

Financial statements

2022 consolidated and non-consolidated
financial statements

Forward with Purpose

Consolidated financial statements

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

Consolidated income statement

(thousands of €, except per share data)	Year ended 31 December		Notes
	2022	2021	
Product net sales	87,599	14,753	6
Collaboration revenues	417,681	470,093	6
Total net revenues	505,280	484,846	
Cost of sales	(12,079)	(1,629)	
Research and development expenditure	(515,083)	(491,707)	7
Sales and marketing expenses	(147,555)	(69,956)	7
General and administrative expenses	(144,931)	(140,899)	7
Other operating income	46,848	53,749	7
Operating loss	(267,520)	(165,596)	
Fair value adjustments and net currency exchange differences	51,473	61,296	9
Other financial income	18,578	3,058	9
Other financial expenses	(17,679)	(21,757)	9
Loss before tax	(215,147)	(122,999)	
Income taxes	(2,844)	(2,423)	10
Net loss from continuing operations	(217,991)	(125,422)	
Net profit from discontinued operations, net of tax	-	22,191	27
Net loss	(217,991)	(103,231)	
Net loss attributable to:			
Owners of the parent	(217,991)	(103,231)	
Basic and diluted loss per share	(3.32)	(1.58)	11
Basic and diluted loss per share from continuing operations	(3.32)	(1.91)	

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

Consolidated statement of comprehensive income / loss (-)

(thousands of €)	Year ended 31 December		Notes
	2022	2021	
Net loss	(217,991)	(103,231)	
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligation	5,324	730	
Items that may be reclassified subsequently to profit or loss:			
Translation differences, arisen from translating foreign activities	129	736	
Realization of translation differences upon sale of foreign operations	-	731	
Other comprehensive income, net of income tax	5,453	2,197	
Total comprehensive loss attributable to:			
Owners of the parent	(212,538)	(101,034)	
Total comprehensive loss attributable to owners of the parent arises from:			
Continuing operations	(212,538)	(123,956)	
Discontinued operations	-	22,922	
Total comprehensive loss	(212,538)	(101,034)	

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

Consolidated statements of financial position

(thousands of €)	31 December		Notes
	2022	2021	
Assets			
Goodwill	69,813	-	12
Intangible assets other than goodwill	146,354	60,103	13
Property, plant and equipment	154,252	137,512	14
Deferred tax assets	1,363	4,032	22
Non-current R&D incentives receivables	119,941	127,186	16
Other non-current assets	5,778	2,473	15
Non-current assets	497,501	331,306	
Inventories	52,925	20,569	17
Trade and other receivables	40,429	111,337	18
Current R&D incentives receivables	26,126	16,827	16
Current financial investments	3,585,945	2,469,809	19
Cash and cash equivalents	508,117	2,233,368	20
Other current assets	23,307	9,945	18
Current assets	4,236,850	4,861,854	
Total assets	4,734,351	5,193,160	
Equity and liabilities			
Share capital	293,604	292,075	21
Share premium account	2,735,557	2,730,391	21
Other reserves	(4,853)	(10,177)	
Translation differences	(1,593)	(1,722)	
Accumulated losses	(496,689)	(367,205)	
Total equity	2,526,026	2,643,362	
Retirement benefit liabilities	5,540	11,699	
Deferred tax liabilities	20,148	-	22
Non-current lease liabilities	14,692	19,655	23
Other non-current liabilities	21,808	7,135	24
Non-current deferred income	1,623,599	1,944,836	25
Non-current liabilities	1,685,787	1,983,325	
Current lease liabilities	7,209	7,204	23
Trade and other liabilities	148,675	137,622	24
Current tax payable	1,022	1,782	10
Current deferred income	365,631	419,866	25
Current liabilities	522,538	566,474	
Total liabilities	2,208,325	2,549,798	
Total equity and liabilities	4,734,351	5,193,160	

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

Consolidated cash flow statements

(thousands of €)	2022	2021	Notes
Net loss of the year	(217,991)	(103,231)	
Adjustment for non-cash transactions	117,296	57,718	28
Adjustment for items to disclose separately under operating cash flow	(4,533)	11,227	28
Adjustment for items to disclose under investing and financing cash flows	(3,789)	(28,847)	28
Change in working capital other than deferred income	32,313	23,337	28
Cash used for other liabilities related to the acquisition of subsidiaries	(28,164)	-	26
Decrease in deferred income	(383,618)	(453,720)	25
Cash used in operations	(488,487)	(493,516)	
Interest paid	(12,463)	(12,540)	
Interest received	4,839	2,913	
Corporate taxes paid	(4,433)	(684)	
Net cash flow used in operating activities	(500,544)	(503,827)	
Purchase of property, plant and equipment	(27,389)	(54,205)	14
Purchase of and expenditure in intangible fixed assets	(9,558)	(3,674)	13
Proceeds from disposal of property, plant and equipment	739	-	14
Purchase of current financial investments	(2,728,634)	(1,561,015)	19
Interest received related to current financial investments	2,996	12	19
Sale of current financial investments	1,641,602	2,127,380	19
Cash in from disposals of subsidiaries, net of cash disposed of	-	28,696	27
Cash out from acquisition of subsidiaries, net of cash acquired	(115,270)	-	26
Cash advances and loans to third parties	(10,000)	-	26
Proceeds from sale of financial assets held at fair value through profit or loss	-	4,045	15
Net cash flow generated from/used in (-) investing activities	(1,245,514)	541,238	
Payment of lease liabilities	(8,182)	(7,190)	23
Proceeds from capital and share premium increases from exercise of subscription rights	6,695	3,314	21
Net cash flow used in financing activities	(1,487)	(3,876)	
Increase/decrease (-) in cash and cash equivalents	(1,747,545)	33,535	

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(thousands of €)	2022	2021	Notes
Cash and cash equivalents at beginning of year	2,233,368	2,143,071	20
Increase/decrease (-) in cash and cash equivalents	(1,747,545)	33,535	
Effect of exchange rate differences on cash and cash equivalents	22,293	56,763	
Cash and cash equivalents at end of the year	508,117	2,233,368	20

	31 December		
(thousands of €)	2022	2021	Notes
Current financial investments	3,585,945	2,469,809	19
Cash and cash equivalents	508,117	2,233,368	20
Current financial investments and cash and cash equivalents	4,094,062	4,703,177	

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 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
On 1 January 2022	292,075	2,730,391	(1,722)	(10,177)	(367,205)	2,643,362
Net loss					(217,991)	(217,991)
Other comprehensive income			129	5,324		5,453
Total comprehensive income/ loss (-)			129	5,324	(217,991)	(212,538)
Share-based compensation					88,506	88,506
Exercise of subscription rights	1,530	5,166				6,695
On 31 December 2022	293,604	2,735,557	(1,593)	(4,853)	(496,689)	2,526,026

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 a fully integrated biotechnology company focused on discovering, developing, and commercializing innovative medicines. We are committed to improving patients’ lives worldwide by targeting diseases with high unmet needs. Our research and development (R&D) capabilities cover multiple drug modalities, including small molecules and cell therapies. Our portfolio comprises discovery through to commercialized programs in immunology, oncology and other indications. Our first medicine for rheumatoid arthritis and ulcerative colitis is on the market in Europe and Japan.

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., Galapagos Real Estate Netherlands B.V. and CellPoint B.V. (CellPoint)(Oegstgeest, the Netherlands); Galapagos, Inc. and its subsidiaries Xenometrix, Inc. and AboundBio, Inc. (AboundBio)(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 operations had 1,338 employees on 31 December 2022 (as compared to 1,309 employees on 31 December 2021) mainly working in our operating facilities in Mechelen (the Belgian headquarters), the Netherlands, France, Switzerland, Germany, Italy, Spain and the United Kingdom.

We are currently operating as a single operating segment. Prior to the disposal of our Croatian subsidiary Fidelta d.o.o. (Fidelta) we had two reportable segments: our (i) R&D and (ii) fee-for-service business. On 4 January 2021 however we sold Fidelta to Selvita S.A. (Selvita), who acquired 100% of the outstanding shares in Fidelta. Due to the disposal

of Fidelta (our fee-for-service segment), we have reported this segment as discontinued operations.

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.

Conflict in Ukraine

To date, we have experienced very limited impact of the armed conflict between Russia and Ukraine. However, we keep on monitoring the impact of the situation.

2. Summary of significant transactions

GILEAD COLLABORATION AGREEMENT

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 2021 and 31 December 2022. On 31 December 2022 the value of the subsequent Warrant B decreased to €0.7 million, driven by the decrease of our share price, and of the implied volatility in 2022.

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 Board of Directors 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 the result of a 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 DIVERSITY clinical study, evaluating filgotinib in CD, and its long-term extension study. The DIVERSITY clinical study was transferred and as of 1 April 2022, we were 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. All activities have been as of 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 continued 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 were transferred 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 connection with the amendments to the existing arrangement for the commercialization and development of filgotinib, Gilead paid us €160 million, which is split between a €110 million payment received in 2021 and a €50 million payment received in 2022 and is subject to certain adjustments for higher than budgeted development costs. In 2022, Gilead made 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. In 2022, we also received from Gilead \$20 million of milestone payment for the regulatory approval of filgotinib in UC in Japan. Other terms of the original license agreement remain in effect, including the remaining \$275 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).

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. Gilead's ownership amounted to 25.38% at 31 December 2022.

BUSINESS COMBINATIONS

On 21 June 2022 we acquired, in an all-cash transaction, 100% of the shares and voting interests of CellPoint. On the same date we acquired all of the outstanding capital and voting interests of AboundBio.

We refer to **note 12 Goodwill and impairment of goodwill** and **note 26 Business combinations during the period**, for more information.

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 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.

New standards and interpretations applicable for the annual period beginning on 1 January 2022

New standards and interpretations applicable for the annual period beginning on 1 January 2022 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 2022

A number of new standards are effective for annual periods beginning on or after 1 January 2023 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 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.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendment to IFRS 16);
- Classification of liabilities as current or non-current (Amendment to IAS 1); and
- Non-current liabilities with covenants (Amendment to IAS 1).

Consolidated reporting

The consolidated financial statements comprise the financial statements of Galapagos NV and entities controlled by Galapagos NV (subsidiaries). 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.

Business combinations

Business combinations are accounted for using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair value at the acquisition date. The results of acquired operations are included in our consolidated income statement from the date on which control is obtained. Any contingent consideration to be transferred by us is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in profit or loss. The excess of the fair value of the total purchase consideration transferred over the fair value of the acquired assets and assumed liabilities is recognized as goodwill. The valuations in support of fair value determinations are based on information available at the acquisition date. Acquisition related costs are expensed as incurred.

Contingent amounts payable or paid by us to former shareholders of acquired companies, who continue to be employed by us, but which would be automatically forfeited (or become repayable) upon termination of employment before a specific date, are classified as remuneration for post-combination services on the appropriate line in our consolidated income statement. These cash-settled contingent amounts are recognized in accordance with IAS 19 and are recorded on the balance sheet on the lines "other (non-) current assets" and "other non-current/trade and other liabilities" depending on the timing of the payment by us.

Goodwill

Goodwill is initially measured as the excess of the total purchase consideration transferred and the fair value of the acquired assets and assumed liabilities. Subsequently, goodwill is stated at cost less impairment and tested for impairment at least annually at the level of the cash generating unit to which it was allocated. Any impairment costs are recorded in our consolidated income statement on the line "Other operating income/expense".

Intangible assets other than goodwill

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, rights, technology and in-process research and development

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.

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.

Exclusivity contracts and technology acquired through business combinations are valued independently as part of the fair value of the businesses acquired and are amortized over their estimated useful lives. The estimated useful life is based on the lower of the contract life or the economic useful life.

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. These inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, conversion costs and 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 2022.

(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 to 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 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 and contingent consideration 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 expenses related to our research and development project costs.

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

Contingent consideration liabilities

Any contingent consideration to be transferred by us in relation to businesses acquired are linked to milestone payments and are initially recognized at fair value as a financial liability. They are adjusted for the probability of their likelihood of payment and are appropriately discounted to reflect the impact of time.

Changes in the fair value of these contingent consideration liabilities in subsequent periods are recognized in our consolidated income statement on the line "other operating income/expense". The effect of unwinding the discount over time is recognized in other financial results.

(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® in Europe, which are reported as “Product net sales” in our consolidated income statement.

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 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 (which is generally only when the milestone is achieved). 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 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) to measure the progress of the satisfaction of the underlying performance obligation (which is the applied method for the filgotinib 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 (which is the applied method for the performance obligation related to our drug discovery platform).

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) Bonus plans

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

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

Share-based payments

(i) Equity-settled share-based payments

We grant equity-settled incentives to certain employees, members of the Executive Committee 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)

Members of the Executive Committee 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 other than goodwill

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.

(iii) Goodwill

As goodwill is considered to have an indefinite life, it is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount (i.e. the higher of value in use and fair value less costs to sell). If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill are not 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 in 2021 our reportable segments were R&D and fee-for-service business. Fidelta is reported as discontinued operations for the year ended 31 December 2021.

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.

On 4 January 2021 we sold of our fee-for-service business Fidelta.

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 2022.

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 2022 amounted to €174.4 million. Our total deferred income balance related to this filgotinib performance obligation amounts to €456.4 million on 31 December 2022. 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 2022 of €15.4 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 2022 of €16.0 million and a corresponding decrease in current and non-current deferred income.

Goodwill impairment

Determining whether goodwill is subject to impairment requires an estimate of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The calculation of this recoverable amount includes forecasts of future cash flows of the cash-generating unit (highly dependent upon the probability of success linked to the progress of our clinical programs) and an appropriate discount rate is required to calculate present values, a process which involves estimates. These

estimates are constantly monitored, and an impairment test will be performed as soon as there is an impairment indicator and at least annually. The carrying value of goodwill at 31 December 2022 is €69.8 million.

Contingent consideration

The contingent consideration included in the consideration payable for the acquisition of CellPoint was recorded at fair value at the date of acquisition. These fair values were mainly based on our best estimate of probabilities of reaching the underlying milestones and by applying an appropriate discount rate. The fair values are reviewed at each reporting date and any changes are reflected in our consolidated income statement. We refer to the specific note on contingent consideration for more details.

5. Segment information

Geographical information

We are currently operating as a single operating segment. Prior to the disposal of Fidelta in 2021 we had two reportable segments: R&D and fee-for-service business.

In 2022 our operations were mainly located in Belgium, France, the Netherlands, Germany, Italy, Spain, Switzerland and the United Kingdom. The revenues from our collaboration partner Gilead represented 82% of our total net revenues in 2022 (97% in 2021).

In 2022 we reported €87.6 million of product net sales for Jyseleca® in Europe (€14.8 million in 2021) of which €7.3 million realized in Belgium (€1.7 million in 2021).

Following table summarizes our collaboration revenues by destination of customer:

(thousands of €)	Year ended 31 December	
	2022	2021
United States of America	414,129	467,978
Europe	3,552	2,114
Total collaboration revenues	417,681	470,093

Following table summarizes our collaboration revenues by major customers:

	Year ended 31 December			
	2022		2021	
	(thousands of €)	%	(thousands of €)	%
Gilead				
United States of America	414,129	100%	467,978	100%
Europe	1,452	0%	2,071	0%
Total collaboration revenues from major customers	415,581	99%	470,049	100%

On 31 December 2022, we held €370.4 million (€197.6 million in 2021) of property, plant and equipment, intangible assets and goodwill distributed as follows:

(thousands of €)	31 December	
	2022	2021
Belgium	72,087	98,295
France	20,397	21,051
The Netherlands	255,461	66,621
Switzerland	4,962	7,181
Spain	3,037	3,029
United States of America	12,729	136
Other	1,747	1,302
Total	370,420	197,615

6. Total net revenues

Product net sales

We reported product net sales of Jyseleca® for the year ended 31 December 2022 of €87.6 million, as compared to €14.8 million for the year ended 31 December 2021. Our counterparties for the sales of Jyseleca® during 2022 were mainly hospitals and wholesalers located across Europe. Jyseleca net sales have significantly grown driven by volume uptake of existing business and by new launches in both indications in multiple countries.

Net sales exclusively consisted of sales of Jyseleca® in Europe.

Cost of sales related to Jyseleca® net sales for the year ended 31 December 2022 amounted to €12.1 million, compared to €1.6 million for the year ended 31 December 2021.

Collaboration revenues

The following table summarizes our collaboration revenues for the years ended 31 December 2022 and 2021 by collaboration and by category of revenue: upfront payments and license fees, milestone payments, reimbursement income and royalties.

(thousands of €)	Year ended 31 December			
	Over time	Point in time	2022	2021
Recognition of non-refundable upfront payments and license fees			370,078	433,884
Gilead collaboration agreement for filgotinib	✓		139,655	203,301
Gilead collaboration agreement for drug discovery platform	✓		230,423	230,582
Milestone payments			36,777	32,408
Gilead collaboration agreement for filgotinib	✓		34,777	32,408
Sobi distribution agreement for Jyseleca		✓	2,000	-
Reimbursement income			56	-
Novartis collaboration agreement for MOR106	✓		56	-
Royalties			10,770	3,801
Gilead royalties on Jyseleca		✓	10,726	3,757
Other royalties		✓	44	43
Total collaboration revenues			417,681	470,093

Revenue recognition of non-refundable upfront payments, license fees and milestone payments related to the filgotinib agreement amounted to €174.4 million in 2022. We recognize the consideration from Gilead allocated to the drug discovery platform on a linear basis over the 10-year period of our collaboration, of which we recognized €230.4 million in 2022. For the year ended 31 December 2022 we also recognized in revenue €10.7 million of royalties from Gilead on filgotinib.

Additionally, we recorded in 2022 milestone payments of €2.0 million triggered by the initial sales of Jyseleca® in the Czech Republic and Portugal by our distribution and commercialization partner Sobi.

The below table summarizes the transaction price of our collaboration with Gilead:

(thousands of €)	31 December 2021	Other movements in 2022	31 December 2022
Upfront consideration	4,018,016		4,018,016
Milestones achieved	194,363	18,238	212,601
Royalties	19,984	10,726	30,710
Impact initial valuation of share subscription agreement	124,604		124,604
	4,356,967	28,964	4,385,931
Less:			
Warrant issuance liabilities			
Warrant A	(43,311)		(43,311)
Initial warrant B	(2,545)		(2,545)
Subsequent warrant B	(2,442)	1,714	(728)
	4,308,669	30,678	4,339,347
Allocation to performance obligations			
Ziritaxestat	666,967		666,967
Filgotinib ⁽¹⁾	1,343,214	28,964	1,372,178
Drug discovery platform (10 years)	2,298,489	1,714	2,300,203

(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, to €57.3 million on 31 December 2021 and to €58.7 million on 31 December 2022.

In 2022 we received \$20.0 million (€18.2 million) of milestone payments for the regulatory approval of filgotinib in UC in Japan and recognized €10.7 million of royalties from Gilead.

A summary of our main contracts with customers and distribution/commercialization partners 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.

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 2021 and 2022 we reported respectively €3.8 million and €10.7 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 2022.

Collaboration with Sobi

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.

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 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Personnel costs	(190,085)	(165,239)
Subcontracting	(214,906)	(251,085)
Disposables and lab fees and premises costs	(21,356)	(24,025)
Depreciation and impairment	(54,462)	(17,518)
Professional fees	(15,167)	(15,862)
Other operating expenses	(19,107)	(17,978)
Total research and development expenditure	(515,083)	(491,707)

The variance in our R&D expenditure in 2022 compared to 2021 was principally due to the following elements:

- Depreciation and impairment costs in 2022 amounted to €54.5 million (€17.5 million in 2021). This increase was primarily due to an impairment of €26.7 million of previously capitalized upfront fees related to our collaboration with Molecure on the dual chitinase inhibitor OATD-01 (GLPG4716) in fibrosis and impairments of intangible assets related to other discontinued projects recorded in 2022 for an amount of €8.9 million.
- Personnel costs increased from €165.2 million in 2021 to €190.1 million in 2022 primarily explained by increases in restructuring costs and accelerated non-cash cost recognition for subscription right plans related to good leavers.
- Subcontracting costs decreased from €251.1 million in 2021 to €214.9 million in 2022 following the evolution of our programs.

The table below summarizes our research and development expenditure for the years ended 31 December 2022 and 2021, broken down by program:

(thousands of €)	Year ended 31 December	
	2022	2021
Filgotinib program	(245,286)	(171,204)
Ziritaxestat program	(1,096)	(26,725)
SIKi program	(47,727)	(91,957)
TYK2 program on GLPG3667	(24,467)	(27,141)
CAR-T programs in oncology	(29,999)	-
Other programs	(166,507)	(174,680)
Total research and development expenditure	(515,083)	(491,707)

The increase in R&D expenditure in 2022 was primarily explained by cost increases for our filgotinib program and new investments in 2022 in CAR-T programs in oncology. This was partly offset by cost decreases due to the winding down of the ziritaxestat (IPF) program and reduced spend on our SIKi, TYK2 and other programs.

Sales and marketing expenses

The following table summarizes the sales and marketing expenses for the years ended 31 December 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Personnel costs	(71,878)	(59,102)
Depreciation	(2,473)	(504)
External outsourcing costs	(54,057)	(62,321)
Sales and marketing expenses recharged to Gilead	31	59,699
Professional fees	(4,222)	(532)
Other operating expenses	(14,956)	(7,196)
Total sales and marketing expenses	(147,555)	(69,956)

Major part of the increase in our sales and marketing expenses in 2022 is due to the termination of our 50/50 filgotinib co-commercialization cost sharing agreement with Gilead as from 1 January 2022 explaining €59.7 million of the variance. Personnel costs increased by €12.8 million in 2022 compared to 2021, explained by an increase in salaries and benefits following the growth of the commercial work force from 248 average FTEs in 2021 to 305 average FTEs in 2022 driven by the commercial launch of filgotinib in Europe.

Other operating expenses increased from €7.2 million in 2021 to €15.0 million in 2022 largely due to increased travel expenses.

External outsourcing costs decreased by €8.3 million primarily explained by lower costs for marketing studies and materials.

General and administrative expenses

The following table summarizes the general and administrative expenses for the years ended 31 December 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Personnel costs	(85,034)	(71,190)
Depreciation and impairment	(8,631)	(16,621)
Legal and professional fees	(24,368)	(26,072)
Other operating expenses	(26,898)	(27,016)
Total general and administrative expenses	(144,931)	(140,899)

The increase in our general and administrative expenses in 2022 was mainly explained by an increase in personnel expenses primarily due to accelerated non-cash cost recognition for our subscription right plans related to good leavers, and higher restructuring costs. This was partly offset by a decrease in depreciation and impairment

costs largely due to an impairment cost in 2021 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).

Other operating income

The following table summarizes other operating income for the years ended 31 December 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Grant income	1,873	7,334
R&D incentives	38,527	44,888
Other	6,448	1,526
Total other operating income	46,848	53,749

The grant income in 2022 and 2021 were 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 also included a grant of €5.4 million from the National Institute for Health and Disability Insurance (2022: nil). This grant aimed 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 €11.4 million for the year ended 31 December 2022 compared to €12.4 million for the year ended 31 December 2021
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €17.3 million for the year ended 31 December 2022 compared to €20.9 million for the year ended 31 December 2021
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €9.9 million for the year ended 31 December 2022 compared to €11.7 million for the year ended 31 December 2021.

Other income increased from €1.5 million in 2021 to €6.4 million in 2022 mainly due to rental income and a one-off sale of side products from our R&D activities.

8. Staff costs

The table below summarizes the number of our employees of our operations on 31 December 2022 and 2021:

	2022	2021
Number of employees on 31 December	1,338	1,309
Total	1,338	1,309

The average number of FTE's of our operations during the years 2022 and 2021 was:

	Year ended 31 December	
	2022	2021
Members of the Executive Committee	5	6
Research and development	570	636
Commercial and medical affairs	421	338
Corporate and support	297	332
Total	1,293	1,312

Their aggregate remuneration comprised:

	Year ended 31 December	
(thousands of €)	2022	2021
Wages and salaries	(197,013)	(175,167)
Social security costs	(32,543)	(29,934)
Retirement benefit costs	(10,881)	(8,467)
Costs related to subscription right plans	(88,493)	(70,726)
Other personnel costs	(18,067)	(11,237)
Total personnel costs	(346,997)	(295,531)

9. Fair value adjustments, net currency exchange differences and other financial income/expenses

The following table summarizes fair value adjustments and net currency exchange differences, and other financial income and expenses for the years ended 31 December 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Fair value adjustments and net currency exchange differences:		
Net currency exchange gain	44,359	56,492
Fair value re-measurement of warrants	186	2,960
Fair value loss on financial assets held at fair value through profit or loss	-	(4,919)
(Fair) value gain on current financial investments	6,929	6,763
Total fair value adjustments and net currency exchange differences	51,473	61,296
Other financial income:		
Interest income	18,110	2,865
Discounting effect of non-current R&D incentives receivables	93	93
Other finance income	376	100
Total other financial income	18,578	3,058
Other financial expenses:		
Interest expenses	(6,967)	(11,656)
Discounting effect of non-current deferred income	(7,672)	(9,289)
Discounting effect of other non-current liabilities	(2,271)	-
Other finance charges	(769)	(812)
Total other financial expenses	(17,679)	(21,757)
Total net financial result	52,372	42,598

During 2022 we changed the presentation of our financial results in our consolidated income statement in order to isolate the net currency exchange differences and fair value re-measurements. We retrospectively adjusted the 2021 comparative figures to reflect this change. In our 2021 consolidated financial statements we reported total currency exchange gains of €60.7 million and total currency exchange losses of €4.2 million for the year ended 31 December 2021 on the "other financial income" and "other financial expenses" line respectively. The (fair) value gains on current financial investments (€6.8 million for the year ended 31 December 2021) were also reported on the line "other financial income" in our 2021 consolidated financial statements.

The net currency exchange gain in 2022 of €44.4 million primarily consisted of an unrealized exchange gain of €41.3 million on cash and cash equivalents and current

financial investments at amortized cost held in U.S. dollars, as compared to an unrealized exchange gain in 2021 of €56.6 million on cash and cash equivalents and current financial investments at amortized cost held in U.S. dollars. 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.

Fair value re-measurement of warrants refers to the fair value re-measurement of initial warrant B. The fair value of the financial liability related to the initial warrant B of €0.02 million on 31 December 2022 (€0.2 million on 31 December 2021) is presented as part of trade and other liabilities in our consolidated statement of financial position and will be re-measured at each reporting period. We refer to **note 2** for more information.

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. This resulted in a net book value of zero of the financial assets held at fair value through profit or loss on 31 December 2021. The fair value gain on the current financial investments in 2022 and 2021 reflected the positive exchange differences booked on the money market funds, 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 2022 and on 31 December 2021. These re-measurement losses were mainly the result of the negative returns on the EUR denominated money market funds.

Interest income was related to interests on term deposits, notice accounts and current financial investments. Net interest income increased due to increasing interest rates.

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 2022 also included €7.7 million of costs (€9.3 million for the year ended 31 December 2021) 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. They also comprise the discounting effect of other non-current liabilities as deferred consideration and milestones payables related to the acquisition of subsidiaries.

10. Income taxes

The following table summarizes the income tax recognized in profit or loss for the years ended 31 December 2022 and 2021.

(thousands of €)	Year ended 31 December	
	2022	2021
Current tax	(4,071)	(2,020)
Deferred tax	1,227	(404)
Total income taxes	(2,844)	(2,423)

Current tax, consisting of corporate income taxes, and deferred tax income/cost (-) related to subsidiaries working on a cost plus basis. In addition, the deferred tax income for the year ended 31 december 2022 was largely due to the partial release of the net deferred tax liabilities related to the acquisitions of CellPoint and AboundBio.

Tax liabilities

The below table illustrates the tax liabilities related captions in the consolidated statement of financial position as at 31 December 2022 and 2021.

(thousands of €)	31 December	
	2022	2021
Current tax payable	1,022	1,782
Total tax liabilities	1,022	1,782

On 31 December 2022, 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 corporate tax was calculated at 25% (2021: 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.

(thousands of €)	Year ended 31 December	
	2022	2021
Loss before tax	(215,147)	(122,999)
Income tax debit/credit (-), calculated using the Belgian statutory tax rate on the accounting profit/loss (-) before tax (theoretical)	(53,787)	(30,750)
Tax expenses in income statement (effective)	2,844	2,423
Difference in tax expenses/income to explain	56,631	33,173
Effect of tax rates in other jurisdictions	(337)	(582)
Effect of non-taxable revenues	(7,642)	(9,413)
Effect of share-based payment expenses without tax impact	22,127	17,682
Effect of expenses/income (-) not subject to tax	(146)	(907)
Effect of non-tax-deductible expenses	3,224	3,812
Effect of recognition of previously non recognized deferred tax assets	(1,677)	(1,411)
Effect of tax losses (utilized) reversed	-	(404)
Effect from under or over provisions in prior periods	1,101	(840)
Effect of non-recognition of deferred tax assets	38,104	25,613
Effect of derecognition of previously recognized deferred tax assets	1,877	135
Effect of use of investment deduction	-	(512)
Total explanations	56,631	33,173

Non-taxable revenues for the years ended 31 December 2022 and 2021 were related to non-taxable subsidies and tax credits.

11. 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	
	2022	2021
Net loss attributable to owners of the parent (thousands of €)	(217,991)	(103,231)
Number of shares (thousands)		
Weighted average number of shares for the purpose of basic income/loss (-) per share	65,699	65,500
Basic loss per share (€)	(3.32)	(1.58)
Net loss attributable to owners of the parent (thousands of €)	(217,991)	(103,231)
Number of shares (thousands)		
Weighted average number of shares for the purpose of diluted income/loss (-) per share	65,699	65,500
Number of dilutive potential ordinary shares	-	-
Diluted loss per share (€)	(3.32)	(1.58)

As we reported a net loss in 2022 and 2021, the outstanding subscription rights (specified in [note 31](#)) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share is the same for 2022 and 2021.

12. Goodwill and impairment of goodwill

(thousands of €)	Goodwill
On 1 January 2022	-
Recognized on acquisition of subsidiaries	69,893
Exchange differences on goodwill	(80)
On 31 December 2022	69,813

The goodwill resulting from both the acquisition of CellPoint (€62.4 million) and AboundBio (€7.4 million) was allocated to the same cash-generating unit (CGU), “oncology”. The intangible assets acquired as a result of both business combinations were also allocated to this cash-generating unit, together with some other (in)angible assets related to the “oncology” cash-generating unit. The valuation method of the recoverable amount of this cash-generating unit is based on the fair value less costs of disposal.

The valuation technique that was applied to determine the fair value less costs of disposal of the cash-generating unit is a discounted cash flow method (“DCF”) with projected cash flows that cover a period of 13 years. The period considered exceeds five years because the main sales are expected for the period beyond 2027. The key assumptions used in this valuation (level 3 in the fair value hierarchy) of the recoverable amount of the underlying cash-generating unit were:

- Probability of success of our clinical programs that is based on benchmarks in combination with management estimate
- Terminal growth rate of –50% reflecting the anticipated sales evolution beyond 2035
- Discount rate of 12.5%
- Future revenue and investment assumptions are based on management estimate of the overall cell therapy market

No impairment was identified per 31 December 2022.

Reference is made to **note 26 “Business combinations during the period”** for a detailed description of both business combinations.

13. Intangible assets other than goodwill

(thousands of €)	Software & databases	Licences, rights, technology and in-process R&D	Contract costs	Total
Acquisition value				
On 1 January 2021	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
Impact of acquisitions of businesses		124,570		124,562
Additions	1,126	8,423		9,557
Sales and disposals	(913)	(36,298)		(37,211)
Translation differences		(36)		(36)
On 31 December 2022	24,767	136,588	15,384	176,740
Amortization and impairment				
On 1 January 2021	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
Amortization	3,967	6,666	1,538	12,171
Impairment		35,666		35,666
Sales and disposals	(913)	(36,298)		(37,211)
Translation differences		(4)		(4)
On 31 December 2022	15,031	10,229	5,126	30,387
Carrying amount				
On 31 December 2021	12,577	35,730	11,796	60,103
On 31 December 2022	9,736	126,359	10,258	146,354

Impact of acquisition of businesses in 2022 refers to the acquisition of CellPoint and AboundBio. We refer to [note 26](#) “Business combinations during the period”.

New additions in 2022 primarily related to the capitalization of an in-licensing fee for an amount of €7.5 million and of a milestone payment of \$1.0 million, and software acquisitions for a total amount of €1.1 million.

In 2022 we recorded an impairment of €26.7 million on previously capitalized upfront fees related to our collaboration with Molecure on the dual chitinase inhibitor OATD-01 (GLPG4716) in fibrosis, and impairments of €8.9 million on intangible assets related to other discontinued projects.

On 31 December 2022, 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 and building improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
Acquisition value					
On 1 January 2021	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
Impact of acquisitions of businesses					
	29	2,117	108		2,254
Additions	914	5,688	3,438	19,296	29,336
Sales and disposals	(2,846)	(600)	(1,344)		(4,790)
Reclassifications	64,286	3,580	167	(68,033)	-
Translation differences	205	(15)	43		233
On 31 December 2022	88,719	57,040	10,241	11,587	167,588
Depreciation and impairment					
On 1 January 2021	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
Depreciations	4,433	4,336	1,265		10,034
Sales and disposals	(2,173)	(574)	(1,328)		(4,075)
Translation differences	49	(1)	18		66
On 31 December 2022	7,814	28,510	4,537	-	40,862
Carrying amount					
On 31 December 2021	20,626	21,521	3,247	60,324	105,718
On 31 December 2022	80,905	28,530	5,704	11,587	126,726

The other tangible assets primarily consist of assets under construction, which are not yet available for use and therefore not yet depreciated as per 31 December 2022.

During 2022, the construction of our new building in Oegstgeest (the Netherlands) was completed which explains the reclassification from “other tangible assets” to “land, building and building improvements” for €64.3 million.

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 2021	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
Additions	703		3,603	4,306
Sales and disposals	(3,554)	(156)	(1,274)	(4,984)
Translation differences	224		(8)	216
On 31 December 2022	34,834	437	12,505	47,777
Depreciation and impairment				
On 1 January 2021	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
Depreciations	4,421	134	3,141	7,696
Sales and disposals	(2,602)	(156)	(1,235)	(3,993)
Translation differences	105		(2)	103
On 31 December 2022	14,424	352	5,473	20,250
Carrying amount				
On 31 December 2021	24,961	219	6,615	31,794
On 31 December 2022	20,410	85	7,032	27,526

Carrying amount

(thousands of €)	31 December	
	2022	2021
Property, plant and equipment fully owned	126,726	105,718
Right-of-use	27,526	31,794
Total property, plant and equipment	154,252	137,512

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 and other non-current assets.

(thousands of €)	31 December	
	2022	2021
Non-current restricted cash	4,569	1,425
Other non-current assets	1,209	1,048
Total other non-current assets	5,778	2,473

Restricted cash on 31 December 2022 was composed of bank guarantees on real estate lease obligations for €1.8 million as well as bid and performance bonds of €2.5 million and bank guarantees on import duties of €0.3 million.

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 2022, and 2021.

(thousands of €)	31 December	
	2022	2021
Non-current R&D incentives receivables	119,941	127,186
Current R&D incentives receivables	26,126	16,827
Total R&D incentives receivables	146,067	144,013

The increase in R&D incentives receivables is explained by additional R&D incentives reported in 2022 for €28.7 million (€11.4 million related to French incentives and €17.3 million related to Belgian incentives), by the release of discounting profit of €0.1 million, partly offset by the setup of tax provisions in France and Belgium for respectively €0.2 million and €0.2 million and decreased by the payments received in 2022 related to French and Belgian incentives amounting to respectively €10.2 million and €16.1 million. The R&D tax 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 2022.

(thousands of €)	31 December 2022					Total
	Maturity date					
	2024	2025	2026	2027	2028 – 2030	
French non-current R&D incentives receivables - discounted value	11,713	11,495	11,207			34,415
Belgian non-current R&D incentives receivables - discounted value	16,805	18,604	19,443	13,908	16,767	85,526
Total non-current R&D incentives receivables - discounted value	28,518	30,099	30,650	13,908	16,767	119,941

17. Inventories

The following table provides an overview of our inventories by type of inventory:

(thousands of €)	31 December	
	2022	2021
Raw materials	39,071	14,351
Semi-finished products	5,791	1,376
Finished products	8,063	4,842
Total inventories	52,925	20,569

The cost of inventories, which is recognized as an expense and included in the “cost of sales” line, amounted to €12.1 million for the year ended 31 December 2022. Finished goods at 31 December 2022 consisted in full out of Jyseleca® finished products.

18. Trade and other receivables and other current assets

(thousands of €)	31 December	
	2022	2021
Trade receivables	28,194	91,786
Prepayments	488	202
Other receivables	11,747	19,349
Trade and other receivables	40,429	111,337
Accrued income	11,277	639
Deferred charges	12,029	9,306
Other current assets	23,307	9,945
Total trade and other receivables & other current assets	63,735	121,282

Trade and other receivables decreased primarily due to the outstanding receivables as at 31 December 2021 of €50.0 million on Gilead related to the additional payments in the scope of the renegotiated agreement of December 2020 for filgotinib, and of €12.6 million (\$15 million) on Gilead following the agreement for the take-over by us of the DIVERSITY clinical trial, which were both paid in 2022. 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 interest income and deferred charges.

On 31 December 2022, we did not have any provision for expected credit losses.

19. Current financial investments

(thousands of €)	31 December	
	2022	2021
Money market funds	1,292,514	1,317,460
Treasury bills	749,835	877,349
Term deposits	1,543,596	275,000
Total current financial investments	3,585,945	2,469,809

Term deposits refer to non-cancellable term deposits with a maturity exceeding three months from the acquisition date. 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 2022, our current financial investments included \$809.6 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 net exchange differences (exchange difference on term deposits) and in the fair value result of current financial investments (exchange difference on money market funds) in our consolidated income statement.

We refer to [note 34](#) for more information on our current financial investments and to [note 9](#) for more details about the fair value re-remeasurements and currency exchange gains or losses recognized in our income statement.

20. Cash and cash equivalents

(thousands of €)	31 December	
	2022	2021
Cash at banks	458,117	1,225,860
Term deposits	50,000	1,007,508
Total cash and cash equivalents	508,117	2,233,368

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 2022 comprised €50.0 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 2022, our cash and cash equivalents included \$97.3 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 9](#) for more details about the currency exchange gains or losses recognized in our consolidated income statement.

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:

(thousands of €)	31 December	
	2022	2021
On 1 January	292,075	291,312
Share capital increase	1,530	763
Costs of capital increase	-	-
Share capital on 31 December	293,604	292,075
Aggregate share capital	356,112	354,582
Costs of capital increase (accumulated)	(62,507)	(62,507)
Share capital on 31 December	293,604	292,075

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 2021 and 31 December 2022 is as follows:

Date	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 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
1 January 2022			65,553	354,582
18 March 2022	517	96		
20 June 2022	434	80		
27 September 2022	579	107		
31 December 2022			65,836	356,112

On 31 December 2022, Galapagos NV's share capital amounted to €356,112 thousand, represented by 65,835,511 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 2022 and 2021.

(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 2022	65,552,721	292,075	2,730,391	3,022,467		
18 March 2022: exercise of subscription rights	95,500	517	1,643	2,160	22.61	57.38
20 June 2022: exercise of subscription rights	80,290	434	1,025	1,460	18.18	53.52
27 September 2022: exercise of subscription rights	107,000	579	2,497	3,076	28.75	44.49
On 31 December 2022	65,835,511	293,604	2,735,557	3,029,162		

The Board of Directors is authorized for a period of five years starting from the date of publication in the Annexes to the Belgian State Gazette of the shareholders' resolution that granted the renewed authorization 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 such renewal in the Annexes to the Belgian State Gazette, which occurred on 13 November 2019. This general authorization will expire on 12 November 2024.
- A specific authorization for capital increases of more than 20% and up to 33% of the share capital at the time of the convening of 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 such renewal in the Annexes to the Belgian State Gazette, which occurred on 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 Board of Directors that all independent members of the Board of Directors (within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code) approve. The Board of Directors is currently not authorized to increase the share capital after notification by the FSMA (Financial Services and Markets Authority) of a public takeover bid on Galapagos NV's shares. The specific authorization expired on 30 May 2022.

As of 31 December 2022, an amount of €24,889,284.17 still remained available under the general part of the authorized capital.

22. Deferred tax

(thousands of €)	31 December	
	2022	2021
Recognized deferred tax assets and liabilities		
Assets	1,363	4,032
Liabilities	20,148	-
Deferred tax assets unrecognized	460,102	408,892
Deferred taxes in the consolidated income statement	1,227	(404)
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	1,677	1,411
Deferred tax benefit/expenses (-) relating to temporary differences	1,899	(629)
Deferred tax expenses relating to use or derecognition of previously recognized deferred tax assets	(2,348)	(1,185)

Following table shows the movements in deferred tax assets and deferred tax liabilities:

(thousands of €)	Intangible assets other than goodwill	Retirement benefit liabilities	Tax loss carryforward	Other	Total
On 1 January 2021		1,440	2,907	127	4,475
Credited/charged (-) to profit or loss		(623)	226	(7)	(404)
Charged to other comprehensive income/loss (-)		(74)			(74)
Translation differences		33		2	35
On 31 December 2021	-	776	3,133	122	4,032
Impact of acquisitions of businesses	(23,265)				(23,265)
Credited/charged (-) to profit or loss	2,842	17	(1,797)	165	1,227
Reclassifications	275		(275)		-
Charged to other comprehensive income/loss (-)		(795)			(795)
Translation differences		22		(6)	16
On 31 December 2022	(20,148)	19	1,061	281	(18,785)

The consolidated tax losses, innovation income deduction, dividend received deduction and investment deduction carried forward and the deductible temporary differences on 31 December 2022 amounted in total to €1,882.5 million (2021: €1,653.7 million), €2.7 million were related to tax losses with expiry date between 2028 and 2034.

The available tax losses carried forward that can be offset against possible future taxable profits amounted to €883.6 million on 31 December 2022 (€635.6 million on 31 December 2021) and can be carried forward for an indefinite period except for an amount of €2.7 million in the United States with expiry date between 2028 and 2034. On 31 December 2022, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €769.9 million (2021: €556.9 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 2022, a carried forward tax deduction amounting to €346.2 million (2021: €301.3 million) that can also be offset against possible future taxable results. In addition, Galapagos NV (Belgium) also has available investment deduction carried forward of €1 million (2021: €1 million) and dividend received deduction carried forward of €18.7 million (2021: €8.2 million) that can be offset against possible 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 2022, except for one subsidiary operating on a cost plus basis, for which a deferred tax asset was recognized for €1.1 million (2021: €4.0 million, for two subsidiaries).

Net deferred tax liabilities were initially calculated based on the fair value of the intangible assets identified from the acquisition of CellPoint and AboundBio, adjusted by considering the related recognizable deferred tax assets. We refer to [note 26](#) for more information on the purchase price allocation of the business combinations.

23. Lease liabilities

	Lease payments		Present value of lease payments	
	31 December		31 December	
(thousands of €)	2022	2021	2022	2021
Lease liabilities				
Within one year	7,507	7,557	7,209	7,204
In the second to fifth years inclusive	14,401	18,873	14,100	18,381
After five years	609	1,291	592	1,274
	22,517	27,720	21,901	26,859
Less future finance charges	616	861		
Present value of lease obligation	21,901	26,859		
Less amount due for settlement within 12 months			7,209	7,204
Amount due for settlement after 12 months			14,692	19,655

24. Trade and other liabilities and other non-current liabilities

(thousands of €)	31 December	
	2022	2021
Trade and other liabilities	133,298	134,304
Current contingent consideration related to milestones CellPoint	8,485	-
Current deferred consideration payable CellPoint	6,222	-
Current financial instruments	19	204
Accrued charges	651	3,114
Total trade and other liabilities	148,675	137,622
Non-current contingent consideration related to milestones CellPoint	13,582	-
Other non-current liabilities	8,226	7,135
Total other non-current liabilities	21,808	7,135

The increase in both trade and other liabilities and other non-current liabilities can be largely explained by contingent and deferred considerations payable related to the acquisition of CellPoint, recorded in 2022.

The contingent consideration arrangement relating to the acquisition of CellPoint requires us to pay the former owners of CellPoint additional considerations up to €100.0 million. This amount is due when certain sequential development (€20.0 million), regulatory (€30.0 million) and sales-based (€50.0 million) milestones would be achieved. Total fair value at acquisition date of these milestones amounted to €20.2 million.

The fair value measurement is based on significant inputs that are not observable in the market, which are classified as Level 3 inputs. Key assumptions in the valuation at 31 December 2022 include a discount rate of 12.5%, an appropriate probability of success of reaching these milestones and expected timing of these milestones. A change in probabilities of success of each milestone by 5 percentage points would result in a change of €3.1 million in the total contingent consideration liability on 31 December 2022.

As per 31 December 2022 no change was made to the key assumptions. The only impact that was recognized compared to the date of acquisition is the discounting effect. This is recognized on the line “other financial expenses”.

Of the total contingent consideration liability at 31 December 2022, €8.5 million is expected to be paid within one year and therefore presented on the line “trade and other liabilities” in our statement of financial position. The long-term portion, amounting to €13.6 million, is presented on the line “other non-current liabilities”.

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⁾	Other deferred income
On 1 January 2021	2,809,133	818,654	1,990,412	67
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	-
Milestones achieved	18,238	18,238		
Significant financing component ⁽²⁾	7,672	7,672		
Revenue recognition of upfront	(370,078)	(139,655)	(230,423)	
Revenue recognition of milestones	(34,777)	(34,777)		
Other movements	3,474			3,474
On 31 December 2022	1,989,230	456,352	1,529,405	3,474

(1) The upfront received and the outstanding balance at 31 December 2022 and at 31 December 2021 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. Business combinations during the period

On 21 June 2022 we acquired, in an all-cash transaction, 100% of the shares and voting interests of CellPoint for a total agreed payment at completion of €125 million, including consideration for other liabilities associated with the transaction amounting to €10.3 million. Additional contingent consideration up to €100.0 million is due when certain milestones would be achieved.

On the same date we acquired all of the outstanding capital of AboundBio, for a total agreed price of \$14 million, including consideration for other liabilities associated with the transaction.

The main reason for these acquisitions is to position ourselves in the next-generation cancer therapy market and to significantly broaden our portfolio and capabilities. As a result of these acquisitions, we gain access to an innovative, scalable, decentralized and automated point-of-care cell therapy supply model as well as a next-generation fully human antibody-based therapeutics platform. Combined and supported by us as a fully integrated biopharma, they have the potential to disrupt the CAR-T treatment paradigm. The goal is to expand the current market for CAR-T therapies and have an important impact on patients in need of additional and improved treatment options.

At the time of approval for issuance of these consolidated financial statements, our initial accounting for the business combinations, including the purchase price allocation, has been completed.

Details of the fair value of identifiable assets and liabilities acquired in both transactions, the purchase consideration, the goodwill at the acquisition date and the net cash outflow arising on acquisition are as follows:

(thousands of €)	21 June 2022					
	CellPoint			AboundBio		Total
	Book value	Adjustment	Fair value	Book value	Adjustment	Fair value
Intangible assets other than goodwill	-	120,517	120,517	-	4,053	4,053
Property, plant and equipment	1,289		1,289	965		965
Other non-current assets	81		81	4		4
Trade and other receivables	162		162	-		-
Cash and cash equivalents	3,179		3,179	4,279		4,279
Other current assets	1,254		1,254	536		536
Deferred tax liabilities	-	(22,368)	(22,368)	-	(907)	(907)
Trade and other liabilities	(32,789)		(32,789)	(587)		(587)
Current deferred income	-		-	(474)		(474)
Net assets acquired	(26,824)	98,149	71,325	4,723	3,146	7,869
Consideration paid in cash			107,750			14,976
Fair value re-measurement of previously held equity investment						342
Deferred consideration			5,808			-
Fair value of contingent consideration			20,211			-
Fair value of total consideration			133,769			15,318

21 June 2022

	CellPoint	AboundBio	Total
Goodwill	62,444	7,449	
Exchange differences on goodwill		(80)	
Goodwill in the balance sheet	62,444	7,369	69,813
Net cash outflow arising on acquisition			
Consideration paid in cash	107,750	14,976	
Less: cash and cash equivalents balances acquired	(3,179)	(4,279)	
Cash out from acquisition of subsidiaries, net of cash acquired	104,571	10,698	115,270
Cash used in operating activities for other liabilities related to the acquisition of subsidiaries			
	28,164		28,164

As part of the acquisitions, we identified the following acquired intangible assets:

- IPR&D: in-process research and development related to two CD19 CAR-T product candidates in Phase 1/2a clinical studies. The fair value at acquisition date (€28.2 million) was based on the relief from royalty method.
- Exclusive rights: through the acquisition of CellPoint we acquired on the one hand a collaboration agreement between CellPoint and Lonza providing the exclusive right to use the automated Lonza Cocoon® Platform in the development and commercialization of CAR-T cell products, and secondly, a collaboration agreement between CellPoint and Hypertrust providing exclusivity to use the jointly developed XCellit software for workflow management and monitoring for the manufacturing of the CAR-T cells using the Lonza Cocoon® Platform. The fair values at acquisition date amounted to €89.7 million and €2.6 million respectively. A with and without method was retained to value the exclusivity with Lonza and the XCellit software was valued based on the applicable royalty rate in the contract.
- Technology: through the acquisition of AboundBio, we acquired a fully human antibody-based therapeutics platform which was valued at €4.1 million at the time of acquisition.

We assessed that the carrying value of all other acquired assets and assumed liabilities approximate their fair value at acquisition date.

The goodwill arising from both transactions totaling €69.8 million is attributable to buyer specific synergies, the value of the assembled workforce and the accounting for net deferred

tax liabilities for a total amount of €23.3 million, consisting of deferred tax liabilities on the acquired intangible assets of €32.3 million less recognized deferred tax assets of €9.0 million.

The acquisition costs related to both transactions were considered not to be material and were recognized in our consolidated income statement on the line "general & administrative expenses".

Since the acquisition date, there has not been a material contribution by both acquired companies to total revenues and total result, nor were there major expenses prior to the acquisitions, except for expenses directly linked to the acquisitions.

27. 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).

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 three years for which we have purchase commitments for an aggregate amount of €12.2 million on 31 December 2022.

Disposal of Fidelta

Consideration received

(thousands of €)	
Cash received	37,080
Total consideration received	37,080

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

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

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 subsidiaries, net of cash disposed of	28,696

Result from discontinued operations

(thousands of €, except share and per share data)	Year ended 31 December 2021
Gain on sale of subsidiaries	22,191
Operating profit	22,191
Profit before tax	22,191
Net profit	22,191
Basic and diluted income per share from discontinued operations	0.34
Weighted average number of shares - Basic (in thousands of shares)	65,500
Weighted average number of shares - Diluted (in thousands of shares)	65,831

Cash flow from discontinued operations

	Year ended 31 December	
(thousands of €)	2022	2021
Net cash flow generated from investing activities	-	28,696
Net cash flow from discontinued operations	-	28,696

28. Note to the cash flow statement

(thousands of €)	31 December	
	2022	2021
Adjustment for non-cash transactions		
Depreciation and impairment	65,566	34,636
Share-based compensation expenses	88,506	70,726
Increase/decrease (-) in retirement benefit obligations and provisions	136	(2,347)
Unrealized exchange gains and non-cash other financial result	(41,970)	(57,073)
Discounting effect of non-current deferred income	7,672	9,289
Discounting effect of other non-current liabilities	2,271	-
Fair value re-measurement of warrants	(186)	(2,960)
Net change in (fair) value of current financial investments	(6,929)	(119)
Fair value adjustment financial assets held at fair value through profit or loss	-	4,919
Other non-cash expenses	2,229	648
Total adjustment for non-cash transactions	117,296	57,718
Adjustment for items to disclose separately under operating cash flow		
Interest expense	6,967	11,656
Interest income	(14,344)	(2,853)
Tax expense	2,844	2,423
Total adjustment for items to disclose separately under operating cash flow	(4,533)	11,227
Adjustment for items to disclose under investing and financing cash flows		
Gain on sale of subsidiaries	-	(22,191)
Gain on sale of fixed assets	(23)	-
Realized exchange gain on sale of current financial investments	-	(6,645)
Interest income on current financial assets	(3,766)	(12)
Total adjustment for items to disclose separately under investing and financing cash flow	(3,789)	(28,847)
Change in working capital other than deferred income		
Increase in inventories	(34,588)	(21,168)
Decrease in receivables	68,984	79,859
Decrease in liabilities	(2,083)	(35,353)
Total change in working capital other than deferred income	32,313	23,337

As the increase in trade and other liabilities and other non-current liabilities in the balance sheet was mainly related to the acquisition of Cellpoint, we show a decrease in liabilities in the annex to the cash flow statement.

29. Off-balance sheet arrangements

Contractual obligations and commitments

On 31 December 2022, 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	398,627	240,237	136,560	20,797	1,032

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

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 €281.6 million on 31 December 2022 (€369.9 million at 31 December 2021), for which we have purchase commitments of €217.3 million at 31 December 2022 (€169.6 million at 31 December 2021) reflected in the tables above.

30. 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 customary representations and warranties which are capped and limited in time.

31. 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, for members of the Board of Directors and Executive Committee, and independent consultants of Galapagos NV.

The subscription rights offered to members of the Board of Directors 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 members of the Board of Directors (non-executive directors), taking into account the stricter rules of the Belgian Companies Code.

Subscription rights issued and accepted 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.

Subscription rights under Subscription Right Plan 2021 BE cannot be exercised before the end of the third calendar year following the year of the grant. Subscription rights 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, 2022, 25% as of 1 January, 2023 and 50% (the remainder) as of 1 January, 2024.

During 2022, the Board of Directors issued subscription rights under several Subscription Right Plans:

- On 13 January 2022, the Board of Directors (formerly the Supervisory Board) issued 30,000 subscription rights (after acceptance by the beneficiary) within the framework of the authorized capital, for the benefit of a member of the personnel of the group under Subscription Right Plan 2022 (A). Subscription rights granted under Subscription Right Plan 2022 (A) vest in instalments: with 25% 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 Board of Directors (formerly the Supervisory Board) issued 1,000,000 subscription rights (after acceptance by the beneficiary) within the framework of the authorized capital, for the benefit of a member of the personnel of the group under Subscription Right Plan 2022 (B). Subscription rights granted under Subscription Right Plan 2022 (B) will in principle not vest prior to 1 January 2026.
- On 6 May 2022, the Board of Directors issued 2,091,239 subscription rights (after acceptance by the beneficiaries) within the framework of the authorized capital, for the benefit of the Executive Committee members and employees of the group under Subscription Right Plan 2022 BE, Subscription Right Plan 2022 RMV and Subscription Right Plan 2022 ROW. Subscription rights granted under Subscription Right Plan 2022 BE will in principle not vest prior to 1 January 2026 and subscription rights granted under Subscription Right Plan 2022 RMV and Subscription Right Plan 2022 ROW vest in instalments: with 25% of each grant as of 1 January 2024, 25% as of 1 January 2025 and 50% (the remainder) as of 1 January 2026.

The table below sets forth a summary of subscription rights outstanding and exercisable on 31 December 2022, per subscription right plan:

Subscription right plan	Allocation date	Expiry date	Exercise price (€)	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2022	Exercisable at 31 December 2022
2014	25.07.2014	24.07.2022	14.54	127,540		(127,540)			-	-
2015	30.04.2015	29.04.2023	28.75	199,223		(136,000)			63,223	63,223
2015 (B)	22.12.2015	21.12.2023	49.00	256,500		(15,000)			241,500	241,500
2015 RMV	22.12.2015	21.12.2023	49.00	35,000					35,000	35,000
2016	01.06.2016	31.05.2024	46.10	330,750		(4,250)	(1,000)		325,500	325,500
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			(5,500)		590,000	590,000
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	1,005,995			(31,000)		974,995	974,995
2018 RMV	19.04.2018	18.04.2026	79.88	137,500					137,500	137,500
2019	10.04.2019	09.04.2027	95.11	1,300,840			(83,850)		1,216,990	
2019 RMV	10.04.2019	09.04.2027	95.11	190,500			(4,500)		186,000	
2020	17.04.2020	16.04.2028	168.42	1,617,928			(159,684)		1,458,244	
2020 RMV	17.04.2020	16.04.2028	168.42	227,475			(18,400)		209,075	
2021BE	30.04.2021	29.04.2029	64.76	1,084,036			(42,888)		1,041,148	
2021RMV	30.04.2021	29.04.2029	64.76	282,550			(24,850)		257,700	
2021ROW	30.04.2021	29.04.2029	64.76	982,000			(198,625)		783,375	
2022 (A)	13.01.2022	12.01.2030	46.18		30,000				30,000	
2022 (B)	26.01.2022	25.01.2030	50.00		1,000,000				1,000,000	
2022BE	06.05.2022	05.05.2030	57.46		839,400		(7,858)		831,542	
2022BE	05.08.2022	04.08.2030	51.58		72,000				72,000	
2022RMV	06.05.2022	05.05.2030	57.46		244,389		(1,675)		242,714	
2022ROW	06.05.2022	05.05.2030	57.46		875,450		(27,600)		847,850	
2022ROW	05.08.2022	04.08.2030	51.58		60,000				60,000	
Total				8,579,837	3,121,239	(282,790)	(607,430)	-	10,810,856	2,574,218

	Subscription rights	Weighted average exercise price (€)
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
Granted during the year	3,121,239	54.71
Forfeited during the year	(607,430)	100.00
Exercised during the year	(282,790)	23.68
Expired during the year	-	-
Outstanding on 31 December, 2022	10,810,856	83.12
Exercisable on 31 December, 2022	2,574,218	70.26

The table below sets forth the inputs into the valuation of the subscription rights.

	2022 (A)	2022 (B)	2022BE	2022RMV/ ROW	2022BE/ 2022ROW	2021BE	2021RMV/ ROW
	13 January 2022	26 January 2022	6 May 2022	6 May 2022	6 August 2022	30 April 2021	30 April 2021
Exercise Price (€)	46.18	50.00	57.46	57.46	51.58	64.76	64.76
Weighted average share price at acceptance date (€)	46.21	56.67	51.64	51.64	44.55	61.10	61.10
Weighted average fair value on the acceptance date (€)	16.10	24.53	20.73	18.92	17.07	22.72	20.68
Weighted average estimated volatility (%)	41.80	40.80	42.59	42.65	41.75	40.73	40.61
Weighted average expected life of the subscription right (years)	4.72	5.95	6.37	5.36	5.68	6.43	5.36
Weighted average risk free rate (%)	(0.13)	0.67	1.33	1.26	2.70	(0.21)	(0.29)
Expected dividends	None	None	None	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 2022 in relation to subscription right plans amounted to €88,506 thousand (2021: €70,726 thousand).

The following table provides an overview of the outstanding subscription rights per category of subscription right holders on 31 December 2022 and 31 December 2021:

Category	31 December	
	2022	2021
Members of the Board of Directors	75,000	157,560
Executive Committee members	1,864,000	1,965,000
Personnel	8,871,856	6,457,277
Total subscription rights outstanding	10,810,856	8,579,837

The outstanding subscription rights at the end of the accounting period have a weighted average exercise price of €83.12 (2021: €92.69) and a weighted average remaining life of 1,913 days (2021: 1,955 days).

Restricted stock units (RSUs)

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, in accordance with the terms and conditions of the relevant RSU program.

We currently have the following RSU programs:

Plan 2020.I, Plan 2021.I and Plan 2022.I: these plans are intended to provide a long-term incentive to certain of our employees and Executive Committee members and, as of 2020, replace the deferred portion of the bonus under the former Senior Management Bonus Scheme;

Plan 2019.II, Plan 2020.II, Plan 2021.II, Plan 2021.IV and Plan 2022.II: these plans are designed with the aim to retain a specific group of our key employees and Executive Committee members whose retention is considered so important for our future performance that an additional incentive is desirable. The beneficiaries are nominated by the Remuneration committee and the Board of Directors approves this list of beneficiaries. The four-year vesting period is designed to be aligned with long-term shareholder interests;

Plan 2019.I: this plan was granted at the discretion of the Board of Directors;

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 and Plan 2022.III: these plans are 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 RSU 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 Executive Committee, 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 2022, per RSU plan:

RSU plan	Allocation date	Outstanding at 1 January 2022	Granted during the year	Forfeited during the year	Paid in cash during the year	Outstanding at 31 December 2022
Plan 2019.I	16.10.2019	28,000			(28,000)	-
Plan 2019.II	16.10.2019	42,504		(9,090)	(20,483)	12,931
Plan 2019.III	16.10.2019	30,460			(30,460)	-
Plan 2020.I	06.05.2020	32,527		(7,359)	(8,058)	17,110
Plan 2020.II	07.05.2020	41,968		(10,831)	(13,511)	17,626
Plan 2021.I.	05.05.2021	154,616		(27,146)	(34,870)	92,600
Plan 2021.II.	06.05.2021	40,620		(9,478)	(8,801)	22,341
	03.06.2021-					
Plan 2021.III.	06.08.2021	38,175		(9,233)	(12,683)	16,259
Plan 2021.IV.	24.09.2021	248,933		(84,865)	(62,230)	101,838
Plan 2022.I.	03.05.2022		209,118	(14,480)		194,638
	5.05.2022-					
Plan 2022.II.	5.08.2022		249,000			249,000
Plan 2022.III.	07.06.2022		12,155	(403)		11,752
Total		657,803	470,273	(172,885)	(219,096)	736,095

(in number of RSUs)	31 December	
	2022	2021
Outstanding on 1 January	657,803	313,596
Granted during the year	470,273	511,518
Forfeited during the year	(172,885)	(74,873)
Paid in cash during the year	(219,096)	(92,438)
Outstanding on 31 December	736,095	657,803

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 total liability relating to outstanding RSUs on 31 December 2022 amounted to €12.9 million (2021: €11.3 million).

The following table provides an overview of the outstanding RSUs per category of RSU holders on 31 December 2022 and 31 December 2021.

Category (in number of RSUs)	31 December	
	2022	2021
Executive Committee members	332,038	384,340
Personnel	404,057	273,463
Total outstanding RSUs	736,095	657,803

32. Related parties

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

Gilead

Gilead exercises 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 25.49% at 31 December 2021 and to 25.38% at 31 December 2022, due to seven capital increases resulting from the exercise of subscription rights under employee subscription right plans in the course of 2021 (four capital increases) and 2022 (three capital increases).

The presumption of significant influence is also confirmed by Gilead's right, for as long as it holds more than 20% of Galapagos' share capital, to appoint two investor Board designees to Galapagos' Board of Directors, out of a total of nine.

The following balances are outstanding at the end of the reporting period in relation to Gilead:

(thousands of €)	31 December	
	2022	2021
Relations with Gilead		
Trade and other receivables	7,877	88,246
Trade and other payables	-	11,580

The trade and other receivables on 31 December 2021 mainly contained €50 million of receivables related to the in 2020 modified collaboration for filgotinib, €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 and €23.8 million of profit and cost sharing receivables relating to our collaboration for filgotinib. All these amounts were paid during 2022. The outstanding receivables on 31 December 2022 mainly relate to development cost sharing receivables relating to our collaboration for filgotinib (€5.0 million) and €2.6 million of receivables relating to royalties.

During 2022 we recognized in revenue €230.4 million (€230.6 million for the year ended 31 December 2021) relating to the performance obligation for the drug discovery platform and a total of €174.4 million (€235.7 million for the year ended 31 December 2021) 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 2022 royalty income for an amount of €10.7 million in relation to the commercialization of filgotinib (€3.8 million for the year ended 31 December 2021).

Furthermore, we recognized €0.4 million (€18.1 million for the year ended 31 December 2021) 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). A net amount of €2.4 million (€81.3 million for the year ended 31 December 2021) relating to cross charges from and to Gilead relating to filgotinib was recognized as expense on the line research and development expenditure.

Finally, we recognized in 2022 €0.03 million as a deduction of sales and marketing expenses and €0.03 million as a research and development expenditure (compared to a deduction of €59.7 million of sales & marketing expenses and a deduction of €7.0 million of research & development expenditure for the year ended 31 December 2021) 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.

This profit/(cost) share mechanism for sales and marketing expenses came to an end beginning of 2022, which explains the variance compared to 2021.

We purchased raw materials, semi-finished products and finished products of Jyseleca® from Gilead for an amount of €13.5 million for the year ended 31 December 2022 (€24.9 million for the year ended 31 December 2021).

As at 31 December 2022 we have two outstanding performance obligations under IFRS 15 towards Gilead, which are 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 €1.5 billion for the drug discovery platform (including the warrant issuance liability relating to subsequent warrant B) and €456 million for the performance obligation relating to filgotinib.

A detailed explanation of our transactions with Gilead in 2022 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 33** 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 Executive Committee and members of the Board of Directors. All amounts mentioned in this section are based on expenses recognized in the financial statements for the relevant financial year.

Remuneration of key management personnel

On 31 December 2022, our Executive Committee had four members: Stoffels IMC BV (permanently represented by Dr. Paul Stoffels), Mr. Bart Filius, Dr. Walid Abi-Saab and Mr. Michele Manto. They provide their services to us on a full-time basis. On 31 December 2022, our Board of Directors consisted of nine members: Stoffels IMC BV (permanently represented by Dr. Paul Stoffels), Dr. Raj Parekh, Dr. Mary Kerr, Mr. Peter Guenter, Mr. Daniel O'Day, Dr. Linda Higgins, Dr. Elisabeth Svanberg, Mr. Jérôme Contamine and Dr. Dan Baker.

At the Annual Shareholders' Meeting of 26 April 2022, the mandates of Howard Rowe and Katrine Bosley as members of the Board of Directors came to an end.

Effective from 1 January 2020, Galapagos no longer grants any subscription rights to members of the Board of Directors, taking into account the stricter rules of the Belgian Companies Code. Prior to 2020, Board members were granted subscription rights.

Effective from 26 April 2022, our new CEO, Stoffels IMC BV, permanently represented by Dr. Paul Stoffels, has been appointed as the Chairman of the Board of Directors

of Galapagos. The CEO will only be remunerated for the performance of its executive functions as CEO and is not entitled to any additional remuneration for its mandates of Chairman of the Board of Directors or of any Committee.

Dr. Hoekema retired from Galapagos and was our Chief Business Officer and an Executive Committee member until 31 October 2022 and hence the table below for financial year 2022 contains disclosures on his remuneration until the aforementioned date.

Dr. Walid Abi-Saab departed Galapagos and was our Chief Medical Officer and an Executive Committee member until 31 December 2022; hence the table below for financial year 2022 contains disclosures on his remuneration.

Reference is made to the Remuneration Report, which discloses the remuneration awarded to each member of the Board of Directors and Executive Committee during 2022.

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

Thousands of € (except for the number of subscription rights and RSUs)	Year ended 31 December	
	2022	2021
Remuneration of key management personnel:		
Short-term benefits	3,444	4,264
Executive Committee members as a group ⁽¹⁾		
Gross salary	2,341	2,621
Cash bonus ⁽²⁾	997	1,172
Other short-term benefits	106	471
Long-term benefits for Executive Committee members as a group ⁽³⁾	-	-
Board fees and other short-term benefits for members of the Board of Directors		
Stoffels IMC BV (permanently represented by Dr. Paul Stoffels)		
Raj Parekh	165	220
Howard Rowe ⁽⁴⁾	39	120
Katrine Bosley ⁽⁴⁾	21	65
Mary Kerr	115	115
Peter Guenter	115	115
Jérôme Contamine ⁽⁵⁾	102	
Dan Baker ⁽⁵⁾	68	
Elizabeth Svanberg	115	115
Daniel O'Day ⁽⁶⁾	-	-
Linda Higgins ⁽⁶⁾	-	-

	Year ended 31 December	
Thousands of € (except for the number of subscription rights and RSUs)	2022	2021
Post-employment benefits⁽⁷⁾	240	399
Total benefits excluding subscription rights and RSUs	4,424	5,413
Severance payments⁽⁸⁾		802
Number of subscription rights granted in the year		
Executive Committee members as a group ⁽¹⁾	1,124,000	275,000
Onno van de Stolpe	-	85,000
Stoffels IMC BV (permanently represented by Dr. Paul Stoffels)	1,000,000	
Bart Filius	68,000	50,000
Piet Wigerinck	-	40,000
Andre Hoekema	-	30,000
Walid Abi-Saab	32,000	40,000
Michele Manto	24,000	30,000
Total number of subscription rights granted in the year	1,124,000	275,000
Total cost of subscription rights granted in the year under IFRS 2	27,010	5,629
Number of RSUs granted in the year ⁽⁹⁾		
Onno van de Stolpe	-	63,830
Stoffels IMC BV (permanently represented by Dr. Paul Stoffels)	74,408	
Bart Filius	61,442	62,730
Piet Wigerinck	-	835
Andre Hoekema	-	51,433
Walid Abi-Saab	37,274	44,038
Michele Manto	27,354	31,694
Total number of RSUs granted in the year	200,478	254,657

(1) Dr. Wigerinck was a member of the Executive Committee (formerly Management Board) until 30 November 2021. His remuneration and benefits are included in the overview for the financial year 2021. Mr. Onno Van de Stolpe was our CEO and Executive Committee member until 31 March 2022, Dr. Andre Hoekema was our CBO and Executive Committee member until 31 October 2022 and Dr. Walid Abi-Saab was our CMO and Executive Committee member until 31 December 2022. Their (prorated) remuneration and benefits are included in the overview for the financial year 2021 and 2022. Effective as of 1 April 2022, Stoffels IMC BV (permanently represented by Dr. Paul Stoffels) is our CEO and Chair of the Executive Committee. His remuneration is included in the overview for the financial year 2022.

(2) The aggregate number under financial year 2022 also includes the cash bonus of Dr. Andre Hoekema and Dr. Walid Abi-Saab. The aggregate number under 2021 also includes the cash bonus of Dr. Wigerinck.

(3) Only Executive Committee members are granted long-term benefits. Pursuant to the Senior Management Bonus Scheme, these consist of the deferred part of the bonus from 3 years ago. For financial year 2021 the deferred part of the bonus is not paid out. As of 2019 the Senior Management Bonus Scheme was no longer applicable, as a result 2021 was the last financial year during which such payment could occur.

(4) Member of the Board of Directors until 26 April 2022.

(5) Member of the Board of Directors as of 26 April 2022.

(6) Gilead designees appointed to our Board of Directors on 22 October 2019. They don't receive any remuneration for their Board mandate.

(7) Only Executive Committee members receive post-employment benefits.

(8) For 2021 we disclose Dr. Wigerinck's severance package.

(9) This is the sum of the RSUs awarded during the respective financial year, excluding the RSUs representing the deferred portion of the bonus for 2021 in FY2021 and for 2022 in FY2022 (each time to be granted in the following financial year). Only Executive Committee 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 Board of Directors and of the Executive Committee. We have not entered into transactions with our key management personnel, other than as described above with respect to remuneration arrangements relating to the exercise or termination of their mandates as members of the Executive Committee and the Board of Directors.

33. Consolidated companies as of 31 December 2022

Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2022 vs 2021)
AboundBio Inc.	United States	100%	100%
CellPoint B.V.	The Netherlands	100%	100%
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%	
Galapagos Biopharma Norway AS	Norway	100%	
Galapagos Biopharma Finland Oy	Finland	100%	
Galapagos Biopharma Denmark ApS	Denmark	100%	
Galapagos Biopharma Austria GmbH	Austria	100%	
Galapagos Biopharma Ireland Ltd	Ireland	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%	
Xenometrix, Inc. in liquidation	United States	100%	

In 2022, we acquired all of the issued and outstanding shares in CellPoint and AboundBio.

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.

34. 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 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:

(thousands of €)	31 December	
	2022	2021
Financial assets held at fair value through profit or loss		
Current financial investments	1,292,514	1,317,460
Financial assets at amortized cost		
Current financial investments	2,293,431	1,152,349
Cash and cash equivalents	508,117	2,233,368
Restricted cash (current and non-current)	4,569	1,425
Other non-current assets	1,209	1,048
Trade receivables	28,194	91,786
Total financial assets	4,128,033	4,797,436
Financial liabilities held at fair value through profit or loss		
Current financial instruments	19	204
Current contingent consideration related to milestones CellPoint	8,485	-
Non-current contingent consideration related to milestones CellPoint	13,582	-
Financial liabilities at amortized cost		
Trade liabilities	68,928	84,519
Lease liabilities	21,901	26,859
Current deferred consideration payable CellPoint	6,222	-
Total financial liabilities	119,137	111,582

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 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 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 €4,094.1 million on 31 December 2022. 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 product sales, royalties, 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 is no history of material credit losses and the high-quality nature of our customers.

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

(thousands of €)	31 December	
	2022	2021
60 – 90 days	424	141
90 – 120 days	208	92
more than 120 days	473	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.

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 €40.9 million (2021: €47.0 million); a 100 basis points decrease in interest rates would have decreased profit or loss, and equity, by approximately €40.9 million (2021: €47.0 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 collaboration 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:

Net book value (thousands of €)	31 December	
	2022	2021
Increase in Euros - U.S. Dollars	(85,140)	(83,996)
Increase in Euros - GB Pounds	960	1,093
Increase in Euros - CH Francs	557	233

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, 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.

35. Statutory auditor's remuneration

The statutory auditor's fees for carrying out its mandate at group level amounted to € 1,127.1 thousand in 2022 (2021: €860.3 thousand). Audit-related fees, which generally the auditor provides, amounted to €26.9 thousand in 2022 (2021: €101.1 thousand). Other fees related to non-audit services executed by the statutory auditor amounted

to €0 in 2022 (2021: €0). Other fees related to non-audit services executed by persons related to the statutory auditor amounted to €429.5 thousand in 2022 and related to advisory services in relation to IT and quality management (2021: €587.7 thousand). The Audit Committee and the Board of Directors are of the opinion that these non-audit services do not affect the independence of the statutory auditor in the performance of his audit. The abovementioned additional fees were fully approved by the Audit Committee in accordance with article 3:64 of the Belgian Companies and Associations Code.

36. Events after balance sheet date

On 8 February 2023, we announced topline results from Phase 3 DIVERSITY trial of filgotinib in CD and our decision not to submit a Marketing Authorization Application in Europe based on these topline results. By consequence, we expect a decrease to the total estimated remaining costs for us to complete the filgotinib development, resulting in a positive catch up of revenues in 2023. At the time of the issuance of this annual report, our re-assessment of the estimated remaining costs is still ongoing. If our best estimate of the remaining cost to complete the filgotinib performance obligation would be decreased by 15% to 25%, this would result in an increase in revenue recognition in 2023 of €50 million to €86 million, and a corresponding decrease in current and non-current deferred income.

On 20 March 2023, 61,560 subscription rights were exercised (with an average exercise price of €28.75 per subscription right). This resulted in a share capital increase (including issuance premium) of €1,769,850, and the issuance of 61,560 new ordinary shares as per 20 March 2023. The closing price of our share on Euronext Brussels and Amsterdam on 20 March 2023 was €35.47.

Our consolidated financial statements were approved by the Board of Directors, and authorized for publication on 21 March 2023. They were signed on behalf of the Board of Directors by:

(signed)

Stoffels IMC BV

permanently represented by Dr. Paul Stoffels
Chairman of the Board of Directors

Jérôme Contamine

Chairman of the Audit Committee and member of the Board of Directors

21 March 2023

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 CEO and Chairman](#).

Income statement

(thousands of €)	Year ended 31 December	
	2022	2021
Turnover	418,495	503,390
Inventory semi-finished and finished goods : increase (decrease)	4,414	1,376
Internally generated intangible assets	349,508	392,744
Other operating income	12,847	18,535
Non-recurring operating income	19	-
Operating income	785,283	916,046
Raw materials, consumables and goods for resale	(19,860)	(13,058)
Services and other goods	(420,835)	(500,012)
Remuneration, social security costs and pensions	(77,772)	(70,360)
Depreciation, impairment and other amounts written off on constitution costs, intangible and tangible assets	(357,368)	(401,835)
Increase (-)/decrease in provisions	(2,105)	2,317
Other operating charges	(102,149)	(120,704)
Non-recurring operating costs	(36,854)	(4,068)
Operating loss	(231,661)	(191,674)
Finance income	135,554	85,765
Non-recurring finance income	-	33,471
Finance cost	(60,964)	(28,125)
Non-recurring finance cost	-	(12,330)
Loss before tax	(157,071)	(112,893)
Taxes	19,092	20,156
Loss for the year	(137,980)	(92,737)
Loss brought forward	(369,237)	(276,499)
Accumulated losses to be carried forward	(507,217)	(369,237)

Balance sheet

(thousands of €)	31 December	
	2022	2021
Assets		
Non-current assets	375,525	199,804
Intangible fixed assets	18,165	48,290
Tangible fixed assets	17,595	15,697
Financial fixed assets	251,918	43,317
Non-current trade and other receivables	87,847	92,500
Current assets	4,318,923	4,920,628
Inventories	52,665	20,361
Trade and other receivables	154,704	209,445
Deferred costs	9,755	8,677
Accrued income	10,711	847
Cash and cash equivalents	4,091,087	4,681,298
Total assets	4,694,448	5,120,433
Equity and liabilities		
Equity	2,508,640	2,639,924
Share capital and reserves	356,112	354,582
Share premium account	2,659,745	2,654,579
Accumulated losses	(507,217)	(369,237)
Liabilities	2,185,808	2,480,508
Non-current liabilities	9,752	10,385
Provisions	9,752	8,885
Other non-current liabilities	-	1,500
Current liabilities	2,176,057	2,470,123
Trade and other payables	274,599	223,911
Tax, payroll and social security liabilities	25,642	16,705
Accrued costs	658	3,100
Deferred income	1,875,157	2,226,407
Total equity and liabilities	4,694,448	5,120,433

Galapagos NV's operating income decreased by €130.7 million in 2022, from €916.0 million in 2021 to €785.3 million in 2022. This decrease was due to a lower turnover of €84.9 million, primarily due to decreased revenue recognition of upfront payments, because of the lower increase in percentage of completion, as well as lower revenue recognition of milestone payments. There was also a decrease due to internally generated intangible assets – being capitalized R&D expenses – which contributed by €43.2 million less to our operating income than previous year. Other operating income decreased with €5.7 million and amounted to €12.8 million for the year ended 31 December 2022, including €1.8 million of grants recognized for R&D projects and €8.5 million recuperation of withholding taxes for scientists.

The operating costs of 2022 amounted to €1,016.9 million compared to €1,107.7 million in 2021.

Material purchases increased from €13.1 million in 2021 to €19.9 million in 2022.

Services and other goods decreased substantially to €420.8 million compared to €500.0 million in 2021, primarily due to decreased internal and external subcontracting for our preclinical studies and clinical trials.

Personnel costs in 2022 increased to €77.8 million compared to €70.4 million in 2021, mainly due increased severance payments. The number of employees at Galapagos NV at the end of 2022 amounted to 442 as compared to 460 at the end of 2021, excluding insourced personnel. The average number of FTE in 2022 decreased to 433, compared to 487 in 2021.

Depreciation decreased to €357.4 million in 2022, compared to €401.8 million in 2021, and related primarily to amortization of capitalized R&D expenses. Galapagos NV capitalizes its incurred R&D expenses and fully amortizes them in the same year.

Other operating charges decreased from €120.7 million in 2021 to €102.1 million in 2022 caused by a reduction in transferpricing management fees. Non-recurring operating costs consisted of impairments of intangible fixed assets related to discontinued projects.

Galapagos NV's 2022 financial income increased to €135.6 million compared to €85.8 million in 2021, financial costs increased as well to €61.0 million compared to €28.1 million in 2021. The net exchange gain decreased from €74.0 million in 2021 to €54.9 million in 2022 and consisted mainly of non-realized currency exchange gains on U.S. dollar, while the net interest income in 2022 amounted to €10.8 million as compared to a net interest cost of €11.4 million in 2021. Financial income also included dividend income of €10.5 million. 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 2022 of €19.1 million as compared to €20.2 million tax income in 2021, related to tax incentives for investments in intangible fixed assets.

Investments in fixed assets in 2022 amounted to €17.0 million, excluding the internally generated assets. They consisted mainly of investments in intangible assets, being a license and milestone payment and software, as well of costs for building improvements, new laboratory and IT equipment.

Non-current and current other receivables amounted to respectively €87.8 million and €82.4 million and included the receivable for tax incentives amounting to respectively €87.8 million and €14.2 million in 2022, compared to other receivables for tax incentives of €92.5 million and €6.6 million in 2021.

Galapagos NV's cash position at the end of 2022 amounted to €4,091.1 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 2022 closed with a loss of €138.0 million compared to a loss of €92.7 million in 2021.

The non-consolidated annual accounts of Galapagos NV show accumulated losses of €507.2 million as at 31 December 2022; we refer to the **Going concern statement** for justification for the application of the valuation rules under the going concern assumption.

In 2022, Galapagos NV did not make use of financial instruments.

Following common practice, Galapagos NV has given customary representations and warranties which are capped and limited in time.