The Galapagos group

Foreword from our CEO and Chairman

Overview of our company,
our strategy and 2022 achievements

Forward with Purpose

Letter from the CEO and Chairman


Dr. Paul Stoffels[1]

As I reflect on my first year as the CEO and Chairman of the Board of Directors of Galapagos, we can be proud of what we have achieved in a very short time to embrace and execute on a new R&D strategy for accelerated growth and a sustainable future for our patients, our people, and our shareholders.

2022 was characterized by major transformation and change but our purpose remains unchanged: transforming patient outcomes through life-changing science and innovation for more years of life and quality of life.

By year-end, we implemented a therapeutic area focused R&D model in immunology and oncology, and we added new drug modalities to include CAR-T cell therapy and biological capabilities. We aim to rebuild our portfolio with transformational medicines, by accelerated innovation and shorter drug development timelines.

Through the acquisitions of CellPoint and AboundBio, we gained access to a breakthrough, point-of-care CAR-T manufacturing platform, a clinical-stage CAR-T oncology pipeline and research capabilities for novel, differentiated CAR-T constructs, that together have the potential to deliver life-saving medicines to more patients, faster and more efficiently. Through the two acquisitions, we also onboarded an excellent team of cell therapy scientists and oncology experts.

We brought forward our CD19 CAR-T candidates manufactured at point-of-care in two Phase 1/2 studies in patients with relapsed/refractory non-Hodgkin lymphoma and chronic lymphocytic leukemia. We reported encouraging initial safety and efficacy Phase 1/2 results for both CAR-T candidates, which we believe demonstrate that through the decentralized delivery model, a 7-day vein-to-vein, leukapheresis to infusion time, is feasible. In addition, using non-frozen cells with a short culture time seems to result in a promising safety and efficacy profile of the CAR-T therapy.

Over the next years, we aim to further broaden our CAR-T oncology portfolio and bring additional differentiated CAR-T candidates into the clinic and to market, while further advancing the ongoing Phase 1/2 studies in hemato-oncology, for which Phase 1 topline results are expected around mid-2023.

[1] Throughout this report, 'Dr. Paul Stoffels' should be read as 'Dr. Paul Stoffels, acting via Stoffels IMC BV'

In addition, we remain fully committed to immunology, an area where there is still significant unmet patient need and for which we have built deep scientific know-how and expertise since our founding. With our programs targeting multiple modes-of-action and drug modalities, we have a differentiated portfolio of preclinical to commercial assets.

We are very proud that our first marketed medicine, Jyseleca®, an orally administered JAK1 preferential inhibitor, continued to deliver solid in-market performance with a growing European base and €87.6 million in net sales for the year 2022, reaching 18,000 patients with rheumatoid arthritis and ulcerative colitis across Europe.

Although the topline results from the Phase 3 DIVERSITY trial of filgotinib in Crohn's disease were not supportive to submit a Marketing Authorization Application in Europe as the induction cohorts did not meet the co-primary endpoints, we were encouraged by the confirmed safety profile and the efficacy results observed in the maintenance study and will thoroughly review the full data to further help our understanding of this disease and to support future research efforts.

We plan to further invest in our Jyseleca® franchise and later this year, we aim to start a Phase 3 study in axial spondyloarthritis, a type of arthritis that typically begins between the age of 20 and 40, and that causes pain and swelling in the spine and the joints that connect the bottom of the spine to the pelvis.

Over the past year, we also made progress with GLPG3667, our selective TYK2 kinase inhibitor, and we aim to start a Phase 2 study in dermatomyositis in the first half of 2023 and in systemic lupus erythematosus in the second half of 2023.

Finally, to accelerate time-to-patients, we have expanded our drug modality capabilities in immunology, and recently announced that we aim to start clinical development with a CD19 CAR-T candidate in refractory systemic lupus erythematosus in 2023.

2022 was characterized by major transformation and change but our purpose remains unchanged: transforming patient outcomes through life-changing science and innovation for more years of life and quality of life.

Beyond our renewed portfolio focus, our strategic transformation also includes formalizing our Environmental, Social and Governance (ESG) ambitions. Over the course of 2022, we completed a new materiality analysis, which allows us to further focus our Sustainability ambitions in those areas that we believe are most material and where we can make the greatest impact.

With the new strategic direction, a new Executive Committee composition was implemented with the retirement of Dr. Walid Abi-Saab and André Hoekema, and the appointments of Valeria Cnossen, General Counsel, also responsible for Compliance & Ethics, the Corporate Secretary Office and Intellectual Property, and Annelies Missotten, Chief Human Resources Officer. In addition, our Board of Directors approved an updated Corporate Governance Charter, which refers, amongst other updates, to the establishment of the Management Committee supporting the Executive Committee. As a result, our senior leadership team has been further strengthened with key hires and internal promotions in Research, Development, Business Development and Commercial. We continue to endeavor to attract experienced top talent across the organization to execute on our strategy and accelerate innovation and time-to-patients in our strategic focus areas of immunology and oncology.

During 2022, we focused on optimizing our organizational set-up and cost base. Financially, we ended 2022 with a strong balance sheet of €4.1 billion in cash and current financial investments, which provides us with the necessary means to look for additional external innovation to accelerate our R&D portfolio while progressing our internal programs. We are confident that with our renewed focus to bring transformational medicines to more patients, faster, we are well-positioned to deliver significant long-term value for our shareholders.

Taking Galapagos on course for the future and embracing a new strategic direction was challenging and hard work for all the teams. I would like to thank all our employees for their commitment during the past year and for their relentless efforts to pioneer for patients. I want to sincerely thank our shareholders for their trust and continued commitment to stay with us on our journey.

We look forward with great optimism to a sustainable future as we continue to innovate for patients to give them what matters the most: more time with family and friends. More joy. Longer, healthier, better-quality lives.

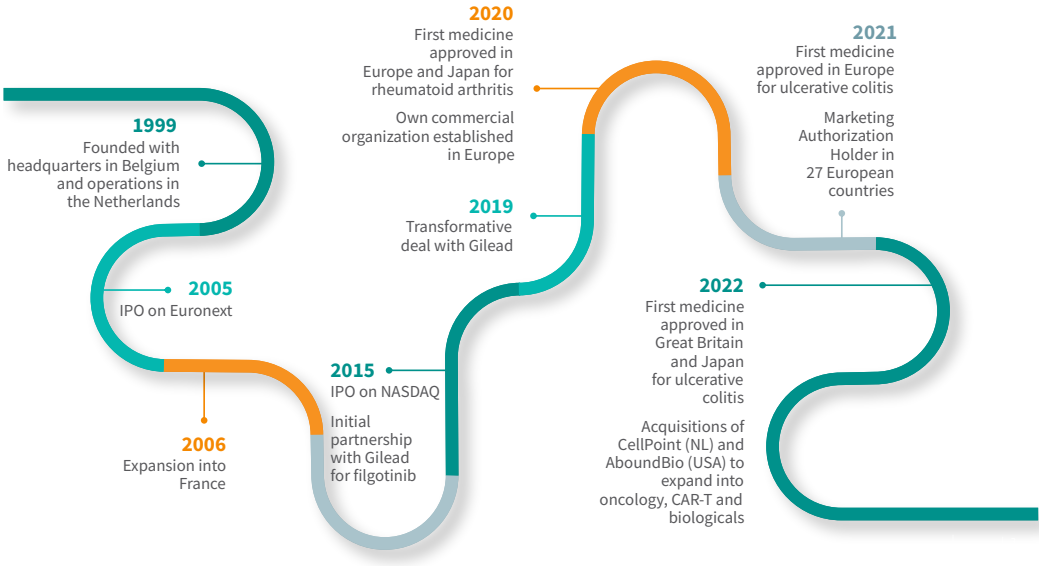
Respectfully,

Dr. Paul Stoffels[1]
CEO and Chairman of the Board of Directors

[1] Throughout this report, 'Dr. Paul Stoffels' should be read as 'Dr. Paul Stoffels, acting via Stoffels IMC BV'

Our Company

Our Journey



Our Vision

Galapagos' vision is to transform patient outcomes through life-changing science and innovation for more years of life and quality of life.

Our Mission

We accelerate transformational innovation through the relentless pursuit of groundbreaking science, our entrepreneurial spirit and a collaborative mindset.

Our Strategy

We are a fully integrated biotechnology company united around a single purpose: to transform patient outcomes worldwide through the relentless pursuit of life changing science and innovation for more years of life and quality of life.

More than two decades ago, Galapagos was founded to discover new medicines with novel modes of action. Since then, we identified numerous novel targets, generated an R&D pipeline across multiple indications, entered into a significant strategic partnership with Gilead, and successfully brought to market a medicine in two indications. We have built a solid foundation based on strong financials, deep scientific and therapeutic expertise in key areas, and a significant commercial footprint.

In 2022, we unveiled a new strategy to accelerate growth and value creation by reshaping the way we innovate and operate. This strategy provides a clear path forward based on three key pillars:

1. We shift from novel target-based discovery to patient-focused medical need research and development with a focus on our key therapeutic areas of immunology and oncology;
2. We build on our current capabilities and de-risk R&D through multiple drug modalities, including CAR-T, small molecules and biologicals, and by focusing on best-in-disease validated targets in our strategic therapeutic areas with shorter time-to-patient potential;
3. We increase our business development efforts to complement our internal pipeline and continue to work with our collaboration partner Gilead to bring more medicines to patients worldwide.

Our differentiation is our entrepreneurship and integrated approach – patient-focused, risk managed, collaborative and driven by medical need – combined with the scale of our resources and our deep scientific expertise in key therapeutic areas. Together, these enable us to significantly reduce time-to-results and accelerate delivery of transformational innovations and medicines to patients.

Key achievements in 2022

Corporate and Operational Performance

Jyseleca® commercial & regulatory progress

- Adoption across Europe with reimbursement for reumathoid arthritis (RA) in 15 countries and for ulcerative colitis (UC) in 11
- Sobi, our distribution and commercialization partner in Eastern and Central Europe, Portugal, Greece, and the Baltic countries, launched Jyseleca® in RA in the Czech Republic and Portugal, resulting in €2.0 million milestone payments to Galapagos
- The Medicines and Healthcare products Regulatory Agency (MHRA) in Great Britain and the Ministry of Health, Labour and Welfare (MHLW) in Japan approved filgotinib 200mg for the treatment of moderate to severe UC
- The European Medicines Agency's (EMA) scientific committee, CHMP, adopted the recommendation of the PRAC to add measures to minimize risks of serious side effects with JAK inhibitors used for chronic inflammatory disorders
- Positive opinion issued by the CHMP for Jyseleca®'s European label update based on testicular function safety data from MANTA/RAy semen parameter studies

Portfolio update

- Initiated preparations to start a Phase 2 program with TYK2 inhibitor GLPG3667 in dermatomyositis (DM) and systemic lupus erythematosus (SLE)
- Discontinued our activities in fibrosis and kidney disease as a result of the new strategic therapy area focus
- Halted development of SIK3 inhibitor GLPG4399; medicinal chemistry activities to identify SIK inhibitors with improved pharmacology continues
- Reported initial encouraging safety and efficacy data at ASH[2] 2022 from the ongoing ATALANTA-1 Phase 1/2 study in relapsed/refractory non-Hodgkin lymphoma (rrNHL) with CD19 CAR-T candidate, GLPG5101, manufactured at point-of-care

Corporate update

- Appointed Dr. Paul Stoffels as Chief Executive Officer, succeeding Onno van de Stolpe, as of 1 April 2022. Following approval by Galapagos' shareholders on 26 April 2022, adopted a one-tier governance model. Subsequently, the (new) Board of Directors appointed Dr. Paul Stoffels as Chairman of the Board of Directors
- Implemented new strategic direction to accelerate innovation and time-to-patients, focusing on key therapeutic areas of immunology and oncology, diversifying beyond small molecules to include CAR-T and biologicals, and set up a fit-for-purpose R&D organization

[2] Annual Society of Hematology

- Entered into the field of oncology through the combined acquisitions of CellPoint B.V. (CellPoint) and AboundBio, Inc. (AboundBio), in all-cash transactions against payment of an upfront amount of €125 million for CellPoint, with an additional €100 million to be paid upon achievement of certain milestones, and against payment of an amount of $14 million for AboundBio
- Received various transparency notifications from EcoR1 Capital LLC and FMR LLC, indicating that their shareholdings in Galapagos changed, crossing the 5% threshold, to 5.2% and 5.9%, respectively, of the current outstanding Galapagos shares
- Raised €6.7 million through the exercise of subscription rights
- Announced changes to the Executive Committee: Dr. Walid Abi-Saab (Chief Medical Officer) and Dr. André Hoekema (Chief Business Officer) retired from the company, and Valeria Cnossen (General Counsel) and Annelies Missotten (Chief Human Resources Officer) appointed as new members of the Executive Committee as of 1 January 2023. We anticipate announcing a Head of R&D and Executive Committee member in the first half of 2023. Until such appointment, Dr. Paul Stoffels will act as Head of R&D ad interim

Post-period events

- The European Commission approved the recommendation of the PRAC to add measures to minimize risks of serious side effects with all JAK inhibitors used for chronic inflammatory disorders
- Obtained reimbursement for Jyseleca® in UC in Italy and Denmark
- Completed MANGROVE Phase 2 study with GLPG2737 in polycystic kidney disease and decided not to-out-license the program due to lack of effect of GLPG2737 on kidney volume and renal progression compared to placebo. The open-label extension study was subsequently stopped
- Data from SELECTION long-term extension (LTE) study of filgotinib in patients with UC presented at annual ECCO congress showed that filgotinib 200mg maintained a consistent safety profile observed in previous SELECTION studies. In addition, symptomatic remission rates and health-related quality of life (HRQoL) improved in patients with moderate to severe active UC who received filgotinib 200mg for nearly four years
- Poster presentation at annual EBMT-EHA congress demonstrating initial encouraging safety and efficacy results from ongoing EUPLAGIA-1 Phase 1/2 study with a fresh point-of-care manufactured CD19 CAR-T candidate, GLPG5201, in patients with relapsed/refractory chronic lymphocytic leukemia (rrCLL) and small lymphocytic lymphoma (rrSLL), with or without Richter's transformation (RT). All 7 out of 7 eligible rrCLL patients, including 4 patients with RT, responded to treatment (Objective Response Rate of 100%), and GLPG5201 showed an acceptable safety profile with no cytokine release syndrome (CRS) higher than grade 2, or immune effector cell-associated neurotoxicity syndrome (ICAN) observed

- Announced topline results from the DIVERSITY study, a combined induction and maintenance Phase 3 study of filgotinib in Crohn's disease. While the co-primary endpoints for filgotinib 200mg in the maintenance part of the study were met and the observed safety profile is consistent with its known safety profile, the two induction cohorts missed the co-primary endpoints of clinical remission and endoscopic response at Week 10. Galapagos decided not to submit a Marketing Authorization Application in Europe based on these topline data

Financial performance

Consolidated Key Figures

(thousands of €, if not stated otherwise)	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
Income statement			
Product net sales	87,599	14,753	2
Collaboration revenues	417,681	470,093	478,051
Total net revenues	505,280	484,846	478,053
Cost of sales	(12,079)	(1,629)	-
R&D expenditure	(515,083)	(491,707)	(523,667)
G&A expenses	(292,486)	(210,855)	(185,225)
Other operating income	46,848	53,749	52,207
Operating loss	(267,520)	(165,596)	(178,632)
Net financial results	52,373	42,598	(131,143)
Taxes	(2,844)	(2,423)	(1,226)
Net loss from continuing operations	(217,991)	(125,422)	(311,001)
Net profit from discontinued operations, net of tax	-	22,191	5,565
Net loss	(217,991)	(103,231)	(305,436)
Balance sheet			
Cash and cash equivalents	508,117	2,233,368	2,135,187
Current financial investments	3,585,945	2,469,809	3,026,278
R&D incentives receivables	146,067	144,013	135,728
Assets	4,734,351	5,193,160	5,717,731
Shareholders' equity	2,526,026	2,643,362	2,670,355
Deferred income	1,989,230	2,364,701	2,809,133
Other liabilities	219,094	185,097	238,242

(thousands of €, if not stated otherwise)	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
Cash flow			
Operational cash burn	(513,774)	(564,840)	(517,404)
Cash flow used in operating activities	(500,544)	(503,827)	(427,336)
Cash flow generated from/used in (-) investing activities	(1,245,514)	541,238	757,288
Cash flow generated from/used in (-) financing activities	(1,487)	(3,876)	22,040
Increase/decrease (-) in cash and cash equivalents	(1,747,545)	33,535	351,994
Effect of currency exchange rate fluctuation on cash and cash equivalents	22,293	56,763	(70,539)
Cash and cash equivalents on 31 December	508,117	2,233,368	2,143,071
Cash and cash equivalents from continuing operations	508,117	2,233,368	2,135,187
Cash and cash equivalents classified as assets held for sale	-	-	7,884
Current financial investments on 31 December	3,585,945	2,469,809	3,026,278
Total current financial investments and cash and cash equivalents on 31 December	4,094,062	4,703,177	5,169,349
Financial ratios			
Number of shares issued on 31 December	65,835,511	65,552,721	65,411,767
Basic and diluted loss per share (in €)	(3.32)	(1.58)	(4.69)
Share price on 31 December (in €)	41.35	49.22	80.48
Total group employees on 31 December (number)(*)	1,338	1,309	1,489

(*) The number of employees on 31 December 2020 included 185 employees of Fidelta, which has been sold to Selvita on 4 January 2021.

Our net revenues in 2022 amounted to €505.3 million, compared to €484.8 million in 2021.

We reported product net sales of Jyseleca® in Europe in 2022 amounting to €87.6 million, compared to €14.8 million last year.

Cost of sales related to Jyseleca® net sales in 2022 amounted to €12.1 million, compared to €1.6 million in 2021.

Collaboration revenues amounted to €417.7 million in 2022, compared to €470.1 million last year.

The revenue recognition linked to the upfront consideration and milestone payments in the scope of the collaboration with Gilead for filgotinib, amounted to €174.4 million in 2022 (compared to €235.7 million in 2021). This decrease was due to a lower increase in the percentage of completion, slightly offset by higher revenue recognition of milestone payments, strongly influenced by the milestone achieved in 2022 related to the regulatory approval in Japan for UC.

The revenue recognition related to the exclusive access rights granted to Gilead for our drug discovery platform amounted to €230.4 million in 2022 (compared to €230.6 million in 2021). We also recognized royalty income from Gilead for Jyseleca® for €10.7 million in 2022 (compared to €3.8 million in 2021). 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.

Our deferred income balance at 31 December 2022 includes €1.5 billion allocated to our drug discovery platform that is recognized linearly over the remaining period of our 10-year collaboration, and €0.5 billion allocated to the development of filgotinib which is recognized over time until the end of filgotinib's development period.

Our R&D expenditure in 2022 amounted to €515.1 million, compared to €491.7 million in 2021. Depreciation and impairment costs in 2022 amounted to €54.5 million (compared to €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) and impairments of intangible assets related to other discontinued projects recorded in 2022. Personnel costs increased from €165.2 million in 2021 to €190.1 million in 2022 related to increases in restructuring costs and accelerated non-cash cost recognition for subscription right plans related to good leavers. This was partly offset by a decrease in subcontracting costs from €251.1 million in 2021 to €214.9 million in 2022 following the evolution of our programs.

Our S&M and G&A expenses amounted to €292.5 million in 2022, compared to €210.9 million in 2021. This increase was primarily due to the termination of our 50/50 filgotinib co-commercialization cost sharing agreement with Gilead for filgotinib in 2022 which explains €59.7 million of the variance. The cost increase was also explained by an increase in personnel costs of €26.6 million in 2022 compared to 2021, which are related to an increase in our commercial work force driven by the commercial launch of filgotinib in Europe, accelerated non-cash cost recognition for subscription right plans related to good leavers and restructuring costs.

Other operating income (€46.8 million in 2022 compared to €53.7 million in 2021) decreased, mainly driven by lower grant and R&D incentives income.

We reported an operating loss amounting to €267.5 million in 2022, compared to an operating loss of €165.6 million in 2021.

Net financial income in 2022 amounted to €52.4 million, compared to net financial income of €42.6 million in 2021. Net financial income in 2022 was primarily attributable to €41.3 million of unrealized currency exchange gains on our cash and cash equivalents and current financial investments at amortized cost in U.S. dollars, and to €6.9 million of positive changes in the (fair) value of our current financial investments. The other financial expenses also had the effect of discounting our non-current deferred income of €7.7 million. Net interest income amounted to €11.1 million in 2022 as compared to €8.8 million of net interest expense in 2021.

We reported a group net loss in 2022 of €218.0 million, compared to a group net loss of €103.2 million in 2021.

Cash, cash equivalents and current financial investments

Current financial investments and cash and cash equivalents totaled €4,094.1 million on 31 December 2022 as compared to €4,703.2 million on 31 December 2021.

Total net decrease in cash and cash equivalents and current financial investments amounted to €609.1 million in 2022, compared to a net decrease of €466.1 million in 2021. This net decrease was composed of (i) €513.8 million of operational cash burn, (ii) €153.4 million cash out from the acquisitions of CellPoint and AboundBio, net of cash acquired, offset by (iii) €6.9 million positive changes in (fair) value of current financial investments and €44.5 million of mainly positive exchange rate differences, and (iv) €6.7 million of cash proceeds from capital and share premium increase from exercise of subscription rights in 2022.

Operational cash burn (or operational cash flow if this liquidity measure is positive) is a financial measure that is not calculated in accordance with IFRS. Operational cash burn/cash flow is defined as the decrease or increase in our cash and cash equivalents (excluding the effect of exchange rate differences on cash and cash equivalents), minus:

1. the net proceeds, if any, from share capital and share premium increases included in the net cash flow generated from/used in (–) financing activities
2. the net proceeds or cash used, if any, in acquisitions or disposals of businesses; the movement in restricted cash and movement in current financial investments, if any, the loans and advances given to third parties, if any, included in the net cash flow generated from/used in (–) investing activities
3. the cash used for other liabilities related to the acquisition of businesses, if any, included in the net cash flow generated from/used in (–) operating activities.

This alternative liquidity measure is in our view an important metric for a biotech company in the development stage.

The following table presents a reconciliation of operational cash burn, to the closest IFRS measures, for each of the periods indicated:

(thousands of €)	2022	2021
Increase/decrease (-) in cash and cash equivalents (excluding effect of exchange differences)	(1,747,545)	33,535
Less:		
Net proceeds from capital and share premium increases	(6,695)	(3,314)
Net purchase/sale (-) of current financial investments	1,087,032	(566,365)
Cash out from acquisition of subsidiaries, net of cash acquired	115,270	-
Cash advances and loans to third parties	10,000	-
Cash used for other liabilities related to the acquisition of subsidiaries	28,164	-
Cash in from disposals of subsidiaries, net of cash disposed of	-	(28,696)
Total operational cash burn	**(513,774)**	**(564,840)**

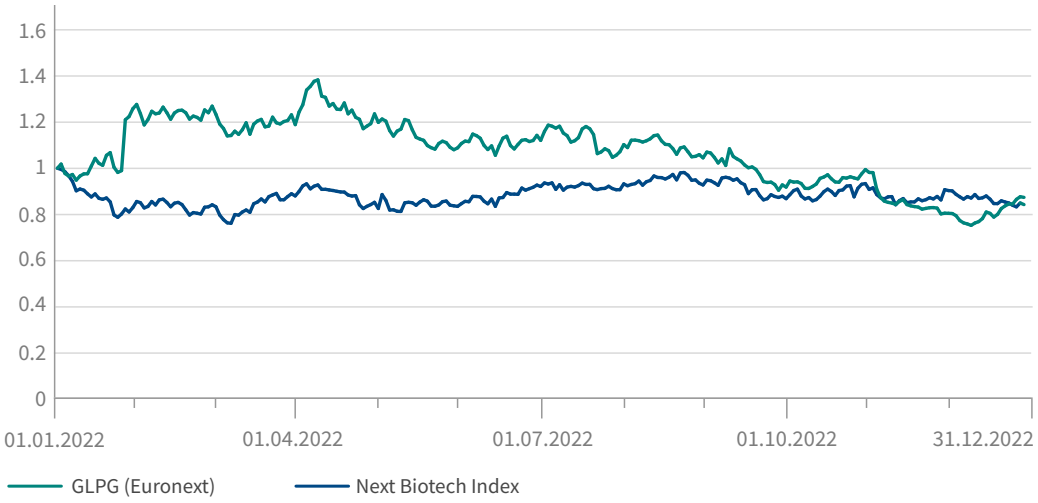
The Galapagos share

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

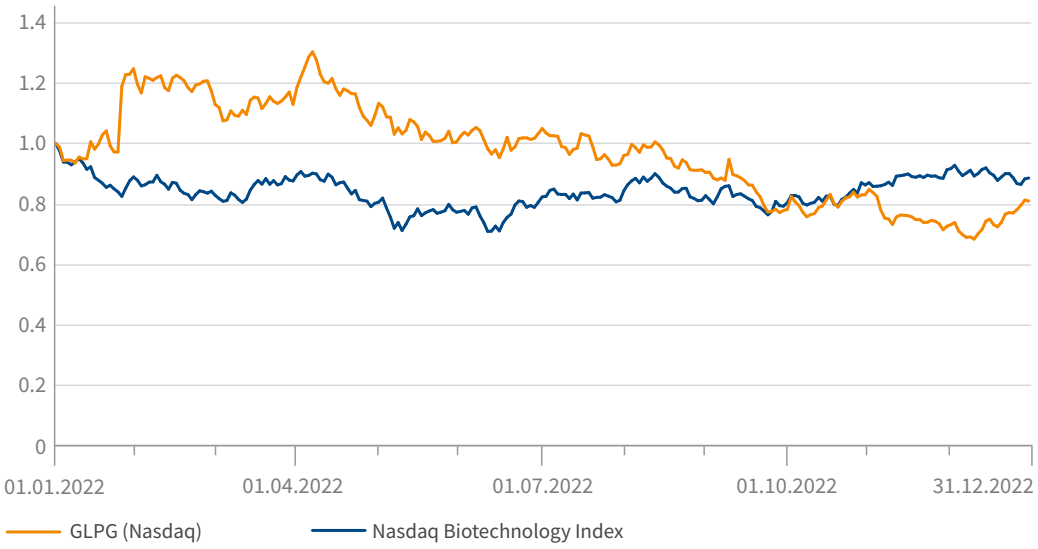
The Galapagos share in 2022

In 2022, the average daily trading volume on Euronext was 247,661 shares and €12.7 million turnover. The daily trading volume on Nasdaq in 2022 was 259,904 American Depository Shares (ADSs) and $14.5 million turnover.

Galapagos vs Next Biotech Index in 2022



Galapagos vs Nasdaq Biotechnology Index in 2022



Investor relations activities

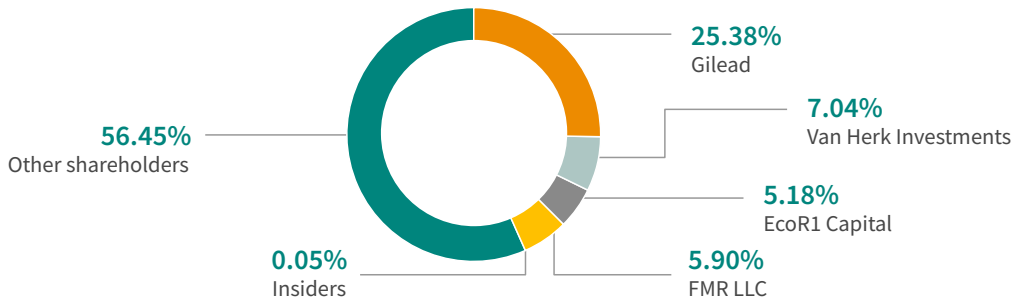
16 analysts cover the Galapagos stock.

Our IR team participated in 20 investor conferences in 2022 in Europe and the U.S.. Several broker-organized and self-organized roadshows and (virtual) meetings were held throughout the U.S. and Europe, during which we held approximately 600 investor meetings.

We organized webcasts to present our 2021 Full Year, and our 2022 Q1, Half Year, and Q3 results.

The main topics of discussion with investors in 2022 included management changes, including the appointment of our new CEO, the strategic review, including refocusing of our pipeline and rightsizing of our operations, cash burn and capital allocation, the acquisitions of AboundBio and CellPoint, our BD plans, the collaboration with partner Gilead, commercial sales of Jyseleca® (filgotinib) in RA and first launch metrics for the treatment of UC in Europe, the clinical development plans with our selective TYK2 inhibitor, GLPG3667 in DM and SLE, and the initial results with GLPG5101 in rrNHL presented at ASH.

Our major shareholders at 31 December 2022 are provided in the chart below:



Potential external impacts

COVID-19

Whilst the beginning of 2022 was globally marked by steeply increasing infection rates mainly due to the spread of the highly infectious Omicron-variant, the situation improved significantly as of the second quarter and the strict measures taken by local governments to help prevent the spread of the COVID-19 virus and protect the physical and mental health of our staff could gradually be loosened. We nevertheless continue to monitor COVID-19 infection rates at global and local levels, and have systems in place to react quicky where needed to guarantee business continuity. We report the following impacts:

- *Staff*
  At Galapagos, we maintained the measures put in place by local governments to help prevent the spread of the COVID-19 virus and protect the physical and mental health of our staff, albeit that these measures were gradually loosened during 2022. The majority of our research staff continued to work from the office/labs. For teleworkable functions we continued the implementation of our hybrid working model launched in 2021, in locations where the ongoing COVID-19 situation and corresponding local governmental measures permitted us to do so. For those employees coming to the office, we maintained stringent cleaning and sanitation protocols. We further kept our global and site-specific business continuity plans up-to-date and continued to take appropriate recommended precautions.
- *Development portfolio*
  We have a business continuity plan for our clinical development programs. We closely monitor each program in the context of the current global and local situation of the COVID-19 pandemic and the associated specific regulatory, institutional, government guidance and policies related to COVID-19. Within the boundaries of these guidelines and policies, and in consultation with our contract research organizations (CROs) and clinical trial sites, we applied various measures to minimize the impact of the COVID-19 pandemic on our clinical development programs, with the primary aim to ensure the safety of our trial participants and to preserve the data integrity and scientific validity of the trials. These measures were implemented on a case-by-case basis, tailored to the specific study and country needs at any given time, with specific attention paid to vulnerable populations and the use of investigational medicines with immunosuppressive properties. The measures include, amongst others, increased, transparent communication to all stakeholders and the direct supply of investigational medicines to patients. For each clinical trial, we actively monitor and document the impact of COVID-19 to mitigate its effect on the study where necessary and to facilitate the interpretation and reporting of results.
- *Commercial organization*
  The form of outreach of our commercial teams to physicians and hospitals was impacted by the COVID-19 pandemic and consequent travel restrictions, and thus became partially virtual. The teams invested in digital channels as part of the overall commercial build strategy, and these channels are being utilized during our ongoing commercial launch. Thus far we note no material impact on the relative competitiveness of our commercial operations due to travel restrictions, nor have the effects of COVID-19 impacted our ability to engage in market access discussions. Nevertheless, healthcare systems are under pressure across Europe, increasing the volatility in reimbursement procedures and cost containment measures, and potentially reducing the number of new therapy options initiated by healthcare providers.

Conflict in Ukraine

- We currently have no clinical studies that are enrolling patients in Ukraine and Russia. If our CROs experience significant or extended disruptions to their business due to the military conflict in Ukraine and the sanctions against Russia, it could result in delays in our clinical development activities, including delay of our clinical development plans and timelines, or could cause interruptions in operations of regulatory authorities. The impact on pivotal studies such as DIVERSITY has remained limited. We continue to monitor the situation and are taking measures to mitigate the impact on our ability to conduct clinical development activities. Interruptions or delays in our CROs' and our ability to meet expected clinical development deadlines or to comply with contractual commitments with respect to the same, could lead to delays in our overall developmental and commercialization timelines. This would adversely impact our ability to conduct clinical development activities and complete them on a timely basis. Since 24 February 2022, we have extended the focus of the business continuity plan to closely monitor each program in context of the currently ongoing Ukraine-Russia conflict and the associated specific regulatory, institutional, and government guidance and policies.

Going concern statement

To date, we have incurred significant operating losses, which are reflected in the consolidated balance sheet showing €496.7 million accumulated losses as at 31 December 2022. We realized a consolidated net loss of €218.0 million for the year ended 31 December 2022. Our existing current financial investments and cash and cash equivalents of €4,094.1 million at 31 December 2022 will enable us to fund our operating expenses and capital expenditure requirements at least for the next 12 months. The Board of Directors is also of the opinion that additional financing could be obtained, if required. Taking this into account, as well as the potential developments of our drug discovery and development activities, the Board of Directors is of the opinion that it can submit the financial statements on a going concern basis. Whilst our current financial investments and cash and cash equivalents are sufficient at least for the next 12 months, the Board of Directors points out that if the R&D activities go well, we may seek additional funding to support the continuing development of our products or to be able to execute other business opportunities.

Risk management and internal control

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

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

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

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

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

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

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

The financial risks of Galapagos are managed centrally. The finance department of Galapagos coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning the activities of the group. These relate to the following financial markets risks: credit risk, liquidity risk, currency and interest rate risk. Our interest rate risk is limited because we have nearly

no financial debt. In case of decreasing interest rates we will face a reinvestment risk on our strong cash position. The group does not buy or trade financial instruments for speculative purposes. For further reference on financial risk management, see **note 34** of the notes to the consolidated financial statements. We also refer to the **Risk factors section** of the annual report for additional details on general risk factors.

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

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

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

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

In 2022 management has reviewed its internal controls over financial reporting based on criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and engaged an external advisor to help assess the effectiveness of those controls.

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

Disclaimer and other information

This report contains the information required under Belgian law.

Galapagos NV is a limited liability company organized under the laws of Belgium, with its registered office at Generaal De Wittelaan L11 A3, 2800 Mechelen, Belgium and registered with the Crossroads Enterprise Database (RPR Antwerp – division Mechelen) under number 0466.460.429. Throughout this report, the term "Galapagos NV" refers solely to the non-consolidated Belgian company, and references to "we," "our," "the group" or "Galapagos" include Galapagos NV together with its subsidiaries.

This report is published in Dutch and English. Galapagos will use reasonable efforts to ensure the translation and conformity between the Dutch and English versions. In case of inconsistency between the Dutch and English versions, the Dutch version shall prevail.

This document is the PDF version of the report, and is a free translation (for information purposes only) of the official Dutch language version in the European single electronic format (ESEF) of the Annual Report 2022. The official Dutch language ESEF version of the report is available on our website (**www.glpg.com**). Please note that the official ESEF version takes precedence over this PDF version.

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

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

A digital version of this report, as well as the statutory financial statements of Galapagos NV, are available on our website (**www.glpg.com**).

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

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

With the exception of filgotinib's approval as Jyseleca® for the treatment of moderate to severe rheumatoid arthritis and ulcerative colitis by the European Commission, Great Britain's Medicines and Healthcare products Regulatory Agency, and the Japanese Ministry of Health, Labour and Welfare, our drug candidates mentioned in this report are investigational; their efficacy and safety have not been fully evaluated by any regulatory authority.

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

Forward-looking statements

This report contains forward-looking statements, all of which involve certain risks and uncertainties. These statements are often, but are not always, made through the use of words or phrases such as "believe," "anticipate," "expect," "intend," "plan," "seek," "upcoming," "future," "estimate," "may," "will," "could," "would," "potential," "forward," "goal," "next," "continue," "should," "encouraging," "aim," "progress," "remain," "explore," "initial," "promising," "deliver," "target," "further," as well as any similar expressions. Forward-looking statements contained in this report include, but are not limited to, statements made in the sections captioned "**Letter from our CEO and Chairman**", "**Corporate and Operational Performance**", and "**Portfolio**" of this report, the guidance from management regarding our financial results and expected operational use of cash and estimated peak sales for Jyseleca® during the financial year 2023, statements regarding our strategic and capital allocation priorities, statements regarding the acquisitions of CellPoint and AboundBio, including statements regarding anticipated benefits of the acquisitions and the integration of CellPoint and AboundBio into our portfolio and strategic plans, statements regarding our regulatory outlook, statements regarding preliminary, interim and topline data from the ATALANTA-1, EUPLAGIA-1, MANGROVE, FILOSOPHY, CALOSOMA, SEA TURTLE, GALARISSO, and LADYBUG-studies and any other data or analyses related to CD19 CAR-T, and our plans and strategy with respect to such studies, statements regarding the timing and likelihood of business development projects and external innovation, statements regarding the amount and timing of potential future milestones, opt-in, royalty or other payments, statements regarding our R&D-plans, strategy, and outlook, including progress on our immunology or oncology-portfolio, our CAR-T-portfolio, or our SIKi-portfolio, and any potential changes in such strategy, statements regarding our pipeline and complementary technology platforms faciliting future growth, statements regarding our strategic re-evaluation, including our ambition by 2028, statements regarding our commercialization efforts for filgotinib, our product candidates, and any of our future approved products, statements regarding our expectations on commercial sales of filgotinib and any of our product candidates (if approved), statements regarding our collaboration with Lonza, statements regarding the global R&D-collaboration with Gilead, and the amendment of our arrangement with Gilead for commercialization and development of filgotinib, statements regarding the expected timing, design and readouts of ongoing and planned preclinical studies and clinical trials, including, but not limited to, with (i) filgotinib in RA, UC and AxSpA, (ii) with GLPG3667 in SLE and DM, (iii) compounds from our SIKi-portfolio, (iv) GLPG2737 in ADPKD, (v) GLPG5101 in rrNHL and rSLE, (vi) GLPG5201 in rrCLL and rrSLL, (vii) GLPG5301 in rrMM, and (viii) with the next-generation CAR-Ts and bispecific

antibodies, including recruitment for trials and topline results for trials and studies in our portolio, statements related to the EMA's safety review of JAK inhibitors used to treat certain inflammatory disorders, including filgotinib, initiated at the request of the European Commission (EC) under article 20 of Regulation No 726/2004, and regarding the related CHMP opinion and the related EC's decision, statements about the European label update based on testicular function safety data from the MANTA/MANTA RAy-studies and regarding the related CHMP opinion, statements relating to interactions with regulatory authorities, statements relating to the timing or likelihood of additional regulatory authorities' approval of marketing authorization for filgotinib for RA, UC or other indications, such additional regulatory authorities requiring additional studies, and the timing or likelihood of pricing and reimbursement interactions for filgotinib, statements relating to the development of our commercial organization, commercial sales, and rollout of our products or product candidates (if approved), statements related to the expected reimbursement for Jyseleca®, statements regarding the preparations for the Phase 2 programs with our TYK2 inhibitor product candidate, GLPG3667, and the timing for the start of a study in SLE, statements regarding the timing of clinical development with our CD19 CAR-T candidate, GLPG5101, in rSLE, statements regarding the progress of patient recruitment efforts in the European sites of the Phase 1/2 ATALANTA-1-study with our CD19 CAR-T candidate, GLPG5101, in rrNHL, as well as in the EUPLAGIA-1-study with our CD19 CAR-T candidate, GLPG5201, in rrCLL/SLL, and the timing for topline results from such studies, statements regarding the timing for expansion of, and patient enrolment in, the CAR-T-portfolio with a BCMA CAR-T product candidate, GLPG5301, in rrMM, statements regarding our "Forward, Sustainably" strategy and the related materiality assessment, statements regarding the changes in our leadership and expected resulting benefits, and statements regarding our strategy, portfolio goals, business plans, and sustainability plans. We caution the reader that forward-looking statements are based on our management's current expectations and beliefs and are not guarantees of any future performance. Forward-looking statements may involve known and unknown risks, uncertainties and other factors which might cause our actual results, financial condition and liquidity, performance or achievements, or the industry in which we operate, to be materially different from any historic or future results, financial conditions, performance or achievements expressed or implied by such statements. Such risks include, but are not limited to, the risk that our beliefs, guidance, and expectations regarding our 2023 revenues, cash burn, operation expenses, or other financial may be incorrect (including because one or more of our assumptions underlying our revenue or expense expectations may not be realized), the risk that ongoing and future clinical trials may not be completed in the currently envisaged timelines or at all, the inherent risks and uncertainties associated with competitive developments, clinical trials, recruitment of patients, product development activities, and regulatory approval requirements (including, but not limited to, the risk that data from our ongoing and planned clinical research programs in RA, UC, AxSpA, SLE, DM, ADPKD, rSLE, NHL, CLL, rrMM, or any other indications or diseases, may not support registration or further development of our product candidates due to safety, or efficacy concerns, or any other reasons), risks related to the acquisitions of CellPoint and AboundBio, including the risk that we may not achieve the anticipated benefits of the acquisitions of CellPoint and AboundBio, the inherent risks and uncertainties associated with target discovery and validation, and drug discovery and development activities, the risk that the preliminary and topline data from the ATALANTA-1, EUPLAGIA-1,

MANGROVE, FILOSOPHY, CALOSOMA, SEA TURTLE, GALARISSO, and LADYBUG-studies may not be reflective of the final data, risks related to our reliance on collaborations with third parties (including, but not limited to, Gilead and Lonza), the risk that the transition of the European commercialization responsibility of filgotinib from Gilead to us, will not have the currently expected results for our business and results of operations, the risk that estimates regarding our filgotinib development program and the commercial potential of our product candidates and our expectations regarding the costs and revenues associated with the transfer of European commercialization rights to filgotinib may be incorrect, the risk that we will not be able to continue to execute on our currently contemplated business plan and/or will revise our business plan, including the risk that our plans with respect to CAR-T may not be achieved on the currently anticipated timeline or at all, the risk that our projections and expectations regarding the commercial potential of our product candidates or expectations regarding the revenues and costs associated with the commercialization rights may be inaccurate, the risks related to our strategic transformation exercise, including the risk that we may not achieve the anticipated benefits of such exercise on the currently envisaged timeline or at all, the risk that we will be unable to successfully achieve the anticipated benefits from our leadership transition, the risk that we will encounter challenges retaining or attracting talent, the risks related to disruption in our operations, supply chain, or ongoing studies due to the conflict between Russia and Ukraine, the risks related to continued regulatory review of filgotinib following approval by relevant regulatory authorities, including by the EC and EMA, and the EMA's safety review of JAK inhibitors used to treat certain inflammatory disorders, the risk that the EMA and/or other regulatory authorities determine that additional post-approval trials of filgotinib or any other product candidate that are approved in the future would be required, the risk that the EMA and/or other regulatory authorities may require that the market authorization for filgotinib in the EU be amended, the risk that the EMA and/or other regulatory authorities may impose JAK class-based warnings, the risk that the EMA's and/or other regulatory authorities' safety review may negatively impact acceptance of filgotinib by patients, the medical community, or healthcare payors, and the risks and uncertainties related to the impact of the COVID-19 pandemic. A further list and description of these risks, uncertainties and other risks can be found in our filings and reports with the SEC, including in our most recent annual report on Form 20-F filed with the SEC, and our subsequent filings and reports filed with the SEC. We also refer to the "**Risk Factors**" section of this report. Given these risks and uncertainties, the reader is advised not to place any undue reliance on any such forward-looking statements. In addition, even if our results, performance, financial condition and liquidity, or the industry in which we operate, are consistent with such forward-looking statements, they may not be predictive of results, performance or achievements in future periods. These forward-looking statements speak only as of the date of publication of this report. We expressly disclaim any obligation to update any such statements in this report to reflect any change in our expectations with regard thereto, or any change in events, conditions or circumstances on which any such statements is based, or that may affect the likelihood that actual results will differ from those set forth in any such statements, unless specifically required by law or regulation.