our management board; they are discussed with the supervisory board at least once per quarter, and supervisory board members with expertise in clinical and scientific matters occasionally attend meetings with our scientific staff to discuss and assess such programs. Nevertheless, due to our limited resources and access to capital, we must and have in the past decided to prioritize development of certain product candidates; these decisions may prove to have been wrong and may adversely affect our business.

We are heavily dependent on the success of our candidate filgotinib. We are also dependent on the success of our other product candidates, such as GLPG2737, GLPG3667, GLPG4716, GLPG0555, GLPG3121, and GLPG4399. Filgotinib is approved for use in RA in the European Union, Great Britain and Japan and for use in UC in the European Union and Great Britain, and is currently under regulatory review for use in UC in Japan. In addition, we are heavily investing in our early-stage product pipeline, including our SIK early-stage compounds, and these

drug candidates must undergo rigorous preclinical and clinical testing, the results of which are uncertain and could substantially delay or prevent the drug candidates from reaching the market.

We cannot give any assurance that any product candidate will successfully complete clinical trials or receive regulatory approval, which is necessary before it can be commercialized.

Our business and future success is substantially dependent on our ability to develop successfully, obtain regulatory approval for, and then successfully commercialize our product candidate filgotinib and our other product candidates. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from the FDA, the EMA, the MHRA, the MHLW or any other comparable regulatory authority, and we may never receive such regulatory approval for any of our product candidates. We cannot give any assurances that our clinical trials for filgotinib or our other product candidates will be completed in a timely manner, or at all. If filgotinib or any other product candidate is not approved and commercialized in certain jurisdictions, we will not be able to generate any product revenues for that product candidate.

The regulatory approval processes of the FDA, the EMA, the MHRA, the MHLW and other comparable regulatory authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Results of earlier studies and trials as well as data from any interim analysis of ongoing clinical trials may not be predictive of future trial results, and failure can occur at any time during the clinical trial process. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. If filgotinib or any other product candidate is found to be unsafe or has lack of efficacy, we will not be able to obtain or maintain regulatory approval for it and our business would be materially harmed.

The rates at which we complete our scientific studies and clinical trials depend on many factors, including, but not limited to, patient enrolment. Patient enrolment is a significant factor in the timing of clinical trials and is affected by many factors including competing clinical trials, clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies and the relatively limited number of patients. Any of these occurrences may harm our clinical trials and by extension, our business, financial condition and prospects.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA, the MHRA, the MHLW or other comparable regulatory authorities. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Filgotinib, if approved or following approval, may have a labeling statement warning for male patients. In animal toxicology studies in the preclinical phase, filgotinib at an exposure dose above the approved dose in humans induced adverse effects on semen parameters. Adjacent to the filgotinib Phase 3 programs, we and Gilead are conducting dedicated male semen analysis studies in CD and UC patients (MANTA) and in RA, psoriatic arthritis, or PsA, and ankylosing spondylitis, or AS, patients (MANTA-RAy).

Even now when filgotinib has received regulatory approval or marketing authorization in certain jurisdictions, other regulatory authorities may impose dosing restrictions that differ from the approved dosing regimen in other jurisdictions.

Box warnings, labeling restrictions, dose limitations and similar restrictions on use could have a material adverse effect on our ability to commercialize filgotinib in those jurisdictions where such restrictions apply.

EMA announced that its Pharmacovigilance Risk Assessment Committee (PRAC) started an article 20 specific pharmacovigilance procedure to investigate whether certain serious risks associated with the JAK inhibitors Xeljanz (tofacitinib) and Olumiant (baricitinib) are associated with all JAK inhibitors authorized in the EU for the treatment of inflammatory disorders, including filgotinib. If the outcome of the EMA's safety review results in amendments to the marketing authorization for filgotinib, other additional requirements that the EMA may put in place with respect to the development of JAK inhibitors generally, or other future actions by the EMA and other comparable regulatory authorities, then such delays or (perceived) adverse developments or results may harm our business, financial condition and prospects significantly.

If we lose orphan product exclusivity or are not able to obtain such status for future product candidates for which we seek this status, or if our competitors are able to obtain orphan product exclusivity before we do, we may not be able to obtain approval for our competing products for a significant period of time.

Risks related to our financial position and need for additional capital

We are an integrated biopharmaceutical company with a first commercial launch and have not yet generated significant income. Our operations to date have been limited to developing our technology and undertaking preclinical studies and clinical trials of our product candidates.

Since our inception, and with the exception of the year 2019, we have incurred significant operating losses. We expect to continue incurring significant research, development and other expenses related to our ongoing operations, and to continue incurring operating losses for the foreseeable future. We cannot be sure to generate future revenues from the sales of filgotinib, our first product approved for commercialization in the European Union, Great Britain and Japan in the third quarter of 2020. Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to predict the timing or amount of expenses and when we will be able to achieve or maintain profitability, if ever.

We may require substantial additional future capital which may not be available to us on acceptable terms, or at all, in order to complete clinical development and, if we are successful, to commercialize any of our current product candidates. In addition, raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our product candidates or technologies. The incurrence of additional indebtedness could result in increased fixed payment obligations and could also result in certain additional restrictive covenants that could adversely impact our ability to conduct our business.

For further reference on financial risks in particular, see **note 33** of the notes to the consolidated financial statements.

Risks related to our reliance on third parties

We are heavily dependent upon our collaboration arrangements with Gilead and certain other third parties for the development and commercialization of our products and there can be no assurance that these arrangements will deliver the benefits we expect.

In July 2019, we entered into a 10-year global research and development collaboration with Gilead. In connection with our entry into the option, license and collaboration agreement, we received an upfront payment of $3.95 billion and a €960 million ($1.1 billion) equity investment from Gilead. Under the option, license and collaboration agreement, we will fund and lead all discovery and development autonomously until the end of the relevant Phase 2 clinical study. After the completion of the Phase 2 clinical study (or, in certain circumstances, the first Phase 3 study), Gilead will have the option to acquire an exclusive commercial license to that program in all countries outside of Europe. If the option is exercised, we and Gilead will co-develop the compound and share costs equally. In addition, we are heavily dependent on Gilead for the commercialization of filgotinib and the further development of our product candidate filgotinib outside of Europe. Gilead may not devote sufficient resources or give sufficient priority to the programs in respect of which it acquires a commercial license pursuant to the option, license and collaboration agreement. Furthermore, Gilead may not be successful in the commercialization of filgotinib outside of Europe and further development and commercialization of filgotinib or other programs for which it acquires a commercial license, even when they do devote resources and prioritize their efforts for such programs.

In addition, the terms of the collaboration with Gilead and any collaboration or other arrangement that we may establish may not ultimately prove to be favorable to us or may not be perceived as favorable, which may negatively impact the trading price of the ADSs or our ordinary shares. In addition, pursuant to the collaboration with Gilead, we are entitled to certain option payments and tiered royalties, and milestone payments on certain products. There can be no assurance that such payments will be sufficient to cover the cost of development of the relevant product candidates.

We are subject to a number of additional risks associated with our dependence on our collaborations with third parties, the occurrence of which could cause our collaboration arrangements to fail. In particular, the collaboration we entered into in July 2019 is managed by a set of joint committees comprised of equal numbers of representatives from each of us and

Gilead. Conflicts may arise between us and Gilead, such as conflicts concerning the interpretation of clinical data, the achievement of milestones, the interpretation of financial provisions or the ownership of intellectual property developed during the collaboration, and there can be no assurance that the joint committees will be able to resolve any such conflicts. If any such conflicts arise, Gilead could act in a manner adverse to our best interests. Any such disagreement could result in one or more of the following, each of which could delay or prevent the development or commercialization of product candidates subject to the collaboration arrangements, and in turn prevent us from generating sufficient revenues to achieve or maintain profitability:

- reductions or delays in the payment of milestone payments, royalties or other payments we believe are due;
- actions taken by Gilead inside or outside our collaboration which could negatively impact our rights or benefits under our collaboration including termination of the collaboration for convenience; or
- unwillingness on the part of Gilead to keep us informed regarding the progress of its development and commercialization activities or regulatory approval or to permit public disclosure of the results of those activities.

In addition to our collaboration with Gilead, we may also enter into future collaborations which will give rise to similar risks, although our ability to enter into such collaborations may be limited given the scale of our collaboration with Gilead.

If our global research and development collaboration with Gilead or other collaborations on research and development candidates do not result in the successful development and commercialization of products or if Gilead or another one of our collaboration partners terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our product candidates could be delayed and we may need additional resources to develop product candidates.

We may not be successful in establishing future development and commercialization collaborations, particularly given the scale of our collaborations with Gilead, and this could adversely affect, and potentially prohibit, our ability to develop our product candidates.

Developing pharmaceutical products, conducting clinical trials, obtaining regulatory approval, establishing manufacturing capabilities and marketing approved products are expensive. Accordingly, we have sought and may in the future seek to enter into collaborations with companies that have more resources and experience. In the future, however, our ability to do so may be limited given the scale of the 10-year global research and development collaboration that we entered into with Gilead in July 2019. If Gilead declines to exercise its option and we are otherwise unable to obtain a collaboration partner for our product candidates, we may be unable to advance the development of our product candidates through late-stage clinical development and seek approval in any market. In situations where we enter into a development and commercial collaboration arrangement for a product candidate, we may also seek to establish additional collaborations for development and commercialization in territories outside of those addressed by the first collaboration arrangement for such product candidate. If any of our product candidates receives marketing approval, we may enter into sales and marketing arrangements with third parties with respect to otherwise unlicensed or unaddressed

territories. Furthermore, there are a limited number of potential collaboration partners, and we expect to face competition in seeking appropriate collaboration partners. If we are unable to enter into any development and commercial collaborations and/or sales and marketing arrangements on acceptable terms, or at all, we may be unable to successfully develop and seek regulatory approval for our product candidates and/or effectively market and sell approved products, if any.

We rely on third party suppliers for which a reliable supply of materials is required in order to avoid delays in the drug discovery and development process and commercial supplies of any approved product. Most goods and services are provided by several different suppliers, which mitigates the risk of loss of key suppliers.

Expanding the suppliers' network can be time consuming as all source suppliers are subject to rigorous ethical and quality control standards. Our suppliers are required to adhere to contractual terms that include anti-bribery and anti-corruption provisions. Our general terms and conditions of purchase also contain a specific clause on anti-bribery and anti-corruption. They can be found on our **website**.

We have relied on and plan to continue to rely on contract research organizations, or CROs, to monitor and manage data for our preclinical and clinical programs. We and our CROs also rely on clinical sites and investigators for the performance of our clinical trials in accordance with the applicable protocols and applicable legal, regulatory and scientific standards. If CROs do not successfully carry out their contractual duties or obligations or meet quality standards, regulatory requirements or expectations, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. We do retain responsibility for all our studies and are required to and have put in place measures to manage, oversee, and control our studies, including the CRO selection process, audits, strong focus on deliverables, timelines, roles & responsibilities, and oversight of conduct of the studies.

We rely on clinical data and results obtained by third parties that could ultimately prove to be inaccurate or unreliable. If the third-party data and the results that we rely on prove to be inaccurate, unreliable or not applicable to our product candidates, we could make inaccurate assumptions and conclusions about our product candidates and our research and development efforts could be materially adversely affected.

Risks related to our competitive position

We face significant competition for our drug discovery and development efforts, and if we do not compete effectively, our commercial opportunities will be reduced or eliminated.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Our competitors may develop drug products that render our products obsolete or non-competitive by developing more effective drugs or by developing their products more efficiently. In addition, our ability to develop competitive products would be limited if our competitors succeeded in obtaining regulatory approvals for drug candidates more rapidly than we were able to or in obtaining patent protection or other intellectual property rights that limited our drug development efforts.

Risks related to our intellectual property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

We endeavor to protect our proprietary technologies and know-how by entering into confidentiality and proprietary information agreements with our employees and partners, and by setting up special procedures (e.g. with respect to the handling of the laboratory books).

Our commercial success depends on obtaining and maintaining proprietary rights to our product candidates, as well as successfully defending these rights against third party challenges. We will only be able to protect our product candidates, and their uses from unauthorized use by third parties to the extent that valid and enforceable patents, or effectively protected trade secrets, cover them. If we fail to maintain to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could harm our results of operations.

Pharmaceutical patents and patent applications involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position. Our success will depend in part on our ability to operate without infringing the intellectual property and proprietary rights of third parties. We cannot guarantee that our business, products and methods do not or will not infringe the patents or other intellectual property rights of third parties. There is significant litigation activity in the pharmaceutical industry regarding patent and other intellectual property rights. Such litigation could result in substantial costs and be a distraction to management and other employees.

The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The interpretation and breadth of claims allowed in some patents covering pharmaceutical compositions may be uncertain and difficult to determine, and are often affected materially by the facts and circumstances that pertain to the patented compositions and the related patent claims. The standards of the United States Patent and Trademark Office, the European Patent Office, and other foreign counterparts are sometimes uncertain and could change in the future. If we fail to obtain and maintain patent protection and trade secret protection of our product candidates, we could lose our competitive advantage and the competition we face would increase, reducing any potential revenues and adversely affecting our ability to attain or maintain profitability.

We will not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

Filing, prosecuting and defending patents on our product candidates in all countries and jurisdictions throughout the world would be prohibitively expensive, and our intellectual property rights in some countries could be less extensive than those in the United States and Europe. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing products made using our inventions.

Risks related to our organization, structure and operation

Our future success depends on our ability to retain the members of our management board and to attract, retain and motivate qualified personnel. If we are not successful in attracting and retaining highly qualified personnel, we may not be able to successfully implement our business strategy. Attractive development and training programs, adequate remuneration and incentive schemes and a safe and healthy work environment mitigate this risk.

We expect that if we continue to build our development, medical and commercial organizations, we will require significant additional investment in personnel, management and resources. Our ability to achieve our research, development and commercialization objectives depends on our ability to respond effectively to these demands and expand our internal organization, systems, controls and facilities to accommodate additional anticipated growth. If we are unable to manage our growth effectively, our business could be harmed and our ability to execute our business strategy could suffer.

We are currently further building our marketing and sales organization. To the extent any of our product candidates for which we maintain commercial rights is approved for marketing, if we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell our product candidates, we may not be able to effectively market and sell any product candidates, or generate product revenues.

Our information technology systems could face serious disruptions that could adversely affect our business. Continuing an uninterrupted performance of our IT system is critical to the success of our business strategy and operations. A recovery plan for data has been implemented, as well as a system for interception of power failures. Fire walls and virus scanners provide an additional and adequate protection. Our personnel should adhere to continuity plans and procedures regarding access rights and installation of different programs. Business interruptions could delay us in the process of developing our product candidates. This risk has a high potential impact, but is mitigated by policies and procedures such as surveillance of the buildings, annual appraisals and bonuses, and monthly management meetings.

We have to comply with applicable data privacy laws, including the European General Data Protection Regulation, or GDPR, which imposes strict obligations and restrictions on the collection and use of personal data. In the ordinary course of our business, we collect and store sensitive data. Many third party vendors that support our business processes also have access to and process sensitive information. Although we have taken preventative measures and set up procedures regarding data processing, data breaches, loss of data and unauthorized access could still occur. These could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, including the GDPR, and significant regulatory penalties, disrupt our operations and damage our reputation.

Despite our efforts to monitor social media and comply with applicable rules, there is a risk that the use of social media by us or our employees to communicate about our drug candidates

or business may cause us to be found in violation of applicable requirements. In addition, our employees may knowingly or inadvertently make use of social media in ways that may not comply with our social media policy or other legal or contractual requirements, which may give rise to liability, lead to the loss of trade secrets, or result in public exposure of sensitive information. Furthermore, negative posts or comments in social media could seriously damage our reputation, brand image, and goodwill.

We may undertake strategic acquisitions in the future and any difficulties from integrating such acquisitions could adversely affect our share price, operating results and results of operations. We may acquire companies, businesses and products that complement or augment our existing business. We may not be able to integrate any acquired business successfully or operate any acquired business profitably. Integrating any newly acquired business could be expensive and time-consuming. Integration efforts often take a significant amount of time, place a significant strain on managerial, operational and financial resources, result in loss of key personnel and could prove to be more difficult or expensive than we predict. As part of our efforts to acquire companies, business or product candidates or to enter into other significant transactions, we conduct business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in the transaction. Despite our efforts, we ultimately may be unsuccessful in ascertaining or evaluating all such risks and, as a result, might not realize the intended advantages of the transaction.

If we are unable to use tax loss carryforwards to reduce future taxable income or benefit from favorable tax legislation, our business, results of operations and financial condition may be adversely affected. We may incur unexpected tax charges, including penalties, due to the failure of tax planning or due to the challenge by tax authorities on the basis of transfer pricing. Any changes to Belgian and international taxation legislation or the interpretation of such legislation by tax authorities may influence our activities, financial situation and results. Such potential changes and their impact are monitored carefully by management and its advisors.

Being active in research and development in Belgium, France and the Netherlands, we have benefited from certain research and development incentives. If the Belgian and/or the French and/or the Dutch government decide to eliminate, or reduce the scope or the rate of, the research and development incentive benefit, either of which it could decide to do at any time, our results of operations could be adversely affected.

As a company active in research and development in Belgium, we also expect to benefit from the "innovation income deduction" 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 effective rate than other revenues. The effective tax rate can thus be reduced up to 3.75%. At 31 December 2021 we had €301.3 million of carryforward innovation income deduction in Belgium.

Our inability to qualify for the abovementioned advantageous tax regimes, as well as the introduction of the minimum taxable base and any other future adverse changes of Belgian tax legislation, may adversely affect our business, results of operations and financial condition.

We have received several technological innovation grants to date, to support various research programs from an agency of the Flemish government to support technological innovation in

Flanders. In 2021 we have also received a grant from the National Institute for Health and Disability Insurance. If we fail to comply with our contractual obligations under the applicable technological innovation grant agreements, we could be forced to repay all or part of the grants received.

We annually establish a detailed budget that is submitted to the supervisory board for review and approval. Our performance compared to the budget is continuously monitored by our management board and is discussed with the supervisory board at least once per quarter. For the establishment of our financial information, we have processes and methods in place that enable the preparation of consolidated financial statements for our annual and quarterly reporting. Our management reporting systems – which include an advanced integrated ERP system – secure the generation of consistent financial and operational information, allowing management to follow-up our performance on a daily basis.

Our business may be adversely affected as a result of computer system failures. We may suffer data leaks, security incidents or become the target of cyber-attacks, as a result of which our financial assets, confidential information and/or intellectual property may be materially negatively impacted. We may not be able to successfully protect our computer systems against unauthorized access by third parties.

The occurrence of unforeseen or catastrophic events, including extreme weather events and other natural disasters, man-made disasters, or the emergence of epidemics, depending on their scale, may cause different degrees of damage to the national and local economies and could cause a disruption in our operations and have a material adverse effect on our financial condition and results of operations. Man-made disasters, pandemics, and other events connected with the regions in which we operate could have similar effects. For example, the impact of COVID-19 on our business is uncertain at this time and will depend on future developments, but prolonged closures may disrupt our operations and the operations of our agents, contractors, consultants or collaborators, which could negatively impact our business, results of operations and financial condition. Further, uncertainty around these and related issues could lead to adverse effects on the economy of the United States and other economies, which could impact our ability to develop and commercialize our products and raise capital going forward.

The armed conflict between Russia and Ukraine could cause a disruption in our operations. We currently have ongoing clinical studies for filgotinib with CROs located in Ukraine and Russia. If our CROs experience disruptions to their business due to the military conflict in Ukraine and the sanctions against Russia, it could result in delays in our clinical development activities, including delay of our clinical development plans and timelines, or could cause interruptions in operations of regulatory authorities. The impact on ongoing pivotal studies such as DIVERSITY 1 will remain limited. We continue to monitor the situation and are taking measures to mitigate the impact on our ability to conduct clinical development activities. Interruptions or delays in our and our CROs' ability to meet expected clinical development deadlines or to comply with contractual commitments with respect to the same, could lead to delays in our overall developmental and commercialization timelines, which would adversely impact our ability to conduct clinical development activities and complete them on a timely basis. Since 24 February 2022, we have extended the focus of the business continuity plan to closely monitor each program in context of the currently ongoing Ukraine-Russia crisis and the associated specific regulatory, institutional, and government guidance and policies.

Market risks relating to the Galapagos shares

We have identified the following major market risks:

- Possible volatility of share price
  The market price of the shares might be affected by a variety of factors outside management control, such as the global economic situation, the business development of competitors, sector mergers and acquisitions; it is difficult to mitigate this risk.
- Economic risk due to failure in confidence
  General public confidence about future economic conditions or performance of us or our suppliers or customers may impact the ability or willingness of others to trade with us.
- Dilution through capital increases
  Raising additional capital may cause dilution to our existing shareholders. By raising additional capital through capital increases with cancellation of the preferential subscription rights of our existing shareholders, these shareholders will be diluted.
- Dilution through exercise of subscription right plans
  The exercise of existing subscription rights can significantly increase the number of outstanding Galapagos shares.
- Inability to distribute dividends
  We have a limited operating history and future profitability cannot be guaranteed. Galapagos NV has significant losses carried-forward and will thus not be able to distribute dividends in the near future. This can cause people to refrain from investing in Galapagos shares.
- Reputational damage
  High ethical standards are maintained throughout the entire organization at all levels. Laws and guidelines are complied with. Our suppliers are required to adhere to contractual terms which include anti-bribery and anti-corruption provisions. In addition, our external consultants are required to comply with our Code of Business Conduct and Ethics and U.S. Foreign Corrupt Practices Act Policy.
- Belgian law provisions
  There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to us and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that third parties may consider and thus deprive the shareholders of the opportunity to sell their shares at a premium (which is typically offered in the framework of a takeover bid).

General statement about Galapagos' risks

According to our current assessment we consider the risks to be manageable and our going concern not to be endangered at the time of the current report. Assuming no further deterioration of the global business, financial and regulatory environment, we consider ourselves well prepared to meet all future challenges.

CSR report

Improving lives

Foundation & Future

Our commitment

Since the foundation of Galapagos in 1999, we have worked hard and continuously on bringing novel medicines to patients. I am proud of, and grateful for, the dedication of our employees as they have worked towards these goals, striving for innovation and knowledge while conducting business in an ethical and responsible manner. Our core values and culture are engrained in our DNA, as we build on these foundations for the future.

Our commitment to Corporate Social Responsibility (CSR) is intrinsically linked to our core mission: to discover and develop novel mechanism of action medicines for diseases with high unmet medical needs, to make a lasting positive contribution to society and improve the lives of patients worldwide.

Based on our core mission, in 2018, we engaged with internal and external stakeholders across our different locations to define the four material aspects of our corporate responsibility and sustainability approach. These help us to identify and prioritize the issues that matter most to our business in terms of growth, risk, and goals, and to our stakeholders, including patients, employees, investors, partners, and suppliers. The four material aspects have remained the pillars of our CSR strategy and action plans in 2021 and ensure that we report on the subjects that matter most.

Today, we are excited to announce that in 2022, we will embark upon a company-wide CSR strategy to further strengthen the foundations for our sustainable future as an independent, fully integrated European biotech. Supported by the members of our management board, we have established a CSR Steering Committee, comprised of representatives from key departments throughout the organization. We plan to review our materiality assessment with internal and external stakeholders, to assess whether our current pillars best describe our contributions to, and impact on, society. Based on this, we aim to define a long-term ambition, measurable objectives, and a roadmap to improve performance and boost engagement. To increase our reporting on sector-relevant objectives, aid transparency and improve access to goals and performance, we intent to add further reporting frameworks in future CSR reports.

Respectfully,

Onno van de Stolpe, CEO

Galapagos' four priority topics and material CSR aspects:

Driving innovation

- Accelerating science and innovation through collaboration
- Providing access to our knowledge

Go to chapter

Our employees are the strength behind Galapagos

- Building a strong corporate culture, driven by an engaged workforce
- Human capital management

Go to chapter

Conducting business ethically and responsibly

- Manage our operations with ethics and integrity
- Our Code of Conduct

Go to chapter

We care about the environment, health, and safety

- Eco-efficient operations
- Employee well-being

Go to chapter

To standardize our data collection, we use the United Nations Sustainable Development Goals (SDGs), also known as the Global Goals, as our reference framework to link these material aspects to areas of engagement. The SDGs were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

This CSR report provides the non-financial information required by articles 3:6 § 4 and 3:32 § 2 of the Belgian Companies Code. For a discussion on risks, please see the section on **Risk factors** in this Annual Report.

We have identified two core SDG goals where we believe we can make a difference, as well as six enabling SDG goals which help us to materialize our commitment in alignment with our four CSR pillars.

The table below links our material aspects and engagement areas to selected aspects of the SDG framework:

CORE SDG

Good health and well-being

Health and improving lives through our breakthrough medicines are at the core of what we do

Partnerships for the goals

We embrace internal and external partnerships to work towards our mission to bringing much needed innovation to patients

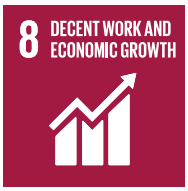
ENABLING SDG

Quality education

We invest in our employees and foster an inclusive, open and supportive work environment across our 12 locations in Europe and the U.S.

Gender equality

We cultivate a corporate culture where we strive for gender equality



Decent work and economic growth

We have achieved our long-term ambition of becoming a fully integrated biopharmaceutical company and currently employ >1,300 people across our 12 locations in Europe and the U.S.

Industry, innovation and infrastructure

Our mission is to bring innovative medicines to patients suffering from severe diseases in areas of high unmet medical need in a social and sustainable way

Reduced inequalities

We aim to develop a balanced workforce across a number of criteria, including gender, nationality, ethnicity, experience and disability

Climate action

We value our planet and take initiatives to safeguard the environment and incorporate greener practices across our organization

Our commitment and areas of engagement are described below in the discussion of the four materials aspects, which are also linked to the eight SDGs that we consider important to the company.

Material aspect 1: Driving innovation

We strive to discover, develop, and commercialize breakthrough medicines with novel mechanism of action, addressing diseases where a high unmet medical need remains. Our mission is to add years of life and to improve the quality of life of patients suffering from severe diseases, with innovative medicines that offer alternative treatment options.

We are pioneering for patients

There is a real need for innovative medicines that address the underlying cause of a disease. There are many diseases for which there is no approved therapy today, and many more diseases for which current therapies leave room for improvement in patient outcomes. New mechanism of action medicines offer patients and caregivers alternative clinical options. At the same time, they have the potential to decrease the burden for society, by lowering healthcare costs.

We create value through science and innovation

Based on our powerful drug discovery engine, we are building a differentiated pipeline of novel product candidates to ensure continued innovation, with potential benefits to patients, healthcare professionals and society. To deliver on our mission to improve people's lives, we build partnerships to accelerate science and innovation, while sharing knowledge with a wider community.

Accelerating science and innovation through collaboration

Innovation is the key for us to deliver on our mission to improve people's lives. We strive to spark, establish, and endorse innovation at every level of our company. To realize that ambition, we foster team work and actively collaborate with different partners, each with their own specific experience, knowledge, and field of excellence.

Collaboration with academic institutions

We establish relationships and work closely with academic organizations and universities to accelerate development and boost innovation in discovery, preclinical, and clinical development.

Our team in discovery partners with a number of renowned institutions and consortia, including:

- Institut de Ricerca Biomedica (IRB) in Barcelona, to identify and validate up to 20 drug targets in inflammation and fibrosis;
- S. Fillatreau, Institut Necker Enfants Malades in Paris, in order to gain a deeper understanding of the involvement of B-cell subtypes in human pathologies;
- M. Mendoza, Genopole in Evry, to develop and use spatial transcriptomics approaches;
- SMART Organ-on-Chip, a consortium of academic and industry partners, coordinated by Prof.dr.ir. Jaap den Toonder, Eindhoven University of Technology (TU/e), to develop a standardized open modular approach to recapitulate tissue and disease biology, funded by NWO.

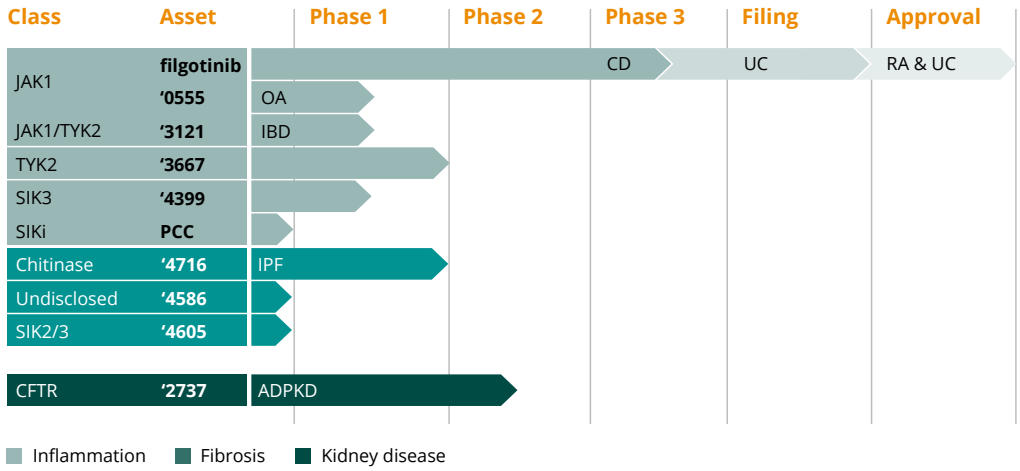
To gain more insights in specific disease areas, we collaborate with a number of experts, including:

- For IBD:
  - Prof. Dr. Séverine Vermeire, University Hospital Leuven (Belgium) for IBD back-translation approaches using patient samples (blood, colon biopsies);
  - Dr.ir. Paul Vos, INIMINI-health, Wageningen University (The Netherlands) to study health-promoting nutrition and drugs using immune- and microbiota-competent intestine-on-a-chip. This research aims to integrate microbiota and immunity into a miniaturized assays and is funded by Health Holland.
- For IPF:
  - Prof. Wim Wuyts, University of Leuven (Belgium) to discover targets and biomarkers in IPF using IPF lung transplant samples.
- For ADPKD:
  - VLAIO collaboration with Prof. Djalila Mekhali, University Hospital Leuven (Belgium) to better understand cystogenesis in ADPKD;
  - Prof. Steven Ballet, Drug Innovation and Modulation research group at the Free University of Brussels (Belgium) for oligonucleotides peptide conjugation for kidney targeting.

- For OA:
  - Prof. Ingrid Meulenbelt, FOACUS, Leiden University Medical Center (The Netherlands) for the development of a high throughput human osteoarthritis screening platform for disease target identification, funded by Health Holland;
  - Prof. Gerjo van Osch, HypOA, Erasmus Medical Center (The Netherlands) to understand the early processes in osteoarthritis through single cell RNA sequencing and development of *in vitro* assays that recapitulate relevant disease processes, funded by Health Holland.

Our research throughout these different disease areas is reflected in our differentiated pipeline as shown below:

Differentiated portfolio



Note: filgotinib is approved for RA in EU and Japan, approved for UC in EU and filed for UC in Japan

Beyond these specific disease areas, we partner with Exeter University (UK) to contribute to sociological research around clinical trials in rare diseases, to optimize patient engagement and expand access to clinical trials. The project will also cover ethnographic research on planning and implementation of patient engagement activities at Galapagos. The collaboration started in 2021 and will span a period of three years.

Furthermore, we welcome students through internships and study projects, while we support our employees to collaborate with universities to obtain a doctoral research degree (PhD).

Collaborations with patient organizations and healthcare providers

Since our foundation, patients are our North star. We aim to a real difference to patients, their caregivers and families. To further build on that ambition and to grow closer to all our

stakeholders, in 2021, we started working with three independent patient advisors and seven representatives from key umbrella and therapeutic area-specific patient organizations to develop the **Galapagos Patient Partnership Charter (PPC)**.

In true Galapagos spirit, the Charter is about leading by example. We decided, from the start, to co-develop it with the patient community.

Launched in early 2022, the Charter defines what we stand for, what partnering with patients means to us, and our approach and commitments to working with and for patients.

To ensure continuity, we want to build on the great collaboration with patient representatives and advocates that we are currently engaging with. We are in the process of setting up the Galapagos Patient Engagement Council, a consultative body that will advise Galapagos on patient engagement-related topics and act as a knowledge exchange platform between Galapagos and the patient community.

Alongside our commitment to patients, their caregivers and families, we strive to offer optimal support to healthcare professionals (HCPs). To that aim, in 2021, we launched **GalapagosHealth.com**, a hybrid engagement environment where HCPs have access to the latest thinking and evidence on the treatment and management of RA and UC, based on clinical and real-world data, as well as through medical education that raises the industry standard to the next level.

€492M

Research & Development Expenses in 2021

Industry collaborations

We have several collaborations in place with other companies to complement and enhance our R&D efforts.

We entered into a strategic R&D collaboration with Gilead in 2019. We strongly believe that this is a mutually beneficial long-term collaboration, as we gain access to Gilead's extensive experience in drug development and commercialization, and Gilead to our platform and pipeline, with option rights to our current and future programs outside Europe.

Additionally, we have:

- Collaborations with Ryvu and Scipher Medicine to further expand our inflammation pipeline and discover and develop novel targets in inflammation;
- Collaborations with Fibrocor and OncoArendi to jointly work on innovative approaches to treat severe fibrotic diseases.

In addition to these ongoing collaborations, we continue to diligently evaluate new business development opportunities in our pursuit to bring innovation to patients.

Providing access to our knowledge

Promoting an open innovation model, while reaching out to a wider community

At Galapagos, we are committed to communicate the results from patient studies in a transparent way. Even if a clinical study has been terminated earlier than anticipated, we report the findings, based on the endpoints defined in these trials and share these with the medical community.

Open access publishing best serves our aim to make our observations in clinical development available barrier free to the research and medical community as well as to other stakeholders. Open access ensures that the highest quality, peer-reviewed evidence is available to anyone, anywhere in the world. It improves transparency, advances medical science and, we believe, ultimately improves people's lives.

We are proud that amongst our peers, we are one of the very first to publish with open access and as of October 2020 we, by our policy, make our publications freely accessible in peer-reviewed scientific and medical journals.

Furthermore, as of 2020 we actively participate in **Open Pharma initiative**, a first-ever collaborative, multi-sponsor, non-profit project. We believe that publications are the route to credible, compliant pharma communications. Open Pharma's long-term goal is to secure the same terms for authors who publish company-funded research as those for authors who publish research funded through other means. As such, all research findings are freely available to read and reuse, from the date of publication.

In 2021, Open Pharma published recommendations for plain language summaries of peer reviewed medical publications. We all believe that, as a minimum standard, publications should include a plain language summary in the style of an abstract that is easily accessible and straightforward to understand, free of expert jargon, unbiased, and non-promotional.

We promote careers in science through science, technology, engineering, math (STEM) initiatives

We actively engage in promoting science education and careers in science. We joined a consortium of more than 18 global companies and local organizations with one joint objective:

creating a spark for science, technology, engineering, and math, specifically targeting youngster between the age of 10 and 14. Together with young people, we are engaging parents, teachers, and businesses to achieve this goal, and are targeting schools, businesses, events, and online channels, using an inclusive and gender-sensitive approach.

Our goals are to inspire children and youngsters, and to enhance access to STEM related subjects. We aim to:

- Demonstrate that major societal challenges such as biodiversity, climate change, vaccines, and digitization can be tackled with STEM knowledge;
- Collaborate with parents, teachers, and businesses to get STEM online and offline, in order to bring it closer to the target audience;
- Illustrate that STEM is for everyone, regardless of background, gender, and ethnicity, by giving due attention to specific target groups.

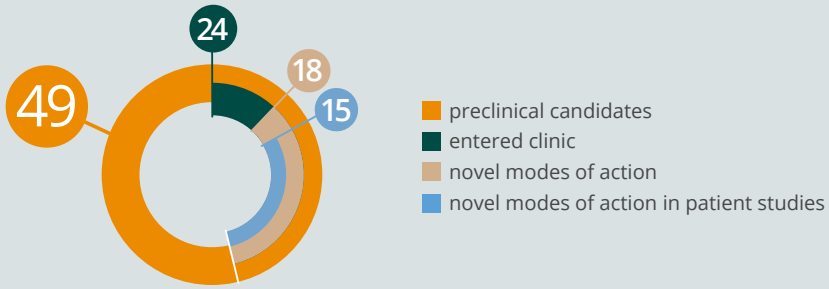
More information is available on **www.dasgeniaal.be** and **www.cestgenial.be**.

Image from our latest science challenge together with an influencer, launched on different social media channels

Material aspect 1: our actions in 2021

- We delivered 4 new validated targets
- We nominated 2 new preclinical candidates, all with a novel mechanism of action
- We conducted 3 Proof of Concept trials
- We received 1 regulatory approval for an additional indication for filgotinib in Europe and most recently in 2022 in Great Britain
- In 2021, we responded to 682 inquiries through the Galapagos Medical Information service for Jyseleca, our marketed product, and our product candidates in development

Since 2009 our scientific efforts in research and development brought us to 49 preclinical candidates, most of which have novel modes of action. Of these, 24 have entered the clinic, 18 of which are expected to have novel modes of action.



- We launched a digital challenge on social media to spark STEM with young people, reaching 121,100 views on social channels for our Dutch challenge, while developing a French challenge ready for launch in 2022
- We developed the Patient Partnership Charter, defining what we stand for, what partnering with patients means to us, and our approach and commitments to working with and for patients
- We launched the Galapagos Health information portal for healthcare professionals

Future ambitions

- Set up the Galapagos Patient Engagement Council as a consultative body, advising Galapagos on patient engagement-related topics, and as a knowledge exchange platform between Galapagos and the patient community
- Invest in our target discovery capabilities, to broaden our pool of targets, and deliver more validated targets and Proof of Concepts on a yearly basis
- Continue to seek win-win collaborations to bolster the early-stage pipeline and endorse our innovative approach
- Diligently scout for potential external business development opportunities to strengthen our pipeline
- Further strengthen our European commercial organization to bring innovation to patients in need of breakthrough medicines

€4.7B

Current Financial Investments, cash and cash equivalents at end 2021

A strong balance sheet to ensure future growth, both internally and through externally sourced opportunities

Material aspect 2: Our employees are the strength behind Galapagos

Employees are the key to our success in developing novel mechanism of action drugs that have the potential to make a real difference for patients. Attracting, inspiring and retaining employees and making Galapagos a great place to work are essential for the success of our company. Our approach to talent stems from our corporate values and strategic talent initiatives.

'Make it Happen' is core to our culture: people feel they can make an impact in our organization, which is highly motivating. We ensure that this value is protected and managed as we continue to develop as an organization.

We are dedicated to continuing to build a diverse workforce and to fostering an inclusive, open and supportive work environment across our locations in Europe and the U.S.

As we aim to expand our differentiated pipeline in 2022, while rolling out our first marketed product across Europe, our organization continues to develop and build expertise.

Gender Equality

We strive for gender equality across multiple dimensions, including talent attraction, female leadership, and talent pipeline development, pay, creation of an inclusive culture. We foster a diverse and inclusive organization and protect each other against all forms of harassment and discrimination. We support gender equality through policy development, representation, and transparency.

In 2021, we celebrated the International Day of Women and Girls in Science, endorsing equal access to, and participation in, science for women and girls. 60% of our R&D colleagues are women and their talent and dedication are essential in our aim to help patients now and in the future.

As described in the section on Material Aspect 1, we are part a consortium of companies working on Science, Technology, Engineering, and Mathematics (STEM) initiatives for youngsters, with a key focus on sparking interest in STEM amongst girls via targeted social media outreach that speaks to them (**www.dasgeniaal.be** and **www.cestgenial.be**).

Bloomberg Gender-Equality Index 2022

As a result of our initiatives, for the third year in a row we are included in the 2022 Bloomberg Gender-Equality Index, an achievement that we are very proud of. The Bloomberg Gender-Equality Index is an objective measure that tracks the performance of public companies committed to disclosing efforts to support gender equality. The list encompasses 418 companies headquartered in 45 countries and regions, across 11 sectors.

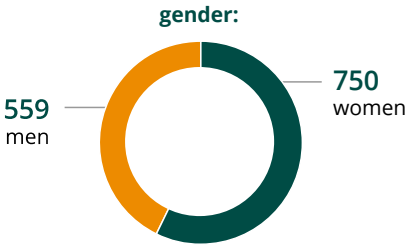
Diversity

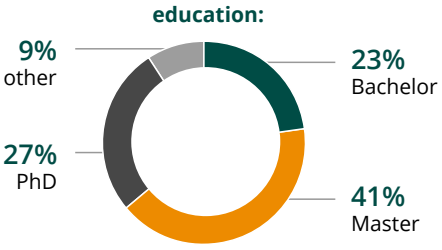
Our approach to diversity is deeply rooted in our culture and values. We strive for inclusion and diversity across gender, nationality, ethnicity, experience level, and disability, as detailed in below section. This is reflected in our decisions and actions as our company grows and evolves.

Our group in numbers

Number of employees Galapagos group

1,309



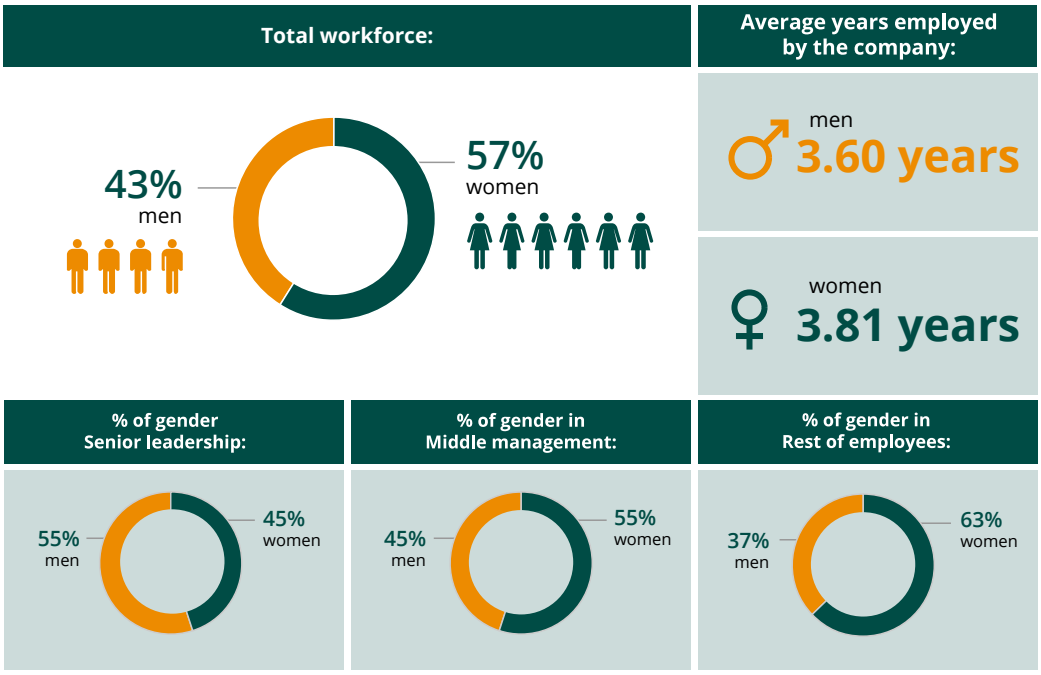


Average age: 43	Number of employees older than 45: 595	Nationalities: 42
Average years of service: 3.74	Employee turnover: 8.81%	New hires in 2021: 328

Total number of employees includes consultants and temporary staff.

- We attracted 328 new employees in 2021, 55% of whom are women
- We continue to attract people from various backgrounds and now have 42 different nationalities within the Galapagos group.

- Our supervisory board currently consists of eight members, 4 of whom are women (please see the section **Supervisory board** of our Annual Report 2021 for further information on each board member)
- Our management board consists of 5 men (please see the section **Management board** of our Annual Report 2021 for further information on each board member)



Human capital management

Our corporate culture

At Galapagos, we believe a strong culture is fundamental to our business success. Our spirit of challenging ourselves without fear of failure underpins our work. Since this boldness is fundamental to us – and we recruit exceptional people who are the right fit – we have defined our culture in a behavioral framework as follows:

- We **act as a pioneer** and are optimistic in our ambitions, motivated by innovation and attracted by the unknown
- We positively **embrace change** and adapt to circumstances. Failing on occasion doesn't deter us; it's how we pick ourselves up that matters
- We challenge ourselves and, in doing so, **raise the bar** of what is possible
- Together, we want to create value and improve lives through science – and we continuously strive to find ways to **make it happen**

As new colleagues from different backgrounds join us, we want to ensure our culture evolves accordingly. We continue to develop structured, integrated systems and onboarding practices that help us look in the same direction, because our culture transcends everything we do.

We invest in our employees

Our employees are at the core of everything we do. In our continued efforts to enable a great experience at Galapagos, we offer our employees the platform to grow, develop, fail, learn, and succeed. Our ambitious business strategy offers great opportunities to keep pushing boundaries and enhance skills and competencies with the aim of delivering innovative science and breakthrough medicines to patients. We honor our successes, while constantly raising the bar and allowing room for trial and error to drive innovation. We encourage our people to take ownership, be entrepreneurial, and make a difference.

At Galapagos, we offer competitive and evolving remuneration packages to reward, recognize, develop, and retain our employees in a way that aligns with the company's strategy and culture. Performance bonuses and, for many employees, share-related opportunities, help drive sustainable performance and commitment, and reward employees for their contributions to our success.

The benefits we offer vary from country to country, based on local customs and statutory conditions. Employee benefits include insurance for critical risks and key life events, as well as provisions for different forms of leave in support of work-life balance.

We aim to ensure an inclusive, open, and supportive professional environment across our international locations. We organize regular engagement meetings across all our business units to inspire and align teams behind our vision and ambition. Informal sessions with members of our management board help to inspire new and long-term employees across our different sites.

We listen to our people through formal and informal channels established to ensure openness and psychological safety. Focused surveys evaluate our actions, impact, and the agility of our people processes and help us enhance the employee experience.

During the COVID pandemic, we helped employees manage this health crisis by providing additional electronic equipment to facilitate working from home, organizing online mindfulness sessions, and paying a stipend to cover the additional costs incurred through working from home. We also undertook initiatives to create team cohesion and strengthen the feeling of belonging to the Galapagos family.

We engage with local communities and charities

We want to be part of the communities in which we work and live. In 2021, we transformed our annual Company Day, where we traditionally devote time to a range of social organizations and green initiatives, into a cross-site '*We Care*' initiative. Across our different locations, we engaged with social and nature conservation organizations in a concerted way.

Material aspect 2: our actions in 2021

In 2021, talent engagement and retention became a clear priority, and a range of activities supported this:

- In 2021, we improved our candidate experience. Our governance, planning and approach in the continued period of pandemic led to an increased use of assessment and recruitment tools to assure and ensure talent fit with the culture of the company. Virtual conversations and case-based presentations aided the process
- We consistently partnered with colleagues to promote references and build a pipeline of talent, in line with our goal to hire and develop diverse talent
- As we established operations across Europe, our talent base has become more international and diverse, too
- Onboarding was refined, to become more efficient, robust, and attractive. It led to a smooth integration with our culture and values, motivating new colleagues to find their way in the organization, understand what is expected from them and know what systems and tools to use. All colleagues joining from Gilead in our commercial organization participated in culture and value workshops to fully embed them in our company DNA. All newcomers got assigned a '*buddy*' as guide and support for any questions during the first months
- Employee well-being is critical to our success. In the context of the continued pandemic, managers engaged in '*How are you*' conversations with their team members. More than ever, we wanted to make sure that every employee felt safe, listened to, and cared for
- We focused on enhancing the performance and unlocking the potential of all employees by promoting the development of personal and professional skills. To support continued development during the pandemic, learning journeys remained virtual, with team building adapted to online and hybrid experiences
- We capitalized on internal lateral mobility, which is demonstrated by the fact that about 95 colleagues (of which 60% women) were assigned new roles with increased responsibilities in 2021
- Regular performance and development conversations played a crucial role in ensuring we remain performance-oriented and develop employees for current and future roles
- We have created a financial support package for remote working, rolled-out new family leave policies and an annual stock-based program, and improved various local benefit offerings

- We set the stage to achieve digital ambitions for HR, with the successful launch of SAP SuccessFactors. We initiated the employee *self-service journey*, supported by strong change management and user-adoption practices to ensure a smooth launch. We now have the architecture and analytics to consistently report on key HR KPIs going forward and generate insights that matter to the business
- We hired and onboarded 328 new colleagues, 80 of whom came from our collaboration partner Gilead, as we took over the commercialization of Jyseleca in regions in Europe that were initially covered by Gilead. We significantly expanded our commercial organization and set up operations in six countries (i.e. Austria, Finland, Sweden, Norway, Denmark, and Republic of Ireland) to realize our ambition to become marketing authorization holder for Jyseleca in Europe. We unfortunately had to rightsize our R&D and Shared Services departments in view of our revised R&D portfolio following pipeline setbacks
- Following recent events and in response to the strategic reset during the year, we invested in regular communication plans, with extensive Questions and Answers for senior leaders, to equip them to be closer to their teams. Transparent presentations during townhall meetings helped employees put the corporate news in perspective and maintain trust in our ability to overcome headwinds with a plan and commitment

Future ambitions

- '*We Care*' is part of our community engagement approach and we remain committed to several initiatives, including:
  - supporting local STEM initiatives throughout our different sites
  - donating IT materials to local organizations for educational support
  - giving employees the opportunity to share any volunteering initiative on our internal communication Yammer platform and allow others to engage behind
- The recruitment team will continue to focus on ensuring quality recruitment externally but also supporting the internal redeployment and talent mobility processes. We aim to improve our employer branding position via social media campaigns and other career channels etc. to inspire and increase our outreach
- At Galapagos, we continue to engage with early talents by collaborating with universities/schools/academia to increase talent inflow via internships and/or young graduate hire. Early pipelining is seen as a way to diversify the talent pool and as a long-term objective to develop young talents into the leaders of the future. We plan to remain competitive, evolving towards integrated talent management that includes our employees, consultants, and our contingent workforce
- Our ambition is to improve the competitiveness of our talent and our organization, and have a highly engaged workforce. We create opportunities for our leaders to role model key behaviors, embody corporate values and create the context for their teams to excel. Programs that generate transformative learning in the space of personal and professional excellence will continually be upgraded, while we embark on building strategic capabilities. We will continue to enhance awareness of compliance and regulatory practices in a systematic way. This journey will be further sharpened and enhanced towards establishing our platform for success to promote growth in performance and potential in line with industry benchmarks to prepare our workforce for the future
- We continue to adopt cutting edge and digital solutions to boost candidate and employee experience. Deployment of empowering people processes by continuous improvement and streamlining, investing in the scalability and consistency of our processes across the whole organization, will be instrumental to success. We continue to invest in intuitive solutions to simplify HR processes and employee self-service. To enhance the employee experience, we aim to deploy digital tools that will provide them with solutions via a dedicated knowledge base

- Our focus will continue to be on evolving our competitive remuneration package to support the attraction, retention, and engagement of talented employees, helping Galapagos differentiate itself and creating a competitive advantage. In particular, we hope to drive forward our wellbeing offering as a company and explore further possibilities around the future of mobility. In addition, we will look for further opportunities to bring to life our remuneration principles, including reinforcing linkages between pay and performance, enabling employees to share in the company's success in alignment with shareholder interests, remaining competitive in existing and new geographic markets, and supporting employees and their families with locally relevant employee benefits
- We will continue to drive and enable both mindset and practice when it comes to organization agility. It starts with building a resilient organization, having the right strategic capabilities and remaining highly responsive to our people and to the context we operate in. Further, leadership and line manager capabilities will be strengthened, internal mobility boosted along with our approaches to retain and grow our talents, offering them diverse experiences across projects and programs
- We will continue to deploy initiatives to foster our strong culture to drive innovation in science and make differentiating medicines available to as many patients as possible. Increased focus on wellbeing, recognition and CSR programs will contribute to becoming an even more inspiring, inclusive place to work, where people can become their best selves. Our people are our ambassadors. We put them in the spotlight and visualize how proud they are to work for Galapagos and how proud the company is to work with such amazing talents. We have an inclusive atmosphere of bringing people together from various backgrounds to collaborate and deliver on meaningful solutions, both internally within the company and as well as to our patients

Material aspect 3: Conducting business ethically and responsibly

Our core business is the discovery and development of drugs with novel modes of action, and we prioritize ethical behavior in all its aspects.

We believe that ethical behavior is particularly important and inherent to our business: in preclinical and clinical trials, expanded access to medicines currently in development for patients who are not eligible to enroll in clinical trials, clear and adequate information to patients, clinical trials that are tailored to the needs of patients and investigational site staff and our codes of ethical conduct.

To ensure our business is compliant with regulatory and corporate policies, and that we conduct business in an ethical way, we have developed a Compliance and Ethics Program, available on our company intranet.

Animal welfare in drug development

Regulatory authorities worldwide require that new medicines are evaluated in both animals and humans to ensure the quality, safety and efficacy of these products before granting approval. Without animal testing, no new medicines would be approved.

We created the Galapagos Animal Welfare Committee in 2019 to oversee animal welfare activities and to support the scientists in charge of animal testing. The Animal Welfare Committee put a framework in place to enforce animal welfare best standards (policy, KPI, laboratory evaluations and audits, recommendations, mitigation and corrective actions, regulatory and legal actions) and to ascertain that our ethical values are well understood by our partners. The Animal Welfare Committee reports directly to the Development and Research Management Committees and CEO of Galapagos, and in addition to its advisory role, the Committee will regularly evaluate animal study practices.

Galapagos explicitly forbids the unethical treatment of animals, such as neglect or cruelty, and strives to provide animals with a good quality of life, while constantly seeking ways to make improvements.

For non-clinical studies, including those that assess efficacy and safety of our product candidates, we firmly stand behind the *'Three Rs'* principle: Refinement, Reduction, and Replacement. The Three Rs principle is based on the premise that animals should be used only if a scientist's best efforts to find a non-animal alternative have failed, and that when animals are needed, only the

most humane methods should be used on the smallest number of animals required to obtain valid information.

We have implemented practices that demonstrate our commitment and responsibility to refine, reduce and replace non-clinical testing involving use of animals to the greatest extent possible, and we will continue to research, promote, and implement alternative methods. We make more frequent use of *in silico* (computer modelling) and *in vitro* (cellular testing) study designs and approaches. Examples are the implementation of new modelling and simulation approaches for supporting the toxicity assessment of our compounds as well as the use of *in vitro* cardiomyocyte assays to allow for the early assessment of potential cardiotoxicity issues. Other improvements include the implementation of new pharmacological models reducing animal-based development or the review of procedures by the ethical and animal welfare committees.

We are engaged in several partnerships, including the Virtual Human Platform, an organization that aims to accelerate the transition to animal-free safety assessments through innovation in data science, human tissue culture models and transition management.

Our focus on animal welfare triggers a continuous improvement of, amongst others, the housing conditions of animals (group vs single housing, size of cages), enrichment of the animal environment (food, games, social activities), reviewing any irregularities, and the commitment to immediate action. We expect the same ethos from third parties we work with such as Contract Research Organizations (CROs) and academia. We carry out a thorough assessment of all third parties and release an animal welfare policy that clarifies our expectations.

In Europe, compliance with Directive 2010/63/EU forms part of the pre-assessment and selection process of the European laboratories that we use for non-clinical testing, and we monitor animal welfare in the laboratories we engage with on a regular basis. Outside the European Union, we require compliance in laboratories with local animal welfare regulations. In the U.S., for example, we only work with laboratories that are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care. We also follow the national regulations defining high standards for animal welfare for our internal studies in France. We systematically submit our projects to the National Authorities for ethical approval and are regularly inspected in order to maintain the highest accreditations.

Our clinical trials ethics

Galapagos sponsors and conducts clinical trials in accordance with applicable international standards. The fundamental guidelines are the **Declaration of Helsinki** (and its amendments) and **Good Clinical Practice** (including amendments), as well as **Good Pharmacovigilance Practice** guidelines of the International Council for Harmonization. Our adherence to these internationally recognized guidelines ensures the rights, safety, and well-being of participants in our clinical trials.

In addition, other international guidelines such as **The Belmont Report**, **Council for Coordination of International Medical Congresses** guidelines, **The Nuremberg Code**, United National Educational, Scientific and Cultural Organization's (UNESCO) **Declaration on Bioethics and Human Rights** form the ethical foundation for our trial activities. We comply with laws and regulations in the countries/regions in which we are conducting our trials, including the

U.S. Code of Federal Regulations, the **EU Directive on Clinical Trials** and the **EU Clinical Trial Regulation** (when applicable). Furthermore, we uphold our own internal procedures and standards for clinical trials, irrespective of the country in which the trial is conducted. Overall, it is our policy that the interest, safety, and well-being of trial participants and patients will always supersede those of science and commerce.

Our trials are only initiated if they are scientifically and medically justified and when they are externally validated by clinical experts. Moreover, they will always be reviewed by local health authorities and ethical committees before initiation. Trial participants (or their legally authorized representative) must give written consent after being properly informed of the trial, including the risks and potential benefits. Participants are duly informed that they can withdraw from the trial at any time, without any explanation, and then will receive appropriate care.

We, or our representatives, conduct regular site monitoring visits to ensure that clinical trials are conducted in accordance with the applicable approved study protocol. Adverse events are monitored and reported to authorities and ethical committees as needed, and appropriate actions are taken when needed. Our Safety Monitoring Committee enables timely evaluation of accumulating safety data of ongoing studies and adopts risk-management strategies to support safe and ethical conduct of Galapagos studies.

An Independent Data Monitoring Committee (IDMC) may be introduced to act as an advisor to Galapagos on whether to continue, modify, or terminate a trial based on periodic assessment of trial data. The IDMCs are independent from Galapagos and are composed of members with no conflicts of interest.

Our trials ensure proper indemnification of participants in case a product candidate or trial procedure causes bodily harm.

We favor transparency and therefore, independent of the outcome, make patient study results available to physicians and researchers, with full consideration for protection of patient data privacy and commercial confidentiality. We report the outcome in accordance with the **CONSORT** Statement, or Consolidated Standards of Reporting Trials, designed to improve transparency around clinical trials.

Clinical trials and summary results are registered on **Clinicaltrials.gov** and/or the **EU Clinical Trials Register**. Starting 1 January 2021, we committed to registering Galapagos sponsored Phase 1 to 4 clinical trials conducted in any geographical territory. We commit to making a summary of the results of Galapagos-sponsored Phase 2 to 4 clinical trials publicly available within 6 months of completion for pediatric studies, and 12 months for adult studies. As discussed above in **Material aspect 1**, we provide publicly available open access to our publications in peer-reviewed journals free of charge. We attempt to publish results in peer-reviewed journals, in accordance with **Good Publication Practice** and the International Committee of Medical Journal Editor's **Uniform Requirements for Manuscripts Submitted to Biomedical Journals**, and at relevant scientific meetings and congresses. As a publicly listed company, we also have the obligation to communicate trial results by other means to the investor community, such as via press releases.

In some rare cases, patients are unable to participate in clinical trials and have exhausted all available treatment options. Here, Galapagos has a policy in place to assess whether the investigational product can be offered to a patient outside of a clinical trial, through a program called *'expanded access'*, also often referred to as *'compassionate use'*. A full copy of our Expanded Access Policy can be found **on our website**.

Patient safety for our first marketed product

We currently have one product, Jyseleca, on the market in the European Union, and Great Britain. Adverse events and other information relevant to assess the benefit/risk profile of Jyseleca are collected and evaluated by Galapagos in the frame of its pharmacovigilance system. Individual and aggregated reports are submitted to the authorities as required. When needed, appropriate actions are taken to ensure a positive benefit/risk balance for our patients. The Safety Management Team, overseen by the Safety Board, enables timely evaluation of accumulating safety data and adopts risk-management strategies to support the marketed product. Galapagos has a Qualified Person for Pharmacovigilance who ensures the function of the pharmacovigilance system and continuous monitoring of the benefit/risk profile of Galapagos' marketed products.

Our Code of Conduct

In 2021, we refined our Code of Conduct to fully reflect what it means to '*Make it Happen the Right Way'* at Galapagos.

Like a compass, our Code is there to navigate and steer us in the right direction, enabling us to feel confident and proud of the choices we make, however hard they may be.

The new Code includes specific guidance to ensure that we live by the principles that are important to us, as members of the Galapagos team:

- Putting patients first
- Acting ethically and with integrity
- Being thoughtful and considered in our actions
- Speaking up for what is right
- Maintaining individuality and diversity
- Holding ourselves accountable for our actions

Galapagos' supervisory board is responsible for administering the Code. Our Compliance & Ethics function is responsible to for designing and implementing the code through our Compliance & Ethics Program and this is done in close collaboration with our General Counsel.

We expect our supervisory board members, management board members, and employees to exercise reasonable judgment when conducting our business and encourage them to refer to this Code frequently to ensure that they are acting within both the letter and the spirit of this Code.

We expect our employees and third-party suppliers to conduct business ethically, with integrity and respect for human rights. We expect them to turn away from conflicts of interest, corruption, and fraud. All Galapagos employees and officers are required to read and absorb the Code which is also available on our **company website**. Our suppliers are required to adhere to contractual terms that include anti-bribery and anti-corruption provisions. We consider CSR criteria in our vendor selection process as appropriate for the type of vendor that we are working with. Our general terms and conditions of purchase also contain a specific clause on anti-bribery and anti-corruption.

Making it Happen the Right Way - The Making Of...

Time for Change: the Why...

As an organization, we are coming through some significant changes not least having recently been joined by our colleagues from Gilead. So now, more than ever, it is of key importance that we take the time to think about our culture and what it means to be a member of the Galapagos team; No better time for us to launch our new Code.

Like a compass, our Code is there to ***navigate us*** and steer us in the ***right direction***, enabling us to feel ***confident and proud*** of the choices we make, however hard they may be.

Meet our Compliance & Ethics Team: the Who...

The project to revamp our new Code of Conduct was led by our Compliance & Ethics team, headed by Stephanie Wingrove, our Head of Compliance & Ethics. We asked her and the team what inspired them to create this new Code;

Stephanie Wingrove, Head of Compliance & Ethics

Q: The new Code looks and feels dramatically different to our old Code, and to those of the majority of our peers. What inspired you?

A: Our team was really keen to create something that was unique to Galapagos. As a team, we are interested in how we can use the principles of behavioral science to influence behavior within our organization and this was at the forefront of our minds when we were creating the Code.

Q: Could you give us an example of how you did this?

A: Yes, we have a few! For example, it was really important that the language, tone and imagery we used was likely to trigger an emotional response in our readers. This is important because by doing this, the document is far more likely to resonate with our people and to stick in their minds. People are far more likely to "sign up" to a Code that has made them feel something and which aligns with their own personal values.

Q: The Code incorporates quotes from employees across our organization- why did you choose to include these?

A: This was about more than just including the quotes in our Code. For us, it was key that our employees were engaged in the process of building the code and that their contributions played a part in the final product- this is so important to ensure buy-in. As you can imagine, we received a high number of quotes, and unfortunately not all could be included in the Code itself. But they weren't wasted; we incorporated these into our communications campaign for the new Code so that everyone who participated saw the value of their contribution.

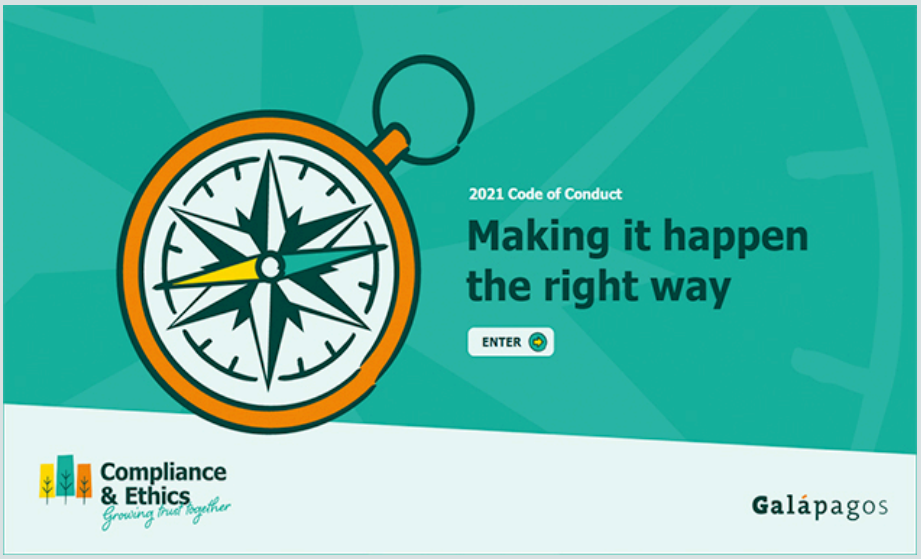
Q: This all sounds great. So, what next for the Code and the Compliance & Ethics team?

A: Well, Chapter 4 of our Code states that at Galapagos, we Speak Up for what is right. Cultivating an environment in which every member of our team feels safe and empowered to use their voice is a key part of building a strong culture. So, we will be rolling our Speak Up/ Listen Up campaign over the course of 2022. We'd love to come back next year to tell you all about it!

Not your average Code of Conduct: the How…

We raised the Bar

By creating a Code that stands out from anyone else's. A Code that others will want to emulate



- We chose a title that reflects and connects with who we are
- Aligned with our corporate vales and therefore meaningful to every member of our organization
- Custom-made and unique to Galapagos- not something that could be copied and pasted into any other organization. Resonates uniquely with Galapagos team members

We Made it Happen

By creating a Code that helps every member of the Galapagos team to make it happen the right way

We must not only imagine a better future for patients; we must work consistently: make it happen to make a difference and do it the right way to harvest meaningful and lasting results. We must prioritize humanity and quality above all.

Alessandra Oortwijn
Senior Medical Director

- Every member of the Galapagos team was asked to provide their thoughts on what "Making it Happen the Right Way" meant to them
- Our Code was built with these thoughts as our foundation and throughout the Code, are quotes provided by members of our team
- Our Code was built by Galapagos people, for Galapagos people

Material aspect 3, our actions in 2021:

Animal welfare

- The Animal Welfare Committee took more than 20 major *'Refine, Reduce, Replace'* initiatives and made decisions in line with our 'Three Rs' philosophy, and these decisions informed the selection process for non-clinical partners

Clinical trial ethics

- We launched the **Galapagos Clinical Trials Portal** in order to increase clinical trial awareness and understanding for patients, their caregivers and healthcare professionals. The portal includes a clinical trials finder for Galapagos later-stage trials, and provides support to empower patients in preparing a clinical trials conversation with their healthcare professional
- In order to help patients make a well informed decision on potential clinical trials participation, we redesigned our Informed Consent template in accordance with the Health Literacy principles, taking into account applicable regulations

Code of Conduct

- Since the launch of our new Code of Conduct in 2021, 93.5% of our employees completed the training on our new Code of Conduct
- During the onboarding process of new employees, we emphasize the importance of our Compliance and Ethics Program, our Code of Conduct and indicate all the channels available to them to raise questions and concerns

Future ambitions

Animal welfare

- Our Animal Welfare Committee will continue to evaluate our internal processes and KPIs regarding animal welfare for all our internal and external facilities
- We will monitor progress and report on it every year

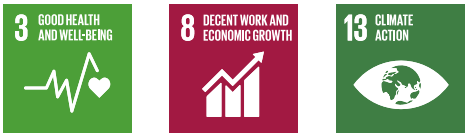
Clinical trials ethics

- We will systematically embed the voice and needs of patients and healthcare professionals in our late-stage clinical trials
- We will share accessible study results summaries with study participants and the wider public for all Galapagos sponsored interventional trials in patients, regardless of their location
- We will explore innovative tools and processes to reduce clinical trial burden on patients and sites
- We will share easy to understand study results with patients, as per EU Clinical Trial Directive No 536/2014

Code of Conduct

- We will further strengthen the Galapagos Compliance and Ethics Program to meet the changing needs of our organization through:
  - Continuing to promote our culture of speaking up, both internally and with external stakeholders
  - Further refining our third-party oversight through an enhanced risk assessment framework and due diligence

Material aspect 4: We care about the environment, health, and safety



Our mission is to bring innovative medicines with novel modes of action to patients suffering from severe diseases in the most sustainable way, caring about the health, safety and well-being of our employees and respecting our planet by keeping our environmental footprint to a minimum.

To render this more tangible, in 2021 we issued a global environmental, health and safety (EHS) **policy**, defining key operational guidelines focusing on:

1. Ensuring regulatory compliance:

As we operate in a highly regulated sector which is subject to a set of strict laws and regulations related to environmental impact, well-being and safety of employees, we identify, evaluate and comply with all applicable EHS laws, in all countries in which Galapagos operates.

2. Growing sustainable operations:

- To prevent work-related injury and illness, we provide safe and healthy working conditions that are appropriate to the specific nature of the EHS risks to which workers and others are exposed;
- We minimize the organization's carbon footprint and the creation of pollution and waste from our operations throughout our value chain;
- We strive to diminish our consumption of natural resources, using sustainable resources where possible;
- We pursue, evaluate and eliminate the health and safety risks to which our employees and service suppliers are exposed, to prevent any incidents or accidents;
- We foster openness and dialogue on EHS matters with our employees, employee representatives and internal and external stakeholders;
- We educate, train, motivate and involve Galapagos employees to work in a safe and environmentally responsible manner, making every employee responsible for protecting people and environment in and around their workplace.

Our health and safety performance data for 2021 show that no fatalities because of work-related injuries or work-related ill-health were reported, nor did we have any high-consequence work-related injuries.

In accordance with the Global Reporting Initiative Standard 403 on Occupational Health and Safety the following data, related to employees on Galapagos' payroll, can be provided:

Absolute number of fatalities as a result of a work-related injury	0
Absolute number of high-consequence work-related injuries	0
Absolute number of recordable work-related injuries	2
Rate of fatalities as a result of a work-related injury	0
Rate of high-consequence work-related injuries	0
Rate of recordable work-related injuries (per 200.000 hours worked)	0.18
Absolute number of fatalities as a result of work-related ill health	0

Material aspect 4: our actions in 2021

- Whilst a hybrid working policy was offered as a guidance for teams to start working in the *'next normal'* and to decide what works best for them during and beyond the pandemic, specific measures to mitigate pandemic-related health and safety risks were discussed at the newly established Cross-Site Operations Meeting. These discussions resulted in global travel guidelines, guidance on organizing and attending internal and external events, as well as habits to consistently keep hygiene rules in mind. Thanks to disciplined adherence, operations in 2021 were hardly impacted by the pandemic
- The pandemic also led to an increased focus on physical and mental well-being, aimed at providing employees with optimal working conditions whether at home or at a Galapagos location. Specific actions included: surveys aimed at identifying psychosocial risks, training sessions for line management aimed at recognizing early symptoms of burn-out, a cash allowance to help install and maintain a professional working environment at home, ergonomic training sessions aimed at optimizing workstations at home, and mindfulness sessions. A first voluntary, global vaccination campaign against the seasonal flu was successfully launched
- Additional joint health and safety committees were established to ensure that potential issues are proactively addressed, and proposed programs are constructively challenged and optimized
- We supported new operations in six countries, set up to grow our commercialization efforts as part of an overall commercial ambition, by creating a network of EHS experts providing country-specific advice on employee health, safety, and wellbeing
- Within this context, we strengthened our product stewardship capabilities to ensure compliance with any Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) requirements
- Criteria addressing social and environmental sustainability were included in the selection processes of key vendors such as facility management providers and contract manufacturing organizations, as well as in the design of any new facilities (where BREEAM[1] and WELL[2] guidelines are applied), and certification is sought when appropriate

[1] BREEAM is a profound sustainability assessment for masterplanning projects, infrastructure, and building. It recognises and reflects the value in higher performing assets across the built environment lifecycle, from new construction to in-use and refurbishment.
[2] The WELL Building Standard takes a holistic approach to health in the built environment addressing behavior, operations and design, and is a performance-based system for measuring, certifying, and monitoring features of the built environment that impact human health and well-being, through air, water, nourishment, light, fitness, comfort and mind.

Future ambitions

- As part of our CSR strategy, we will define a long-term ambition, qualitative and quantitative objectives and an implementation roadmap focusing on optimizing employee health, safety, and well-being, promoting a circular mindset, and minimizing our carbon footprint throughout our value chain. We will identify relevant performance indicators to measure and report on the progress we make and for inclusion in future reports
- In support of this, we will launch specific 'Planet' and 'Wellbeing' workstreams at global and local level to co-create and implement the roadmaps, also leveraging existing initiatives such as 'Next Ways of Working'
- To raise awareness and boost engagement, we will start celebrating the United Nation's World Safety Day on 28 April and World Environment Day on 5 June
- We will define our ecological footprint, focusing on scope 1, 2 and 3 carbon emissions, water consumption and waste management
- We will include any agreed ambitions, objectives, and initiatives in our EHS Management Systems aimed at mitigating any related risks
- We will specifically review our processes related to emergency response, maintenance management and contractor management, and integrate them into a newly created Data Management System

CSR at Galapagos – Summary

Material Aspect 1: Improving people's lives

SDG

Areas of engagement

- We are pioneering for patients and our mission is to discover and develop innovative medicines that address high unmet medical needs
- Our science and innovation are based on our flexible target discovery platform
- We are building a differentiated early-stage R&D pipeline
- We accelerate innovation through win-win partnerships
- We actively promote an open innovation model
- We promote careers in science by engaging in STEM initiatives

Go to chapter

Material Aspect 2: Our employees are the strength behind Galapagos

SDG

Areas of engagement

- We strive for gender equality and an inclusive and diverse workforce
- We invest in our employees
- We engage with local communities and charities

Go to chapter

Material Aspect 3: Conducting business ethically and responsibly

SDG

Areas of engagement

- Animal welfare in drug development
- Our ethical approach to clinical trials
- Our Code of Conduct

Go to chapter

Material Aspect 4: We care about the environment, health and safety

SDG

Areas of engagement

- We minimize our environmental impact throughout our value chain
- We comply with our sector rules and regulations
- We focus on employee health and well-being

Go to chapter

Reporting on EU Taxonomy

EU Taxonomy 2021 statement

The European Commission's action plan on financing sustainable growth led to the creation of an EU classification system for sustainable activities, being an EU taxonomy. As a listed non-financial company with more than 500 employees, Galapagos is in scope of the European Regulation 2020/852 of 18 June 2020[1] (the 'EU Taxonomy Regulation'). For the reporting in 2021, Galapagos has to disclose the proportion of its 2021 turnover, capital expenditures ('CapEx'), and operating expenses ('OpEx') eligible under the EU Taxonomy on sustainable activities. In the future eligibility to the EU Taxonomy will need to be complemented with disclosure on the alignment with the EU Taxonomy.

The EU Taxonomy Regulation introduces a classification system for environmentally sustainable activities and an activity is deemed environmentally sustainable if it meets all of the following overarching criteria:

- substantially contributing to at least one of the six environmental objectives of the EU Taxonomy Regulation: (i) climate change mitigation; (ii) climate change adaptation; (iii) sustainable use and protection of water and marine resources; (iv) transition to a circular economy, (v) pollution prevention and control; and (vi) protection and restoration of biodiversity and ecosystems;
- not significantly harming any of these environmental objectives;
- complying with minimum safeguards; and
- complying with certain scientifically based technical screening criteria ('TSCs') established by the EU Commission.

The EU has published a catalog of economic activities that can be considered as Taxonomy-eligible activities for the first two environmental objectives, climate mitigation and climate adaptation by means of using NACE[2] codes. This EU Taxonomy Climate Delegated Act[3] covers the TSCs in relation to these two forgoing environmental objectives for more than 100 activities within different sectors.

Following analysis of the EU Taxonomy legal framework[4] and applying the NACE codes, we do not consider our core business activities, being discovering, developing and commercializing innovative medicines, to be in scope of the EU Taxonomy Regulation's technical annexes on

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.
[2] Codes of the statistical classification of economic activities in the European Community/Nomenclature statistique des Activités économiques dans la Communauté Européenne.
[3] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.
[4] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation, and the legislation set forth under footnote 1-3.

climate change mitigation and climate change adaptation. Our core economic activities qualify as EU Taxonomy non-eligible activities.

For the determination of turnover, CapEx and OpEx during this analysis, we use the reported data in the consolidated financial statements included in this report:

- **Turnover** covers all business activities of Galapagos at 31 December 2021 and the denominator can be reconciled with the 2021 IFRS Total revenue recognized pursuant to €484.8 million and disclosed in **note 6**, being the revenues from commercial and collaboration activities.
- **CapEx** consists of additions to tangible and intangible assets during the financial year 2021 considered before depreciation, amortization and any re-measurements recognized by Galapagos pursuant to IAS 38. The denominator can be reconciled with the sum of the lines 'Additions' disclosed in notes **13** and **14** (total €63.4 million) of the consolidated financial statements. The majority of CapEx is associated with building costs of new office spaces in Belgium and the Netherlands, and is therefore non-eligible for the EU Taxonomy.
- **OpEx,** according to the EU Taxonomy, is determined by the direct non-capitalized costs of research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third-party outsources that are necessary to ensure the continued and effective functioning of such assets. The majority of OpEx is associated with our R&D expenditure.

Based on available data and the assessment of requirements, we have no eligible activities to report. Taxonomy eligible Turnover, CapEx and OpEx is 0%, and it is 100% Taxonomy not eligible. The "non-eligibility" under the EU Taxonomy refers to the fact that our activities currently remain outside of the scope of the economic activities for which TSCs have been developed under the Delegated Regulations. We want to clarify that revenues, CapEx and OpEx currently considered non-eligible under the EU Taxonomy Regulation should not be interpreted as an indication of our performance in pursuing or achieving certain corporate sustainability objectives or our "greenness".

We note that the required disclosures under the EU Taxonomy Regulation will keep evolving and that we will continue to consider its impact as well as future reporting obligations.

Corporate governance

Corporate governance at Galapagos in 2021

Foundation & Future

Galapagos' corporate governance policies

As a listed company with its registered office at Mechelen (Belgium), Galapagos NV is required to apply the Belgian Code of Companies and Associations (the "Belgian Companies Code") and the 2020 Belgian Corporate Governance Code (the "2020 Code"). Both entered into force on 1 January 2020.

For the reporting year beginning on 1 January 2021, the 2020 Code was our reference code. On 28 April 2020, following the amendment of our articles of association as a consequence of the then newly applicable Belgian Companies Code, Galapagos' supervisory board approved an updated corporate governance charter (which is available on our website, **www.glpg.com**). The corporate governance charter applies in addition to the law, Galapagos' articles of association and the corporate governance provisions included in the Belgian Companies Code and the 2020 Code. It describes the main aspects of corporate governance at Galapagos, including its governance structure, the terms and functioning of the supervisory and management board and its committees, and the rules of conduct.

For the reporting year beginning on 1 January 2021, the supervisory board strove to comply with the rules of the 2020 Code and no deviations from the provisions of 2020 Code occurred. As a result, this corporate governance statement does not contain any section making reference to the "comply or explain" principle.

Our governance structure

The 2020 Code requires companies to make an explicit choice for one of the governance structures provided for in the Belgian Companies Code. As of 28 April 2020, Galapagos has a two-tier governance structure as provided by the Belgian Companies Code, with the supervisory board replacing the board of directors, and the management board replacing the executive committee.

Two-tier governance structure

SUPERVISORY BOARD
Non-executive directors

COMPETENCES:

- Responsible for general policy and strategy
- Supervision of management board
- Powers reserved to supervisory board pursuant to Belgian Companies Code

MANAGEMENT BOARD
Executive directors

COMPETENCES:

- All acts necessary or useful to the realization of Galapagos' object except for those reserved to the supervisory board
- Research, identification and development of strategic possibilities and proposals
- Supervision of actual performance compared to strategic goals, plans and budgets
- Management of the Galapagos group
- Day-to-day management by CEO

The supervisory board is responsible for the general policy and strategy of the company and has all powers which are specifically reserved for it under the Belgian Companies Code. The supervisory board also supervises the management board. The management board exercises all powers which are not reserved for the supervisory board in accordance with the Belgian Companies Code.

The supervisory board has established an audit committee and a nomination and remuneration committee. Both have an advisory function. Finally, the management board has delegated the daily management of the company to one management board member, i.e. its Chief Executive Officer.

In addition to the information set out below, we refer to the **Risk management** and **Risk factors** sections of this report for a description of the most important characteristics of our internal control and risk management systems. The Risk management and Risk factors sections are incorporated by reference in this corporate governance statement.

Proposed change of governance structure

In light of the recent leadership transition, the supervisory board reviewed whether the chosen governance structure is still appropriate and decided to propose a new governance structure to the general shareholders' meeting, being a one-tier governance structure, consisting of a board of directors and an executive committee to which certain powers are delegated by the board of directors. On the date of this report, our articles of association have not yet been amended. The supervisory board invites the shareholders of Galapagos to approve the introduction of a one-tier governance structure at the occasion of the extraordinary shareholders' meeting to be held on 26 April 2022.

Supervisory board of Galapagos NV

Composition of the supervisory board

Per 31 December 2021, our supervisory board consists of the following members:

Rajesh Parekh, MA, DPhil has served as the Chairman and non-executive member of our supervisory board since 2004. Dr. Parekh is a General Partner at Advent Life Sciences LLP, which he joined in 2006. During an academic career at Oxford University, he co-founded Oxford GlycoSciences PLC, where he served as Chief Scientific Officer and Chief Executive Officer from 1988 until its sale to Celltech Group PLC (now UCB SA) in 2003. He has founded or served on the boards of several life sciences companies in the United States and Europe including Avila Therapeutics, Inc., EUSA Pharma (Europe) Limited, Biocartis NV, Amsterdam Molecular Therapeutics (AMT) Holding NV (now uniQure), Aura, Inc., Artax, Inc., and Project Paradise Limited. He was also a member of the supervisory board of the Novartis Venture Fund. Dr. Parekh currently serves as a member of the board of directors of Advent Life Sciences LLP, Aleta, Inc., Alpha Anomeric SAS, Amphista Therapeutics Ltd., Arrakis, Inc., Aura Biosciences, Eloxx, Inc., Levicept Limited, PE Limited, Pheno Therapeutics Ltd. and Tridek-One Therapeutics SAS. He received his MA in Biochemistry and DPhil in Molecular Medicine from the University of Oxford, where he has also been a Senior Research Fellow and Professor.

Howard Rowe, JD has served as a non-executive member of our supervisory board since 2010. Mr. Rowe is Managing Director at Hayfin Capital Management LLP, where he serves as Head of Healthcare and is a member of the Investment Committee and Operating Committee. Prior to joining Hayfin Capital Management LLP, he was a Managing Director with The Goldman Sachs Group, Inc. where he had multiple healthcare responsibilities over his 12 years at the firm. His most recent roles at Goldman Sachs were as part of the European Special Situations and Principal Strategies teams where he established and led the private healthcare investing effort. During that time he served on the boards of EUSA Pharma (Europe) Limited, Healthcare Brands International Limited, SmallBone Innovations, Inc., MedAvante, Inc. and Ikonisys, Inc. Prior to his investing activities, Mr. Rowe was a senior member of the European Healthcare Investment Banking team, where he advised numerous corporate clients on M&A and corporate finance activities. Before joining Goldman Sachs, he was a corporate lawyer with the law firm Sullivan & Cromwell LLP. Mr. Rowe received his Bachelor of Science in Psychobiology from the University of Southern California and his JD from Harvard Law School.

Katrine Bosley has served as a non-executive member of our supervisory board since 2013. Ms. Bosley served as the President, Chief Executive Officer and member of the board of directors of Editas Medicine, Inc. from June 2014 to March 2019. Prior to joining Editas, she was the Entrepreneur-in-Residence at The Broad Institute from 2013 to 2014. From 2009 to 2012, she was President, Chief Executive Officer and member of the board of directors of Avila Therapeutics, Inc., which was acquired by Celgene Corporation in 2012. She served as President, Celgene Avilomics Research at Celgene in 2012. Prior to her time at Avila Therapeutics she was Vice President, Strategic Operations at Adnexus, a Bristol-Myers Squibb R&D Company, and was Vice President, Business Development at Adnexus Therapeutics, Inc. before that. Ms. Bosley joined Adnexus Therapeutics from Biogen Idec, Inc. where she had roles in business

development, commercial operations and portfolio strategy in the United States and Europe. Ms. Bosley graduated from Cornell University with a B.A. in Biology. She served on the board of the Biotechnology Innovation Organization and currently serves on the boards of Genocea Biosciences, Inc., and of the Massachusetts Eye and Ear Institute. Ms. Bosley also serves as chairman of the board of Arrakis Therapeutics.

Mary Kerr, Ph.D., has served as non-executive member of our supervisory board since 26 July 2016 and is Chief Executive Officer of NeRRe Therapeutics. She was Co-Founder and CEO of KaNDy Therapeutics until the company was acquired by Bayer in September 2020 for an upfront consideration of $425 million, potential development and regulatory milestone payments of up to $450 million, followed by potential additional triple digit million sales milestone payments. Before her career in Biotech, Dr. Kerr held a range of senior leadership roles at GSK over more than 20 years, including Senior Vice President and Global Franchise leader for the Immuno-inflammation and Infectious Diseases franchise. Mary was a founding member and on the Corporate Executive team of ViiV Healthcare. She has spent most of her career on the R&D commercial interface in global strategy and regional operational roles, predominantly in the specialty and orphan space. Dr. Kerr gained a Ph.D. in Pharmacology at the University of Bradford, did post-doctoral research at the Michigan Cancer Foundation in Detroit, and has an MBA from the University of Kingston.

Peter Guenter has served as a non-executive member of our supervisory board since 30 April 2019. Mr. Guenter is a member of the Executive Board of Merck KGaA and Chief Executive Officer of Healthcare since January 2021. Before joining Merck, he served as Chief Executive Officer of Almirall from 2017 to 2020. Prior to joining Almirall, he worked at Sanofi for 22 years, most recently as Executive Vice President Diabetes and Cardiovascular Global Business Unit. During his tenure at Sanofi, he held many senior positions including Vice President Eastern Europe and Northern Europe, Vice President Business Management and Support, General Manager Germany, Senior Vice President Europe, Executive Vice President Global Commercial Operations and Executive Vice President General Medicine and Emerging Markets. He was a member of Sanofi's Executive Committee from 2013 till August 2017. Before joining Sanofi, he held different positions in sales and marketing at Smith Kline and Ciba Geigy. Mr. Guenter is currently also a member of the board of the European Federation of Pharmaceutical Industries and Associations (EFPIA). He is a Belgian citizen and holds a Master's Degree in Physical Education from the Faculty of Medicine and Health Sciences, University of Ghent.

Daniel O'Day has served as a non-executive member of our supervisory board since 22 October 2019. Mr. O'Day is Chairman of the board of directors and Chief Executive Officer of Gilead Sciences, which employs more than 14,000 people worldwide. Prior to joining Gilead in 2019, Mr. O'Day served as the Chief Executive Officer of Roche Pharmaceuticals. His career at Roche spanned more than three decades, during which he held several executive positions in the company's pharmaceutical and diagnostics divisions in North America, Europe and Asia. He served as a member of the company's Corporate Executive Committee, as well as on a number of public and private boards, including Genentech, Flatiron Health and Foundation Medicine. Mr. O'Day currently serves on the board of directors for the Pharmaceutical Research and Manufacturers of America Organization. Mr. O'Day is a U.S. citizen and holds a bachelor's degree in biology from Georgetown University and an MBA from Columbia University in New York.

Linda Higgins, Ph.D. has served as a non-executive member of our supervisory board since 22 October 2019. Linda Slanec Higgins, Ph.D., joined Gilead Sciences, Inc. in 2010 and is currently Sr. Vice President Research Strategy, Innovation, & Portfolio. In her first ten years at Gilead she led Biology, significantly expanding the therapeutic area scope and capabilities of the department. She founded External Innovation as integral component for Research. She previously served as the President & CEO of InteKrin Therapeutics and as Head of Research at Scios, Inc., a Johnson & Johnson company, where she provided leadership for drug discovery, preclinical development, and translational medicine. Dr. Higgins is passionate about biopharmaceutical discovery and development, and has been dedicated to excellence in applied scientific research since 1991. She has led projects and departments in multiple therapeutic areas including CNS, fibrosis, inflammation, cardiovascular, virology, and oncology. Dr. Higgins built many of these as new areas at Scios and Gilead. Dr. Higgins is a U.S. citizen and earned an A.B. in Behavioral Physiology from Kenyon College, a Ph.D. in Neurosciences from the University of California, San Diego School of Medicine, and completed postdoctoral training in Molecular Genetics at the Howard Hughes Medical Institute at the University of California, Berkeley. She has authored over 50 original peer reviewed scientific papers and invited reviews and is an inventor of over a dozen patents. Dr. Higgins serves as a non-executive director on the board of Arcus Biosciences, Inc. and Tizona Therapeutics, Inc.

Elisabeth Svanberg, MD, Ph.D. has served as a non-executive member of our supervisory board since 28 April 2020. Elisabeth Svanberg received her MD and PhD from the University of Gothenburg, Sweden and is a board certified general surgeon and associate professor of surgery. Dr. Svanberg joined Serono International in 2000, initially in the field of metabolism and subsequently held roles of increasing responsibilities before joining Bristol Myers Squibb (BMS) in the United States in 2007. At BMS, Dr. Svanberg served as development leader for a first in class novel diabetes medicine and subsequently as Head of Medical Affairs for the Intercontinental region. In 2014, Dr. Svanberg joined Janssen Pharmaceuticals (a Johnson & Johnson Company) as Vice President, Head of the Established Products group managing a portfolio of 90 products, used by an estimated 150 million patients globally. Since 2016, Dr. Svanberg serves as the Chief Development Officer at Ixaltis SA and since 2020 as Chief Medical Officer at Kuste Biopharma, specialty pharmaceutical companies developing proprietary therapeutics to treat genitourinary (GU) disorders with unmet medical need. Dr. Svanberg serves as a non-executive director on the boards of Egetis AB (formerly PledPharma AB) (since 2017), Swedish Orphan Biovitrum AB (SOBI, since 2018), Pharnext SA (since 2020) and Amolyt Pharma SAS (since 2021).

About the supervisory board

Galapagos' supervisory board consists of minimum five and maximum nine members. All supervisory board members are non-executive directors, including the Chairman. At least three supervisory board members are independent. On 31 December 2021, the supervisory board consisted of eight members, five of whom are independent within the meaning of article 7:106 *juncto* article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code.

The supervisory board members are appointed by the shareholders' meeting upon the proposal of the supervisory board, for a renewable term of up to four years. Members of the supervisory board whose mandate has come to an end may be reappointed. When a position on the supervisory board becomes vacant, the remaining members may temporarily fill the mandate until the next shareholders' meeting appoints a new supervisory board member. Each member of the supervisory board appointed this way by the shareholders' meeting shall complete the mandate of the member of the supervisory board he replaces, unless the shareholders' meeting decides otherwise. The nomination and remuneration committee nominates, for the approval of the supervisory board, candidates to fill vacancies and advises on proposals for appointment originating from shareholders, in each case taking into account Galapagos' needs and the selection criteria determined by the supervisory board.

Supervisory board member	Position	Nationality	Year of birth	Year of initial appointment	Independent director[1]	Attendance rate
Rajesh Parekh	Chairman	British	1960	2004		100%
Howard Rowe	Member	British and U.S.	1969	2010	●	93%
Katrine Bosley	Member	U.S.	1968	2013	●	93%
Mary Kerr	Member	British	1961	2016	●	100%
Peter Guenter	Member	Belgian	1962	2019	●	67%
Elisabeth Svanberg	Member	Swedish	1961	2020	●	100%
Daniel O' Day	Member	U.S.	1964	2019		87%[2]
Linda Higgins	Member	U.S.	1962	2019		93%[2]

(1) Independent director pursuant to article 7:106 juncto article 7:87 of the Belgian Companies Code and 2020 Code.
(2) In September 2021, Galapagos entered into a related party transaction with Gilead within the meaning of article 7:116 of the Belgian Companies Code for the DIVERSITY letter agreement. As Gilead representatives, Mr. O'Day and Dr. Higgins, only participated in the discussion prior to the deliberation and resolutions and then recused themselves from the supervisory board meeting. This meeting was taken into account for their attendance rate and they are considered as excused.

In 2021, the following persons, as identified in the table above, were members of the supervisory board: Dr. Parekh (Chairman), Mr. Rowe, Ms. Bosley, Dr. Kerr, Mr. Guenter, Mr. O'Day, Dr. Higgins and Dr. Svanberg. Mr. Rowe, Ms. Bosley, Dr. Kerr, Mr. Guenter and Dr. Svanberg were appointed as independent supervisory board members within the meaning of article 7:106 *juncto* article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code. In 2021, the supervisory board was therefore composed of a majority of independent members.

At the annual shareholders' meeting of 28 April 2021, the mandates of Dr. Parekh and Ms. Bosley were renewed respectively for a term of four years and one year.

In 2021, the supervisory board thus consisted of four women and four men, representing four different nationalities and different age categories.

During 2021, Galapagos NV complied with the Law of 28 July 2011 with respect to gender diversification in the supervisory board, and in accordance with article 7:106 of the Belgian Companies Code, the supervisory board will continue to monitor future compliance. In proposing candidates, particular consideration is given to diversity in gender, age, nationality, educational and professional background, as well as complementary skills, knowledge and experience. The profiles of all supervisory board members are included in this report and available on **www.glpg.com**.

The supervisory board's role is to pursue the long-term success of Galapagos. The board does so by assuming the authority and responsibilities assigned to it by Belgian corporate law and by combining entrepreneurial leadership with appropriate risk assessment and management. Each of the supervisory board members' expertise and experience is exemplified by the varied professional activities they carry out and offices they hold. During its meetings in 2021, the supervisory board dealt with matters pertaining to, among other things, our strategy and growth, the new arrangement with Gilead for the commercialization and development of filgotinib, the evaluation of other business development opportunities, the search and recruitment of a suitable successor to lead our organization and a CSO, clinical trial results and shareholder activism, convening of the shareholders' meeting and preparation of resolutions to be submitted for approval to the shareholders, and review and approval of our financial reporting.

In 2021, given the continuing COVID-19 pandemic and all related safety measures, the supervisory board was unable to hold regular in person meetings, which were instead replaced by digital meeting formats. Sixteen meetings took place by telephone conference or videocall to discuss specific matters, including one meeting in the presence of a notary public (relating to the issuance of Subscription Right Plan 2021 BE, Subscription Right Plan 2021 RMV and Subscription Right Plan 2021 ROW). The meeting in the presence of a notary was attended by Mr. Guenter and Dr. Svanberg via telephone conference; all other directors were represented by proxy. The attendance rate for the other meetings, as identified in the table above, was as follows: Dr. Parekh: 100%; Mr. Rowe: 93%; Ms. Bosley: 93%; Dr. Kerr: 100%; Mr. Guenter: 67%; Mr. O'Day: 87%; Dr. Higgins: 93% and Dr. Svanberg: 100%. The overall attendance rate was 92%. Mr. O'Day and Dr. Higgins recused themselves from one meeting because of a conflict of interest,

in accordance with article 7:115, § 1, 4 of the Belgian Companies Code, as set forth in further detail in the section titled **Conflict of interests and related parties**.

The supervisory board acts as a collegial body. A formal evaluation of the supervisory board and its committees was carried out in September 2021. Each board member provided feedback through individual assessment forms. The results were presented on an aggregate basis by the secretary *ad interim* of the supervisory board and served as a basis for discussion by the full supervisory board. This evaluation specifically addressed the functioning of the supervisory board, the size and composition of the supervisory board, the interaction between the supervisory board and the management board, and the functioning of the audit committee and the nomination and remuneration committee.

The supervisory board has appointed a secretary entrusted with the functions set out in Galapagos' corporate governance charter.

Committees

Audit committee

Audit committee member	Function	Independent director(1)	Attendance rate
Howard Rowe	Chairman	●	100%
Mary Kerr	Member	●	100%
Peter Guenter	Member	●	88%

(1) Independent director pursuant to article 7:106 juncto article 7:87 of the Belgian Companies Code and 2020 Code.

The role of the audit committee is to follow up on financial reporting and verification of financial data, safeguard the integrity of our financial reporting, verify and follow up on the internal control mechanisms, evaluate and verify the effectiveness of the risk assessment systems, follow up on the internal and external audit activities, review, monitor and evaluate the independence and performance of the external auditor and inform the supervisory board on the results of the statutory audit. The audit committee also reviews corporate social responsibility initiatives, as included in the CSR-report, which contains the non-financial information as required by articles 3:6 § 4 and 3:32 § 2 of the Belgian Companies Code.

At the end of 2021, the audit committee consisted of the following three supervisory board members, as identified in the table above: Mr. Rowe (chairman), Dr. Kerr and Mr. Guenter. All members of the audit committee are non-executive directors, the majority of whom are independent within the meaning of article 7:106 *juncto* article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code. The chairman is an independent non-executive director. All members of the audit committee have extensive experience in the life sciences industry. Mr. Rowe has relevant expertise in financial matters (including general accounting and

financial reporting) and in matters of audit, internal control and risk control. The other members have extensive experience in these matters as well.

In 2021, the audit committee held eight meetings, in which it dealt with matters pertaining to, among other things, audit review, risk management, monitoring financial reporting, the monitoring of Sarbanes-Oxley compliant internal and external audit systems and assessing the need to have a formal internal audit function. The audit committee acts as a collegial body. The overall attendance at the audit committee meetings in 2021 was 96%. The attendance rate at the audit committee meetings in 2021 for each of its members is set forth in the table above. Some of the meetings were attended by the statutory auditor.

Nomination and remuneration committee

Nomination and remuneration committee member	Function	Independent director[1]	Attendance rate
Rajesh Parekh	Chairman		100%
Katrine Bosley	Member	●	86%
Elisabeth Svanberg	Member	●	100%

(1) Independent director pursuant to article 7:106 juncto article 7:87 of the Belgian Companies Code and 2020 Code.

The nomination and remuneration committee's role is twofold: providing recommendations to the supervisory board regarding the remuneration policy of Galapagos and the remuneration of supervisory board members and management board members, and selecting the appropriate candidates and making recommendations to the supervisory board in relation to the appointment of supervisory board members and management board members, including our new CEO.

At the end of 2021, the nomination and remuneration committee consisted of the following three non-executive directors, as identified in the table above: Dr. Parekh (chairman), Ms. Bosley and Dr. Svanberg, the majority of whom are independent supervisory board members within the meaning of article 7:106 *juncto* article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code. The committee has the necessary expertise in the area of remuneration policy.

The nomination and remuneration committee meets at least twice per year. In 2021, the nomination and remuneration committee held seven meetings, dealing with, among other things, matters pertaining to grants of subscription rights, RSUs and bonuses, the nomination and remuneration of management board members, including the severance package of our former CSO and the retirement package of our retiring CEO, salary increases and shareholder activism. The nomination and remuneration committee acts as a collegial body. The overall attendance at the nomination and remuneration committee meetings in 2021 was 93%. The attendance rate at the nomination and remuneration committee meetings in 2021 for each of its members is set forth in the table above. The CEO attended the meetings of this committee when the remuneration of the other members of the management board was discussed.

Management board of Galapagos NV

Composition of the management board

Per 31 December 2021, our management board consists of the following members:

Onno van de Stolpe founded our company in 1999 and has served as our Chief Executive Officer. On 30 August 2021, Galapagos announced his planned retirement as CEO and Dr. Paul Stoffels[1] will fully take over as CEO effective 1 April 2022. Until 31 October 2022, Onno van de Stolpe will execute a purely advisory role as advisor of the management board. Onno van de Stolpe was a member of our board of directors from 1999 to 2020. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene BV (later Crucell NV, which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe BV. He established the European headquarters after joining Molecular Probes, Inc. in the United States. Previously, he worked for The Netherlands Foreign Investment Agency in California, where he was responsible for recruiting biotechnology and medical device companies to locate in the Netherlands. Mr. Van de Stolpe started his career as Manager of Business Development at MOGEN International NV in Leiden. He received an MSc degree from Wageningen University. Mr. Van de Stolpe has previously served as a member of the board of directors of DCPrime BV and as a member of the supervisory board of the Stichting Institute for Human Organ and Disease Model Technologies. In September 2020, he was elected as non-executive member of the supervisory board of Leyden Labs and since March 2021 he is a non-executive member of the board of directors of European Biotech Acquisition Corp (EBAC).

[1] Acting via Stoffels IMC BV.

Bart Filius, MBA was appointed President of Galapagos in February 2021 and has served as our Chief Financial Officer since December 2014 and as our Chief Operating Officer since September 2017. Prior to that, Mr. Filius worked over 13 years at Sanofi SA, where he was the Chief Financial Officer of Sanofi Europe during the last three years. Earlier at Sanofi, he was the Country Manager and Chief Financial Officer of Sanofi in the Netherlands. Before that, he was Vice President for Mergers & Acquisitions, during which time he led and completed the divestiture of various franchises. Prior to joining Sanofi, he was a strategy consultant at Arthur D. Little. Mr. Filius has an MBA degree from INSEAD and a bachelor's degree in business from Nyenrode Business University. In May 2019, Mr. Filius was elected as non-executive director in the supervisory board of ProQR Therapeutics NV.

Andre Hoekema, Ph.D. is responsible for M&A, licensing and Intellectual Property at Galapagos as our Chief Business Officer. He joined Galapagos in March 2005 from Invitrogen Corporation, where he was Managing Director of Corporate Development Europe. He brings 20 years of biotech experience from positions at Molecular Probes Europe BV (Managing Director), Crucell NV (Director of Business Development), DSM Life Sciences NV and Syngenta MOGEN BV (Research and Project Management) and Genentech, Inc. (R&D). Dr. Hoekema has a Ph.D. degree from Leiden University and is the inventor of over 20 series of patent applications, resulting in 15 patents issued in the United States. Dr. Hoekema currently also serves as a member of the supervisory board of Mimetas BV and has previously served as a member of the supervisory board of VitalNext BV.

Walid Abi-Saab, MD joined Galapagos as Chief Medical Officer in March 2017. Dr. Abi-Saab drives Galapagos' overall medical strategy and is responsible for late stage clinical development and operations, medical and regulatory affairs, and safety. As of June 2021, he became responsible for all development activities as he added early-stage development activities to his already existing responsibilities for late-stage development. As of December 2021, Dr. Abi-Saab took on *ad interim* responsibility for the Research Organization. Before, Dr. Abi-Saab worked at Shire AG where he held various clinical development leadership roles, most recently as Group Vice President, Global Clinical Development – Therapeutic Area Head, Gastro-intestinal, Endocrinology and Metabolism. Prior to that, he led clinical development activities at Novartis Pharma AG, Abbott Laboratories Inc. and Pfizer Inc., addressing a wide range of therapeutic areas and leading teams throughout the clinical development process. Under his leadership, more than 30 molecules have advanced through clinical development leading to several approvals in the United States, the EU and Canada. Prior to his pharma roles, Dr. Abi-Saab was Assistant Professor of Psychiatry and Neurosurgery at Yale University Medical School, where he headed their Schizophrenia Research at the Clinical Neuroscience Research Unit and the Neurosurgery Epilepsy Microdialysis Research Program. Dr. Abi-Saab holds an MD degree from Université Saint Joseph in Beirut, Lebanon.

Michele Manto, MBA was appointed Chief Commercial Officer in January 2020. He joined Galapagos in September 2017 as Senior Vice President Commercial Operations to build and lead Galapagos' commercial organization and capabilities. Previously, Mr. Manto held various commercial leadership roles at AbbVie, most recently as General Manager, Global Marketing Rheumatology and as General Manager in the Netherlands. Prior to this, he led AbbVie's commercial activities and launches in rheumatology, gastroenterology and dermatology in Germany and other European countries. He started his professional career as a management and strategy consultant at McKinsey & Company. Mr. Manto holds an MBA from INSEAD and a degree in engineering from the Politecnico of Milan.

Our new Chief Executive Officer

Stoffels IMC BV, permanently represented by Dr. Paul Stoffels, was appointed as our Chief Executive Officer effective 1 April 2022.

Paul Stoffels[2]**, MD** has studied Medicine at the University of Diepenbeek and the University of Antwerp (both in Belgium) and Infectious Diseases and Tropical Medicine at the Institute of Tropical Medicine in Antwerp (Belgium). Until 2021, Dr. Stoffels was Vice Chairman of the Executive Committee and Chief Scientific Officer of Johnson & Johnson, setting the company wide innovation agenda, leading the pharmaceutical research and product pipeline as well as the external innovation initiatives. Prior to that, he was worldwide Chairman Pharmaceuticals of Johnson & Johnson, which significantly rejuvenated its product pipeline and adopted a transformational R&D operating model, resulting in the launch of 25 innovative medicines across the globe. Dr. Stoffels joined Johnson & Johnson in 2002, with the acquisition of Virco and Tibotec, where he was CEO, respectively Chairman, and led the development of several breakthrough products for the treatment of HIV. Dr. Stoffels currently serves as member of the supervisory board of Koninklijke Philips NV. Dr. Stoffels was already a member of the board of directors of Galapagos NV from its incorporation until 2002.

[2] Acting via Stoffels IMC BV.

About the management board

Management board member	Position	Nationality	Year of birth	Year of appointment
Onno van de Stolpe	Chief Executive Officer	Dutch	1959	1999
Bart Filius	President, Chief Financial Officer & Chief Operating Officer	Dutch	1970	2014
Andre Hoekema	Chief Business Officer	Dutch	1957	2005
Piet Wigerinck[1]	Chief Scientific Officer	Belgian	1964	2012
Walid Abi-Saab	Chief Medical Officer	U.S. & Lebanese	1965	2017
Michele Manto	Chief Commercial Officer	Italian	1973	2020

(1) Management board member until 30 November 2021.

The tasks of the management board include the following matters: the research, identification and development of strategic possibilities and proposals which may contribute to our development in general, management of the group, the supervision of the actual performance of the business compared to its strategic goals, plans and budgets, and the support of the CEO with the day-to-day management of Galapagos.

The management board meets regularly, and in principle once per month.

On 31 December 2021, the management board consisted of five people: Mr. Van de Stolpe (CEO and chairman of the management board), Mr. Filius (President, CFO and COO), Dr. Hoekema (CBO), Dr. Abi-Saab (CMO) and Mr. Manto (CCO), representing four different nationalities and different age categories. Dr. Wigerinck's mandate as Chief Scientific Officer and management board member ended per 30 November 2021.

Furthermore, the management board members have different educational backgrounds, as can be read in each of their profiles (above).

In proposing candidates for the management board, particular consideration is given to educational and professional background, complementary skills, knowledge and experience, as well as to diversity in age, gender and nationality.

Galapagos NV's share capital and shares

Share capital increases and issue of shares by Galapagos NV in 2021

On 1 January 2021, the share capital of Galapagos NV amounted to €353,819,443.97 represented by 65,411,767 shares. In the course of 2021 there were four capital increases resulting from the exercise of subscription rights under employee subscription right plans, resulting in the issuance of 140,954 new shares, an increase of the share capital by €762,561.14 and an increase of the issuance premium account by €2,551,248.18.

At the end of 2021, the share capital of Galapagos NV amounted to €354,582,005.11 represented by 65,552,721 shares.

On 30 April 2021, the supervisory board issued 2,493,433 subscription rights (after acceptance by the beneficiaries) within the framework of the authorized capital, for the benefit of the management board members and employees of the group under new subscription right plans ("Subscription Right Plan 2021 BE", "Subscription Right Plan 2021 RMV" and "Subscription Right Plan 2021 ROW").

The subscription rights issued under Subscription Right Plan 2021 BE, Subscription Right Plan 2021 RMV and Subscription Right Plan 2021 ROW have a term of eight years as of the date of the offer and an exercise price of €64.76 (the closing price of the share on Euronext Amsterdam and Brussels on the day preceding the date of the offer).

Number and form of Galapagos shares

Of the 65,552,721 shares of Galapagos NV outstanding at the end of 2021, 5,661 were registered shares and 65,547,060 shares were dematerialized shares. All shares are issued and fully paid up and are of the same class.

Rights attached to Galapagos shares

Each share (i) entitles its holder to one vote at the shareholders' meetings; (ii) represents an identical fraction of the share capital and has the same rights and obligations and shares equally in the profit of Galapagos NV; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or subscription rights in proportion to the part of the share capital represented by the shares already held. The preferential subscription right can be restricted or cancelled by a resolution approved by the shareholders' meeting, or by the supervisory board subject to an authorization of the shareholders' meeting, in accordance with the provisions of the Belgian Companies Code and Galapagos NV's articles of association.

Galapagos NV's authorized capital

In accordance with the articles of association, the extraordinary shareholders' meeting of Galapagos NV authorized the supervisory board to increase the share capital of Galapagos NV, in one or several times, and under certain conditions set forth *in extenso* in the articles of association of Galapagos NV.

This authorization consists of two parts. A general authorization for capital increases up to 20% of the share capital at the time of convening the shareholders' meeting of 22 October 2019 (i.e. €67,022,402.04) was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 13 November 2019. A specific authorization for capital increases of more than 20% and up to 33% of the share capital at the time of the convening the shareholders' meeting of 25 April 2017 (i.e. € 82,561,764.93), was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 31 May 2017. This specific part of the authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the supervisory board that all independent members of the supervisory board (within the meaning of article 7:87 of the Belgian Companies Code) approve. This specific authorization will expire on 30 May 2022.

In 2021, Galapagos NV's supervisory board made use of the right to increase the capital in the framework of the authorized capital on one occasion: on 30 April 2021, in connection with the issuance of Subscription Right Plan 2021 BE, Subscription Right Plan 2021 RMV and Subscription Right Plan 2021 ROW, under which a maximum of 2,736,250 new shares could be issued for a total maximum capital increase of €14,803,112.50 (plus issuance premium). On 31 December 2021, an amount of €41,775,187.16 still remained available under the general part of the authorized capital and an amount of €13,717,929.80 remained available under the specific part of the authorized capital.

When increasing the share capital within the limits of the authorized capital, the supervisory board may, in Galapagos NV's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the group.

Procedure for changes in Galapagos NV's share capital

In accordance with the Belgian Companies Code, Galapagos NV may increase or decrease its share capital by decision of the extraordinary shareholders' meeting approved by a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Galapagos NV is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. In this respect, there are no conditions imposed by Galapagos NV's articles of association that are more stringent than those required by law.

Within the framework of the powers granted to it under the authorized capital, the supervisory board may also increase Galapagos NV's capital as specified in its articles of association.

Purchase and sale of Galapagos treasury shares

In accordance with the Belgian Companies Code, Galapagos NV may purchase, subject to the provisions of the Belgian Companies Code, Galapagos NV's own shares and dispose thereof by decision of the extraordinary shareholders' meeting approved by a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Galapagos NV is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. The aforementioned rules are also applicable to the acquisition of shares of Galapagos NV by its subsidiaries.

The supervisory board has currently not been authorized by an extraordinary shareholders' meeting to purchase or sell its own shares.

On 31 December 2021, neither Galapagos NV nor any subsidiary of Galapagos NV held any shares in Galapagos NV, nor did any third party hold any shares in Galapagos NV on behalf of Galapagos NV or any of its subsidiaries either.

Anti-takeover provisions in Galapagos NV's articles of association

Galapagos NV's articles of association currently do not contain any anti-takeover provisions.

Anti-takeover provisions under Belgian law

Under Belgian law, public takeover bids for all outstanding voting securities of the issuer are subject to the supervision of the FSMA. If the latter determines that a takeover violates Belgian law, it may lead to suspension of the exercise of the rights attached to any shares that were acquired in connection with the envisaged takeover. Pursuant to the Belgian Law of 1 April 2007 on public takeovers, a mandatory takeover bid must be made when, as a result of its own acquisition or the acquisition by persons acting in concert with it, a person owns, directly or indirectly, more than 30% of the securities with voting rights in a company with registered office in Belgium whose securities are admitted to trading on a regulated or recognized market. The acquirer must offer to all other shareholders the opportunity to sell their shares at the higher of (i) the highest price offered by the acquirer for shares of the issuer during the 12 months preceding the announcement of the bid or (ii) the weighted average price of the shares on the most liquid market of the last 30 calendar days prior to the date on which it became mandatory for the acquirer to launch a mandatory takeover bid for the shares of all other shareholders.

Material contracts containing change of control clauses

The second amended and restated collaboration agreement between Galapagos NV and AbbVie S.à r.l. ("AbbVie") dated 24 October 2018 contains provisions granting certain rights to AbbVie upon the occurrence of a public takeover bid on our shares or a change of control in respect of Galapagos NV, including, but not limited to clause 11.2 (*Change in Control of Galapagos*), entitling AbbVie, to oblige Galapagos NV to take appropriate measures to avoid the disclosure of

confidential information, to limit AbbVie's reporting obligations to Galapagos NV, or, depending on the stage in which the change of control occurs, to terminate the agreement.

Procedure for amendments to Galapagos NV's articles of association

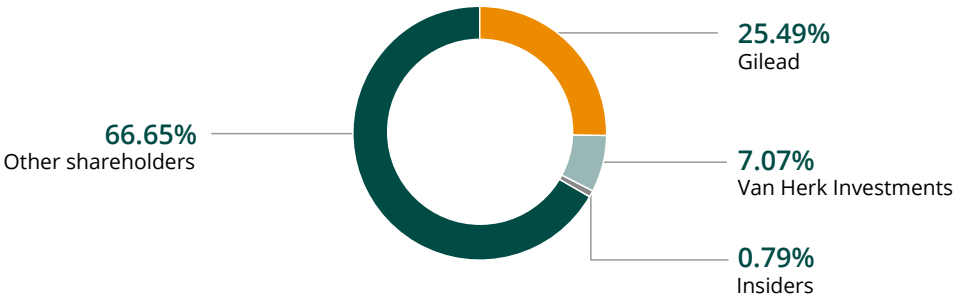
Pursuant to the Belgian Companies Code, any amendment to the articles of association, such as an increase or decrease in the share capital of Galapagos NV, and certain other matters, such as the approval of the dissolution, merger or de-merger of Galapagos NV may only be authorized with the approval of at least 75% of the votes validly cast at an extraordinary shareholders' meeting where at least 50% of Galapagos NV's share capital is present or represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

Shareholders

Major shareholders of Galapagos NV

Based on the transparency notifications received by Galapagos NV under Belgian law and the statements of acquisition of beneficial ownership filed with the U.S. Securities and Exchange Commission under U.S. securities law, the shareholders owning 5% or more of Galapagos NV's shares on 31 December 2021 were Gilead Therapeutics A1 Unlimited Company (16,707,477 shares or 25.49%), and Van Herk Investments B.V. (4,635,672 shares or 7.07%).

Major shareholders on 31 December 2021



At the end of 2021, our CEO owned 438,889 shares of Galapagos NV and 870,000 subscription rights. The other members of our management board held an aggregate of 71,357 shares and 1,095,000 subscription rights. The members of our supervisory board held an aggregate of 10,001 shares and 157,560 subscription rights. Each subscription right entitles its holder to subscribe to one share of Galapagos NV. Supervisory board members Daniel O'Day and Linda Higgins are representatives of our major shareholder Gilead.

Agreements between Galapagos NV shareholders

On the date of this report, Galapagos NV had no knowledge of the existence of any shareholders' agreements between its shareholders.

Agreements with major Galapagos NV shareholders

On 14 July 2019, we and Gilead announced that we entered into a 10-year global research and development collaboration. In the context of the transaction, Gilead also made an equity investment in Galapagos. We also amended and restated the license agreement for filgotinib that we originally entered into with Gilead on 16 December 2015. On 23 August 2019, the closing of the transaction took place and we received an upfront payment of €3,569.8 million ($3.95 billion) and a €960.1 million ($1.1 billion) equity investment from Gilead.

On 15 December 2020, we and Gilead announced that we agreed to amend our existing arrangement for the commercialization and development of filgotinib again.

Terms of the equity investment

As part of the research and development collaboration, Gilead entered into a share subscription agreement with us. On 23 August 2019, Gilead Therapeutics A1 Unlimited Company subscribed to 6,828,985 new Galapagos shares at a price of €140.59 per share, including issuance premium.

Subject to the approval of Galapagos' shareholders and certain other conditions, Gilead has the right under the terms of the share subscription agreement to have two designees appointed to our board of directors. The special shareholders' meeting of 22 October 2019 approved the appointment of Daniel O'Day and Linda Higgins as directors of Galapagos NV.

On 22 October 2019, our extraordinary shareholders' meeting further issued a warrant to Gilead Therapeutics A1 Unlimited Company, known as warrant A, that confers the right to subscribe for a number of new shares sufficient to bring the number of shares owned by Gilead and its affiliates to 25.1% of the issued and outstanding shares. Warrant A expires one year after the issue date and the exercise price per share is €140.59. On 6 November 2019, Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares. Warrant A expired on 22 October 2020.

On 22 October 2019, Gilead Therapeutics A1 Unlimited Company was also issued another warrant, known as the initial warrant B, that confers the right to subscribe for a number of new shares sufficient to bring the number of shares owned by Gilead and its affiliates to 29.9% of the issued and outstanding shares. The warrant will expire on 23 August 2024. The exercise price per share will be the greater of (i) 120% multiplied by the arithmetic mean of the 30-day daily volume weighted average trading price of the Galapagos shares preceding the date of the exercise notice with respect to such exercise, and (ii) €140.59. Between 57 and 59 months of 23 August 2019, subject to and upon approval by the shareholders' meeting, Gilead Therapeutics A1 Unlimited Company will be issued a warrant with substantially similar terms, including as to exercise price, to the initial warrant B. This subsequent warrant B will expire on the earlier of the date that is five years after the fifth anniversary of the closing and the date that the warrant is issued.

Gilead and Gilead Therapeutics A1 Unlimited Company are subject to certain standstill restrictions until the date that is 10 years following the closing (23 August 2019). Among other things, during this time Gilead and its affiliates and any party acting in concert with them may not, without our consent, acquire voting securities of Galapagos exceeding more than 29.9% of the then issued and outstanding voting securities, and Gilead and Gilead Therapeutics A1 Unlimited Company may not propose a business combination with or acquisition of Galapagos. The standstill restrictions are subject to certain exceptions as provided in the share subscription agreement.

Pursuant to the terms of the share subscription agreement, Gilead and Gilead Therapeutics A1 Unlimited Company also agreed to certain lock-up provisions. They shall not, and shall cause their affiliates not to, without our prior consent, dispose of any equity securities of Galapagos prior to the second anniversary of the closing (23 August 2019). During the period running from the date that is two years following the closing until the date that is five years following the closing, Gilead and its affiliates shall not, without our prior consent, dispose of any equity securities of Galapagos if after such disposal they would own less than 20.1% of the then issued and outstanding voting securities of Galapagos. The lock-up restrictions are subject to certain exceptions as provided in the share subscription agreement and may terminate upon certain events. In April 2021, Gilead and Galapagos agreed to amend the share subscription agreement to extend the full lock-up of all of Gilead's securities of Galapagos to a period of five years until 22 August 2024.

Terms of the global research and development collaboration

We will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study (or, in certain circumstances, the first Phase 3 study), Gilead will have the option to acquire a license to the compound outside Europe. If the option is exercised, we and Gilead will co-develop the compound and share costs equally. Gilead will maintain option rights to our programs through the 10-year term of the collaboration. This term can be extended, at the discretion of Gilead, for up to an additional three years thereafter for those programs, if any, that have entered clinical development prior to the end of the collaboration term. On top, a final term extension can be granted in certain circumstances.

For all programs resulting from the collaboration (other than GLPG1972 and GLPG1690), Gilead will make a $150 million opt-in payment per program and will owe no subsequent milestones. We will receive tiered royalties ranging from 20 – 24% on net sales of all our products licensed by Gilead in all countries outside Europe as part of the agreement. For GLPG1972, Gilead declined to exercise its option under the collaboration agreement in November 2020. In February 2021, the development of GLPG1690 (ziritaxestat) was discontinued.

Revised filgotinib collaboration

Under the terms of the new arrangement agreed in December 2020, we assumed all development, manufacturing, commercialization and certain other rights for filgotinib in Europe. Gilead retains commercial rights and remains marketing authorization holder for filgotinib outside of Europe, including in Japan. The transfer was subject to applicable local legal, regulatory and consultation requirements. Most activities transferred to Galapagos by 31 December 2021 and we intend to complete the transition by 31 December 2022. The new arrangement was formalized in (1) the Transition and Amendment Agreement of 3 April 2021 pursuant to which Gilead transitioned the exploitation of filgotinib in Europe to Galapagos by the end of 2021,

(2) the DIVERSITY Letter Agreement of 6 September 2021 pursuant to which we and Gilead agreed to transfer the sponsorship of and operational and financial responsibility for the ongoing DIVERSITY study and its long-term extension study (LTE) study to Galapagos, and (3) the Second Amended and Restated License and Collaboration Agreement of 24 December 2021, amending and restating the existing collaboration agreement, with effect as of 1 January 2022. In March 2022, Gilead and Galapagos agreed to transfer the sponsorship of and the operational responsibility for the MANTA study and its long-term extension to Galapagos.

Since 1 January 2021, we bear the future development costs for certain studies, in lieu of the equal cost split contemplated by the previous agreement. These studies include the DARWIN3, FINCH4, FILOSOPHY, and Phase 4 studies and registries in RA, MANTA and MANTA-RAy, the PENGUIN1 and 2 and EQUATOR2 studies in PsA, the SEALION1 and 2 studies in AS, the HUMBOLDT study in uveitis in addition to other clinical and non-clinical expenses supporting these studies and support for any investigator sponsored trials in non-IBD conditions and non-clinical costs on all current trials. The existing 50/50 global development cost sharing arrangement will continue for the following studies: SELECTION and its long-term extension study (LTE) in UC, DIVERSITY and its LTE, DIVERGENCE 1 and 2 and their LTEs and support for Phase 4 studies and registries in Crohn's disease, pediatric studies and their LTEs in RA, UC and Crohn's disease, and support for investigator sponsored trials in IBD. In September 2021, we and Gilead agreed to transfer the sponsorship of the DIVERSITY study and its LTE study from Gilead to Galapagos. The transfer is intended to be completed by 30 June 2022. From 1 April 2022, Galapagos will also be solely responsible for all development costs for the DIVERSITY study and its LTE study. In March 2022, we and Gilead agreed to transfer the sponsorship of the MANTA study and its long-term extension from Gilead to Galapagos. The transfer is intended to be completed by 31 December 2022.

All commercial economics on filgotinib in Europe will transfer to us as of 1 January 2022, subject to payment of tiered royalties of 8 to 15 percent of net sales in Europe to Gilead, starting in 2024. If the European Medicines Agency grants regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY study, then royalties payable by Galapagos to Gilead will be reduced by 30 percent across all filgotinib indications and will become 5.6 to 10.5 percent of net sales in Europe. In connection with the amendments to the existing arrangement for the commercialization and development of filgotinib, Gilead has agreed to irrevocably pay Galapagos €160 million, subject to certain adjustments for higher than budgeted development costs. Gilead paid €35 million in January 2021 and an additional €75 million in April 2021 and will pay €50 million in 2022. Furthermore, upon completion of the transfer of and operational responsibility for the DIVERSITY study, Gilead will make a one-time payment of $15 million to Galapagos in consideration for Galapagos assuming responsibility for the DIVERSITY study. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. However, we will remain eligible to receive tiered royalty percentages ranging from 20% to 30% on Gilead's global net sales of filgotinib outside of Europe and future development and regulatory milestone-based payments of up to $295 million and sales-based milestone payments of up to $600 million.

Our remuneration policy

A revised remuneration policy will apply as from 1 January 2022, subject to its approval by the shareholders' meeting to be held on 26 April 2022. Such document is available on our website.

Remuneration report

Introduction: remuneration report 2021

Galapagos' remuneration policy

Galapagos' remuneration policy was prepared in accordance with the Belgian Companies Code. Galapagos' shareholders approved the current remuneration policy at the 2020 annual shareholders' meeting with 68.21% of shareholder votes. The policy became effective as of 1 January 2020 and applies for the reporting year beginning on 1 January 2021. In this report we will look back at 2021.

Galapagos encourages an open and constructive dialogue with its investors to discuss its approach to governance, including remuneration. The increased disclosure in the remuneration report reflects the input received from Galapagos' shareholders over the years as well as developments in the legislative framework, including individual disclosures for each supervisory and management board member.

The objective of our remuneration policy is to attract, motivate and retain the diverse qualified and expert individuals who are key in order to achieving our strategic and operational objectives. We further aim to be competitive in the labor market by benchmarking against relevant peer groups, incentivizing performance at the highest possible level, allowing for differential rewards according to individual performance, avoiding discrimination on any grounds other than performance, and reinforcing an open, fair, consistent and equitable culture.

Following the introduction of a one-tier governance structure, consisting of a board of directors and an executive committee, to be proposed to the extraordinary shareholders' meeting to be held on 26 April 2022, a revised remuneration policy reflecting such change will be submitted for approval of the annual shareholders' meeting to be held on 26 April 2022.

Peer group and benchmarking

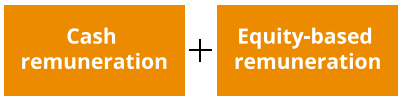
Galapagos' remuneration policy takes into account relevant benchmarks with appropriate peer companies and, for the management board members, also the group's performance management system. For the most recent benchmarking exercise executed in 2018, our nomination and remuneration committee worked with Willis Towers Watson as external advisor. Willis Towers Watson also provided external support for the benefit of the nomination and remuneration committee in 2020. The peer group taken into consideration consisted of publicly listed, early-stage high value biotechnology companies with a comparable market capitalization in the U.S. and biotechnology and pharmaceutical companies in Europe. This benchmarking

exercise indicated that in the biotechnology/pharmaceutical subsector, the "transatlantic" gap is higher than in broader general industry and in the wider health sciences sector. The observed gap in market pay levels between regional peer groups was attributable to long-term incentives; in Europe, long-term incentives were materially smaller. Galapagos' pay-mix for all executive functions was broadly in line with market practice observed within the U.S. peer group, while in comparison to the European peer group it was more leveraged toward long-term incentives. These findings were in line with and reinforced remuneration committee priorities for executive compensation. The committee found the U.S. benchmark to be more relevant than that of Europe given the majority of our competitors are based in the U.S., we have a significant number of U.S. based shareholders whose views on remuneration are based on U.S. practices, and the overall relevance of the U.S. market to the pharmaceutical industry.

Remuneration of supervisory board members

Remuneration structure components

The remuneration of supervisory board members consists of (i) a fixed annual cash amount, and (ii) an equity-based component. The remuneration of the supervisory board members does not contain a variable component, and hence no performance criteria apply to their remuneration.



In accordance with the remuneration policy and the decision of the annual shareholders' meeting of 28 April 2020, the remuneration of the supervisory board members for the exercise of their mandate during the financial year ending 31 December 2021 consisted of the following components:

Super-visory board members	Supervisory board				Audit committee		Nomination and remuneration committee		TOTAL REMUNERATION
	Cash remuneration		Equity-based remuneration						
	Chairman	Member	Cash (gross amount) granted to acquire GLPG shares[1]	Acquired GLPG shares[1]	Chairman	Member	Chairman	Member	
Dr. Rajesh Parekh	€100,000		€100,000	1026			€20,000		€220,000
Mr. Howard Rowe		€50,000	€50,000	512	€20,000				€120,000
Ms. Katrine Bosley[2]		€50,000	€-	-				€15,000	€65,000
Dr. Mary Kerr		€50,000	€50,000	512		€15,000			€115,000
Mr. Peter Guenter		€50,000	€50,000	522		€15,000			€115,000
Dr. Elisabeth Svanberg		€50,000	€50,000	522				€15,000	€115,000
Mr. Daniel O'Day[3]									N/A[3]
Dr. Linda Higgins[3]									N/A[3]

(1) The company grants a gross amount equal to the respective supervisory board member's annual cash remuneration, to use the net portion (after taxes) to acquire shares of Galapagos in the open market.

(2) Ms. Bosley waived her equity-related remuneration for financial year 2021.

(3) Mr. O'Day and Dr. Higgins, both Gilead representatives, do not receive any remuneration for their mandate as supervisory board members.

Cash remuneration

The supervisory board members receive a fixed annual cash amount, irrespective of the number of board meetings that are held during the year. These board fees are paid in quarterly installments at the end of each calendar quarter.

For the financial year 2021 the chairman of the supervisory board received cash remuneration of €100,000 and the other members €50,000 each. In addition, committee membership entitles the supervisory board members to an additional €15,000 in cash and committee chairmanship to an additional €20,000 in cash.

Equity based remuneration

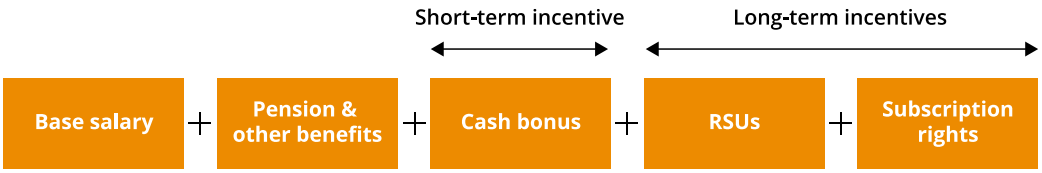
In accordance with provision 7.6 of the 2020 Code, Galapagos also grants supervisory board members an equivalent to remuneration in shares. During the financial year 2021, the supervisory board members received the following additional cash compensation: for the chairman of the supervisory board €100,000 and for the other members €50,000 each, in each case subject to the requirement to use the net amount (after taxes) to acquire Galapagos shares. One supervisory board member waived the equity-based remuneration for the financial year 2021. These share purchases took place on 15 December 2021 and resulted in the number of shares identified in the table above. The shares that each supervisory board member so acquires are to be held until at least one year after the supervisory board member leaves the supervisory board and at least three years after the time of acquisition. These latter payments make up the equivalent of an equity component of the supervisory board members' remuneration, as recommended by the 2020 Code.

As of 2020 Galapagos does not grant any subscription rights to supervisory board members (non-executive directors).

Remuneration of management board members

Remuneration structure components

The remuneration of management board members consists of (i) fixed remuneration consisting of base salary, pension and other benefits and (ii) variable remuneration consisting of a cash bonus and the grant of restricted stock units ("RSUs") and subscription rights ("SRs"). For the variable part of the management board members' remuneration, performance criteria apply.



Performance criteria and evaluation methods for management board members

For 2021, the performance criteria considered in decision-making for cash bonuses and annual RSU grants include the elements identified in the table below, whereby each of the corporate objectives is further detailed in a clear and measurable way to enable robust evaluation by the nomination and remuneration committee as well as the supervisory board. Our ambition is to establish ourselves as a successful commercial stage biopharmaceutical company focused

on the discovery, development and commercialization of novel medicines in areas of unmet medical needs to improve the lives of people suffering from serious diseases. In order to achieve this long-term goal, we want to keep innovation in our research efforts while making sound clinical progress year over year and maintaining a healthy cash position. In addition, our corporate development and business goals aim to foster the growth of the company and the creation of value for all shareholders, including via business development opportunities in our core therapeutic areas. Finally, our commercial development goal is intended to continue to build our filgotinib franchise throughout Europe, remain on track to complete the transition of the full European commercial operations for filgotinib from Gilead to us and becoming a commercially successful biopharmaceutical company which brings novel medicines to market (subject to having obtained governmental approvals).

2021 CORPORATE OBJECTIVES Each equally weighted
Cash position Actual cash burn versus guidance
Corporate and business development Achievement of business development transaction, organizational effectiveness, successful implementation of the transfer of European commercialisation rights for filgotinib and compliance goals
Research progress Numbers of targets identified and pre-clinical candidates nominated
Clinical trial progress Target number of clinical trials initiated and completed, regulatory approvals
Commercial development Filgotinib commercialization plan, including sales target

In terms of the individual performance evaluation, this is supported by the group's performance management system that assesses the performance of all employees (including management board members) over the calendar year against a set of objectives determined at the start of the year.

Finally, Galapagos' policy is to grant a number of subscription rights each year based on a consideration of each management board member's role, individual performance for the performance year as well as individual impact on long-term value creation.

The nomination and remuneration committee is responsible for evaluating the management board members' performance in accordance with the principles set out above. The nomination and remuneration committee is composed exclusively of non-executive directors and a majority of its members qualify as independent supervisory board members. This helps prevent the

occurrence of conflicts of interest regarding the implementation of the remuneration policy in relation to the management board members. The management board members are not invited to take part in any discussions of the nomination and remuneration committee related to their own individual remuneration.

Total remuneration

Management board member	Fixed remuneration			Variable remuneration			TOTAL REMUNERATION	Proportion of fixed and variable remuneration
	Base salary	Other components[1]	Pension	One-year variable[2]	Multi-year variable: Vested RSUs[3]	Multi-year variable: Granted SRs[4]		
Onno van de Stolpe[5]	€636,000	€164,314	€93,600	€360,000	€1,074,336	€-	€2,328,250	Fixed: 38.39% Variable: 61.61%
Bart Filius	€480,500	€27,565	€63,300	€215,906	€867,162	€-	€1,654,433	Fixed: 34.54% Variable: 65.46%
Andre Hoekema	€377,250	€29,572	€55,350	€92,531	€383,622	€-	€938,325	Fixed: 49.26% Variable: 50.74%
Piet Wigerinck[6]	€387,333	€14,994	€57,200	€194,792	€713,686	€-	€1,368,005	Fixed: 33.59% Variable: 66.41%
Walid Abi-Saab	€422,750	€15,874	€62,400	€154,219	€713,686	€-	€1,368,929	Fixed: 36.60% Variable: 63.40%
Michele Manto[7]	€336,250	€218,835	€48,750	€154,219	€173,444	€-	€931,498	Fixed: 64.82% Variable: 35.18%

(1) Other components are the value of the benefits and perquisites awarded, such as a company car, tax advisory services, health and disablity insurance and work from home allowance.

(2) The one-year variable is the short-term bonus awarded to each management board member in respect of 2021 and paid in April 2022, except for Piet Wigerinck the 2021 bonus (pro rata) has been paid in December 2021 following his departure.

(3) During financial year 2021 RSUs vested under RSU Plan 2019.II, 2019.III and 2020.II and pay-outs occurred accordingly.

(4) The value of the subscription rights ("SRs") granted during the financial year 2021 is calculated by comparing the exercise price with the average share price of the share as quoted on Euronext Brussels and Amsterdam during the financial year 2021.

(5) Mr. Onno van de Stolpe's base salary is €636,000, including €18,859.44 in the form of personal pension contributions. The €93,600 pension amount does not include the amount of €18,859.44, which is part of Mr. Onno van de Stolpe's fixed base salary. The 'Other components' figure principally includes tax advisory fees.

(6) Management board member until 30 November 2021. His exit package is set out under section 'Severance clauses and payments'.

(7) Mr. Manto's other components figure includes one-time compensation in relation to an adverse change in personal taxation basis. This change was brought about by Galapagos' decision for Mr Manto's services to be provided under a management agreement with Galapagos from 1 January 2020, in compliance with newly introduced Belgian Code and the introduction of the two-tier governance model and his appointment as mamagement board member.

Fixed remuneration

The supervisory board, for the CEO upon recommendation of the nomination and remuneration committee and for the other management board members upon proposals of the CEO, decided that for the financial year 2021 each management board member received the base salary (gross amount) as identified in the total remuneration table above. The fixed remuneration is a base salary designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions.

Variable remuneration

Galapagos' policy is to grant a number of long-term incentives based on the individual performance for the performance year while also considering individual impact on long-term value creation. Bonuses consist both of a short-term cash component and a long-term RSU component. Management board members were also offered subscription rights in 2021.

Under our remuneration policy, the CEO's cash bonus can be maximum 75% of base salary. The aggregate cash bonuses of the other members of the management board can be maximum 50% of the aggregate base salaries. An equivalent number of RSUs will be granted to the CEO and the other members of the management board under the RSU Annual Long-Term Incentive Plan.

(a) Short-term variable remuneration

The supervisory board determined an overall achievement of 75% (out of a maximum of 100%) against the 2021 corporate objectives. In arriving at this determination, the supervisory board considered that some of the objectives were not achieved, some had been achieved and some overachieved. Highlights over 2021 included commercialization efforts to deliver Galapagos' first medicine to patients, the refocusing of our pipeline and rightsizing of our operations, and strong financial discipline and operational excellence ensuring a long-term sustainable business.

The 75% corporate funding level is applicable to the wider Galapagos workforce for the corporate component of their bonus funding, including the management board members. The supervisory board, for the CEO upon recommendation of the nomination and remuneration committee and for the other management board members upon proposals of the CEO, considered this level of funding, as applied to the wider workforce, together with individual performance of management board members in order to determine the individual cash bonus outcomes for 2021 set out in the total remuneration table above: Mr. Onno van de Stolpe (€360,000; 56.63% of 2021 base salary), Mr. Bart Filius (€215,906; 43.18% of 2021 base salary), Dr. Andre Hoekema (€92,531; 24.35% of 2021 base salary), Dr. Walid Abi-Saab (€154,219; 36.29% of 2021 base salary) and Mr. Michele Manto (€154,219; 45.36% of 2021 base salary). These 2021 cash bonuses will be paid in April 2022. With the exception of the retiring CEO, each of the management board members will be granted an equivalent number of RSUs under the 2022 RSU Annual Long-Term Incentive Plan as long-term variable remuneration. Galapagos applied a maximum corporate funding (100%) for the determination of Dr. Wigerinck's bonus and Dr. Wigerinck received a *pro rata* maximum cash bonus for 2021 (€194,792; 45.83% of 2021 base salary). His bonus has been paid out in December 2021 and he will not be entitled to any subsequent RSU grant.

(b) Long-term variable remuneration

In 2021 the management board members were offered new subscription rights under Subscription Right Plan 2021 BE and each accepted all subscription rights granted as per the following: Mr. Onno van de Stolpe: 85,000 subscription rights, Mr. Bart Filius: 50,000 subscription rights, each of Dr. Piet Wigerinck and Dr. Walid Abi-Saab: 40,000 subscription rights and each of Dr. Andre Hoekema and Mr. Michele Manto: 30,000 subscription rights. Further reference is made to the **Equity components** of the remuneration section, which contains, among others, a description of the 2021 grant of subscription rights.

The total remuneration table above sets forth the value of the number of RSUs vested and paid out in 2021 for each management board member. Each RSU represents the right to

receive, at Galapagos' discretion, one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date. During 2021, there were RSU vestings under three different RSU plans: Plan 2019.II, Plan 2019.III and Plan 2020.II. The pay-outs to the management board members occurred accordingly and the aggregate amounts are set forth in the total remuneration table above. Reference is made to the **Equity components** of the remuneration section.

For a description of the RSU grants to the management board members in 2021, reference is made to the **Equity components** of the remuneration section. This section also sets out the main characteristics of the different RSU plans issued by Galapagos to its management board members in 2019, 2020 and 2021.

The 50% deferred part of the bonus awarded and relating to the financial year 2018 was entirely forfeited and not paid out in 2021 as a result of the share performance of Galapagos NV's share over the period 2018 – 2021 relative to the Next Biotech Index (which tracks Euronext-listed biotech companies) as per the provisions of the Senior Management Bonus Scheme.

Pension and other components

In addition, the management board members enjoy a number of benefits such as a retirement plan, insurance programs (covering life insurance, disability, travel insurance and health), company cars and the provision of tax advisory services. The aforementioned retirement plan is set up as a defined contribution arrangement and is in line with market practice in Belgium. The pension and other components of the remuneration of each management board member are summarized in the total remuneration table above.

Equity components of the remuneration

Subscription rights awarded, exercised or expired

In 2021, we issued three subscription right plans for the benefit of employees of the group and of management board members: Subscription Right Plan 2021 BE, Subscription Right Plan 2021 RMV and Subscription Right Plan 2021 ROW. The management board members were offered new subscription rights under Subscription Right Plan 2021 BE, subject to acceptance. Subscription rights is the new term for instruments formerly referred to as "warrants" under the new Belgian Companies Code. The final number of accepted subscription rights under Subscription Right Plan 2021 BE was enacted by notary deeds of 2 July 2021 and 18 August 2021. The table below sets forth the numbers of subscription rights offered and accepted by each management board member in 2021 under Subscription Right Plan 2021 BE.

The main characteristics of the subscription right plans offered to the management board members are as follows:

- The subscription rights are offered for no consideration;
- The subscription rights typically have a lifetime of eight years and a vesting period of three years after the year of grant;

- Good and bad leaver rules apply in case of termination prior to the end of the vesting period; and
- The subscription rights are not transferable.

Under Subscription Right Plan 2021 BE, the subscription rights have a lifetime of eight years and an exercise price of €64.76. Each subscription right gives the right to subscribe for one new Galapagos share. For all the beneficiaries under the Subscription Right Plan 2021 BE, the subscription rights vest only and fully on the first day of the fourth calendar year following the calendar year in which the grant was made. The subscription rights can in principle not be exercised prior to 1 January 2025. The table below sets forth the main characteristics for subscription right plans issued during previous years.

As from 1 January 2020, Galapagos no longer grants any subscription rights to supervisory board members, taking into account the stricter rules of the Belgian Companies Code and provision 7.6 of the 2020 Code, which stipulates that non-executive directors should not be entitled to receive stock options. Prior to 2020, supervisory board members were granted subscription rights and hence the table below also contains disclosures for supervisory board members.

No subscription rights expired for management board or supervisory board members in 2021.

The table below sets forth the subscription rights outstanding and exercisable per 31 December 2021 for the management board and supervisory board members, the subscription rights awarded to the management board members during 2021 and exercised by the management board or supervisory board members in 2021, including for our former CSO Dr. Wigerinck:

	Plan[(1)]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Supervisory board members										
Dr. Rasjesh Parekh	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	15,000	15,000			0
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	15,000				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	15,000				0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Mr. Howard Rowe	WP 2014	25/07/2014	36 months 1/36 per month	01/01/2018 – 24/07/2022	€ 14.54	2,520	2,520			0
	WP 2015	30/04/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	2,520	2,520			0
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	7,500	7,500			0
	WP 2016	16/08/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	7,500	7,500			0
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500	7,500			0
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				0
Ms. Katrine Bosley	WP 2015	30/04/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	2,520	2,520			0
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	7,500	7,500			0
	WP 2016	16/08/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	7,500	7,500			0
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500	7,500			0
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Dr. Mary Kerr	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500	7,500			0
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				0
Mr. Peter Guenter	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				0
Dr. Elisabeth Svanberg	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Linda Higgins	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Daniel O'Day	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Management board members										
Mr. Onno van de Stolpe	WP 2013	29/07/2013	36 months 1/36 per month	01/01/2017 – 15/05/2021	€ 19.38	0	0		41,874	0
	WP 2014	14/10/2014	36 months 1/36 per month	01/01/2018 – 24/07/2022	€ 14.54	100,000	100,000			0
	WP 2015	29/06/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	100,000	100,000			0
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	100,000	100,000			0
	WP 2016	31/07/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	100,000	100,000			0
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	100,000	100,000			0
	WP 2018	18/06/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	100,000				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	100,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	85,000				0
	SR Plan 2021 BE	18/08/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	85,000		85,000		0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Mr. Bart Filius	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000	60,000			0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	80,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	65,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	50,000				0
	SR Plan 2021 BE	18/08/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	50,000		50,000		0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
	WP 2014	14/10/2014	100% 3rd year after year of grant 01/01/2018	01/01/2018 – 24/07/2022	€ 14.54	10,000	10,000		20,000	0
	WP 2015	29/06/2015	100% 3rd year after year of grant 01/01/2019	01/01/2019 – 29/04/2023	€ 28.75	30,000	30,000			0
	WP 2015.B	02/03/2016	100% 3rd year after year of grant 02/03/2019	02/03/2019 – 21/12/2023	€ 49.00	40,000	40,000			0
	WP 2016	31/07/2016	100% 3rd year after year of grant 01/01/2020	01/01/2020 – 31/05/2024	€ 46.10	55,000	55,000			0
Dr. Andre Hoekema	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000	60,000			0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	50,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	30,000				0
	SR Plan 2021 BE	18/08/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	30,000		30,000		0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
	WP 2015.B	02/03/2016	100% 3rd year after year of grant 02/03/2019	02/03/2019 – 21/12/2023	€ 49.00	35,000	35,000		5,000	0
	WP 2016	16/08/2016	100% 3rd year after year of grant 01/01/2020	01/01/2020 – 31/05/2024	€ 46.10	60,000	60,000			0
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000	60,000			0
Dr. Piet Wigerinck	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	60,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	40,000				0
	SR Plan 2021 BE	02/07/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	40,000		40,000		0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Dr. Walid Abi-Saab	WP 2016.B	06/04/2017	100% 3rd year after year of grant 06/04/2020	06/04/2020 – 19/01/2025	€ 62.50	10,000	10,000			0
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	45,000	45,000			0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	60,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	23/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	40,000				0
	SR Plan 2021 BE	18/08/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	40,000		40,000		0

	Plan[1]	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs out-standing per 31/12/2021	Number of SRs exer-cisable per 31/12/2021	SRs offered & accepted during 2021	SRs exercised during 2021	SRs expired in 2021
Mr. Michele Manto	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000	60,000			0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	30,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	40,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	30,000				0
	SR Plan 2021 BE	02/07/2021	100% 3rd year after year of grant 01/01/2025	01/01/2025 – 30/04/2029	€ 64.76	30,000		30,000		0

(1) Warrant Plan (WP) and Subscription Rights Plan (SR Plan)

At the end of 2021, Mr. Onno van de Stolpe held 438,889 shares of Galapagos NV and 870,000 subscription rights, Mr. Bart Filius held 25,000 shares and 305,000 subscription rights, Dr. Walid Abi-Saab held 2,500 shares and 245,000 subscription rights, Dr. Andre Hoekema held 42,857 shares and 355,000 subscription rights, and Mr. Michele Manto held 1,000 shares and 190,000 subscription rights.

RSUs offered to, vested or expired for the management board members

In 2021, the management board were offered new RSUs under 2021 RSU Annual Long-Term Incentive Plan and the 2021 RSU Retention Plan, subject to acceptance. The members of the management board accepted all RSUs offered to them, except for two management board members who did not accept their grant under the 2021 RSU Annual Long-Term Incentive Plan. The grant under the 2021 RSU Annual Long-Term Incentive Plan is the long-term portion of the bonus for 2020 and this RSU grant will vest in full three years after the offer date. The grant under the 2021 RSU Retention Plan has a four-year vesting period, with 25% vesting each year and a first vesting date on 1 May 2022. The RSUs are not transferable. The table below sets forth the total number of RSUs offered to each management board member during 2021: Mr. Onno van

de Stolpe: 63,830 RSUs, Mr. Bart Filius: 62,730 RSUs, Dr. Piet Wigerinck: 835 RSUs, Dr. Walid Abi-Saab: 44,038 RSUs, Dr. Andre Hoekema: 52,312 RSUs and Mr. Michele Manto: 31,694 RSUs.

The main characteristics of the RSU plans for the management board members are as follows:

- The RSUs are offered for no consideration;
- Three or four year vesting periods apply, as set forth per plan in the table below;
- In case of termination of service before the vesting date, forfeiture rules apply.

Each RSU represents the right to receive, at Galapagos' discretion, one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date. However, in respect of management board members, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive.

No RSUs expired during financial year 2021. The table below sets forth the main characteristics of RSU plans issued to the management board members in 2019, 2020 and 2021, the number of RSUs awarded to each management board member under the respective RSU Plan, and the number of RSUs vested and paid out to each management board member during 2021, including for our former CSO, Dr. Wigerinck:

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs offered	RSUs vested during 2021
Mr. Onno van de Stolpe	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	15,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	25,606	6,401
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	8,461
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	2,392	
	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	15,925	3,981
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	2,111	
	Plan 2021.IV	24/09/2021	25% / year Four-year vesting period	01/05/2022 01/05/2023 01/05/2024 01/05/2025	61,719	

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs offered	RSUs vested during 2021
Mr. Bart Filius	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	17,924	4,481
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	8,461
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	1,452	
	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	11,148	2,787
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	1,011	
	Plan 2021.IV	24/09/2021	25% / year Four-year vesting period	01/05/2022 01/05/2023 01/05/2024 01/05/2025	61,719	
Dr. Andre Hoekema	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	3,000	
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	8,461
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	832	
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	879[1]	
	Plan 2021.IV	24/09/2021	25% / year Four-year vesting period	01/05/2022 01/09/2022[2] 01/05/2024 01/05/2025	51,433	

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs offered	RSUs vested during 2021
Dr. Piet Wigerinck	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	17,924	4,481
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	10,153	5,076
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	932	
	Plan 2020 II.	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	11,148	2,787
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	835[3]	
Dr. Walid Abi-Saab	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	17,924	4,481
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	10,153	5,076
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	932	
	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	11,148	2,787
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	835	
	Plan 2021.IV	24/09/2021	25% / year Four-year vesting period	01/05/2022 01/05/2023 01/05/2024 01/05/2025	43,203	

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs offered	RSUs vested during 2021
Mr. Michele Manto	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	5,121	1,280
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	612	
	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	5,308	1,327
	Plan 2021.I	05/05/2021	100% three years after offer date	05/05/2024	835	
	Plan 2021.IV	24/09/2021	25% / year Four-year vesting period	01/05/2022 01/05/2023 01/05/2024 01/05/2025	30,859	

(1) Dr. Andre Hoekema did not accept his offer under the 2021.I RSU Plan.

(2) Upon substantiated recommendation of the remuneration and nomination committee, the supervisory board approved a deviation of the vesting rules under the RSU Plan 2021.IV. The second vesting of 25% of the RSU grant under the aforementioned plan (corresponding with 12,858 RSUs) will occur earlier than under the normal plan rules.

(3) Dr. Piet Wigerinck did not accept his offer under the 2021.I RSU Plan.

Pursuant to the terms and conditions of the RSU plans all unvested RSUs of Dr. Piet Wigerinck, as set out in the table above, became null and void on his termination date, 30 November 2021. Reference is made to the one-time lump-sum payment as compensation for his unvested outstanding RSUs as set out in the section on severance payments for departing management board members.

In 2022, as part of the management board's long-term variable remuneration, a number of RSUs equivalent to the 2021 short-term cash bonuses (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2022) will be granted to the management board members under the 2022 RSU Annual Long-Term Incentive Plan (i.e. the long-term portion of the bonus for 2021), except to the retiring CEO.

Evolution of remuneration and company performance

The below table shows the annual change of remuneration of each individual supervisory and management board member, of the performance of the company and of average remuneration on a full-time equivalent basis of Galapagos' employees, other than supervisory and management board members, over the five most recent financial years.

Comparative table of remuneration and company performance									
	2021	% change	2020	% change	2019	% change	2018	% change	2017
Director's remuneration[1]									
Management board[2] [3]									
Mr. Onno van de Stolpe , CEO	€996,000	31%	€758,400	(82%)	€4,322,105	209%	€1,398,236	(2%)	€1,422,880
	€2,328,250	11%	€2,091,784	(73%)	€7,666,471	242%	€2,242,627	49%	€1,503,607
Mr. Bart Filius, President, CFO & COO	€696,406	44%	€483,706	(86%)	€3,558,571	275%	€948,675	109%	€453,270
	€1,654,433	17%	€1,412,283	(75%)	€5,747,118	251%	€1,636,303	210%	€527,571
Dr. Andre Hoekema, CBO	€469,781	10%	€425,190	(87%)	€3,346,490	360%	€728,244	26%	€579,764
	€938,325	83%	€511,416	(90%)	€5,071,465	320%	€1,207,775	83%	€661,725
Dr. Piet Wigerinck, CSO[4]	€582,125	25%	€467,518	(81%)	€2,461,071	179%	€882,807	18%	€745,795
	€1,368,005	(1%)	€1,386,058	(66%)	€4,127,775	195%	€1,400,211	74%	€805,999
Dr. Walid Abi-Saab, CMO[5]	€576,969	23%	€467,518	(77%)	€2,075,500	277%	€550,542	(26%)	€745,795
	€1,368,929	(1%)	€1,386,614	(63%)	€3,790,471	250%	€1,082,398	(51%)	€2,206,938
Mr. Michele Manto, CCO[6]	€490,469	29%	€380,518	N/A	N/A	N/A	N/A	N/A	N/A
	€931,498	36%	€684,903	N/A	N/A	N/A	N/A	N/A	N/A
Supervisory board[7] [8]									
Dr. Rajesh Parekh	€120,000	0%	€120,000	33%	€90,000	0%	€90,000	0%	€90,000
	€220,000	0%	€220,000	(62%)	€577,950	183%	€204,300	127%	€90,000
Mr. Howard Rowe	€70,000	(7%)	€75,000	36%	€55,000	5%	€52,500	17%	€45,000
	€120,000	(4%)	€125,000	(58%)	€298,975	173%	€109,650	144%	€45,000
Ms. Katrine Bosley	€65,000	0%	€65,000	44%	€45,000	0%	€45,000	0%	€45,000
	€65,000	(43%)	€115,000	(60%)	€288,975	183%	€102,150	127%	€45,000
Dr. Mary Kerr	€65,000	0%	€65,000	44%	€45,000	3%	€43,750	9%	€40,000
	€115,000	0%	€115,000	(60%)	€288,975	186%	€100,900	152%	€40,000

Comparative table of remuneration and company performance									
	2021	% change	2020	% change	2019	% change	2018	% change	2017
Mr. Peter Guenter[9]	€65,000	0%	€65,000	117%	€30,000	N/A	N/A	N/A	N/A
	€115,000	0%	€115,000	(58%)	€273,975	N/A	N/A	N/A	N/A
Dr. Elisabeth Svanberg[10]	€65,000	47%	€44,164	N/A	N/A	N/A	N/A	N/A	N/A
	€115,000	47%	€77,999	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Daniel O'Day	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Linda Higgins	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Company performance									
Financial KPIs (thousand of €, except for the stock price and number of employees)									
Operational Cash burn (-) / operational cash flow	(564,840)	9%	(517,400)	(116%)	3,162,804	2,097%	(158,379)	(3%)	(154,089)
R&D expenditure (11)	491,707	(7%)	531,354	24%	427,320	32%	322,875	48%	218,502
Cash position on 31 Dec (12)	4,703,177	(9%)	5,169,349	(11%)	5,780,832	348%	1,290,796	12%	1,151,211
# of employees on 31 Dec (13)	1,309	(12%)	1,489	48%	1,003	38%	725	21%	600
Stock price performance (Last tradying day FY)	49.22	(39%)	80.48	(57%)	186.50	132%	80.56	2%	78.98
Operational KPIs									
# of new validated targets	4		5		6		2		9
# of new PCCs	2		3		3		4		5
# of PoC toplines	4		3		3		4		2
# of Ph3 starts	0		0		1		2		0
Average remuneration of employees on FTE basis									
Employees of the Group[14]	€ 102,471	(2%)	€104,290	4%	€100,682	4%	€97,139	4%	€93,726

(1) The directors' remuneration overview contains for each individual management board and supervisory board member two separate rows, whereby the first row sets out their cash remuneration, being the annual base salary, cash bonus and (if any) exceptional bonus, to enable the comparison with the average remuneration of employees on FTE basis, and the second row sets out their total remuneration, including equity-related remuneration such as granted SRs and vested RSUs.

(2) The first row shows the cash remuneration of each management board member, being the annual base salary, cash bonus and (if any) exceptional bonus.

(3) The second row shows the total remuneration of each management board member, including equity-based remuneration such as RSUs vested and subscription rights granted during the year. The value of the subscription rights is calculated by comparing the exercise price of the subscription right plan with the average share price as quoted on Euronext Brussels and Amsterdam during the respective financial year. For example, for financial year 2021 the exercise price of the Subscription Right Plan 2021 BE is compared with the average share price as quoted on Euronext Brussels and Amsterdam during the financial year 2021.

(4) Management board member until 30 November 2021. Both rows set out his remuneration from 1 January 2021 until 30 November 2021, excluding his severance package.

(5) Management board member as of 1 January 2017. The total remuneration for FY 2017, as set out on the second row for FY 2017, includes Dr. Walid Abi-Saab's hiring grant of subscription rights under Warrant Plan 2016 (B).

Comparative table of remuneration and company performance									
	2021	% change	2020	% change	2019	% change	2018	% change	2017

(6) Management board member as of 1 January 2020.

(7) The first row shows the total cash remuneration of each supervisory board member, being the board fees.

(8) The second row shows the total remuneration of each supervisory board member, including equity-based remuneration such as subscription rights granted during the year. As from 1 January 2020, Galapagos no longer grants any subscription rights to supervisory board members.

(9) Supervisory board member as of 30 April 2019.

(10) Supervisory board member as of 28 April 2020.

(11) Prior to the financial year ended 31 December 2021, R&D expenditure presented on this line is reflecting the total Group related expenditure including Fidelta, our fee-for-service business sold to Selvita on 4 January 2021, classified as discontinued operations in our 2020 consolidated financial statements. R&D expenditure of our continuing operations presented in our consolidated financial statement were €523,667 thousands for the financial year ended 31 December 2020, €420,090 thousands for the financial year ended 31 December 2019 and €316,222 thousands for the financial year ended 31 December 2018.

(12) Cash position on 31 December 2020 included €7,884 thousands of cash held in Fidelta and classified as assets held for sale in our 2020 consolidated financial statements.

(13) The number of employees per 31 December includes employees and insourced personnel (external contractors). At 31 December 2020, the number of employees included 185 employees of our fee for service activity Fidelta, which was sold to Selvita on 4 January 2021.

(14) The average remuneration of employees is calculated on FTE basis, excluding trainees and internships, for employees employed for the full applicable financial year. It takes into account the employees' base salary, annual cash bonus and (if any) exceptional cash bonus during the respective financial year. During 2019, all Galapagos' employees received an exceptional bonus as a result of the Gilead transaction. Annual cash bonuses are included in the year upon which performance is based and not in the year in which they are paid. Due to the timing of the 2021 year-end process, the actual annual figures for employees had not been finalized by the date of this report. Therefore, 2021 annual bonus figures represent target figures multiplied by the applicable approved organizational bonus funding scores, being the company's best estimate of actual bonus outcomes.

Ratio between the highest and lowest remuneration

The ratio between the highest and lowest remuneration at Galapagos during financial year 2021 is: 1:33.

The ratio is calculated on the basis of the lowest FTE pay per 31 December 2021, excluding trainees and internships. The remuneration which has been taken into account in this exercise includes the annual base salary, annual cash bonus and (if any) exceptional bonus; annual cash bonus is included in the year upon which performance is based and not in the year in which it is paid. Due to the timing of the 2021 year-end process, the actual annual bonus figures for employees below the management board level had not been finalized by the date of this report. Therefore, target figures for these employees were used, multiplied by the applicable approved organizational bonus funding scores, being the company's best estimate of 2021 actual bonus outcomes.

Minimum share ownership

From the financial year 2020, the remuneration policy has set a minimum threshold of shares to be held at any time by the CEO to the number of shares equivalent to one year of the CEO's annual base salary and by the other management board members to the number of shares equivalent to six months' of the relevant management board member's annual base salary. Thresholds will be re-calculated on an annual basis and need to be reached within four years.

Management board member	Minimum share ownership Objective 2020[1]	Minimum share ownership Objective 2021[2]	Actual share ownership per 31/12/2021
Onno van de Stolpe, CEO	3,218	7,753	438,889
Bart Filius, President, CFO & COO	1,073	2,622	25,000
Andre Hoekema, CBO	966	2,292	42,857
Piet Wigerinck, CSO[3]	1,073	2,584	55,200
Walid Abi-Saab, CMO	1,073	2,584	2,500
Michele Manto, CCO	746	2,019	1,000

(1) The 2020 threshold needs to be reached within four years, i.e. 1 January 2024.
(2) The 2021 threshold needs to be reached within four years, i.e. 1 January 2025.
(3) Management board member until 30 November 2021.

Severance clauses and payments

Severance payments for departing management board members

In 2021 Dr. Piet Wigerinck, CSO and management board member, left Galapagos. Upon substantiated recommendation of the nomination and remuneration committee, the supervisory board approved the following severance package: (i) a severance compensation equal to six months of remuneration, i.e. €212,500, (ii) a one-time lump-sum payment of €553,766 as compensation for his unvested outstanding RSUs on his termination date and (iii) a non-compete of 12 months after the termination date in consideration of the payment by Galapagos of a monthly fee of €35,416.66 as stipulated in his management contract, except if Galapagos waives enforcement of the non-compete. Galapagos also paid Dr. Wigerinck's 2021 *pro rata* (11/12) maximum cash bonus.

Dr. Wigerinck will not receive the long-term portion of the 2021 bonus, being a number of RSUs equivalent to the 2021 short-term cash bonus. He qualifies as a good leaver under the terms and conditions of the subscription right plans and this is not part of his severance package.

On 30 August 2021, Galapagos announced the planned retirement of its CEO Onno van de Stolpe. After a transition period during which the retiring CEO will hand over his activities, Stoffels IMC BV, permanently represented by Dr. Paul Stoffels will fully take over as CEO effective 1 April 2022. Upon substantiated recommendation of the nomination and remuneration committee, the supervisory board approved the following retirement package: a non-compete of 12 months against the payment of a monthly fee of €150,000 by Galapagos, except if Galapagos waives enforcement of the non-compete. Until 31 October 2022, Onno van de Stolpe will execute a purely advisory role as advisory member of the management board, for which he will continue to receive his base salary and benefits, including entitlement to RSU pay-outs until the aforementioned date. In 2022, Onno van de Stolpe will not be eligible to 2022 performance variable remuneration, i.e. a cash bonus and the long-term portion of the bonus for 2021. Furthermore, he will not be eligible for any equity grants (RSUs and subscription rights) in 2022. He qualifies as a good leaver under the terms and conditions of the subscription right plans and this is not part of his severance package.

Claw-back right of Galapagos relating to variable remuneration

As from financial year 2020, contractual provisions apply to each management board member to ensure that Galapagos has the right to have each management board member forfeit any unvested RSUs, deferred portions of previous cash bonuses or unvested subscription rights in the event of a restatement of the financial statements that has a material negative effect on Galapagos or a material breach of our Code of Conduct and Ethics.

During the financial year 2021 no claw-back events occurred.

The 2021 RSU plans and 2021 subscription right plans contain bad leaver provisions that can result in forfeiture of any unvested RSU and/or subscription right grants in case the beneficiary leaves Galapagos prior to the relevant vesting date.

Deviations from the remuneration policy

Galapagos' remuneration policy sets out that the supervisory board may decide to deviate from any items of the policy if necessary to serve the long-term interests and sustainability of Galapagos. Any such deviation must be discussed at the nomination and remuneration committee, which will provide a substantiated recommendation to the supervisory board.

During the financial year 2021, the supervisory board decided to deviate from the Galapagos' remuneration policy, upon substantiated recommendation of the nomination and remuneration committee, with the intention of serving the long-term interests and sustainability of Galapagos and in view of a successful and thorough implementation of the leadership transition whilst guaranteeing continuity, at three occasions:

- On 22 June 2021, a termination package for Dr. Wigerinck has been approved, being, in addition to a 6 months' severance compensation of €212,500, a one-time lump-sum payment of €553,766 for his unvested outstanding RSUs at his termination date and a non-compete of 12 months in consideration of the payment by Galapagos of a monthly fee €35,416.66 as stipulated in his management contract. However, his total termination package does not exceed his annual remuneration for the financial year 2020 (for which shareholder approval would have been required);
- On 26 August 2021, a retirement package for Mr. van de Stolpe has been approved, being a non-compete of 12 months in consideration of the payment by Galapagos of a monthly fee of €150,000. However, his total retirement package does not exceed his annual remuneration for the financial year 2020 (for which shareholder approval would have been required); and
- On 20 September 2021, a one-time deviation of the vesting rules of the RSU Plan 2021.IV for the RSU grant under the aforementioned plan to Dr. Hoekema has been approved. The second vesting of 25% (corresponding with 12,858 RSUs) will occur earlier than under the normal plan rules.

Conflict of interests and related parties

We consider that Gilead became a related party of Galapagos in 2019 because of Gilead's then 25.84% shareholding (25.49% on 31 December 2021) in Galapagos and the fact that Gilead is entitled to propose two candidates to be appointed to our supervisory board under the share subscription agreement.

On 6 September 2021, we entered into a related party transaction with Gilead within the meaning of article 7:116 of the Belgian Companies Code, by agreeing to transfer the sponsorship of and the operational and financial responsibility for the DIVERSITY clinical study, evaluating filgotinib in Crohn's Disease, and its long-term extension study, from Gilead to us. Daniel O'Day and Linda Higgins only participated in the discussion among the supervisory board prior to the deliberation and resolutions in relation to the DIVERSITY Letter Agreement, and then recused themselves from the supervisory board meeting held on 4 September 2021 regarding this related party transaction, since they are representatives of Gilead. The remaining supervisory board members considered that the related-party transaction's approval mechanism didn't need to be applied, since the value of the DIVERSITY Letter Agreement is less than 1% of the Company's consolidated net equity (based on the consolidated interim financial statements of Galapagos for the six months ended 30 June 2021) and since Galapagos is therefore able to rely on the materiality exemption set out in article 7:116, § 1, 2° of the Belgian Companies Code. A more detailed explanation of our transactions with Gilead in 2021 can be found in the section titled **Agreements with major Galapagos NV shareholders**. We further refer to **note 31**.

In the event of a transaction where a supervisory board member's interest conflicts with the interest of Galapagos NV, the board member shall notify the supervisory board in advance of the conflict and will act in accordance with the relevant rules of the Belgian Companies Code (i.e. article 7:115 of the Belgian Companies Code for supervisory board members). In the event of a transaction where a management board member's interest conflicts with the interest of Galapagos NV, the management board shall refer the decision regarding such transaction to the supervisory board.

In addition, Galapagos' Corporate Governance Charter and Galapagos' Related Person Transaction Policy contain procedures for transactions between Galapagos and its supervisory board members, management board members, major shareholders or any of their immediate family members and affiliates. Without prejudice to the procedure defined in articles 7:115 and 7:117 of the Belgian Companies Code, these policies provide that all transactions between Galapagos and its supervisory board members, management board members or its representatives need the approval of the audit committee and the supervisory board, which approval can only be provided for transactions at normal market conditions. Moreover, conflicts of interest, even in the event they are not a conflict of interest within the meaning of articles 7:115 and 7:117 of the Belgian Companies Code, are enacted in the meeting minutes, and the relevant board member cannot participate in the voting.

In 2021, the following conflict of interests between Galapagos NV and a director within the meaning of article 7:115 of the Belgian Companies Code was noted:

- in a meeting of the supervisory board held on 4 September 2021, the following was reported in accordance with article 7:115 of the Belgian Companies Code in connection with the proposed DIVERSITY Letter Agreement: the chairman declared that Daniel O'Day and Linda Higgins had informed him that, since they are representatives of Gilead, they might have a conflict of interest in relation to the resolutions to be passed by the supervisory board in relation to the DIVERSITY Letter Agreement. Accordingly, Daniel O'Day and Linda Higgins only participated in the discussion among the supervisory board prior to the deliberation and resolutions in relation to the DIVERSITY Letter Agreement, and then recused themselves for the meeting.

Code of Business Conduct and Ethics

In 2021, we have established a new Code of Business Conduct and Ethics to ensure that our supervisory board members, management board members and employees are making ethical and legal decisions when conducting Galapagos' business and performing their day-to-day duties. We expect our supervisory board members, management board members and employees to conduct business with integrity, ethics and respect for human rights. We expect them to turn away from conflicts of interest, corruption and fraud. To this end, we give trainings on this new Code to our employees, including our subsidiaries' employees. So far, since the launch of our new Code of Business Conduct and Ethics, 93.5% of our employees have completed the training.

The new Code of Business Conduct and Ethics is available at **https://www.glpg.com/governance-information**.

One breach of our Code of Business Conduct and Ethics was reported to the audit committee in 2021.

Statement by the supervisory board

The supervisory board of Galapagos NV, represented by all its members, declares that, as far as it is aware, the statutory accounts and consolidated financial statements, prepared according to the applicable standards for financial statements, give a true and fair view of the equity, financial position and the results of Galapagos as of 31 December 2021.

The supervisory board of Galapagos NV, represented by all its members, further declares that, as far as it is aware, this report to the shareholders for the financial year ending on 31 December 2021, gives a true and fair view on the development, results and position of Galapagos and on the most important risks and uncertainties with which Galapagos is confronted.

The supervisory board will submit proposed resolutions to the shareholders' meeting to approve the annual accounts for the financial year 2021, and to release the supervisory board members and the statutory auditor from liability for the performance of their mandate during the financial year ended 31 December 2021.

Mechelen, 22 March 2022

On behalf of the supervisory board

Howard Rowe
Chairman of the audit committee

Raj Parekh
Chairman of the supervisory board

Financial statements

Consolidated and non-consolidated financial statements for 2021

Foundation & Future

Consolidated financial statements

Consolidated statements of income and comprehensive income/loss (-)

Consolidated income statement

	Year ended 31 December		
(thousands of €, except per share data)	2021	2020	Notes
Product net sales	14,753	2	6
Collaboration revenues	470,093	478,051	6
Total net revenues	**484,846**	**478,053**	
Cost of sales	(1,629)	-	7
Research and development expenditure	(491,707)	(523,667)	7
Sales and marketing expenses	(69,956)	(66,468)	7
General and administrative expenses	(140,899)	(118,757)	7
Other operating income	53,749	52,207	7
Operating loss	**(165,596)**	**(178,632)**	
Fair value re-measurement of warrants	2,960	3,034	9
Other financial income	70,548	18,667	10
Other financial expenses	(30,911)	(152,844)	10
Loss before tax	**(122,999)**	**(309,775)**	
Income taxes	(2,423)	(1,226)	11
Net loss from continuing operations	**(125,422)**	**(311,001)**	

	Year ended 31 December		
(thousands of €, except per share data)	2021	2020	Notes
Net profit from discontinued operations, net of tax	**22,191**	**5,565**	**26**
Net loss	**(103,231)**	**(305,436)**	
Net loss attributable to:			
Owners of the parent	(103,231)	(305,436)	
Basic and diluted loss per share	**(1.58)**	**(4.69)**	**12**
Basic and diluted loss per share from continuing operations	**(1.91)**	**(4.78)**	

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

Consolidated statement of comprehensive income / loss (-)

	Year ended 31 December		
(thousands of €)	2021	2020	Notes
Net loss	**(103,231)**	**(305,436)**	
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligation	730	(6,065)	
Items that may be reclassified subsequently to profit or loss:			
Translation differences, arisen from translating foreign activities	736	(1,024)	
Realization of translation differences upon sale/ liquidation of foreign operations	731	(1,023)	
Other comprehensive income/loss (-), net of income tax	**2,197**	**(8,112)**	
Total comprehensive loss attributable to:			
Owners of the parent	(101,034)	(313,548)	
Total comprehensive loss attributable to owners of the parent arises from:			
Continuing operations	(123,956)	(318,841)	
Discontinued operations	22,922	5,293	
Total comprehensive loss	**(101,034)**	**(313,548)**	

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

Consolidated statements of financial position

(thousands of €)	31 December 2021	31 December 2020	Notes
Assets			
Intangible assets	60,103	67,565	13
Property, plant and equipment	137,512	103,378	14
Deferred tax assets	4,032	4,475	22
Non-current trade receivables	-	50,000	18
Non-current R&D incentives receivables	127,186	111,624	16
Other non-current assets	2,473	11,343	15
Non-current assets	**331,306**	**348,384**	
Inventories	20,569	36	17
Trade and other receivables	111,337	148,418	18
Current R&D incentives receivables	16,827	24,104	16
Current financial investments	2,469,809	3,026,278	19
Cash and cash equivalents	2,233,368	2,135,187	20
Other current assets	9,945	11,917	18
Current assets from continuing operations	**4,861,854**	**5,345,941**	
Assets classified as held for sale	**-**	**23,406**	26
Total current assets	**4,861,854**	**5,369,347**	
Total assets	**5,193,160**	**5,717,731**	

(thousands of €)	31 December 2021	2020	Notes
Equity and liabilities			
Share capital	292,075	291,312	21
Share premium account	2,730,391	2,727,840	21
Other reserves	(10,177)	(10,907)	
Translation differences	(1,722)	(3,189)	
Accumulated losses	(367,205)	(334,701)	
Total equity	**2,643,362**	**2,670,355**	
Retirement benefit liabilities	11,699	14,996	
Non-current lease liabilities	19,655	23,035	23
Other non-current liabilities	7,135	8,096	24
Non-current deferred income	1,944,836	2,365,974	25
Non-current liabilities	**1,983,325**	**2,412,101**	
Current lease liabilities	7,204	6,401	23
Trade and other liabilities	137,418	172,386	24
Current tax payable	1,782	1,248	11
Current financial instruments	204	3,164	9
Current deferred income	419,866	443,159	25
Current liabilities from continuing operations	**566,474**	**626,357**	
Liabilities directly associated with assets classified as held for sale	-	**8,917**	26
Total current liabilities	**566,474**	**635,274**	
Total liabilities	**2,549,798**	**3,047,375**	
Total equity and liabilities	**5,193,160**	**5,717,731**	

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

Consolidated cash flow statements

(thousands of €)	2021	2020	Notes
Net loss of the year	**(103,231)**	**(305,436)**	
Adjustment for non-cash transactions	57,718	230,723	27
Adjustment for items to disclose separately under operating cash flow	11,227	4,067	27
Adjustment for items to disclose under investing and financing cash flows	(28,847)	(2,472)	27
Change in working capital other than deferred income	23,337	(146,092)	27
Decrease in deferred income	(453,720)	(207,787)	25
Cash used in operations	(493,516)	(426,998)	
Interest paid	(12,540)	(9,033)	
Interest received	2,913	10,054	
Corporate taxes paid	(684)	(1,358)	
Net cash flows used in operating activities	**(503,827)**	**(427,336)**	

(thousands of €)	2021	2020	Notes
Purchase of property, plant and equipment	(54,205)	(42,522)	14
Purchase of and expenditure in intangible fixed assets	(3,674)	(48,793)	13
Proceeds from disposal of property, plant and equipment	-	49	14
Purchase of current financial investments	(1,561,015)	(4,574,206)	19
Interest received related to current financial investments	12	3,500	19
Sale of current financial investments	2,127,380	5,415,316	19
Cash in from disposals of subsidiaries, net of cash disposed of	28,696	-	26
Acquisition of financial assets	-	(2,681)	15
Proceeds from sale of financial assets held at fair value through profit or loss	4,045	6,626	15
Net cash flows generated from investing activities	**541,238**	**757,288**	
Payment of lease liabilities	(7,190)	(6,247)	23
Proceeds from capital and share premium increases from exercise of subscription rights	3,314	28,287	21
Net cash flows generated from/used in (-) financing activities	**(3,876)**	**22,040**	
Increase in cash and cash equivalents	**33,535**	**351,994**	

(thousands of €)	2021	2020	Notes
Cash and cash equivalents at beginning of year	**2,143,071**	**1,861,616**	20
Increase in cash and cash equivalents	33,535	351,994	
Effect of exchange rate differences on cash and cash equivalents	56,763	(70,539)	
Cash and cash equivalents at end of the year	**2,233,368**	**2,143,071**	20

	31 December		
(thousands of €)	2021	2020	Notes
Current financial investments	2,469,809	3,026,278	19
Cash and cash equivalents	2,233,368	2,135,187	20
Cash and cash equivalents classified as assets held for sale	-	7,884	26
Current financial investments and cash and cash equivalents	**4,703,177**	**5,169,349**	

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

Consolidated statements of changes in equity

(thousands of €)	Share capital	Share premium account	Translation differences	Other reserves	Accumul. losses	Total
On 1 January 2020	**287,282**	**2,703,583**	**(1,142)**	**(4,842)**	**(109,223)**	**2,875,658**
Net loss					(305,436)	(305,436)
Other comprehensive loss			(2,047)	(6,065)		(8,112)
Total comprehensive loss			**(2,047)**	**(6,065)**	**(305,436)**	**(313,548)**
Share-based compensation					79,959	79,959
Exercise of subscription rights	4,031	24,257				28,288
On 31 December 2020	**291,312**	**2,727,840**	**(3,189)**	**(10,907)**	**(334,701)**	**2,670,355**
On 1 January 2021	**291,312**	**2,727,840**	**(3,189)**	**(10,907)**	**(334,701)**	**2,670,355**
Net loss					(103,231)	(103,231)
Other comprehensive income			1,467	730		2,197
Total comprehensive income/loss (-)			**1,467**	**730**	**(103,231)**	**(101,034)**
Share-based compensation					70,726	70,726
Exercise of subscription rights	763	2,551				3,313
On 31 December 2021	**292,075**	**2,730,391**	**(1,722)**	**(10,177)**	**(367,205)**	**2,643,362**

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

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.

We are an integrated biopharmaceutical company active in the discovery, development, and commercialization of medicines with novel modes of action, several of which are currently in clinical development in multiple diseases with high unmet medical need. Our highly flexible discovery platform is applicable across many therapeutic areas.

Having achieved approval in the European Union and Great Britain for our first ever medicine in RA and UC, we remain highly committed to progressing our pipeline of drug candidates to address unmet medical needs and improve the lives of millions.

We devote substantially all of our resources to our drug discovery efforts from target discovery through clinical development, and to our commercialization efforts for filgotinib in Europe.

The components of the operating result presented in the financial statements include the following companies: Galapagos NV, Galapagos Biopharma Belgium BV, Galapagos Real Estate Belgium BV (Mechelen, Belgium); Galapagos SASU (Romainville, France); Galapagos B.V., Galapagos Biopharma Netherlands B.V. and Galapagos Real Estate Netherlands B.V. (Leiden, the Netherlands); Galapagos, Inc. and its subsidiary Xenometrix, Inc. (United States); Galapagos GmbH (Basel, Switzerland); Galapagos Biotech Ltd (Cambridge, UK); Galapagos Biopharma Germany GmbH (München, Germany); Galapagos Biopharma Spain S.L.U. (Madrid, Spain), Galapagos Biopharma Italy S.r.l. (Milan, Italy), Galapagos Biopharma Sweden AB (Stockholm, Sweden), Galapagos Biopharma Norway AS (Oslo, Norway), Galapagos Biopharma Finland Oy (Helsinki, Finland), Galapagos Biopharma Denmark ApS (Copenhagen, Denmark), Galapagos Biopharma Austria GmbH (Vienna, Austria) and Galapagos Biopharma Ireland Ltd (Dublin, Ireland).

Our continuing operations had 1,309 employees on 31 December 2021 (as compared to 1,304 employees on 31 December 2020) mainly working in the operating facilities in Mechelen (the Belgian headquarters), the Netherlands, France, Switzerland, Germany, Italy, Spain and the United Kingdom.

On 4 January 2021 we sold of our fee-for-service business Fidelta to Selvita S.A. for a total consideration of €37.1 million. Fidelta d.o.o. had 185 employees on 31 December 2020 working in the operating facilities in Croatia. We classified the assets and the associated liabilities of Fidelta as held for sale in our financial statements for the year ended 31 December 2020.

Impact of COVID-19 on the financial statements

To date, we have experienced limited impact on our financial performance, financial position, cash flows and significant judgements and estimates, although we continue to face additional risks and challenges associated with the impact of the outbreak.

2. Summary of significant transaction

On 14 July 2019 we and Gilead announced that we entered into a 10-year global research and development collaboration. Through this agreement, Gilead gained exclusive access to our innovative portfolio of compounds, including clinical and preclinical programs and a proven drug discovery platform. At inception of this collaboration in 2019, we received an upfront payment €3,569.8 million ($3.95 billion) and a €960.1 million ($1.1 billion) equity investment from Gilead.

On the closing date of the transaction (23 August 2019) we concluded that the upfront payment implicitly included a premium for the future issuance of warrant A and initial and subsequent warrant B. The expected value of the warrants to be issued is treated as a contract liability ("warrant issuance liability") and reduces the transaction price until approval date of the issuance of the underlying warrants. As from approval date, the allocation of the upfront payment to the respective warrant becomes fixed and future changes in the fair value of the respective warrant are recognized in profit or loss. As such, the part of the upfront payment allocated to the warrant A and initial warrant B reflects the fair value of these financial liabilities at the warrant approval date (22 October 2019).

On 6 November 2019 Gilead exercised warrant A, which resulted in an additional equity investment of €368.0 million.

Subsequent warrant B is still subject to approval by an extraordinary general meeting of shareholders and is therefore still presented as warrant issuance liability in our deferred income (we refer to **note 25** for more information). The value allocated to the subsequent warrant B reflects the fair value of the underlying liability on 31 December 2020 and 31 December 2021. On 31 December 2021 the value of the subsequent warrant B decreased to €2.4 million, driven by the decrease of our share price, and of the implied volatility in 2021.

At inception of this collaboration, we identified the following three performance obligations: (i) the transfer of an extended license on GLPG1690, (ii) the granting of exclusive access to our drug discovery platform (i.e. the IP, technology, expertise and capabilities) during the collaboration period and exclusive option rights on our current and future clinical programs after Phase 2 (or, in certain circumstances, the first Phase 3 study) outside Europe and (iii) an increased cost share from 20/80 to 50/50 on the global development activities of filgotinib, as a result of the revised license and collaboration agreement.

As part of the collaboration, Gilead also received option rights for GLPG1972, a Phase 2b candidate for osteoarthritis, in the United States. In November 2020, Gilead however declined to exercise its option for GLPG1972.

Since 22 October 2019, Gilead has had two representatives on the supervisory board of Galapagos (Daniel O'Day and Linda Higgins).

In Q4 2020, Gilead decided not to pursue FDA approval of the RA indication for filgotinib in the U.S. as a result of Complete Response Letter (CRL) from the Food and Drug Administration (FDA). Due to this, in December 2020 Gilead and we agreed to amend our existing collaboration for the commercialization and development of filgotinib. This resulted in the execution of the Transition and Amendment Agreement of 3 April 2021 and the Second Amended and Restated license and Collaboration Agreement of 24 December 2021, effective as of 1 January 2022.

In September 2021 we agreed together with Gilead to also take over the sponsorship of and operational and financial responsibility for the ongoing DIVERSITY clinical study, evaluating filgotinib in CD, and its long-term extension study. We intend to complete the transfer of the DIVERSITY clinical study no later than 30 June 2022. From 1 April 2022, we will also be solely responsible for all development costs for the DIVERSITY clinical study.

Gilead remains responsible for commercial activities outside of Europe.

These modifications to the collaboration with Gilead did not result in the creation of new performance obligations, and only the performance obligation related to the development activities for filgotinib has been reassessed.

We retain the following three performance obligations, of which the first one was satisfied completely in 2019; (i) the transfer of an extended license on GLPG1690, (ii) the granting of exclusive access to our drug discovery platform (i.e. the IP, technology, expertise and capabilities) during the collaboration period and exclusive option rights on our current and future clinical programs after Phase 2 (or, in certain circumstances, the first Phase 3 study) outside Europe and (iii) an increased cost share from 20/80 to 50/50 to 100/0 (for certain agreed activities (Group A activities, as defined below)) on the global development activities of filgotinib, until we complete the remaining development activities.

We refer to the critical accounting judgments and key sources of estimation uncertainty section (**note 4**) explaining critical judgments and estimates in applying accounting policies.

Terms of the collaboration

We will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study (or, in certain circumstances, the first Phase 3 study), Gilead will have the option to acquire a license to the compound outside Europe. If the option is exercised, we and Gilead will co-develop the compound and share costs equally. Gilead will maintain option rights to our programs through the 10-year term of the collaboration. This term can be extended for up to an additional three years thereafter for those programs, if any, that have entered clinical development prior to the end of the collaboration term. In addition, a final term extension can be granted in certain circumstances. Development of GLPG1690 was discontinued in February 2021.

For GLPG1972, after the completion of the ongoing Phase 2b study in osteoarthritis, Gilead had the option to pay a $250 million fee to license the compound in the United States but declined to exercise its option in November 2020.

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

Revised filgotinib collaboration

Under the revised agreement of December 2020, we assume all development, manufacturing, commercialization and certain other rights for filgotinib in Europe, providing the opportunity to build a commercial presence on an accelerated timeline. The transfer is subject to applicable local legal, regulatory and consultation requirements. Most activities have been transferred as of 31 December 2021 and the parties intend to complete the transition by 31 December 2022. Beginning on 1 January 2021, we bear the future development costs for certain studies (defined as "Group A activities"), in lieu of the equal cost split contemplated by the previous agreement. These studies initially included the DARWIN3, FINCH4, FILOSOPHY, and Phase 4 studies and registries in RA, MANTA and MANTA-RAy, the PENGUIN1 and 2 and EQUATOR2 studies in PsA, the SEALION1 and 2 studies in AS, the HUMBOLDT study in uveitis in addition to other clinical and non-clinical expenses supporting these studies and support for any investigator sponsored trials in non-IBD conditions and non-clinical costs on all current trials. The DIVERSITY study has been added to the "Group A activities" in September 2021. The existing 50/50 global development cost sharing arrangement will continue for the following studies (defined as "Group B activities"): SELECTION and its long-term extension study (LTE) in UC, DIVERGENCE 1 and 2 and their LTEs and support for Phase 4 studies and registries in Crohn's disease, pediatric studies and their LTEs in RA, UC and Crohn's disease, and support for investigator sponsored trials in IBD. All commercial economics on filgotinib in Europe will transfer to us as of 1 January 2022, subject to payment of tiered royalties of 8% to 15% of net sales in Europe to Gilead, starting in 2024. In addition, if the European Medicines Agency grants regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY trial, then royalties payable by us to Gilead will be reduced by 30% across all filgotinib indications and will become 5.6% to 10.5% of net sales in Europe. In connection with the amendments to the existing arrangement for the commercialization and development of filgotinib, Gilead has agreed to irrevocably pay us €160 million, which is split between a €110 million payment received in 2021 and a €50 million payment to be received in 2022 and is subject to certain adjustments for higher than budgeted development costs. Upon completion of the DIVERSITY study transfer in 2022, Gilead will make a one-time payment of $15 million to us in consideration for assuming responsibility for the DIVERSITY clinical study. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. Other terms of the original license agreement remain in effect, including the remaining $295 million in development and regulatory milestones, sales-based milestone payments of up to $600 million and tiered royalties ranging from 20% – 30% payable in territories outside Europe (whereas before it was applicable for all countries outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom).

In addition, we achieved two regulatory approval milestones in 2020 totaling $105 million. No regulatory approval milestones were achieved during 2021.

Terms of the equity investment

As part of the research and development collaboration of 2019 Gilead also entered into a share subscription agreement with us. Gilead's equity investment consisted of a subscription for new Galapagos shares at a price of €140.59 per share, representing on 14 July 2019 a 20% premium to Galapagos' 30-day, volume-weighted average price. This equity subscription took place at closing of the transaction, on 23 August 2019 and increased Gilead's stake in Galapagos from approximately 12.3% to 22.04% of the then issued and outstanding shares in Galapagos. In addition, the extraordinary general meeting of shareholders of 22 October 2019 approved the issuance of warrant A and initial warrant B allowing Gilead to further increase its ownership of Galapagos to up to 29.9% of the company's issued and outstanding shares. The initial warrant B has a term of five years and an exercise price per share equal to the greater of (i) 120% multiplied by the arithmetic mean of the 30-day daily volume weighted average trading price of Galapagos' shares as traded on Euronext Brussels and Euronext Amsterdam, and (ii) €140.59. Subsequent warrant B is still subject to approval by an extraordinary general meeting of shareholders. This extraordinary general meeting of shareholders shall take place between 57 and 59 months after the closing of the subscription agreement (23 August 2019) and this warrant will have substantially similar terms, including as to exercise price, to the initial warrant B. The agreement also includes a 10-year standstill restricting Gilead's ability to propose a business combination with or acquisition of Galapagos or increase its stake in Galapagos beyond 29.9% of the company's issued and outstanding shares, subject to limited exceptions. On 6 November 2019, Gilead exercised warrant A and increased its ownership in Galapagos to 25.10% of the then outstanding shares. Warrant A expired in October 2020. Gilead's ownership amounted to 25.49% at 31 December 2021.

3. 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 2020

New standards and interpretations applicable for the annual period beginning on 1 January 2020 did not have a material impact on our consolidated financial statements.

New standards and interpretations applicable for the annual period beginning on 1 January 2021

New standards and interpretations applicable for the annual period beginning on 1 January 2021 did not have a material impact on our consolidated financial statements.

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2021

A number of new standards are effective for annual periods beginning on or after 1 January 2022 with earlier adoption permitted. However we have not early adopted new or amended standards in preparing our consolidated financial statements. We are currently still assessing the impact of these new accounting standards and amendments that are not yet effective but we expect no standard to have a material impact on our financial statements in the period of initial application.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- IFRS 17 Insurance Contracts and Amendments to IFRS 17.

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.

(i) Internally generated intangible assets

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. Because of risks and uncertainties inherent to the regulatory authorizations and to the development process itself, management estimates that the conditions for capitalization are not met until we obtain regulatory approval from the competent authorities.

Currently we recognize all development costs as an expense in the period in which they are incurred, even for approved products because they do not generate separately identifiable incremental future economic benefits that can be reliably measured.

(ii) Licenses, patents & know-how

Acquired in-process research and development obtained through in-licensing agreements, business combinations, collaboration agreements or separate acquisitions are capitalized as an intangible asset provided that they are separately identifiable, controlled by us and expected to provide economic benefits. As the probability criterion in IAS 38 is always considered to be satisfied for separately acquired research and development assets, upfront and milestone payments to third parties for products or compounds for which regulatory approval has not yet been obtained are recognized as intangible assets. We consider such intangible assets as not yet available for use until the moment that the underlying asset is approved and commercially launched. Amortization will commence when the underlying asset is approved for commercialization and the asset will be amortized over its useful life.

Licenses, patents and know-how will be amortized over their useful life (generally between 5 and 20 years), using the straight-line method.

Intangible assets may also consist of upfront fees paid to third party institutions in exchange for an option to negotiate a license to any of the third party's rights in technology resulting from the collaboration. The upfront fee paid in exchange for this option is capitalized as intangible asset and amortized over the expected duration of the option.

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.

(iii) Software

Acquired software is recognized at cost less accumulated amortization and any impairment loss. Amortization is recognized so as to write off the cost of assets over their useful lives (generally between 3 and 5 years), using the straight-line method.

(iv) Contract costs

Contract costs are those costs we incur to obtain a contract with a customer that we would not have incurred if the contract has not been obtained and are capitalized as intangible assets only if they are expected to be recoverable. Capitalized contract costs are amortized on a systematic basis that reflects the pattern of transfer of the related promised goods or services to the customer. Costs that we would have incurred regardless of whether the contract is obtained or those costs that are not directly related to obtaining a contract would not be capitalized.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment loss.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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: 3 – 15 years
- Furniture, fixtures & vehicles: 4 – 10 years

Leasehold improvements are depreciated over 3 - 10 years, being the term of the lease, unless a shorter useful life is expected.

The other tangible assets category mainly consists of assets under construction. Assets under construction are not depreciated.

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.

Leases

All leases are accounted for by recognizing a right-of-use asset and a corresponding lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, we will apply the incremental borrowing rate. The lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date, expected residual value guarantees, termination penalties and extension option payments or purchase options if we are reasonably certain to exercise this option.

After initial recognition, the lease liability is measured at amortized cost using the discount rate determined at commencement and will be re-measured (with a corresponding adjustment to the related right-of-use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At the commencement date, the right-of-use assets are measured at cost, comprising the amount of the initial lease liability, initial direct costs and the expected dismantling and removing costs (when we incur an obligation for these costs), less any lease incentives received from the lessors.

After initial recognition, the right-of-use assets are measured at cost and depreciated over the shorter of the underlying asset's useful life and the lease term on a straight-line basis. The right-of-use assets will be adjusted for any re-measurements of the lease liability as a result of lease modifications. The right-of-use assets are subject to impairment testing if there is an indicator for impairment, as for property, plant and equipment. The right-of-use assets are presented in the statement of financial position under the caption "Property, plant and equipment" and the lease liabilities are presented as current and non-current lease liabilities.

In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. We only include extension options (or periods after termination options) in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within our control.

Each lease payment is allocated between the liability and financial expenses. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Inventories

Inventories consist of raw materials, semi-finished products and finished products purchased for resale. These inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, including transportation costs, and is determined using the FIFO-method.

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. 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 do not have financial debts at 31 December 2021.

(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 our 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, current financial investments and cash equivalents)
- financial assets at amortized cost (receivables, current financial investments and cash and cash equivalents).

(a) 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 the 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. The fair value of listed investments is based upon the closing price of such securities on Euronext at each reporting date. If there is no active market for an equity instrument, we establish the fair value by using valuation techniques.

Current financial investments measured at fair value through profit or loss

Current financial investments include financial assets measured at fair value through profit or loss and may comprise short term bond funds that have a maturity equal or less than 12 months, and money market funds.

Cash equivalents measured at fair value through profit or loss

Cash equivalents measured at fair value through profit or loss may comprise bonds and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value.

(b) Financial assets at amortized cost

Receivables

Receivables are designated as financial assets measured at amortized cost. They are initially measured either at fair value or at transaction price, in the absence of a significant financing component.

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 current/non-current 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.

Current financial investments measured at amortized cost

Current financial investments measured at amortized cost include treasury bills that have a maturity equal or less than 12 months. We apply settlement date accounting for the recognition and de-recognition of current financial investments measured at amortized cost. Current financial investments measured at amortized cost also include short-term deposits with maturities exceeding three months from the acquisition date.

Cash and cash equivalents measured at amortized cost

Cash and cash equivalents measured at amortized cost mainly comprise of notice accounts and short-term deposits that are readily convertible to cash within three months or less and and that are subject to an insignificant risk of changes in their value .

Cash and cash equivalents exclude restricted cash, which is presented in the line other non-current assets 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.

(iii) Financial instruments: derivative assets/liabilities

Financial assets and financial liabilities are recognized on our balance sheet when we become a party to the contractual provisions of the instrument.

Derivative assets and liabilities are initially measured at fair value. After initial measurement we will measure the derivatives at fair value through profit or loss.

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. 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 financial result 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 collaboration revenues, which consist of milestones, license fees, non-refundable upfront fees and royalties received in connection with collaboration and license agreements. Starting in 2021 we also have commercial revenues from

the sales of Jyseleca, which are reported as "Product net sales" in our consolidated income statement. We also generated revenue from our fee-for-service activities, which is reported as discontinued operations per 31 December 2020.

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:

Collaboration revenues

(i) identify the contract

In our current agreements with customers we are mainly transferring licenses on our IP and in some cases this is combined with access rights and/or providing research and development services and/or cost sharing mechanisms. In some cases our collaborations also include an equity subscription component. If this is the case, we analyze if the criteria to combine contracts, as set out by IFRS 15, are met.

(ii) identify the performance obligations in the contract

Depending on the type of the agreement, there can be one or more distinct performance obligations under IFRS 15. This is based on an assessment of whether the promises in an agreement are capable of being distinct and are distinct from the other promises to transfer goods and/or services in the context of the contract. For some of our agreements we combine the transfer of the license with the performance of research and development activities because we consider that the license is not capable of being distinct and is not distinct in the context of the contract.

(iii) determine the transaction price

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

(a) 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 the performance obligation is satisfied over time, revenue is recognized based on a pattern that best reflects the transfer of control of the service to the customer.

(b) Milestone payments other than sales based milestones

A milestone payment is only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where milestone payments are included in the transaction price we estimate the amount to be included in the transaction price using the most likely amount method. The transaction price is allocated to each performance obligation on a stand-alone selling price basis. 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 relevant milestones and any related constraint. If necessary we 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.

(c) 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.

(d) Sales based milestone payments and 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.

(iv) allocate the transaction price to the performance obligations in the contract

We allocate the transaction price to each performance obligation identified in the contract based upon stand-alone selling price. The stand-alone selling price of each performance obligation is estimated by using one of the following methods: adjusted market assessment approach, the expected cost plus a margin approach or the residual approach. If management assesses that there is only one single performance obligation, the entire transaction price would be allocated to this performance obligation.

(v) recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when our customer obtains control of the goods and/or services foreseen in the contracts. The control can be transferred over time or at a point in time – which results in recognition of revenue over time or at a point in time.

In case of revenue recognition over time, we use either an input model that considers estimates of the percentage of total research and development costs that are completed each period compared to the total estimated costs (percentage of completion method) or we apply an output method to measure the progress of the satisfaction of the underlying performance obligation. In other cases, depending on specific circumstances, we recognize revenue on a straight-line basis over the estimated term of the performance obligation.

Product net sales

Revenue on the sale of Jyseleca is recorded as "Product net sales" in our consolidated income statement.

Product net sales is the net amount of revenue recognized resulting from transferring control over our products to our customer (for example wholesalers and hospitals). Product sales revenue is recognized at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer depending on the specific incoterms in the contract with a customer.

The amount of revenue recognized is the amount allocated to the satisfied performance obligation taking into account variable consideration. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is included in the transaction price is primarily composed of rebates, discounts, cash discounts and chargebacks granted to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs. Shelf stock adjustments are granted to some of our customers to cover the inventory held by them at the time of a price decrease becomes effective. A liability is recognized for expected rebates, cash discounts, chargebacks or other reimbursements payable directly or indirectly to customers in relation to sales made until the end of the reporting period.

The amount of variable consideration is estimated using several elements such as third-party market data, product pricing, the specific terms in the individual agreements, estimated inventory levels and the shelf life of our product. If actual results differ, these estimates will be adjusted.

Net sales are presented net of value added tax and other sales related taxes.

We refer to **note 6** for detailed information per agreement and to our Critical accounting judgments and key sources of estimation uncertainty for more information.

Cost of sales

Our cost of sales includes primarily the purchase cost of the goods sold and transportation costs.

Other operating 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.

Equity instruments

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

Employee benefits

(i) Defined contribution plans

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

(ii) 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.

(iii) Staff bonus plan

We recognize an expense in the income statement for staff bonus plans.

(iv) Management bonus plan

(a) Bonuses which were granted for performance years until 2018

The management board 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.

(b) Bonuses which were granted for performance year 2019 and beyond

The management board members, together with other senior managers are eligible to receive a bonus based on achievement of personal and corporate objectives. This bonus is paid in cash.

Share-based payments

(i) Equity-settled share-based payments

We grant equity-settled incentives to certain employees, members of the supervisory board and consultants in the form of subscription rights. Equity-settled subscription rights are measured at fair value at the date of acceptance. The fair value determined at the acceptance date of the subscription rights is expensed over time until the end of the vesting period, based on our estimate of subscription rights 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.

(ii) Long-term incentive plans in RSUs (Restricted Stock Units)

Management board members and other employees are granted RSUs. An RSU is a grant that takes the form of a promise that employees will receive Galapagos stock in the future and it will be payable, at the company's discretion in cash or in shares, upon completion of a certain vesting period. Each RSU reflects the value of one Galapagos share.

The RSUs are measured based on the volume weighted average share price over the 30-calendar day period preceding the measurement date. We recognize the corresponding expense and liability over the vesting period. The fair value of the liability is re-measured at each reporting date because currently it is management's intention to settle the RSUs in cash.

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.

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, in the absence of a significant financing component, 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) Property, plant and equipment and intangible assets

For intangible assets with an indefinite life or intangible assets not available for use yet, we perform an impairment test at least on an annual basis. Furthermore we review at each balance sheet date 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 subscription rights, if any.

Segment reporting

We currently have one operating and reportable segment. Prior to the disposal of our fee-for-service business Fidelta our reportable segments were R&D and fee-for-service business. Fidelta is reported as discontinued operations at 31 December 2020 and at 31 December 2021.

Assets held for sale and discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale. It must either: represent a major separate line of business or geographical area of operations; be part of a single coordinated disposal plan; or be a subsidiary acquired exclusively with a view to resale.

Intercompany transactions between continuing and discontinued operations are eliminated against discontinuing operations.

Non-current assets and disposal groups are classified as assets held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

They are stated at the lower of carrying amount and fair value less costs to sell with any resulting impairment recognized. Assets related to discontinued operations and assets of disposal group held for sale are not depreciated.

On 4 January 2021 we sold of our fee-for-service business Fidelta. We classified the assets and the associated liabilities of Fidelta as held for sale in our financial statements for the year ended 31 December 2020.

4. Critical accounting judgments and key sources of estimation uncertainty

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.

The following are the critical judgments that we have made in the process of applying the accounting policies and the key sources of estimation uncertainty 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

IFRS 15 – Revenue recognition Gilead

Our critical judgments were as follows:

Identification of the contract

- Despite our obligation to pay future sales-based royalties to Gilead and a change in the governance structure for the development activities, management judged that all activities are still beneficial for the further development of filgotinib, for which Gilead still owns the ex-Europe rights. All contract modifications have thus been analyzed following the requirements of IFRS 15 as we concluded that Gilead is still to be considered as a customer. This is also supported by the fact that we concluded that there continues to be only one performance obligation with respect to filgotinib.

Identification of the performance obligation

- The modifications of 2020 and 2021 did not give rise to new performance obligations. There was only a change in scope and price of the existing filgotinib performance obligation, which was only partly satisfied at the time of the modification. It is management's judgement that the Group A and Group B development activities (see **note 2** for more details) still to be performed are interrelated and thus cannot be seen as separate performance obligations. Based on this, the contract modification has been treated on a cumulative catch-up basis under IFRS 15.

Allocation of the total transaction price

- The increased fixed consideration as result of the modifications has been allocated in its entirety to the filgotinib performance obligation. We assessed that the contract modification only changes the scope of the filgotinib performance obligation and the change in both fixed and variable consideration is reflective of the updated stand-alone selling price for the remaining activities of this performance obligation. If we would have concluded that the increased consideration was not, or only partially, related to the filgotinib performance obligation, the consideration would have been potentially allocated to other performance obligations in the contract, which would alter the timing of revenue recognition.
- The denominator used in the calculation of the percentage of completion reflects our best estimate of the total costs to complete the filgotinib performance obligation. These costs were assessed considering management's best estimate of the design and duration of ongoing and planned clinical trials

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognized in our consolidated financial statements for the year ended 31 December 2021.

Costs to complete the filgotinib performance obligation

- The denominator used in the calculation of the percentage of completion reflects our best estimate of the total costs to complete the filgotinib performance obligation (which is composed of the actual costs already incurred at reporting date and our best estimate of the remaining costs to complete the performance obligation). As our estimate of the costs is depending on the evolution of the development activities, it may be subject to change in the future. If the outcome of certain activities would be different from the assumptions that we made, it could lead to a material adjustment to the total estimated costs, resulting in a reallocation of revenue between current and future periods. Revenue recognized for upfront payments and milestone payments in 2021 amounted to €235.7 million. Our total deferred income balance related to this filgotinib performance obligation amounts to €604.9 million on 31 December 2021. At reporting date, had our best estimate of the remaining cost to complete the filgotinib performance obligation been increased by 5%, this would have resulted in a decrease in revenue recognition in 2021 of €16.7 million and a corresponding increase in current and non-current deferred income. Had our best estimate of the remaining cost to complete the filgotinib performance obligation been decreased by 5%, this would have resulted in an increase in revenue recognition in 2021 of €17.5 million and a corresponding decrease in current and non-current deferred income.

5. Segment information

Geographical information

In 2021 our continuing operations were mainly located in Belgium, France, the Netherlands, Germany, Italy, Spain, Switzerland and the United Kingdom and the revenues from our collaboration partner Gilead represented almost 100% of the collaboration revenues.

Following table summarizes our collaboration revenues by destination of customer:

	Year ended 31 December,	
(thousands of €)	2021	2020
United States of America	467,978	472,445
Europe	2,114	5,605
Total collaboration revenues	**470,093**	**478,051**

Following table summarizes our collaboration revenues by major customers:

	Year ended 31 December,			
	2021		2020	
	(thousands of €)	%	(thousands of €)	%
Gilead				
United States of America	467,978	100%	472,445	99%
Europe	2,071	0%	1,460	0%
Novartis				
Europe	-	0%	4,125	1%
Total collaboration revenues from major customers	**470,049**	**100%**	**478,030**	**100%**

On 31 December 2021, we held €198 million (€171 million in 2020) of property, plant and equipment and intangible assets distributed as follows:

	31 December	
(thousands of €)	2021	2020
Belgium	98,295	113,524
France	21,051	18,398
The Netherlands	66,621	28,210
Switzerland	7,181	7,668
Spain	3,029	2,755
Other	1,438	388
Total	**197,615**	**170,943**

6. Total net revenues

Product net sales

We reported net sales of Jyseleca for the year ended 31 December 2021 of €14.8 million, which reflects the net sales booked by Galapagos after the transition from Gilead. Our counterparties for the sales of Jyseleca during 2021 were hospitals and wholesalers located in Belgium, the Netherlands, France, Italy, Spain and Germany.

Net sales exclusively consisted of sales of Jyseleca.

Collaboration revenues

The following table summarizes our collaboration revenues for the years ended 31 December 2021 and 2020 by collaboration and by category of revenue: upfront payments and license fees, milestone payments, reimbursement income, and royalties.

	Year ended 31 December			
(thousands of €)	Over time	Point in time	2021	2020
Recognition of non-refundable upfront payments and license fees			**433,884**	**411,417**
Gilead collaboration agreement for filgotinib	✓		203,301	181,816
Gilead collaboration agreement for drug discovery platform	✓		230,582	229,601
Milestone payments			**32,408**	**46,261**
Gilead collaboration agreement for filgotinib	✓		32,408	46,261
Reimbursement income			**-**	**4,073**
Novartis collaboration agreement for MOR106	✓		-	4,125
AbbVie collaboration agreement for CF	✓		-	(52)
Royalties			**3,801**	**16,299**
Gilead royalties on Jyseleca		✓	3,757	16,227
Other royalties		✓	43	72
Total collaboration revenues			**470,093**	**478,051**

Recognition of non-refundable upfront payments, license fees and milestone payments related to the filgotinib agreement amounted to €235.7 million in 2021. We recognize the consideration from Gilead allocated to the drug discovery platform on a linear basis over 10 years, of which we recognized €230.6 million in 2021. Additionally, for the year ended 31 December 2021, we recognized in revenue €3.8 million of royalties from Gilead on filgotinib.

The below table summarizes the transaction price of our collaboration with Gilead:

(thousands of €)	31 December 2020	Other movements in 2021	Diversity amendment (6 September 2021)	31 December 2021
Upfront consideration	4,005,373		12,643	4,018,016
Milestones achieved	194,363			194,363
Royalties	16,227	3,757		19,984
Impact initial valuation of share subscription agreement	124,604			124,604
	4,340,567	3,757	12,643	4,356,967
Less:				
Warrant issuance liabilities				
Warrant A	(43,311)			(43,311)
Initial warrant B	(2,545)			(2,545)
Subsequent warrant B	(7,859)	5,417		(2,442)
	4,286,852	9,174	12,643	4,308,669
Allocation to performance obligations				
Ziritaxestat	666,967			666,967
Filgotinib[(1)]	1,326,814	3,757	12,643	1,343,214
Drug discovery platform (10 years)	2,293,072	5,417		2,298,489

(1) With regard to the additional consideration received as a result of the Option, License and Collaboration agreement (14 July 2019) allocated to the filgotinib performance obligation, we assumed the existence of a significant financing component estimated to €44.5 million as of 31 December 2019 reflecting the time value of money on the estimated recognition period. This financing component was reassessed to €55.3 million as of 31 December 2020, and to €57.3 million on 31 December 2021.

A summary of our main contracts with customers is given below:

Collaboration with Gilead

We refer to **note 2** of this financial report for a general description of our collaboration with Gilead.

We retain the following three performance obligations, of which the first one was satisfied completely in 2019; (i) the transfer of an extended license on GLPG1690, (ii) the granting of exclusive access to our drug discovery platform (i.e. the IP, technology, expertise and capabilities) during the collaboration period and exclusive option rights on our current and future clinical programs after Phase 2 (or, in certain circumstances, the first Phase 3 study) outside Europe and (iii) an increased cost share from 20/80 to 50/50 to 100/0 (for Group A activities only) on the global development activities of filgotinib, until we complete the remaining development activities (Group A and Group B activities).

We concluded as follows:

Determination of the total transaction price

- We assessed that the contract modifications of 15 December 2020 and 6 September 2021 only change the scope of the filgotinib performance obligation and the changes in both fixed and variable consideration are reflective of the updated stand-alone selling price for the remaining activities of this performance obligation. As a result of these modifications, there were increases in the transaction price of €160.0 million and $15.0 million, respectively, which have been allocated in their entirety to the filgotinib performance obligation.

Financing component

- Management has considered it is appropriate to adjust the part of the transaction price that was allocated to the filgotinib performance obligation, for the time value of money. The additional consideration as a result of the contract modification of 15 December 2020 has also been adjusted for the time value of money.

License on GLPG1690

- This performance obligation is completely satisfied at 31 December 2019. Following the discontinuation of the ziritaxestat trials, we do not expect future milestone payments or royalties.
- After granting the license for GLPG1690, we shared Phase 3 costs equally with Gilead. Any cost reimbursement from Gilead was not recognized as revenue but accounted as a decrease of the related expenses.

Filgotinib amendment

- 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 is currently composed of a fixed part, being non-refundable upfront and license fees and a variable part, being milestone payments, sales based milestones and sales based royalties, and cost reimbursements for R&D activities delivered. Milestone payments are included in the transaction price of the arrangement to the extent that it is highly probable that a significant reversal of revenue will not occur. Milestone payments received from Gilead are recognized in revenue over time till the end of the development plan. Sales based milestones and sales based royalties are also part of the arrangement and are recognized as revenues at a point in time at the moment they occur. During 2020 and 2021 we reported respectively €16.2 million and €3.8 million of revenues from royalties from Gilead.
- Revenues, excluding sales based milestones and sales based royalties, are recognized over time through satisfaction of the performance obligation. The “cost-to-cost” input model is applied to measure the progress of the satisfaction of this performance obligation. The estimated costs to complete the performance obligation have been reassessed as a result of the contract modifications from 2020 and 2021.

Access rights to the drug discovery platform, option rights and R&D activities

- The revenue allocated to the drug discovery platform is recognized over time as Gilead receives exclusive access to our drug discovery platform and option rights on our current and future pipeline as well as R&D activities during the collaboration term. Management concluded that an equal spread over the collaboration period is the most reliable and appropriate recognition method.
- At inception of the collaboration (July 2019) we assessed the appropriate period over which to recognize the drug discovery platform revenue to be 10 years. This is because we granted exclusive rights over a 10-year period. However, if at the end of the 10-year period, some programs in existence as of this time would have reached the clinic (i.e. IND filed with regulatory authorities), the rights for those specific programs may be extended, for a maximum of three years. This critical estimate is reassessed at each year-end based on the evolution of our pipeline and is still valid per 31 December 2021.

7. Operating costs and other operating income

Operating costs

Research and development expenditure

The following table summarizes research and development expenditure for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Personnel costs	(165,239)	(161,509)
Subcontracting	(251,085)	(301,841)
Disposables and lab fees and premises costs	(24,025)	(22,349)
Depreciation and impairment	(17,518)	(11,707)
Professional fees	(15,862)	(12,692)
Other operating expenses	(17,978)	(13,570)
Total research and development expenditure	**(491,707)**	**(523,667)**

The decrease in our R&D expenditure was principally due to reduced subcontracting costs primarily due to the winding down of the programs with ziritaxestat (IPF), MOR106 (atopic dermatitis) and GLPG1972 (OA) and to reduced spend on our other programs. This was partly offset by costs increases for our filgotinib, Toledo (SIKi) and TYK2 programs, on a yearly comparison basis.

This decrease was partly offset by:

- A slight increase in personnel costs explained by an increase in salaries driven by higher average number of FTEs on a yearly comparison basis, mainly driven by an increase in our Medical Affairs staff. This increase was partly offset by decreased costs of the subscription right plans and by a reassessment of the defined benefit accounting of our employee benefit plans under IFRS.
- Impairment of capitalized in-licensing fees, and increase in professional fees due to additional consulting expenses related to the implementation of new R&D software applications.
- Increase in other operating expenses, mainly software and license expenses.

The table below summarizes our research and development expenditure for the years ended 31 December 2021 and 2020, broken down by program:

	Year ended 31 December	
(thousands of €)	2021	2020
Filgotinib program	(171,204)	(126,879)
Ziritaxestat program	(26,725)	(55,902)
OA program on GLPG1972	(2,285)	(22,966)
Toledo program	(91,957)	(87,107)
TYK2 program on GLPG3667	(27,141)	(20,199)
AtD program on MOR106	(112)	(7,618)
Other programs	(172,284)	(202,996)
Total research and development expenditure	**(491,707)**	**(523,667)**

Sales and marketing expenses

The following table summarizes the sales and marketing expenses for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Personnel costs	(59,102)	(31,727)
Depreciation	(504)	(140)
External outsourcing costs	(62,321)	(31,885)
Sales and marketing expenses recharged to Gilead	59,699	4,711
Professional fees	(532)	(3,420)
Other operating expenses	(7,196)	(4,007)
Total sales and marketing expenses	**(69,956)**	**(61,757)**

The increase in our sales and marketing expenses for the year ended 31 December 2021, is due to the commercial launch of filgotinib in Europe.

Personnel costs increased explained by an increase in the commercial work force from 99 average FTEs in 2020 to 248 average FTEs in 2021. External outsourcing costs increased primarily explained by increased costs for marketing campaigns and information, market research and promotional expenses. This was partially offset by additional cost recharged by us to Gilead in the scope of our co-commercialization cost sharing for filgotinib in Belgium, the Netherlands, Luxembourg, France, Italy, Spain, Germany and Great Britain, for which we have recharged €59.7 million to Gilead in 2021 (compared to €4.7 million recharges for the year ended 31 December 2020). This was due to the shift of commercial activities from Gilead to us in the course of 2021.

As from 1 January 2022, the 50/50 filgotinib co-commercialization cost sharing agreement with Gilead will come to its end and we will therefore bear all commercialization costs for Europe.

General and administrative expenses

The following table summarizes the general and administrative expenses for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Personnel costs	(71,190)	(70,110)
Depreciation and impairment	(16,621)	(5,147)
Legal and professional fees	(26,072)	(25,592)
Other operating expenses	(27,016)	(17,908)
Total general and administrative expenses	**(140,899)**	**(118,757)**

The increase in our general and administrative expenses in 2021 was mainly due to an exceptional impairment cost of €9.3 million on other tangible fixed assets following our decision to reassess the construction project of our new future headquarter location in Mechelen (Belgium), as well as higher costs for our insurance programs (an increase of €4.0 million compared to 2020) and the newly applicable tax on securities accounts in 2021 in Belgium for an amount of €4.3 million, both reported as other operating expenses. The Belgian tax on securities accounts is an annual tax of 0.15% which is levied on securities accounts of which the average value calculated according to certain principles would exceed €1.0 million.

Other operating income

The following table summarizes other operating income for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Grant income	7,334	5,452
R&D incentives	44,888	45,951
Other	1,526	804
Total other operating income	**53,749**	**52,207**

The grant income in 2021 was fully related to grants from a Flemish agency and the Belgian government. In many cases these grant agreements 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. Grant income in 2021 included a grant of €5.4 million from the National Institute for Health and Disability Insurance (2020: €5.0 million). This grant aims to incentivize innovative Belgian biotech companies who are performing research and development activities in order to identify new medicines.

R&D incentives income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €12.4 million of other operating income for the year ended 31 December 2021 compared to €12.4 million for the year ended 31 December 2020
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €20.9 million of other operating income for the year ended 31 December 2021 compared to €21.7 million for the year ended 31 December 2020
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €11.7 million of other operating income for the year ended 31 December 2021 compared to €11.9 million for the year ended 31 December 2020.

8. Staff costs

The table below summarizes the number of our employees of our continuing operations on 31 December 2021 and 2020:

	2021	2020
Number of employees on 31 December	1,309	1,304
Total	**1,309**	**1,304**

The average number of FTE's of our continuing operations during the years 2021 and 2020 was:

	Year ended 31 December	
	2021	2020
Members of the management board	6	6
Research and development	636	611
Commercial and medical affairs	338	144
Corporate and support	332	335
Total	**1,312**	**1,096**

Their aggregate remuneration comprised:

	Year ended 31 December	
(thousands of €)	2021	2020
Wages and salaries	(175,167)	(139,681)
Social security costs	(29,934)	(26,471)
Retirement benefit costs	(8,467)	(7,337)
Costs related to subscription right plans	(70,726)	(79,959)
Other personnel costs	(11,237)	(9,897)
Total personnel costs	**(295,531)**	**(263,345)**

9. Fair value re-measurement of warrants granted to Gilead

Total fair value re-measurement for the years ended 31 December 2021 and 31 December 2020 can be split up as follows:

	Year ended 31 December	
(thousands of €)	2021	2020
Fair value re-measurement of initial warrant B	2,960	3,034
Total fair value re-measurement of warrants granted to Gilead	**2,960**	**3,034**

Gilead warrants B

We measured the warrants (initial and subsequent warrant B) at fair value and recognized a warrant issuance liability at closing date of the transaction on 23 August 2019. Upon approval of the issuance of initial warrant B on 22 October 2019 (warrant approval date) the variable consideration was re-measured with a corresponding impact on the transaction price allocated to the performance obligation relating to our drug discovery platform, and the warrant issuance liability became a financial liability measured at fair value with changes through profit or loss as from that moment.

The issuance of initial warrant B was approved on 22 October 2019 by the extraordinary general meeting of shareholders and is not yet exercised by Gilead at 31 December 2021. The fair value measurement of this financial liability is categorized as level 3 in the fair value hierarchy. Initial warrant B has been valued on the basis of a Longstaff-Schwartz Monte Carlo model. The input data used in the model were derived from market observations (volatility, discount rate and share price) and from management estimates (number of shares to be issued and applied discount for lack of marketability). The recognized fair value gain of €3.0 million for the year ended 31 December 2021, is mainly the result of the decrease of our share price and of its implied volatility in 2021. The fair value of the financial liability related to the initial warrant B of

€0.2 million on 31 December 2021 (€3.2 million on 31 December 2020) is presented as current financial instrument in our consolidated statement of financial position and will be re-measured at each reporting period.

	Year ended 31 December	
(thousands of €)	2021	2020
Fair value of financial liability at 1 January	**(3,164)**	**(6,198)**
Change in fair value recorded in profit or loss	2,960	3,034
Fair value on 31 December	**(204)**	**(3,164)**

Subsequent warrant B is still subject to approval by an extraordinary general meeting of shareholders and is therefore still presented as warrant issuance liability in our deferred income (we refer to **note 25** for more information). Subsequent warrant B has been valued on the basis of a Longstaff-Schwartz Monte Carlo model. The input data used in the model were derived from market observations (volatility, discount rate and share price) and from management estimates (number of shares to be issued and applied discount for lack of marketability).

10. Other financial income/expenses

The following table summarizes other financial income and expenses for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Other financial income:		
Interest income	2,865	10,030
Effect of discounting long term R&D incentives receivables	93	93
Currency exchange gain	60,727	4,697
Fair value gain on financial assets held at fair value through profit or loss	-	2,397
Fair value gain on current financial investments	6,763	-
Other finance income	100	1,450
Total other financial income	**70,548**	**18,667**

	Year ended 31 December	
(thousands of €)	2021	2020
Other financial expenses:		
Interest expenses	(11,656)	(9,389)
Effect of discounting long term deferred income	(9,289)	(16,278)
Currency exchange loss	(4,235)	(110,416)
Fair value loss on financial assets held at fair value through profit or loss	(4,919)	-
Loss upon sale of financial assets held at fair value through profit or loss	-	(88)
Fair value loss on current financial investments	-	(15,901)
Other finance charges	(812)	(773)
Total other financial expenses	**(30,911)**	**(152,844)**
Total net other financial income/expenses (-)	**39,638**	**(134,177)**

The currency exchange gain in 2021 of €60.7 million primarily consisted of an unrealized exchange gain of €56.6 million on cash and cash equivalents held in U.S. dollars, as compared to an unrealized exchange loss in 2020 of €106.4 million on cash and cash equivalents and current financial investments held in U.S. dollars. As from 2021, the currency exchange results on the current financial investments (an exchange gain of €16.3 million in 2021) are reported, together with the other fair value results on current financial investments, on the line fair value gain (or loss) on current financial investments. We have cash, cash equivalents and current financial investments 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.

Net currency exchange gain amounted to €56.5 million for the year ended 31 December 2021, compared to a net currency exchange loss of €105.7 million for the year ended 31 December 2020.

Interest expenses were related to interests on term deposits, treasury bills that came to maturity and on leases of buildings and cars. Other financial expense for 2021 also included €9.3 million of costs (€16.3 million for the year ended 31 December 2020) linked to the accounting under IFRS 15 for a financing component embedded in the upfront consideration received from Gilead in connection with the revised agreement for filgotinib.

Interest income was related to interests on term deposits, notice accounts and current financial investments.

For the year ended 31 December 2021, fair value loss on financial assets held at fair value through profit or loss consisted of negative 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, and of an impairment loss on a participation in a non-listed company. The fair value gain on the current financial investments in 2021 reflected the positive exchange differences booked on these current financial investments, compensated by the interest on the treasury bills which have not yet expired and the effect of the re-measurement at fair value of our money market funds on 31 December 2021. These re-measurement losses were mainly the result of the negative returns on the EUR denominated money market funds.

11. Income taxes

The following table summarizes the income tax recognized in profit or loss for the years ended 31 December 2021 and 2020.

	Year ended 31 December	
(thousands of €)	2021	2020
Current tax	(2,020)	(1,069)
Deferred tax	(404)	(157)
Total income taxes	**(2,423)**	**(1,226)**

Current tax, consisting of corporate income taxes, and deferred tax income/cost (–) related to subsidiaries working on a cost plus basis.

Tax liabilities

The below table illustrates the tax liabilities related captions in the consolidated statement of financial position as at 31 December 2021 and 2020.

	31 December	
(thousands of €)	2021	2020
Current tax payable	1,782	1,248
Total tax liabilities	**1,782**	**1,248**

On 31 December 2021, the 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 25% (2020: 25%) – 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 €)	2021	2020
Loss before tax	**(122,999)**	**(309,775)**
Income tax debit/credit (-), calculated using the Belgian statutory tax rate on the accounting profit/loss (-) before tax (theoretical)	(30,750)	(77,444)
Tax expenses in income statement (effective)	**2,423**	**1,226**
Difference in tax expenses/income to explain	**33,173**	**78,670**
Effect of tax rates in other jurisdictions	(582)	184
Effect of non-taxable revenues	(9,413)	(10,196)
Effect of share-based payment expenses without tax impact	17,682	19,990
Effect of expenses/income (-) not subject to tax	(907)	(639)
Effect of non-tax-deductible expenses	3,812	1,053
Effect of recognition of previously non recognized deferred tax assets	(1,411)	(475)
Effect of tax losses (utilized) reversed	(404)	(150)
Effect from under or over provisions in prior periods	(840)	(25)
Effect of non-recognition of deferred tax assets	25,613	69,141
Effect of derecognition of previously recognized deferred tax assets	135	157
Effect of use of investment deduction	(512)	(370)
Total explanations	**33,173**	**78,670**

Non-taxable revenues for the years ended 31 December 2021 and 2020 were related to non-taxable subsidies and tax credits.

12. 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 outstanding during the year. Diluted income/loss (–) per share is calculated based on the weighted average number of shares (diluted) also considering outstanding subscription rights, for which our average share price of the year was higher than the exercise price.

	Year ended 31 December	
	2021	2020
Net loss attributable to owners of the parent (thousands of €)	**(103,231)**	**(305,436)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of basic income / loss (-) per share	65,500	65,075
Basic loss per share (€)	**(1.58)**	**(4.69)**
Net loss attributable to owners of the parent (thousands of €)	**(103,231)**	**(305,436)**
Number of shares (thousands)		
Weighted average number of shares for the purpose of diluted income / loss (-) per share	65,500	65,075
Number of dilutive potential ordinary shares	-	-
Diluted loss per share (€)	**(1.58)**	**(4.69)**

As we reported a net loss in 2021 and 2020, the outstanding subscription rights (specified in **note 30**) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share is the same for 2021 and 2020.

13. Intangible assets

(thousands of €)	Software & databases	Brands, licenses, patents & know-how	Contract costs	Total
Acquisition value				
On 1 January 2020	**14,541**	**5,172**	**15,384**	**35,099**
Additions	9,494	39,299		48,793
Sales and disposals	(17)			(17)
Reclassifications to assets held for sale	(159)	(38)		(197)
Translation differences	(143)	(1)		(144)
On 31 December 2020	**23,717**	**44,432**	**15,384**	**83,534**
Additions	2,423	1,250		3,673
Sales and disposals	(1,643)	(5,753)		(7,396)
Translation differences	57			57
On 31 December 2021	**24,554**	**39,929**	**15,384**	**79,868**
Amortization and impairment				
On 1 January 2020	**8,034**	**1,626**	**512**	**10,173**
Amortization	2,303	2,289	1,538	6,130
Sales and disposals	(17)			(17)
Reclassifications to assets held for sale	(143)	(33)		(176)
Translation differences	(142)			(142)
On 31 December 2020	**10,034**	**3,883**	**2,050**	**15,968**
Amortization	3,529	2,053	1,538	7,120
Impairment		4,016		4,016
Sales and disposals	(1,643)	(5,753)		(7,396)
Translation differences	57			57
On 31 December 2021	**11,977**	**4,199**	**3,588**	**19,765**

(thousands of €)	Software & databases	Brands, licenses, patents & know-how	Contract costs	Total
Carrying amount				
On 31 December 2020	13,683	40,549	13,334	67,565
On 31 December 2021	**12,577**	**35,730**	**11,796**	**60,103**

New additions in 2021 primarily related to the capitalization of an in-licensing fee for an amount of €1.2 million and software acquisitions for a total amount of €2.4 million.

On 31 December 2021, our balance sheet did not hold any internally generated assets capitalized as intangible asset.

14. Property, plant and equipment

Fully owned

(thousands of €)	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Acquisition value					
On 1 January 2020	**5,284**	**44,655**	**4,028**	**17,856**	**71,823**
Additions	885	3,737	1,824	32,218	38,664
Sales and disposals	(51)	(1,096)	(81)		(1,228)
Reclassifications	10,625	(623)	2,084	(12,086)	-
Reclassifications to assets held for sale	(2)	(8,938)	(484)	(686)	(10,110)
Translation differences	(2)	(127)	(19)	(30)	(178)
On 31 December 2020	**16,739**	**37,607**	**7,352**	**37,273**	**98,972**
Additions	1,924	4,453	434	46,028	52,839
Sales and disposals		(1,001)	(1,177)	(9,316)	(11,494)
Reclassifications	7,273	5,210	1,175	(13,658)	-
Translation differences	195	1	45	(3)	238
On 31 December 2021	**26,131**	**46,270**	**7,829**	**60,324**	**140,555**

(thousands of €)	Land & building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Depreciation and impairment					
On 1 January 2020	**3,080**	**25,885**	**2,119**	**31**	**31,117**
Depreciations	654	3,587	1,418	7	5,666
Sales and disposals	(51)	(1,058)	(77)		(1,186)
Reclassifications	46	(1,675)	1,629		-
Reclassifications to assets held for sale		(4,327)	(448)	(39)	(4,814)
Translation differences	(1)	(61)	(13)		(75)
On 31 December 2020	**3,728**	**22,350**	**4,628**	**-**	**30,708**
Depreciations	1,749	3,398	1,113		6,260
Impairment				9,316	9,316
Sales and disposals		(1,000)	(1,178)	(9,316)	(11,494)
Translation differences	28	1	18		47
On 31 December 2021	**5,505**	**24,749**	**4,582**	**-**	**34,837**
Carrying amount					
On 31 December 2020	13,011	15,257	2,724	37,273	68,264
On 31 December 2021	**20,626**	**21,521**	**3,247**	**60,324**	**105,718**

The other tangible assets primarily consist of assets under construction, mainly related to our new building in Leiden (the Netherlands), which are not yet available for use and therefore not yet depreciated as per 31 December 2021.

In 2021 we recorded an exceptional impairment of €9.3 million on the other tangible fixed assets following our decision to reassess the construction project of our new future headquarter location in Mechelen (Belgium).

Right-of-use

(thousands of €)	Land & building	Installation & machinery	Furniture, fixtures & vehicles	Total
Acquisition value				
On 1 January 2020	**27,364**	**554**	**3,307**	**31,225**
Additions	18,341	186	2,932	21,459
Sales and disposals		(6)	(161)	(167)
Reclassifications to assets held for sale	(5,940)		(263)	(6,202)
Translation differences	(88)		(3)	(90)
On 31 December 2020	**39,678**	**734**	**5,812**	**46,225**
Additions	1,722	110	5,092	6,924
Sales and disposals	(4,160)	(251)	(722)	(5,133)
Translation differences	221		2	223
On 31 December 2021	**37,461**	**593**	**10,184**	**48,239**
Depreciation and impairment				
On 1 January 2020	**4,670**	**342**	**867**	**5,879**
Depreciations	5,350	128	1,405	6,883
Sales and disposals		(6)	(161)	(167)
Reclassifications to assets held for sale	(1,334)		(115)	(1,448)
Translation differences	(36)		(1)	(36)
On 31 December 2020	**8,651**	**464**	**1,995**	**11,111**
Depreciations	5,466	161	2,296	7,923
Sales and disposals	(1,696)	(251)	(722)	(2,669)
Translation differences	79			79
On 31 December 2021	**12,500**	**374**	**3,569**	**16,444**

(thousands of €)	Land & building	Installation & machinery	Furniture, fixtures & vehicles	Total
Carrying amount				
On 31 December 2020	31,027	270	3,817	35,113
On 31 December 2021	24,961	219	6,615	31,794

Carrying amount

	31 December	
(thousands of €)	2021	2020
Property, plant and equipment fully owned	105,718	68,264
Right-of-use	31,794	35,113
Total property, plant and equipment	**137,512**	**103,378**

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.

15. 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 €)	2021	2020
Non-current restricted cash	1,425	1,482
Financial assets held at fair value through profit or loss	-	8,951
Other non-current assets	1,048	910
Total other non-current assets	**2,473**	**11,343**

Restricted cash on 31 December 2021 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €1.0 million, and €0.4 million, respectively.

Financial assets held at fair value through profit or loss at 31 December 2020 consisted of equity instruments of both listed and non-listed companies. During 2021 all equity instruments of listed companies were sold. We have no restrictions on the sale of these equity instruments and the assets are not pledged under any of our liabilities. These instruments are designated as

financial assets held at fair value through profit or loss. The fair value of the equity instrument in the non-listed company which was originally determined mainly by reference to the initial transaction price (classified as level 3 in the fair value hierarchy) has been reduced to nil at 31 December 2021.

Fair value changes on financial assets with fair value through profit or loss are recognized in other financial income/other financial expenses.

The table below illustrates these financial assets held at fair value through profit or loss as at 31 December 2021 and 2020.

	31 December	
(thousands of €)	2021	2020
Cost at 1 January	**3,910**	**4,736**
Acquisitions of the year	12	1,994
Disposals of the year	(1,928)	(2,820)
Cost at 31 December	**1,994**	**3,910**
Fair value adjustment at 1 January	**5,042**	**6,539**
Cancellation of fair value adjustment following disposal	(2,116)	(3,894)
Fair value adjustment of the year	(4,920)	2,397
Fair value adjustment at 31 December	**(1,994)**	**5,042**
Net book value at 31 December	**-**	**8,951**

16. Research and development incentives receivables

The table below illustrates the R&D incentives receivables related captions in the balance sheet as at 31 December 2021, and 2020.

	31 December	
(thousands of €)	2021	2020
Non-current R&D incentives receivables	127,186	111,624
Current R&D incentives receivables	16,827	24,104
Total R&D incentives receivables	**144,013**	**135,728**

The increase in R&D incentives receivables is explained by additional R&D incentives reported in 2021 for €33.2 million (€12.4 million related to French incentives and €20.9 million related to Belgian incentives), by the release of discounting profit of €0.1 million, decreased by the

setup of tax provisions in France and Belgium for respectively €0.7 million and €0.05 million and decreased by the payments received in 2021 related to French and Belgian incentives amounting to respectively €18.8 million and €5.5 million. The R&D incentives receivables are future expected refunds or tax deductions resulting from tax 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 on 31 December 2021.

	31 December 2021					
	Maturity date					
(thousands of €)	2023	2024	2025	2026	2027 - 2031	Total
French non-current R&D incentives receivables - discounted value	11,911	11,713	11,489			35,113
Belgian non-current R&D incentives receivables - discounted value	9,621	12,258	14,895	16,705	38,594	92,073
Total non-current R&D incentives receivables - discounted value	**21,532**	**23,971**	**26,384**	**16,705**	**38,594**	**127,186**

17. Inventories

The following table provides an overview of our inventories by type of inventory:

	31 December	
(thousands of €)	2021	2020
Raw materials	14,351	-
Semi-finished products	1,376	-
Finished products purchased for resale	4,842	36
Total inventories	**20,569**	**36**

The cost of inventories, which is recognized as an expense and included in the "cost of sales" line, amounted to €1.6 million for the year ended 31 December 2021. Finished goods at 31 December 2021 consisted in full out of Jyseleca finished products purchased from Gilead.

18. Trade and other receivables and other current assets

	31 December	
(thousands of €)	2021	2020
Non-current trade receivables	**-**	**50,000**
Trade receivables	91,786	134,632
Prepayments	202	219
Other receivables	19,349	13,568
Trade and other receivables	**111,337**	**148,418**
Consumables inventory	-	319
Accrued income	639	1,096
Deferred charges	9,306	10,502
Other current assets	**9,945**	**11,917**
Total trade and other receivables & other current assets	**121,282**	**210,335**

Non-current and current trade and other receivables decreased primarily due to the outstanding receivable as at 31 December 2020 of €160.0 million on Gilead related to the renegotiated agreement of December 2020 for filgotinib, for which we received payments in 2021 of €110 million (a receivable of €50 million being still outstanding on 31 December 2021 and expected to be received in the first quarter of 2022). Additionally, we also recorded a receivable of €12.6 million ($15 million) from Gilead following the agreement for the take-over by us of the DIVERSITY clinical trial. We refer to **note 2** Summary of significant transaction for more details.

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 2021, we did not have any provision for expected credit losses.

19. Current financial investments

On 31 December 2021, our current financial investments amounted to €2,469.8 million compared to €3,026.3 million on 31 December 2020. On 31 December 2021 these current financial investments included treasury bills for an amount of €877.3 million (€1,454.4 million on 31 December 2020), money market funds of €1,317.5 million (€1,571.9 million on 31 December 2020) and non-cancellable term deposits with a maturity exceeding three months from the acquisition date of €275.0 million (nil on 31 December 2020). Our portfolio of treasury bills contains only AAA rated paper, issued by Germany. Our money market funds portfolio

consists of AAA short-term money market funds with a diversified and highly rated underlying portfolio managed by established fund management companies with a proven track record leading to an insignificant risk of changes in value. The funds have an important daily liquidity and can be easily converted to cash.

On 31 December 2021, our current financial investments included $134.6 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. This effect is embedded in the fair value result of current financial investments in our consolidated income statement.

We refer to **note 33** for more information on our current financial investments and to **note 10** for more details about the currency exchange gains or losses recognized in our income statement.

20. Cash and cash equivalents

	31 December	
(thousands of €)	2021	2020
Cash at banks	1,225,860	1,239,993
Term deposits	1,007,508	895,194
Cash and cash equivalents from continuing operations	**2,233,368**	**2,135,187**
Cash and cash equivalents included in assets classified as held for sale	-	7,884
Total cash and cash equivalents	**2,233,368**	**2,143,071**

Cash and cash equivalents may comprise cash at banks, bank deposits and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents on 31 December 2021 comprised €1,007.5 million of term deposits which all had an original maturity longer than 3 months but are readily convertible to cash without a significant penalty. All cash and cash equivalents are available upon maximum three month notice period and without significant penalty. Cash at banks were mainly composed of notice accounts and current accounts. Our credit risk is mitigated by selecting a panel of highly rated financial institutions for our deposits.

On 31 December 2021, our cash and cash equivalents included $807.9 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. We refer to **note 10** for more details about the currency exchange gains or losses recognized in our consolidated income statement.

The net increase in cash and cash equivalents of €90.3 million was composed of (i) €564.8 million of operational cash burn, (ii) €3.3 million of cash proceeds from capital and share premium increase from exercise of subscription rights in 2021, (iii) the net sale of current financial

investments of €566.4 million, (iv) €56.8 million of positive unrealized exchange differences, and (v) €28.7 million cash proceeds from disposal of Fidelta.

Operational cash burn (or operational cash flow if this liquidity measure is positive) is a financial measure that is not calculated in accordance with IFRS. Operational cash burn/cash flow is defined as the increase or decrease in our cash and cash equivalents (excluding the effect of exchange rate differences on cash and cash equivalents), minus:

1. the net proceeds, if any, from share capital and share premium increases included in the net cash flows generated from/used in (–) financing activities
2. the net proceeds or cash used, if any, in acquisitions or disposals of businesses; the movement in restricted cash and movement in current financial investments, if any, included in the net cash flows generated from/used in (–) investing activities.

This alternative liquidity measure is in our view an important metric for a biotech company in the development stage.

The following table presents a reconciliation of operational cash burn, to the closest IFRS measures, for each of the periods indicated:

(thousands of €)	2021	2020
Increase in cash and cash equivalents (excluding effect of exchange differences)	33,535	351,994
Less:		
Net proceeds from capital and share premium increases	(3,314)	(28,287)
Net sale of current financial investments	(566,365)	(841,110)
Cash in from disposals of subsidiaries, net of cash disposed of	(28,696)	-
Total operational cash burn	**(564,840)**	**(517,404)**

21. 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 €)	2021	2020
On 1 January	**291,312**	**287,282**
Share capital increase	763	4,031
Costs of capital increase	-	-
Share capital on 31 December	**292,075**	**291,312**
Aggregate share capital	354,582	353,819
Costs of capital increase (accumulated)	(62,507)	(62,507)
Share capital on 31 December	**292,075**	**291,312**

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 2020 and 31 December 2021 is as follows:

Date	Share capital increase new shares (in thousands €)	Share capital increase due to exercise subscription rights (in thousands €)	Number of shares issued (in thousands of shares)	Aggregate number of shares after transaction (in thousands of shares)	Aggregate share capital after transaction (in thousands €)
1 January 2020				**64,667**	**349,789**
17 March 2020		824	152		
28 May 2020		2,356	436		
18 September 2020		467	86		
4 December 2020		384	71		
31 December 2020				**65,412**	**353,819**
1 January 2021				**65,412**	**353,819**
19 March 2021		540	100		
7 June 2021		59	11		
20 September 2021		41	8		
3 December 2021		123	23		
31 December 2021				**65,553**	**354,582**

On 31 December 2021, Galapagos NV's share capital amounted to €354,582 thousand, represented by 65,552,721 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 2021 and 2020.

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price subscription rights (in €/ subscription right)	Closing share price on date of capital increase (in €/ share)
On 1 January 2021	65,411,767	291,312	2,727,840	3,019,153		
19 March 2021: exercise of subscription rights	99,814	540	1,718	2,258	22.62	68.48
7 June 2021: exercise of subscription rights	10,940	59	266	325	29.73	61.78
20 September 2021: exercise of subscription rights	7,600	41	111	152	19.97	46.93
3 December 2021: exercise of subscription rights	22,600	123	456	579	25.61	41.72
On 31 December 2021	65,552,721	292,075	2,730,391	3,022,467		

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price subscription rights (in €/ subscription right)	Closing share price on date of capital increase (in €/ share)
On 1 January 2020	64,666,802	287,282	2,703,583	2,990,865		
17 March 2020: exercise of subscription rights	152,220	824	4,531	5,355	35.18	141.40
28 May 2020: exercise of subscription rights	435,540	2,356	15,558	17,914	41.13	186.60
18 September 2020: exercise of subscription rights	86,280	467	1,936	2,403	27.85	117.70
4 December 2020: exercise of subscription rights	70,925	384	2,232	2,616	36.88	100.30
On 31 December 2020	65,411,767	291,312	2,727,840	3,019,153		

The supervisory board 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 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 authorized capital of Galapagos NV consists of two parts. A general authorization for capital increases up to 20% of the share capital at the time of convening the shareholders' meeting of 22 October 2019 (i.e. €67,022,402.04) was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 13 November 2019. A specific authorization for capital increases of more than 20% and up to 33% of the share capital at the time of the convening the shareholders' meeting of 25 April 2017 (i.e. €82,561,764.93), was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 31 May 2017. This specific part of the authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the supervisory board that all independent supervisory board members (within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code) approve. The supervisory board

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 specific authorization will expire on 30 May 2022.

As of 31 December 2021, an amount of €41,775,187.16 still remained available under the general part of the authorized capital and an amount of €13,717,929.80 remained available under the specific part of the authorized capital.

22. Deferred tax

	31 December	
(thousands of €)	2021	2020
Recognized deferred tax assets and liabilities		
Assets	4,032	4,475
Liabilities	-	-
Deferred tax assets unrecognized	408,892	365,639
Deferred taxes in the consolidated income statement	(404)	(157)
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	1,411	581
Deferred tax expenses relating to temporary differences	(629)	(44)
Deferred tax expenses relating to use or derecognition of previously recognized deferred tax assets	(1,185)	(695)

The consolidated tax losses, innovation income deduction, dividend received deduction and investment deduction carried forward and the deductible temporary differences on 31 December 2021 amounted in total to €1,653.7 million (2020: €1,485.8 million), €2.8 million were related to tax losses with expiry date between 2028 and 2034.

The available tax losses carried forward that can be offset against future taxable profits amounted to €635.6 million on 31 December 2021 (€478.6 million on 31 December 2020). These tax losses can be compensated with future profits for an indefinite period except for an amount of €2.8 million in the United States with expiry date between 2028 and 2034. On 31 December 2021, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €556.9 million (2020: €416.6 million). In addition to the latter, Galapagos NV (Belgium) also benefits from the Belgian innovation income deduction regime which led to report, on 31 December 2021, a carried forward tax deduction amounting to €301.3 million (2020: €247.2 million) that can also be offset against future taxable results. In addition, Galapagos NV (Belgium) also has available investment deduction carried forward of €1 million (2020: €1 million) and dividend received deduction carried forward of €8.2 million (2020: €8.4 million) that can be

offset against future taxable profits. There is no limit in time for the innovation income deduction, the dividend received deduction and investment deduction carried forward.

With the exception of 2019, we have a history of losses. 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 recognized as at 31 December 2021, except for subsidiaries operating on a cost plus basis, for which deferred tax assets were recognized for €4.0 million (2020: €4.5 million).

23. Lease liabilities

	Lease payments		Present value of lease payments	
	31 December		31 December	
(thousands of €)	2021	2020	2021	2020
Lease liabilities				
Within one year	7,557	6,772	7,204	6,401
In the second to fifth years inclusive	18,873	20,399	18,381	19,833
After five years	1,291	3,214	1,274	3,201
	27,720	**30,385**	**26,859**	**29,436**
Less future finance charges	861	949		
Present value of lease obligation	**26,859**	**29,436**		
Less amount due for settlement within 12 months			7,204	6,401
Amount due for settlement after 12 months			**19,655**	**23,035**

24. Trade and other liabilities

	31 December	
(thousands of €)	2021	2020
Trade and other liabilities	134,304	171,316
Other non-current liabilities	7,135	8,096
Accrued charges	3,114	1,070
Total trade and other liabilities	**144,553**	**180,482**

The decrease in trade and other liabilities is mainly due to lower trade liabilities on 31 December 2021, partly compensated by higher bonus and RSU payables.

25. Deferred income

The movement in the non-current and current deferred income is detailed in the table below.

(thousands of €)	Total	Gilead collaboration agreement for filgotinib	Gilead collaboration agreement for drug discovery platform[1]	Deferred income related to contracts in our fee-for-service segment	Other deferred income (grants)
On 1 January 2020	**3,000,646**	**780,261**	**2,220,013**	**362**	**10**
Upfront consideration	160,000	160,000			
Milestones received	90,192	90,192			
Significant financing component[2]	16,278	16,278			
Revenue recognition of upfront	(411,417)	(181,816)	(229,601)		
Revenue recognition of milestones	(46,261)	(46,261)			
Other movements	(305)			(362)	57
On 31 December 2020	**2,809,133**	**818,654**	**1,990,412**	**-**	**67**

(thousands of €)	Total	Gilead collaboration agreement for filgotinib	Gilead collaboration agreement for drug discovery platform[1]	Deferred income related to contracts in our fee-for-service segment	Other deferred income (grants)
Upfront consideration	12,643	12,643			
Significant financing component[2]	9,289	9,289			
Revenue recognition of upfront	(433,884)	(203,301)	(230,582)		
Revenue recognition of milestones	(32,408)	(32,408)			
Other movements	(67)				(67)
On 31 December 2021	**2,364,701**	**604,875**	**1,759,828**	**-**	**-**

(1) The upfront received and the outstanding balance at 31 December 2021 and at 31 December 2020 comprise the issuance liabilities for the warrants and the upfront payment allocated to the drug discovery platform.

(2) With regard to the additional consideration received for the extended cost sharing for filgotinib, we assume the existence of a significant financing component reflecting the time value of money on the estimated recognition period.

We refer to **note 6** for a detail of the allocation of the transaction price of our collaboration with Gilead.

26. Discontinued operations

On 23 November 2020 we signed a share purchase agreement with Selvita S.A. in relation to the disposal of Fidelta d.o.o. (our previous fee-for-service segment). We have classified the assets and liabilities of Fidelta as held for sale in our financial statements for the year ended 31 December 2020.

The transaction was completed on 4 January 2021 for a total consideration of €37.1 million. Fidelta will continue performing drug discovery services for us for the next four years for which we have purchase commitments for an aggregate amount of €19.3 million on 31 December 2021.

(i) Disposal of Fidelta

a. Consideration received

(thousands of €)	
Cash received	37,080
Total consideration received	**37,080**

b. Analysis of assets and liabilities over which control was lost

(thousands of €)	4 January 2021
Intangible assets	21
Property, plant and equipment	10,050
Other non-current assets	160
Trade and other receivables	4,428
Cash and cash equivalents	7,884
Other current assets	863
Total assets	**23,406**
Non-current lease liabilities	4,115
Other non-current liabilities	70
Trade and other liabilities	4,479
Current lease liabilities	727
Current tax payable	356
Total liabilities	**9,747**
Net assets disposed of	**13,658**

c. Gain on disposal

(thousands of €)	
Cash received	37,080
Net assets disposed of	(13,658)
Effect of cumulative translation adjustments reclassified from equity on loss of control	(731)
Costs associated to the sale	(500)
Gain on disposal	**22,191**

d. Net cash proceeds from disposal of Fidelta

(thousands of €)	
Cash received	37,080
Less: cash and cash equivalents balances disposed of	(7,884)
Total consideration received, net of cash disposed of	**29,196**
Costs associated to the sale	(500)
Cash in from disposal of Fidelta, net of cash disposed of	**28,696**

(ii) Result from discontinued operations

	Year ended 31 December	
(thousands of €, except share and per share data)	2021	2020
Fee-for-services revenue	-	16,140
Total net revenues	**-**	**16,140**
Gain on sale of subsidiaries	22,191	-
Research and development expenditure	-	(7,685)
General and administrative expenses	-	(2,000)
Operating profit	**22,191**	**6,455**
Other financial income	-	179
Other financial expenses	-	(176)
Profit before tax	**22,191**	**6,458**
Income taxes	-	(893)
Net profit	**22,191**	**5,565**
Basic income per share from discontinued operations	**0.34**	**0.09**
Diluted income per share from discontinued operations	**0.34**	**0.08**
Weighted average number of shares - Basic (in thousands of shares)	**65,500**	**65,075**
Weighted average number of shares - Diluted (in thousands of shares)	**65,831**	**67,572**

(iii) Cash flow from discontinued operations

	Year ended 31 December	
(thousands of €)	2021	2020
Net cash flows generated from operating activities	-	7,173
Net cash flows generated from/used in (-) investing activities	28,696	(2,284)
Net cash flows used in financing activities	-	(664)
Net cash flows from discontinued operations	**28,696**	**4,225**

27. Note to the cash flow statement

	31 December	
(thousands of €)	2021	2020
Adjustment for non-cash transactions		
Depreciation, amortization and impairment	34,636	18,682
Share-based compensation expenses	70,726	79,959
Decrease in retirement benefit obligations and provisions	(2,347)	(260)
Unrealized exchange gains (-)/losses and non-cash other financial result	(57,073)	105,055
Discounting effect of deferred income	9,289	16,278
Fair value re-measurement of warrants	(2,960)	(3,034)
Net change in (fair) value of current financial investments	(119)	15,900
Fair value adjustment financial assets held at fair value through profit or loss	4,919	(2,396)
Other non-cash expenses	648	539
Total adjustment for non-cash transactions	**57,718**	**230,723**
Adjustment for items to disclose separately under operating cash flow		
Interest expense	11,656	9,424
Interest income	(2,853)	(7,476)
Tax expense	2,423	2,119
Total adjustment for items to disclose separately under operating cash flow	**11,227**	**4,067**
Adjustment for items to disclose under investing and financing cash flows		
Gain on sale of subsidiaries	(22,191)	-
Loss on sale of fixed assets	-	82
Realized exchange gain on sale of current financial investments	(6,645)	-
Interest income on current financial assets	(12)	(2,554)
Total adjustment for items to disclose separately under investing and financing cash flow	**(28,847)**	**(2,472)**

	31 December	
(thousands of €)	2021	2020
Change in working capital other than deferred income		
Increase in inventories	(21,168)	(100)
Increase (-)/decrease in receivables	79,859	(177,155)
Increase/decrease (-) in liabilities	(35,353)	31,163
Total change in working capital other than deferred income	**23,337**	**(146,092)**

28. Off-balance sheet arrangements

Contractual obligations and commitments

On 31 December 2021, we had outstanding obligations for future purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Purchase commitments	**369,937**	212,065	105,947	46,426	5,499

On 31 December 2020, we had outstanding obligations for future purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Purchase commitments	**347,873**	271,922	73,009	2,870	72

In addition to the tables above, we have a contractual cost sharing obligation related to our collaboration agreement with Gilead for filgotinib. This amounted to €369.9 million on 31 December 2021 (€493.4 million at 31 December 2020), for which we have purchase commitments of €169.6 million at 31 December 2021 (€18.1 million at 31 December 2020) reflected in the tables above.

29. Contingent assets and liabilities

On 4 January 2021, we closed the sale of our Croatian subsidiary Fidelta. Selvita acquired 100% of the outstanding shares in Fidelta for a total consideration of €37.1 million. In accordance with common practice, we gave representations and warranties which are capped and limited in time.

As explained in the summary of the significant transaction in **note 2** to our consolidated financial statements, Gilead and we entered into a license and collaboration agreement to co-develop filgotinib in different indications. The collaboration was amended several times and in connection with these amendments Gilead has agreed to irrevocably pay us €160 million, subject to certain adjustments for higher than budgeted development costs. Gilead paid €110 million in 2021 and will pay an additional €50 million in 2022. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. However, we will remain eligible to receive tiered royalty percentages ranging from 20% to 30% on Gilead's global net sales of filgotinib outside of Europe and future development and regulatory milestone-based payments of up to $295 million and sales-based milestone payments of up to $600 million. We will pay royalties on net sales of filgotinib in Europe to Gilead starting 1 January 2024. Under the terms of the 2021 amendment and upon completion of the transfer of the DIVERSITY clinical study, Gilead will make a one-time payment of $15 million to us in consideration for assuming responsibility for this clinical study. From 1 April 2022, we will also be solely responsible for all development costs for the DIVERSITY clinical study. In addition, if the European Medicines Agency grants regulatory approval of filgotinib for the treatment of CD based on data from the DIVERSITY trial, then royalties payable by us to Gilead will be reduced by 30% across all filgotinib indications and will become 5.6% to 10.5% of net sales in Europe. Gilead remains responsible for commercial activities outside of Europe.

Furthermore Gilead received exclusive option rights to acquire a license on compounds. Exercising such an option would trigger an opt-in payment, a 50 – 50 cost share mechanism for the future development activities, potential future development and sales-based milestones and royalties.

30. Share based payments

Subscription right plans

Presented below is a summary of subscription right activities for the reported periods. Various subscription right plans were approved for the benefit of our employees, and for members of the supervisory board and independent consultants of Galapagos NV.

The subscription rights offered to members of the supervisory board vest over a period of 36 months at a rate of 1/36th per month. Effective 1 January 2020, we no longer grant subscription rights to supervisory board members.

Subscription rights approved before 2021 cannot be exercised before the end of the third calendar year following the year of the grant. In the event of a change of control over Galapagos NV, all outstanding subscription rights vest immediately and will be immediately exercisable.

On 30 April 2021 the supervisory board approved "Subscription Right Plan 2021 BE", "Subscription Right Plan 2021 RMV" and "Subscription Right Plan 2021 ROW" within the framework of the authorized capital. Subscription rights granted under Subscription Right Plan 2021 BE will in principle not vest prior to 1 January 2025 and subscription rights granted under Subscription Right Plan 2021 RMV and Subscription Right Plan 2021 ROW vest in instalments: with 25% of each grant being exercisable as of 1 January 2023, 25% as of 1 January 2024 and 50% (the remainder) as of 1 January 2025.

The table below sets forth a summary of subscription rights outstanding and exercisable on 31 December 2021, per subscription right plan:

Subscription right plan	Allocation date	Expiry date	Exercise price (€)	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2021	Exercisable at 31 December 2021
2008	26/06/2008	25/06/2021	5.60	1,365		(1,365)			-	-
2013	16/05/2013	15/05/2021	19.38	55,664		(55,664)			-	-
2014	25/07/2014	24/07/2022	14.54	169,340		(41,800)			127,540	127,540
2015	30/04/2015	29/04/2023	28.75	219,473		(20,250)			199,223	199,223
2015 (B)	22/12/2015	21/12/2023	49.00	261,500		(5,000)			256,500	256,500
2015 RMV	22/12/2015	21/12/2023	49.00	40,000		(5,000)			35,000	35,000
2016	01/06/2016	31/05/2024	46.10	342,625		(11,875)			330,750	330,750
2016 RMV	01/06/2016	31/05/2024	46.10	69,000					69,000	69,000
2016 (B)	20/01/2017	19/01/2025	62.50	10,000					10,000	10,000
2017	17/05/2017	16/05/2025	80.57	595,500					595,500	595,500
2017 RMV	17/05/2017	16/05/2025	80.57	127,500					127,500	127,500
2018	19/04/2018	18/04/2026	79.88	1,083,245			(77,250)		1,005,995	
2018 RMV	19/04/2018	18/04/2026	79.88	137,500					137,500	
2019	10/04/2019	09/04/2027	95.11	1,477,840			(177,000)		1,300,840	
2019 RMV	10/04/2019	09/04/2027	95.11	193,000			(2,500)		190,500	
2020	17/04/2020	16/04/2028	168.42	1,906,034			(288,106)		1,617,928	
2020 RMV	17/04/2020	16/04/2028	168.42	239,525			(12,050)		227,475	
2021BE	30/04/2021	29/04/2029	64.76		1,117,603		(33,567)		1,084,036	
2021RMV	30/04/2021	29/04/2029	64.76		291,725		(9,175)		282,550	
2021ROW	30/04/2021	29/04/2029	64.76		1,084,105		(102,105)		982,000	
Total				**6,929,111**	**2,493,433**	**(140,954)**	**(701,753)**	**-**	**8,579,837**	**1,751,013**

	Subscription rights	Weighted average exercise price (€)
Outstanding on 31 December, 2019	**5,541,117**	**70.09**
Exercisable on 31 December, 2019	1,139,682	30.16
Granted during the year	2,173,335	168.42
Forfeited during the year	(40,376)	144.79
Exercised during the year	(744,965)	37.97
Expired during the year	-	
Outstanding on 31 December, 2020	**6,929,111**	**103.95**
Exercisable on 31 December, 2020	1,168,967	37.84
Granted during the year	2,493,433	64.76
Forfeited during the year	(701,753)	118.53
Exercised during the year	(140,954)	23.51
Expired during the year	-	-
Outstanding on 31 December, 2021	**8,579,837**	**92.69**
Exercisable on 31 December, 2021	1,751,013	56.64

The table below sets forth the inputs into the valuation of the subscription rights.

	2021BE	2021RMV/ ROW	2020	2020 RMV
	30 April 2021	30 April 2021	17 April 2020	17 April 2020
Exercise Price (€)	64.76	64.76	168.42	168.42
Weighted average share price at acceptance date (€)	61.10	61.10	178.95	178.95
Weighted average fair value on the acceptance date (€)	22.72	20.68	86.45	85.79
Weighted average estimated volatility (%)	40.73	40.61	51.30	51.32
Weighted average expected life of the subscription right (years)	6.43	5.36	6.00	6.00
Weighted average risk free rate (%)	(0.21)	(0.29)	(0.44)	(0.44)
Expected dividends	None	None	None	None

The exercise price of the subscription rights is determined pursuant to the applicable provisions of the Belgian Law of 26 March 1999.

The weighted average estimated volatility is calculated on the basis of the implied volatility of the share price over the weighted average expected life of the subscription rights.

The weighted average expected life of the subscription right is calculated as the estimated duration until exercise, taking into account the specific features of the plans.

Our share based compensation expense in 2021 in relation to subscription right plans amounted to €70,726 thousand (2020: €79,959 thousand).

The following table provides an overview of the outstanding subscription rights per category of subscription right holders on 31 December 2021 and 31 December 2020:

	31 December	
Category (in number of subscription rights)	**2021**	**2020**
Supervisory board members	157,560	157,560
Management board members[(1)]	1,965,000	2,101,874
Personnel	6,457,277	4,669,677
Total subscription rights outstanding	**8,579,837**	**6,929,111**

(1) Piet Wigerinck was a member of the management board until 30 November 2021. Note that his outstanding subscription rights at 31 December 2020 were reported on the line 'Management board members' while at 31 December 2021 his outstanding subscription rights are presented on the line 'Personnel'.

The outstanding subscription rights at the end of the accounting period have a weighted average exercise price of €92.69 (2020: €103.95) and a weighted average remaining life of 1,955 days (2020: 2,050 days).

Restricted stock units (RSUs)

Each RSU represents the right to receive one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date, in accordance with the terms and conditions of the relevant RSU program.

We currently have the following restricted stock unit (RSU) programs:

Plan 2020.I and Plan 2021.I under which the grants are intended to be made every year, subject to a decision of the supervisory board. This plan is intended to provide a long-term incentive to certain of our employees and management board members and replaces the deferred portion of the bonus under the former Senior Management Bonus Scheme;

Plan 2019.II, Plan 2020.II, Plan 2021.II and Plan 2021.IV. These plans are aimed at retaining a specific set of our employees and management board members whose retention is deemed so important for our future performance that an additional incentive is desired. The beneficiaries

are nominated by the nomination and remuneration committee and the supervisory board approves the list of beneficiaries;

Plan 2019.I This plan was granted at the discretion of the supervisory board;

Plan 2019.III This exceptional RSU grant took place in 2019 under an RSU Transaction Bonus Plan for the successful closing of the Gilead transaction;

Plan 2021.III This plan is intended to compensate employees who transferred from Gilead to us in the framework of the transfer of European commercialization rights, for the long-term incentive plans within Gilead under which unvested RSU awards lapse upon transfer out of the Gilead group. These employees received a one-time Restricted Stock Units grant from us.

The main characteristics of all these plans are as follows:

- the RSUs are offered for no consideration;
- generally four-year vesting period, with 25% vesting each year, except for some plans or some beneficiaries for which the RSUs will all vest at the same time three years after the offer date (bullet vesting); vest 50% after two years and 50% after three years or vest over three years with 34% vesting the first year and 33% in each of the remaining two years;
- payout will be in cash or shares, at Galapagos' discretion, it being understood that in respect of members of the management board, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive;
- any unvested RSUs are forfeited upon termination of service before the vesting date.

The table below sets forth a summary of RSUs outstanding at 31 December 2021, per RSU plan:

RSU plan	Allocation date	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Paid in cash during the year	Outstanding at 31 December 2021
Plan 2019.I	16/10/2019	33,000	-	(5,000)	-	28,000
Plan 2019.II	16/10/2019	81,807	-	(12,034)	(27,269)	42,504
Plan 2019.III	16/10/2019	71,072	-	(5,077)	(35,535)	30,460
Plan 2020.I	06/05/2020	54,876	-	(10,925)	(11,424)	32,527
Plan 2020.II	07/05/2020	72,841	-	(12,663)	(18,210)	41,968
Plan 2021.I.	05/05/2021	-	180,844	(26,228)	-	154,616
Plan 2021.II.	06/05/2021	-	43,328	(2,708)	-	40,620
Plan 2021.III.	03/06/2021	-	38,413	(238)	-	38,175
Plan 2021.IV.	24/09/2021	-	248,933	-	-	248,933
Total		**313,596**	**511,518**	**(74,873)**	**(92,438)**	**657,803**

	31 December	
(in number of RSUs)	2021	2020
Outstanding on 1 January	**313,596**	**213,147**
Granted during the year	511,518	128,769
Forfeited during the year	(74,873)	(1,052)
Paid in cash during the year	(92,438)	(27,268)
Outstanding on 31 December	**657,803**	**313,596**

The RSUs are measured based on the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the reporting period and they are

re-measured at each reporting date. We recognize the corresponding expense and liability over the vesting period.

The following table provides an overview of the outstanding RSUs per category of RSU holders on 31 December 2021 and 31 December 2020.

	31 December	
Category (in number of RSUs)	**2021**	**2020**
Management board members	384,340	229,276
Personnel	273,463	84,320
Total outstanding RSUs	**657,803**	**313,596**

31. Related parties

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

Gilead

Gilead is exercising significant influence over Galapagos as from the equity subscription on 23 August 2019. As a result of the equity subscription we received a transparency notification from Gilead on 28 August 2019 confirming they held 22.04% of the then issued and outstanding shares of Galapagos.

By exercising warrant A on 6 November 2019, Gilead increased its ownership in Galapagos to 25.10% of the then outstanding shares. Gilead further increased its ownership to 25.84% at 31 December 2019. Gilead's ownership then diluted to 25.54% at 31 December 2020 and to 25.49% at 31 December 2021, due to four capital increases resulting from the exercise of subscription rights under employee subscription right plans in the course of respectively 2020 and 2021.

The presumption of significant influence is also confirmed by the fact that Gilead has the right, for as long as it holds more than 20% of Galapagos' share capital, to appoint two investor board designees to Galapagos' supervisory board, out of a total of eight.

The following balances are outstanding at the end of the reporting period in relation to Gilead:

	31 December	
(thousands of €)	2021	2020
Relations with Gilead		
Non-current trade receivables	-	50,000
Trade and other receivables	88,246	132,825
Trade and other payables	11,580	27,074

The trade and other receivables on 31 December 2021 contain €50 million of receivables related to the in 2020 modified collaboration for filgotinib, for which we already received €110.0 million in the course of 2021. They also contain €12.6 million related to the transfer of the sponsorship and operational and financial responsibility of the ongoing DIVERSITY clinical trial from Gilead to us, €23.8 million of profit and cost sharing receivables relating to our collaboration for filgotinib and €1.9 million receivables relating to royalties. The outstanding liabilities mainly relate to the cross charges from Gilead for the development costs sharing of filgotinib in the fourth quarter of 2021 (€5.7 million) and €1.6 million to purchases of finished goods.

During 2021 we recognized in revenue €230.6 million (€229.6 million for the year ended 31 December 2020) relating to the performance obligation for the drug discovery platform and a total of €235.7 million (€228.1 million for the year ended 31 December 2020) representing the total impact on our revenues coming from the filgotinib performance obligation. The latter consists of upfront payments and milestone payments that were recognized in accordance with the percentage of completion of the underlying performance obligation.

Additionally, we recognized in 2021 royalty income for an amount of €3.8 million in relation to the commercialization of filgotinib (€16.2 million for the year ended 31 December 2020).

Furthermore, we recognized €18.1 million (€34.1 million for the year ended 31 December 2020) of cost reimbursements from Gilead related to the development of GLPG1690 as a decrease of the related expenses (on the line research and development expenditure). An amount of €81.3 million (€101.0 million for the year ended 31 December 2020) relating to cross charges from Gilead relating to filgotinib was recognized as expense on the line research and development expenditure.

Finally, we recognized in 2021 €59.7 million as a deduction of sales and marketing expenses and €7.0 million as a deduction of research and development expenditure (compared to a deduction of €4.7 million of sales & marketing expenses and a deduction of €3.1 million of research & development expenditure for the year ended 31 December 2020) mainly relating to our 50/50 profit/(cost) share mechanism with Gilead for direct sales of filgotinib in the shared territory and expenses incurred for the co-promotion activities for filgotinib.

We purchased raw materials, semi-finished products and finished products of Jyseleca from Gilead for an amount of €24.9 million for the year ended 31 December 2021 (€0.2 million for the year ended 31 December 2020).

As at 31 December 2021 we have two outstanding performance obligations under IFRS 15 towards Gilead, being the performance obligation related to our drug discovery platform and the performance obligation relating to filgotinib. This results in an outstanding deferred income balance of €1.8 billion for the drug discovery platform (including the warrant issuance liability relating to subsequent warrant B) and €605 million for the performance obligation relating to filgotinib.

A detailed explanation of our transactions with Gilead in 2020 and 2021 can be found in the section titled **Agreements with major Galapagos NV shareholders**. There are no other shareholders or other entities who, solely or jointly, control Galapagos or exercise significant influence over Galapagos.

Relationship and transactions with subsidiaries

Please see **note 32** for an overview of the consolidated companies of the group, which are all wholly-owned subsidiaries of Galapagos NV.

Relationship and transactions with key management personnel

Our key management personnel consists of the members of the management board and members of the supervisory board. 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 2021, our management board had five members: Mr. Onno van de Stolpe, Mr. Bart Filius, Dr. Andre Hoekema, Dr. Walid Abi-Saab and Mr. Michele Manto. They provide their services to us on a full-time basis. On 31 December 2021, our supervisory board consisted of eight members: Dr. Raj Parekh, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Mary Kerr, Mr. Peter Guenter, Mr. Daniel O'Day, Dr. Linda Higgins and Dr. Elisabeth Svanberg.

Effective from 1 January 2020, Galapagos no longer grants any subscription rights to supervisory board members, taking into account the stricter rules of the Belgian Companies Code. Prior to 2020, supervisory board members were granted subscription rights.

Dr. Wigerinck left Galapagos and was our CSO and a management board member until 30 November 2021 and hence the table below for financial year 2021 contains disclosures on his remuneration until the aforementioned date, including his severance package.

Reference is made to the Remuneration Report, which discloses the remuneration awarded to each supervisory board and management board member individually during 2021.

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

	Year ended 31 December	
Thousands of € (except for the number of subscription rights and RSUs)	2021	2020
Remuneration of key management personnel:		
Short-term benefits	**4,264**	**3,102**
Management board members as a group[1]		
Gross salary	2,621	2,531
Cash bonus[2]	1,172	433
Other short-term benefits	471	138
Long-term benefits for management board members as a group[3]	-	-
Board fees and other short-term benefits for supervisory board members		
Raj Parekh	220	220
Howard Rowe	120	125
Katrine Bosley[4]	65	115
Mary Kerr	115	115
Peter Guenter	115	115
Daniel O'Day[5]	-	-
Linda Higgins[5]	-	-
Elizabeth Svanberg[6]	115	78

Thousands of € (except for the number of subscription rights and RSUs)	Year ended 31 December 2021	2020
Post-employment benefits[7]	**399**	**392**
Total benefits excluding subscription rights and RSUs	**5,413**	**4,262**
Severance payments[8]	**802**	**-**
Number of subscription rights granted in the year		
Management board members as a group[1]	275,000	275,000
Onno van de Stolpe	85,000	85,000
Bart Filius	50,000	50,000
Andre Hoekema	30,000	30,000
Piet Wigerinck[9]	40,000	40,000
Walid Abi-Saab	40,000	40,000
Michele Manto	30,000	30,000
Total number of subscription rights granted in the year	**275,000**	**275,000**
Total cost of subscription rights granted in the year under IFRS 2	**5,629**	**22,921**
Number of RSUs granted in the year[10]		
Onno van de Stolpe	63,830	18,317
Bart Filius	62,730	12,600
Andre Hoekema	51,433	832
Piet Wigerinck[9]	835	12,080
Walid Abi-Saab	44,038	12,080
Michele Manto	31,694	5,920
Total number of RSUs granted in the year	**254,560**	**61,829**

(1) Dr. Wigerinck was a member of the management board until 30 November 2021. His remuneration and benefits are included in the overview for the financial year 2021.
(2) This aggregate number also includes the 2021 cash bonus of Dr. Wigerinck. Dr. Wigerinck was a management board member until 30 November 2021.
(3) Only management board members are granted long-term benefits. Pursuant to the Senior Management Bonus Scheme, these consist ot the deferred part of the bonus from 3 years ago. For FY2020 and FY2021 the deferred part of the bonus is not paid out.
(4) Ms. Bosley waived her equity related remuneration for the financial year 2021.
(5) Supervisory board member's mandate began on 22 October 2019.
(6) Supervisory board member's mandate began on 28 April 2020.
(7) Only management board members are granted post-employment benefits.
(8) Dr. Wigerinck's severance package excludes his 2021 bonus paid per December 2021 and includes a payment of €35,416.66 for December 2021 pursuant to a non-competition obligation. During the financial year 2022 these monthly payments pursuant to a non-competition obligation will continue until 30 November 2022, except if Galapagos waives this non-competition obligation.
(9) Management board member until 30 November 2021. In 2021, he did not accept his RSU grant under the RSU LTIP 2021 Plan.
(10) This is the sum of the RSUs awarded during the respective financial year, excluding the RSUs representing the deferred portion of the bonus for 2020 in FY2020 and for 2021 in FY2021 (each time to be granted in the following financial year). Only management board members were awarded RSUs.

Other

No loans, quasi-loans or other guarantees were given by Galapagos NV or any of its subsidiaries to members of the supervisory board and of the management board. 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 or termination of their mandates as members of the management board and the supervisory board.

32. Consolidated companies as of 31 December 2021

Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2021 vs 2020)
Galapagos Biopharma Belgium BV	Belgium	100%	
Galapagos Biopharma Netherlands B.V.	The Netherlands	100%	
Galapagos Biopharma Spain S.L.U.	Spain	100%	
Galapagos Biopharma Italy S.r.l.	Italy	100%	
Galapagos Biopharma Germany GmbH	Germany	100%	
Galapagos Biopharma Sweden AB	Sweden	100%	100%
Galapagos Biopharma Norway AS	Norway	100%	100%
Galapagos Biopharma Finland Oy	Finland	100%	100%
Galapagos Biopharma Denmark ApS	Denmark	100%	100%
Galapagos Biopharma Austria GmbH	Austria	100%	100%
Galapagos Biopharma Ireland Ltd	Ireland	100%	100%
Galapagos Biotech Ltd	United Kingdom	100%	
Galapagos B.V.	The Netherlands	100%	
Galapagos GmbH	Switzerland	100%	
Galapagos, Inc.	United States	100%	
Galapagos NV	Belgium	Parent company	
Galapagos Real Estate Belgium BV	Belgium	100%	
Galapagos Real Estate Netherlands B.V.	The Netherlands	100%	
Galapagos SASU	France	100%	
Fidelta d.o.o.	Croatia	0%	(100%)
Xenometrix, Inc. in liquidation	United States	100%	

On 4 January 2021 we closed the sale of our fee-for-service business Fidelta. Selvita S.A. acquired 100% of the outstanding shares in Fidelta.

In 2021, the following new entities were incorporated: Galapagos Biopharma Sweden AB (Stockholm, Sweden), Galapagos Biopharma Norway AS (Oslo, Norway), Galapagos Biopharma Finland Oy (Helsinki, Finland), Galapagos Biopharma Denmark ApS (Copenhagen, Denmark), Galapagos Biopharma Austria GmbH (Vienna, Austria) and Galapagos Biopharma Ireland Ltd (Dublin, Ireland).

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.

33. Financial risk management

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 following financial markets risks: credit risk, liquidity risk, currency and interest rate risk. Our interest rate risk is limited because we have nearly no financial debt. In case of decreasing interest rates we will face a reinvestment risk on our strong cash and cash equivalents and current financial investments balance. We do not buy or trade financial instruments for speculative purposes.

Categories of financial assets and liabilities:

	31 December	
(thousands of €)	2021	2020
Financial assets held at fair value through profit or loss		
Equity instruments	-	8,951
Current financial investments	1,317,460	1,571,858
Financial assets at amortized cost		
Current financial investments	1,152,349	1,454,420
Cash and cash equivalents	2,233,368	2,135,187
Restricted cash (current and non-current)	1,425	1,482
Other non-current assets	1,048	907
Trade receivables	91,786	184,632
Total financial assets	**4,797,436**	**5,357,438**

	31 December	
(thousands of €)	2021	2020
Financial liabilities held at fair value through profit or loss		
Current financial instruments	204	3,164
Financial liabilities at amortized cost		
Trade liabilities	84,519	134,905
Lease liabilities	26,859	29,436
Total financial liabilities	**111,582**	**167,505**

The carrying amounts of trade payables and trade receivables are considered to be the same as their fair values, due to their short-term nature.

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/non-listed companies and current financial investments.

We have no restrictions on the sale of these equity instruments and the assets are not pledged under any of our liabilities. These instruments are classified as financial assets held at fair value through profit or loss. The equity investments in listed companies qualified 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.

The fair value of the equity instrument in the non-listed company has been determined mainly by reference to the initial transaction price (classified as level 3 in the fair value hierarchy).

Current financial investments include money market funds in EUR and USD, which all classify for level 1 fair value measurement.

Liquidity risk

Current financial investments and cash and cash equivalents amounted to €4,703.2 million on 31 December 2021. Management forecasts our liquidity requirements to ensure that we have sufficient cash to meet operational needs. 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.

All our cash and cash equivalents have only an insignificant liquidity risk as they are all convertible upon a maximum three month notice period and without incurring a significant penalty in normal market circumstances.

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 receivables on our collaboration partner Gilead, creditworthy pharmaceutical wholesalers and hospitals in Europe. 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 €)	2021	2020
60 - 90 days	141	-
90 - 120 days	92	-
more than 120 days	113	-

Our cash and cash equivalents are invested primarily in current, notice and term accounts. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted at the beginning of the term. Our current financial investments are also kept within different financial institutions and include term deposits, money market funds and treasury bills with an AAA rating. The money market funds are invested in a well-diversified portfolio of highly rated assets.

Interest rate risk

The only variable interest-bearing financial instruments are cash and cash equivalents and current financial investments. Our interest rate income is impacted by the negative interest rate environment in EUR, and the low interest rate environment in USD.

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 and current financial investments.

Effect of interest rate fluctuation

A 100 basis points increase in interest rates at balance sheet date would have increased profit or loss, and equity, by approximately €47.0 million (2020: €51.7 million); a 100 basis points decrease in interest rates would have decreased profit or loss, and equity, by approximately €47.0 million (2020: €51.7 million). These scenarios assume our entire cash portfolio would immediately reprice at the new interest rates.

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 partner Gilead in U.S. dollars and acquire some consumables and materials in U.S. dollars, Swiss francs, and GB pounds.

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 agreement signed with 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:

	31 December	
Net book value (thousands of €)	**2021**	**2020**
Increase in Euros - U.S. Dollars	(83,996)	(116,690)
Increase in Euros - GB Pounds	1,093	303
Increase in Euros - CH Francs	233	2,013

The exchange rate risk on the U.S. dollar is primarily related to our cash and cash equivalents and current financial investments 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 current financial investments, cash and cash equivalents, financial debt (as of 31 December 2021, we only have leasing liabilities), 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.

34. Statutory auditor's remuneration

The statutory auditor's fees for carrying out its mandate at group level amounted to €860.3 thousand in 2021 (2020: €1,202.8 thousand). Audit-related fees, which generally the auditor provides, amounted to €101.1 thousand in 2021 (2020: €214.4 thousand). Other fees related to non-audit services executed by the statutory auditor amounted to €0 in 2021 (2020: €47.7 thousand). Other fees related to non-audit services executed by persons related to the statutory auditor amounted to €587.7 thousand in 2021 and related to advisory services in relation to IT and quality management (2020: €890.7 thousand). The audit committee and the supervisory board 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 3:64 of the Belgian Companies Code.

35. Events after balance sheet date

On 13 January 2022, the supervisory board approved Subscription Right Plan 2022 (A) within the framework of the authorized capital. Under this subscription right plan 30,000 subscription rights were offered and accepted by the beneficiary of the plan. The subscription rights have an exercise term of eight years as of the date of the offer and have an exercise price of €46.18 (the closing price of the share on Euronext Amsterdam and Brussels on the day preceding the date of the offer). The subscription rights are not transferable. Subscription rights under this plan vest in instalments: with 25% of each grant being exercisable as of 1 January 2023, 25% as of 1 January 2024 and 50% (the remainder) as of 1 January 2025.

On 26 January 2022, the supervisory board approved Subscription Right Plan 2022 (B) for the benefit of a new member of the personnel of Galapagos within the framework of the authorized capital. Under this subscription right plan 1,000,000 subscription rights were created, subject to acceptance, and offered to the beneficiary of the plan. The subscription rights have an exercise term of eight years as of the date of the offer and have an exercise price of €50. The subscription rights can in principle not be exercised prior to 1 January 2026.

On 18 March 2022, 95,500 subscription rights were exercised (with an average exercise price of €22.61 per subscription right), of which 50,000 subscription rights were exercised by our CEO and 10,000 subscription rights by one member of our management board. This resulted in a share capital increase (including issuance premium) of €2,159,600.00 and the issuance of 95,500 new ordinary shares. The closing price of our share on 18 March 2022 was €57.38.

Our consolidated financial statements were approved by the supervisory board and authorized for publication on 22 March 2022. They were signed on behalf of the supervisory board by:

(signed)

Raj Parekh
Chair of the supervisory board

Howard Rowe
Chair of the audit committee

22 March 2022

Non-consolidated financial statements

Income statement

	Year ended 31 December	
(thousands of €)	**2021**	**2020**
Turnover	503,390	558,798
Inventory semi-finished and finished goods : increase (decrease)	1,376	-
Internally generated intangible assets	392,744	460,802
Other operating income	18,535	17,407
Operating income	**916,046**	**1,037,007**
Raw materials, consumables and goods for resale	(13,058)	(10,349)
Services and other goods	(500,012)	(543,041)
Remuneration, social security costs and pensions	(70,360)	(59,947)
Depreciation, impairment and other amounts written off on constitution costs, intangible and tangible assets	(401,835)	(467,807)
Increase (-)/decrease in provisions	2,317	(11,210)
Other operating charges	(120,704)	(53,495)
Non-recurring operating costs	(4,068)	(105)
Operating loss	**(191,674)**	**(108,947)**
Finance income	85,765	25,787
Non-recurring finance income	33,471	5,476
Finance cost	(28,125)	(139,863)
Non-recurring finance cost	(12,330)	-
Loss before tax	**(112,893)**	**(217,548)**

	Year ended 31 December	
(thousands of €)	2021	2020
Taxes	20,156	21,577
Loss for the year	**(92,737)**	**(195,971)**
Loss brought forward	(276,499)	(80,528)
Accumulated losses to be carried forward	**(369,237)**	**(276,499)**

Balance sheet

	31 December	
(thousands of €)	2021	2020
Assets		
Non-current assets	**199,804**	**258,820**
Intangible fixed assets	48,290	54,806
Tangible fixed assets	15,697	14,544
Financial fixed assets	43,317	61,183
Non-current trade and other receivables	92,500	128,287
Current assets	**4,920,628**	**5,340,351**
Inventories	20,361	355
Trade and other receivables	209,445	207,387
Deferred costs	8,677	9,723
Accrued income	847	572
Cash and cash equivalents	4,681,298	5,122,314
Total assets	**5,120,433**	**5,599,171**
Equity and liabilities		
Equity	**2,639,924**	**2,729,348**
Share capital and reserves	354,582	353,819
Share premium account	2,654,579	2,652,028
Accumulated losses	(369,237)	(276,499)
Liabilities	**2,480,508**	**2,869,823**
Non-current liabilities	**10,385**	**11,211**
Provisions	8,885	11,211
Other non-current liabilities	1,500	-
Current liabilities	**2,470,123**	**2,858,613**

	31 December	
(thousands of €)	2021	2020
Trade and other payables	223,911	217,868
Tax, payroll and social security liabilities	16,705	12,780
Accrued costs	3,100	1,149
Deferred income	2,226,407	2,626,816
Total equity and liabilities	**5,120,433**	**5,599,171**

The non-consolidated annual accounts of Galapagos NV were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2021 closed with a loss of €92.7 million compared to a loss of €196.0 million in 2020. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €369.2 million as at 31 December 2021; we refer to the **Going concern statement** for justification for the application of the valuation rules under the going concern assumption.

Following common practice, Galapagos NV has given customary representations and warranties which are capped and limited in time.

Report of the statutory auditor

Statutory auditor's report to the shareholders' meeting of Galapagos NV for the year ended 31 December 2021 – Consolidated financial statements

The original text of this report is in Dutch

In the context of the statutory audit of the consolidated financial statements of Galapagos NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 28 April 2020, in accordance with the proposal of the board of directors, now supervisory board ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2022. We have performed the statutory audit of the consolidated financial statements of Galapagos NV for 16 consecutive periods. We are the statutory auditor of Galapagos NV for 22 consecutive years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of income and comprehensive income/loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 5 193 160 (000) EUR and the consolidated statement of income and comprehensive income/loss shows a loss for the year then ended of 103 231 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2021 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national

level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the supervisory board and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of the estimated costs impacting the percentage of completion used for revenue recognition related to the license and collaboration agreement for filgotinib – Refer to Notes 2, 4, 6, and 25 to the consolidated financial statements

Key Audit Matter Description

As described in notes 2, 4, 6 and 25 to the consolidated financial statements, the company recognized collaboration revenues of 235,7 million EUR in 2021 from upfront payments and milestone payments in relation to the Gilead collaboration agreement for filgotinib (the "agreement"). For this filgotinib performance obligation, the company recognized revenue using the cost-to-cost input method, which management believes best depicts the transfer of control to the customer, being Gilead. Under the cost-to-cost input method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the filgotinib performance obligation.

Significant management judgment is required in determining the total estimated costs required under the agreement and the period over which the company is expected to complete its performance obligation. This significant estimate is the principal consideration for our conclusion that procedures relating to the determination of the estimated costs to complete the performance obligation, impacting the revenue recognition of the filgotinib performance obligation is a key audit matter. This increased level of judgment by management led to a high degree of auditor judgment, complexity, and effort in performing procedures and in evaluating audit evidence related to management's assumptions related to the estimation of total costs to complete.

How the Key Audit Matter Was Addressed in the Audit

Our procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the actual costs incurred to date and controls over the inputs and assumptions used to estimate the total costs required to complete the performance obligation, as well as increasing the nature and extent of our audit procedures where such controls were not operating effectively.

These procedures included, among others (i) evaluating and testing management's process for determining the estimate of total costs to complete the performance obligation, which included evaluating the reasonableness of significant assumptions related to the estimate, and (ii) testing, on a sample basis, the actual costs incurred to date.

Our procedures on the reasonableness of the assumptions used also included evaluating management's ability to reasonably estimate costs to complete the performance obligation by (i) evaluating the appropriateness of changes made during the period to management's estimates of total costs to complete; (ii) performing a comparison of management's prior period cost estimates to actual costs incurred and approved; (iii) evaluating the period over which management is expecting the company to complete its performance obligation; (iv) comparing certain costs to third-party supporting evidence, and (v) performing sensitivities on the current year's revenue recognition resulting from changes to these estimates.

Responsibilities of the supervisory board for the preparation of the consolidated financial statements

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

In preparing the consolidated financial statements, the supervisory board is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the supervisory board either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the supervisory board in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the supervisory board;
- conclude on the appropriateness of the use of the going concern basis of accounting by the supervisory board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the supervisory board

The supervisory board is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements that is part of the section on corporate social responsibility of the annual report (section "CSR Report"). This non-financial information has been established by the company in accordance with the United Nations' Sustainable Development Goals ("SDG's"). In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these SDG's.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Single European Electronic Format (ESEF)

In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation").

The supervisory board is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format ("digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the official Dutch version of the digital consolidated financial statements included in the annual financial report of Galapagos NV as of 31 December 2021 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Signed at Zaventem, March 24, 2022.
The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Nico Houthaeve

Glossary

100 points clinical response

Percentage of patients achieving a 100-point decrease in CDAI score during a clinical trial in CD patients

ACR

American College of Rheumatology

ACR20 (ACR 20/50/70)

American College of Rheumatology 20% response rate signifies a 20% or greater improvement in the number of swollen and tender joints as well as a 20% or greater improvement in three out of five other disease-activity measures. ACR50 and ACR70 reflect the same, for 50% and 70% response rates, respectively

ADPKD

Autosomal dominant polycystic kidney disease, a disease where typically both kidneys become enlarged with fluid-filled cysts, leading to kidney failure. Other organs may be affected as well

ADS

American Depositary Share; Galapagos has a Level 3 ADS listed on Nasdaq with ticker symbol GLPG and CUSIP number 36315X101. One ADS is equivalent to one ordinary share in Galapagos NV

AFM

Dutch Authority for the Financial Markets

Anemia

Condition in which the patient has an inadequate number of red blood cells to carry oxygen to the body's tissues

Anti-TNF

Tumor necrosis factor. An anti-TNF drug acts by modulation of TNF

Assays

Laboratory tests to determine characteristics

Attrition rate

The historical success rate for drug discovery and development, based on publicly known development paths. Statistically seen, investment in at least 12 target-based programs is required to ensure that at least one of these will reach a Phase 3 study. Most new drug R&D programs are discontinued before reaching Phase 3 because they are not successful enough to be approved

BID dosing

Twice-daily dosing (bis in die)

Bioavailability

Assessment of the amount of product candidate that reaches a body's systemic circulation after (oral) administration

Biomarker

Substance used as an indicator of a biological process, particularly to determine whether a product candidate has a biological effect

Black & Scholes model

A mathematical description of financial markets and derivative investment instruments that is widely used in the pricing of European options and subscription rights

Bridging trial

Clinical trial performed to "bridge" or extrapolate one dataset to that for another situation, i.e. to extrapolate data from one population to another for the same drug candidate, or to move from IV to subcutaneous dosing

CALOSOMA

Phase 1 program with GLPG3970 in psoriasis

CDAI

Crohn's Disease Activity Index, evaluating patients on eight different factors, each of which has a pre-defined weight as a way to quantify the impact of CD

CDAI remission

In the FITZROY trial, the percentage of patients with CD who showed a reduction of CDAI score to <150

CFTR

Cystic fibrosis transmembrane conductance regulator (CFTR) is a membrane protein and chloride channel in vertebrates that is encoded by the CFTR gene. It is hypothesized that inhibition of the

CFTR channel might reduce cyst growth and enlargement for patients with ADPKD. GLPG2737 is a CFTR inhibitor

CHIT1/AMCase

Chitotriosidase (CHIT1) is a protein coding gene, and AMCase is an inactive acidic mamalian chitinase. CHIT1 is predominantly involved in macrophage activation. Inhibition of chitinase activity translates into a potential therapeutic benefit in lung diseases like IPF, as shown in preclinical models. GLPG4716 is a CHIT1/AMCase inhibitor targeting a key pathway in tissue remodeling

CHMP

Committee for Medicinal Products for Human Use is the European Medicines Agency's (EMA) committee responsible for human medicines and plays a vital role in the authorization of medicines in the European Union (EU)

CIR

Crédit d'Impôt Recherche, or research credit. Under the CIR, the French government refunds up to 30% of the annual investment in French R&D operations, over a period of three years. Galapagos benefits from the CIR through its operations in Romainville, just outside Paris

CRP

C-reactive protein is a protein found in the blood, the levels of which rise in response to inflammation

Cash position

Current financial investments and cash and cash equivalents

Chitinase

Chitinase is an enzyme that degrades chitin, involved in the human innate immunity. Inhibition of chitinase activity translates into a potential therapeutic benefit in lung diseases like IPF, as shown in preclinical models

Clinical Proof of Concept (PoC)

Point in the drug development process where the product candidate first shows efficacy in a therapeutic setting

Complete Response Letter (CRL)

A letter send by the FDA to indicate that the review cycle for an application is complete and the application is not ready for approval in its present form

Compound

A chemical substance, often a small molecule with drug-like properties

Contract research organization (CRO)

Organization which provides drug discovery and development services to the pharmaceutical, biotechnology and medical devices industry

Corticosteroids

Any of a group of steroid hormones produced in the adrenal cortex or made synthetically. They have various metabolic functions and some are used to treat inflammation

Crohn's disease (CD)

An IBD involving inflammation of the small and large intestines, leading to pain, bleeding, and ultimately in some cases surgical removal of parts of the bowel

Cytokine

A category of small proteins which play important roles in signaling in processes in the body

DARWIN

Phase 2 program for filgotinib in RA. DARWIN 1 explored three doses, in twice-daily and once-daily administration, for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who remained on their stable background treatment with MTX. DARWIN 2 explored three once-daily doses for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who washed out of their treatment with MTX. DARWIN 1 and 2 were double-blind, placebo-controlled trials which recruited approximately 900 patients globally and for which results were reported in 2015. DARWIN 3 is a long term extension trial in which all patients are on 200 mg filgotinib, except for U.S. males who are on 100 mg. The week 156 results from DARWIN 3 were reported in 2019

DAS28 (CRP)

DAS28 is an RA Disease Activity Score based on a calculation that uses tender and swollen joint counts of 28 defined joints, the physician's global health assessment and a serum marker for inflammation, such as C- reactive protein. DAS28 (CRP) includes the C-reactive protein score calculation: scores range from 2.0 to 10.0, with scores below 2.6 being considered remission

DDI study

Drug-drug interaction study. This type of study will assess if there is a change in the action or side effects of a drug caused by concomitant administration with another drug

DIVERGENCE

Phase 2 programs with filgotinib in Crohn's disease. DIVERGENCE 1 was an exploratory study in small bowel CD and DIVERGENCE 2 in fistulizing CD

DIVERSITY

Phase 3 program evaluating filgotinib in CD

DMARDs

Disease modifying anti rheumatic drugs; these drugs address the disease itself rather than just the symptoms

Deep venous thrombosis (DVT)

The formation of one or more blood clots in one of the body's large veins, most commonly in the lower limbs. The blood clots can travel to the lung and cause a pulmonary embolism

Degradation

The process by which proteins are lost through the use of drugs such as PROTACs or small molecules

Development

All activities required to bring a new drug to the market. This includes preclinical and clinical development research, chemical and pharmaceutical development and regulatory filings of product candidates

Discovery

Process by which new medicines are discovered and/or designed. At Galapagos, this is the department that oversees target and drug discovery research through to nomination of preclinical candidates

Disease-modifying

Addresses the disease itself, modifying the disease progression, not just the symptoms of the disease

Dose-range finding study

Phase 2 clinical study exploring the balance between efficacy and safety among various doses of treatment in patients. Results are used to determine doses for later studies

Double-blind

Term to characterize a clinical trial in which neither the physician nor the patient knows if the patient is taking placebo or the treatment being evaluated

EC

European Commission

EMA

European Medicines Agency, in charge of European market authorization of new medications

Efficacy

Effectiveness for intended use

Endoscopy

A non-surgical procedure involving use of an endoscope to examine a person's digestive tract

FDA

The U.S. Food and Drug Administration is an agency responsible for protecting and promoting public health and in charge of American market approval of new medications

FIH

First-in-human clinical trial, usually conducted in healthy volunteers with the aim to assess the safety, tolerability and pharmacokinetics of the product candidate

FILOSOPHY

Phase 4 program evaluating filgotinib in RA

FINCH

Phase 3 program evaluating filgotinib in RA

FITZROY

A double-blind, placebo controlled Phase 2 trial with filgotinib in 177 CD patients for up to 20 weeks. Full results were published in The Lancet in 2016

FORM 20-F

Form 20-F is an SEC filing submitted to the US Securities and Exchange Commission

FSMA

The Belgian market authority: Financial Services and Markets Authority, or Autoriteit voor Financiële Diensten en Markten

FTE

Full-time equivalent; a way to measure an employee's involvement in a project. For example, an FTE of 1.0 means that the equivalent work of one full-time worker was used on the project

Fast Track

A designation by the FDA of an investigational drug for expedited review to facilitate development of drugs which treat a serious or life-threatening condition and fill an unmet medical need

Fee-for-service

Payment system where the service provider is paid a specific amount for each procedure or service performed

Filgotinib

Formerly known as GLPG0634, commercial name is Jyseleca. Small molecule preferential JAK1 inhibitor, approved in RA in European Union, Great Britain, and Japan, and in UC in European Union and Great Britain. Application for approval for ulcerative colitis was filed in Japan. Filgotinib is partnered with Gilead. Filgotinib currently is in Phase 3 trials in CD, and in a Phase 4 trial in RA

Fistulizing CD

Fistulae are inflammatory tracts that most often occur between the distal colon and the perianal region. Fistulae are one of the most severe sequelae of luminal CD and the lifetime risk of occurrence is close to 50% of those with active CD

Futility analysis

Analysis of the likelihood of a trial to meet its primary endpoint, based on a subset of the total information to be gathered. The term 'futility' is used to refer to the low likelihood of a clinical trial to achieve its objectives. In particular, stopping a clinical trial when the interim results suggest that it is unlikely to achieve statistical significance can save resources that could be used on more promising research

G&A expenses

General & administrative expenses

GLIDER

Phase 2 Proof of Concept trial with SIK2/3 inhibitor GLPG3970 in Sjögren's syndrome

GLPG0555

A JAK1 inhibitor currently in Phase 1b in osteoarthritis

GLPG0634

Molecule number currently known as filgotinib and Jyseleca

GLPG1690

Autotaxin inhibitor discovered by us and currently known as ziritaxestat. All development with ziritaxestat was discontinued in February 2021

GLPG2737

A compound currently in Phase 2 in ADPKD. This compound is part of the CF collaboration with AbbVie but Galapagos retained rights outside of CF

GLPG3121

A compound currently in Phase 1 targeting JAK1/TYK2 directed toward inflammation (IBD)

GLPG3667

A TYK2 kinase inhibitor discovered by us, topline results from the Phase 1b in psoriasis reported in July 2021

GLPG3970

A SIK2/3 inhibitor currently in multiple Phase 2 Proof of Concept studies. Topline results from the studies in UC, psoriasis and RA reported in July 2021

GLPG4399

A SIK3 inhibitor currently in Phase 1 directed toward inflammation

GLPG4586

A compound with undisclosed mode of action currently in the preclinical phase directed toward fibrosis. This is the first preclinical candidate to emerge from the collaboration with Fibrocor

GLPG4605

A SIK2/3 inhibitor in the preclinical phase, currently directed toward fibrosis

GLPG4716

A chitinase inhibitor inlicensed from OncoArendi in preparation for Phase 2 in IPF

Genome

An organism's complete set of genetic information needed to build that organism and allow it to grow and develop

HDL

High-density lipoprotein. HDL scavenges and reduces low-density lipoprotein (LDL) which contributes to heart disease at high levels. High levels of HDL reduce the risk for heart disease, while low levels of HDL increase the risk of heart disease

Hemoglobin

A protein inside red blood cells that carries oxygen from the lungs to tissues and organs in the body and carries carbon dioxide back to the lungs

Histology

Study of the microscopic structures of tissues

Histopathology

Microscopic examination of tissues for manifestations of a disease

IBD

Inflammatory Bowel Disease. This is a general term for an autoimmune disease affecting the bowel, including CD and UC. CD affects the small and large intestine, while UC affects the large intestine. Both diseases involve inflammation of the intestinal wall, leading to pain, bleeding, and ultimately, in some cases, surgical removal of part of the bowel

IPF

Idiopathic pulmonary fibrosis. A chronic and ultimately fatal disease characterized by a progressive decline in lung function. Pulmonary fibrosis involves scarring of lung tissue and is the cause of shortness of breath. Fibrosis is usually associated with a poor prognosis. The term "idiopathic" is used because the cause of pulmonary fibrosis is still unknown

In vitro

Studies performed with cells outside their natural context, for example in a laboratory

In vivo

Studies performed with animals in a laboratory setting

In-/out-licensing

Receiving/granting permission from/to another company or institution to use a brand name, patent, or other proprietary right, in exchange for a fee and/or royalty

Inflammatory diseases

A large, unrelated group of disorders associated with abnormalities in inflammation

Intellectual property

Creations of the mind that have commercial value and are protected or protectable, including by patents, trademarks or copyrights

Intersegment

Occurring between the different operations of a company

Investigational New Drug (IND) Application

United States Federal law requires a pharmaceutical company to obtain an exemption to ship an experimental drug across state lines, usually to clinical investigators, before a marketing application for the drug has been approved. The IND is the means by which the sponsor obtains this exemption, allowing them to perform clinical studies

JAK

Janus kinases (JAK) are critical components of signaling mechanisms utilized by a number of cytokines and growth factors, including those that are elevated in RA. Filgotinib is a preferential JAK1 inhibitor

Jyseleca®

Jyseleca® is the brand name for filgotinib

LADYBUG

Phase 2 program with GLPG3970 in rheumatoid arthritis

LDL

Low-density lipoprotein. LDL contributes to heart disease at high levels

Lipoprotein

Lipoproteins are substances made of protein and fat that carry cholesterol through your bloodstream. There are two main types of cholesterol: High-density lipoprotein (HDL), or "good" cholesterol and Low-density lipoprotein (LDL), or "bad" cholesterol

Liver enzymes

Inflamed or injured liver cells secrete higher than normal amounts of certain chemicals, including liver enzymes, into the bloodstream

Lymphocyte

Type of white blood cell that is part of the immune system

MACE

Major adverse cardiovascular events; a composite endpoint frequently used in cardiovascular research

MANGROVE

Phase 2 program with GLPG2737 in autosomal dominant polycystic kidney disease

MANTA

A Phase 2 semen parameter trial with filgotinib in male patients with CD or UC

MANTA-RAy

Phase 2 semen parameter trial with filgotinib in male patients with RA, PsA, or AS

MHLW

Japanese Ministry of Health, Labor and Welfare (MHLW), in charge of Japanese market authorization of new medications

MHRA

Medicines and Healthcare products Regulatory Agency in Great Britain

MTX

Methotrexate; a first-line therapy for inflammatory diseases

Mayo Score

Mayo Score is a Disease Activity Score for ulcerative colitis. It is a composite of subscores from four categories, including stool frequency, rectal bleeding, findings of flexible proctosigmoidoscopy or colonoscopy, and physician's global assessment, with a total score ranging from 0–12

Milestone

Major achievement in a project or program; in our alliances, this is usually associated with a payment

Modulation

The process by which the function of proteins is changed through the use of drugs such as small molecules, peptides, antibodies or cell therapy

Molecule collections

Chemical libraries, usually consisting of drug-like small molecules that are designed to interact with specific target classes. These collections can be screened against a target to generate initial “hits” in a drug discovery program

NDA

New Drug Application

NICE

The National Institute for Health and Care Excellence; an independent public body that provides national guidance and advice to improve health and social care in the UK

NK cells

Natural killer cells, type of white blood cell with granules of enzymes which can attack tumors or viruses

Neutrophil

Type of immune system cell which is one of the first cell types to travel to the site of an infection in the body. Neutrophils are another type of white blood cell which fight infection by ingesting and killing microorganisms

Oligonucleotide

Short DNA or RNA molecule that can be used as research tools or therapeutic drug to change protein expression

Oral dosing

Administration of medicine by the mouth, either as a solution or solid (capsule, pill) form

Osteoarthritis (OA)

The most common form of arthritis, usually occurring after middle age, marked by chronic breakdown of cartilage in the joints leading to pain, stiffness, and swelling

Outsourcing

Contracting work to a third party

PASI

Psoriasis Area and Severity Index; an index used to express the severity of psoriasis. It combines the severity (erythema, induration and desquamation) and percentage of affected area

PRAC

Pharmacovigilance Risk Assessment Committee of the European Medicines Agency, responsible for assessing all aspects of risk management of human medicines

PROTAC

Proteolysis targeting chimera, a special small molecule capable of removing unwanted proteins that play a role in disease processes

Pharmacokinetics (PK)

Study of what a body does to a drug; the fate of a substance delivered to a body. This includes absorption, distribution to the tissues, metabolism and excretion. These processes determine the blood concentration of the drug and its metabolite(s) as a function of time from dosing

Phase 1

First stage of clinical testing of an investigational drug designed to assess the safety and tolerability, pharmacokinetics of a drug, usually performed in a small number of healthy human volunteers

Phase 2

Second stage of clinical testing, usually performed in no more than several hundred patients, in order to determine efficacy, tolerability and the dose to use

Phase 3

Large clinical trials, usually conducted in several hundred to several thousand patients to gain a definitive understanding of the efficacy and tolerability of the candidate treatment; serves as the principal basis for regulatory approval

Phenotypic screening

Phenotypic screening is a strategy used in drug discovery to identify molecules with the ability to alter a cell's disease characteristics. Animal models and cell-based assays are both strategies used to identify these molecules. In contrast to target-based drug discovery, phenotypic screening does not rely on knowing the identity of the specific drug target or its hypothetical role in the disease. A key benefit this approach has over target-based screening, is its capacity to capture complex biological mechanisms that are not otherwise achievable

Pivotal trials

Registrational clinical trials

Placebo

A substance having no pharmacological effect but administered as a control in testing a biologically active preparation

Preclinical

Stage of drug research development, undertaken prior to the administration of the drug to humans. Consists of *in vitro* and *in vivo* screening, pharmacokinetics, toxicology, and chemical upscaling

Preclinical candidate (PCC)

A new molecule and potential drug that meets chemical and biological criteria to begin the development process

Product candidate

Substance that has satisfied the requirements of early preclinical testing and has been selected for development, starting with formal preclinical safety evaluation followed by clinical testing for the treatment of a certain disorder in humans

Proof of Concept (POC)

A clinical trial in which first evidence for efficacy of a candidate drug is gathered. A Proof of Concept trial is usually with a small number of patients and for short duration to get a first impression of drug activity

Proof of Concept study

Phase 2 patient study in which activity as well as safety in patients is evaluated, usually for a new mechanism of action

Psoriasis

A chronic skin disease which results in scaly, often itchy areas in patches

Psoriatic arthritis (PsA)

Psoriatic arthritis or PsA is an inflammatory form of arthritis, affecting up to 30% of psoriasis patients. Psoriatic arthritis can cause swelling, stiffness and pain in and around the joints, and cause nail changes and overall fatigue

Pulmonary embolism

A blockage in one of the pulmonary arteries in the lungs

QD dosing

Once-daily dosing (qd from the Latin quaque die)

R&D operations

Research and development operations; unit responsible for discovery and developing new product candidates for internal pipeline or as part of risk/reward sharing alliances with partners

Replication

The process by which DNA is copied to produce two identical DNA molecules during the process of cell division

Rheumatoid arthritis (RA)

A chronic, systemic inflammatory disease that causes joint inflammation, and usually leads to cartilage destruction, bone erosion and disability

S&M expenses

Sales and marketing expenses

SEA TURTLE

Phase 2 program with GLPG3970 in ulcerative colitis

SEC

Securities and Exchange Commission in the US

SELECTION

Phase 3 program evaluating filgotinib in UC patients. Full results were published in The Lancet in 2021

SES-CD scores

Simple endoscopic score for CD, involving review of five pre-defined bowel segments, assigning values from 0 (unaffected) to 3 (highly affected)

SIK

Salt-inducible kinase. This is the target family for the portfolio of molecules in the Toledo program

Screening

Method usually applied at the beginning of a drug discovery campaign, where a target is tested in a biochemical assay against a series of small molecules or antibodies to obtain an initial set of "hits" that show activity against the target. These hits are then further tested or optimized

Short interfering RNA

A research tool that is used to silence the activity of specific genes

Sjögrens syndrome

Sjögren's Syndrome is a systemic inflammatory disease which can be felt throughout the body, often resulting in chronic dryness of the eyes and mouth

Small bowel CD (SBCD)

CD causes chronic inflammation and erosion of the intestines. It can affect different regions of gastrointestinal tract including the stomach and small and large intestines. While isolated SBCD is an uncommon presentation of CD, involvement of some portion of the small bowel, particularly the ileum, is common

Statin

Statins are a class of lipid-lowering medications that reduce illness and mortality in those who are at high risk of cardiovascular disease. They are the most common cholesterol-lowering drugs. Low-density lipoprotein (LDL) carriers of cholesterol play a key role in the development of atherosclerosis and coronary heart disease via the mechanisms described by the lipid hypothesis

Systemic lupus erythematosus

An autoimmune disease, with systemic manifestations including skin rash, erosion of joints or even kidney failure

TAPINOMA

Phase 1b Proof of Concept trial with SIK2/3 inhibitor GLPG3970 in SLE. The study was terminated in October 2021

TEAE

Treatment Emergent Adverse Event, is any event not present prior to the initiation of the treatments or any event already present that worsens in either intensity or frequency following exposure to the treatments

TYK

Tyrosine kinase is an enzyme that can transfer a phosphate group from ATP to the tyrosine residues of specific proteins inside a cell. It functions as an "on" or "off" switch in many cellular functions. Tyrosine kinases belong to a larger class of enzymes known as protein kinases which also attach phosphates to other amino acids such as serine and threonine. GLPG3667 is a reversible and selective TYK2 kinase domain inhibitor

Target

Proteïn that has been shown to play a role in a disease process and that forms the basis of a therapeutic intervention or discovery of a medicine

Target discovery

Identification and validation of proteins that have been shown to play a role in a disease process

Technology access fee

License payment made in return for access to specific technology (e.g. compound or virus collections)

Toledo

Toledo is the program name for the target family of SIK inhibitors

Topical corticosteroids

Corticosteroids which are administered through the skin using an ointment

Transcription

The process of making an RNA copy of a DNA gene sequence

Translation

The process by which a protein is synthetized from mRNA

Ulcerative colitis (UC)

UC is an IBD causing chronic inflammation of the lining of the colon and rectum (unlike CD with inflammation throughout the gastrointestinal tract)

Venous thrombotic events

When a blood clot breaks loose and travels in the blood, this is called a venous thromboembolism (VTE). The abbreviation DVT/PE refers to a VTE where a deep vein thrombosis (DVT) has moved to the lungs (PE or pulmonary embolism)

Ziritaxestat

Formerly known as GLPG1690. Ziritaxestat is a novel drug candidate targeting autotaxin; all development with ziritaxestat was discontinued in February 2021

Financial calendar

26 April 2022

Annual Shareholders' Meeting in Mechelen, Belgium

05 May 2022

First quarter 2022 results

04 August 2022

First half year 2022 results

03 November 2022

Third quarter 2022 results

23 February 2023

Full year 2022 results

Colophon

Concept, design and online programming
nexxar GmbH, Vienna – Online annual reports and online sustainability reports
www.nexxar.com

Photography
Frank van Delft
Richard Davies
Michael Liebert
Tom Whipps
Fernando Vázquez Morago
Frederik Beyens

Patient Charter video
Alive with ideas

Magazine Copy
Evelyn Fox
Gerard Ivall
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Copy deadline: 22 March 2022

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