



# Forward with confidence

Annual Report 2020

**Galápagos**  
Pioneering for patients

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# The Galapagos group

An overview of Galapagos,  
its strategy and portfolio in 2020

## Letter from the management

Dear shareholder,

We are turning the page on an eventful 2020, followed by the ziritaxestat setback last month. This undoubtedly is one of the most challenging periods in our history, and we are currently reviewing our plans for 2021. At the same time, 2020 also brought us important scientific and commercial progress and opportunities, and we are confident that we are well positioned to build on our strengths going forward. Also, we are encouraged by the recently announced primary endpoint data from the ongoing MANTA and MANTA-RAy safety studies with filgotinib.

2020 was marked by the complete response letter (CRL) received in August by our collaboration partner Gilead from the U.S. Food and Drug Administration (FDA) for filgotinib in rheumatoid arthritis (RA). Based on the feedback received from the FDA during the NDA review process and in the Type A meeting, Gilead decided not to pursue FDA approval of filgotinib for RA. While both Gilead and Galapagos continue to believe in the clinical profile of the 200 mg dose, Gilead concluded that this dose was required to be competitive in RA in the U.S. and that the 200 mg dose is unlikely to achieve approval for RA in the U.S. without conducting substantial additional clinical studies. Consequently, we and Gilead decided to stop the global trials of filgotinib in psoriatic arthritis (PsA), ankylosing spondylitis (AS), and non-infectious uveitis. Both companies continue to pursue the inflammatory bowel disease (IBD) opportunity with filgotinib and the Phase 3 DIVERSITY program in Crohn's disease (CD) continues to recruit patients.



On the other hand, we made significant regulatory progress with filgotinib: in September the approval of filgotinib was achieved for RA, from both the Japanese and European authorities, with our first ever marketing authorization granted in two key geographies. Both authorities approved filgotinib 200 mg and 100 mg doses for the treatment of moderate to severe RA. I am incredibly proud of the teams that made this a reality, and we are thrilled to bring a new treatment option to patients suffering from this debilitating condition. Moreover, following the positive Phase 3 results in ulcerative colitis (UC), our collaboration partner Gilead and we filed for approval in Europe, and we expect Gilead to submit for approval in Japan in the first half of 2021.

From a commercial perspective, we opened up a significant opportunity for Galapagos in Europe: in December, we renegotiated the collaboration agreement for filgotinib, with Galapagos taking over all commercial activities in Europe. Through a phased transition period, the majority of activities supporting and commercializing filgotinib in Europe are expected to be assumed by Galapagos by the end of 2021. Galapagos will receive payments from Gilead in connection with changes in responsibility for the commercialization and development of filgotinib in Europe, and Gilead will receive royalties from European sales of filgotinib starting in 2024. We have made tremendous progress in building our own European commercial organization, securing reimbursement, and in preparing successful launches for filgotinib in RA. Filgotinib is now on the market in Germany, Italy, and The Netherlands, with other European territories scheduled to follow in the course of 2021.

In the meantime, we made important progress in the remainder of our inflammation pipeline, and most notably with our Toledo program. We revealed the target of our Toledo compounds as salt-inducible kinase (SIK) inhibitors, and we observed its novel dual mode of action mechanism, stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines, across a series of preclinical models. For our most advanced Toledo molecule, GLPG3970, a SIK2/SIK3 inhibitor, we have observed that dual mode of action mechanism in blood from healthy volunteers, in a dose-dependent manner and with an encouraging tolerability profile. We are currently

conducting five Proof of Concept studies with GLPG3970, and we expect to report top line results in psoriasis, UC, and RA in the second half of this year. Taking a programmatic approach, we continue to advance multiple Toledo candidates across different selectivity profiles, targeting a range of inflammatory and even fibrotic indications.

In October, Servier and Galapagos announced that in the ROCCELLA Phase 2b study with GLPG1972 in osteoarthritis (OA) patients, there was no difference observed between the active and placebo groups. As a result, it was decided to stop the further development of GLPG1972 in OA.

Our fibrosis portfolio made progress in 2020, with positive topline results in our PINTA trial in IPF, preclinical candidate nomination of a new Toledo compound directed towards IPF, and the inlicensing of promising early molecules. Unfortunately, due to an insufficient risk-benefit profile observed in the ISABELA Phase 3 program, we recently had to discontinue all development with ziritaxestat.

Given the recent setbacks in our late stage portfolio, we aim to assess lessons learned and will continue to reassess the R&D portfolio in light of this learning. We again ended 2020 with a very strong balance sheet, providing us with the capital to leverage the full potential of our R&D engine and to evaluate business development opportunities. We landed our operational cash burn in 2020 in line with our guidance at €517 million, including the milestones received for the approval of filgotinib in Europe and Japan. Following the recent discontinuation of the ziritaxestat trials, we are currently performing a thorough strategic assessment, and we aim to provide an updated cash burn guidance for 2021 upon conclusion of this review.

## R&D

### In the field of inflammation:

- Gilead received approval for filgotinib in RA in Europe and Japan
- Gilead received a CRL for filgotinib in RA from the FDA in the U.S. and decided not to resubmit in this indication
- We and Gilead announced a new commercialization and development agreement for filgotinib in Europe, and achieved our first sales in Germany and The Netherlands
- We and Gilead announced the achievement of the primary endpoint in the SELECTION Phase 3 trial with filgotinib in UC
- Gilead submitted for approval of filgotinib in UC in Europe
- We and Gilead completed recruitment into the MANTA and MANTA-RAY trials with filgotinib
- We initiated three Proof of Concept trials with the Toledo compound GLPG3970, a SIK2/3 inhibitor, in psoriasis (CALOSOMA), UC (SEA TURTLE) and RA (LADYBUG)
- We initiated a Phase 1b trial with GLPG3667, a TYK2 inhibitor, in patients with psoriasis
- We initiated a Phase 1b trial with GLPG0555, a JAK1 inhibitor administered via intra-articular injection, in patients with OA
- We and Servier announced that the ROCCELLA Phase 2b trial with GLPG1972 in osteoarthritis patients showed no signal of activity, and we decided to stop further development of the compound in this indication
- We announced collaborations with Ryvu and Scipher Medicine to discover and advance novel targets in inflammation

### In fibrosis:

- We continued recruitment into the ISABELA Phase 3 program with ziritaxestat in IPF, with over 1,300 patients recruited and all nearly all study centers opened for recruitment by year-end 2020. All development with ziritaxestat was discontinued in February 2021
- We announced positive topline results in the PINTA Phase 2a trial with GLPG1205, a GPR84 inhibitor, in IPF patients
- We strengthened our IPF portfolio with GLPG4716, a chitinase inhibitor, inlicensed from OncoArendi, and expanded our early-stage fibrosis pipeline through an expanded collaboration with Fibrocor

- We nominated our first novel preclinical candidate with an undisclosed mode of action from our collaboration with Fibrocor, GLPG4586
- We nominated our first Toledo compound, GLPG4605, as a preclinical candidate directed toward fibrosis

### Other clinical programs:

- We initiated the MANGROVE Phase 2 trial with investigational CFTR inhibitor GLPG2737 in patients with autosomal dominant polycystic kidney disease (ADPKD)
- We started Phase 1 with GLPG4059 directed toward metabolic disease

### Corporate:

- We agreed to sell fee-for-service business Fidelta to Selvita for a total of €37.1 million
- We raised €28.3 million from subscription right exercises

### Post-period events:

- We and Gilead announced interim data on the primary endpoint of MANTA/RAY studies. 8.3% patients on placebo and 6.7% patients on filgotinib had a 50% or more decline in sperm concentration at week 13
- We discontinued all development with ziritaxestat due to an insufficient risk-benefit profile observed in the ISABELA Phase 3 program
- We initiated two additional Proof of Concept trials with the Toledo compound GLPG3970, a SIK2/3 inhibitor, in systemic lupus erythematosus (TAPINOMA) and Sjögren's syndrome (GLIDER)
- Gilead announced that the National Institute for Health and Care Excellence (NICE) recommends the use of filgotinib in the UK for people with moderate to severe RA. Filgotinib is the first advanced therapy to be recommended by NICE in patients with moderate RA
- We published the FINCH 1 Phase 3 data (Combe *et al.* 2021) and FINCH 3 Phase 3 data (Westhovens *et al.* 2021) in the *Annals of the Rheumatic Diseases*

## 2020: Details of the financial results

### Details of financial results

We previously held two operating segments. Due to the completion of the sale of our fee-for-service business (Fidelta) to Selvita on the 4 January 2021 for a total consideration of €37.1 million (including the customary adjustments for net cash and working capital), the results of Fidelta are presented as "Net results from discontinued operations" in our consolidated income statements for the year 2020 and 2019.

### Revenues and other income from continuing operations

Our revenues and other income from continuing operations for 2020 amounted to €530.3 million, compared to €885.8 million in 2019. Revenues (€478.1 million in 2020 compared to €834.9 million in 2019) were lower due to the one-time revenue recognition in 2019 of the upfront payment received from Gilead in August 2019 related to ziritaxestat for €667.0 million. In 2020, our revenues from the Gilead collaboration (€473.9 million) related to (i) the exclusive access to our drug discovery platform (€229.6 million), and (ii) the filgotinib revenue recognition (€228.1 million). Additionally we have recognized royalty income from Gilead for filgotinib for €16.2 million.

Due to the approval of filgotinib, by both the Japanese and European authorities in September 2020, we received a total milestone of \$105.0 million (€90.2 million) from Gilead. As a consequence of the recently renegotiated collaboration for filgotinib, we also have accrued for a €160 million payment expected from Gilead in our 2020 financial statements. Both amounts are recognized in revenue over time until the end of the development period.

Other income (€52.2 million in 2020 vs €50.9 million in 2019) mainly consisted of incentives income from the government for our R&D activities.

## Results from continuing operations

We realized a net loss from continuing operations in 2020 of €311.0 million, compared to a net profit of €148.7 million in 2019.

We reported a net operating loss in 2020 of €178.6 million, compared to a net operating profit of €368.7 million in 2019.

The net profit and operating profit in 2019 were mainly due to one-time recognition in revenue in 2019 of the upfront payment received from Gilead related to ziritaxestat for €667.0 million.

Our R&D expenditure in 2020 increased by 25% in 2020 to €523.7 million compared to €420.1 million in 2019. This planned increase was mainly due to an increase in subcontracting costs primarily related to our filgotinib program, Toledo program and other clinical programs. Furthermore, personnel costs increased explained by a planned headcount increase following the growth in our R&D activities and increased cost of our subscription right plans. This factor, and the increased cost of the commercial launch of filgotinib in Europe, contributed to the increase in our S&M and G&A expenses which were respectively €66.5 million and €118.8 million in 2020, compared to €24.6 million and €72.4 million in 2019.

In 2020 we reported a non-cash fair value gain from the re-measurement of initial warrant B issued to Gilead, amounting to €3.0 million, mainly due to evolution of the Galapagos share price as well as its implied volatility. In 2019 we reported a non-cash fair value loss amounting to €181.6 million resulting from the re-measurement of derivative financial instruments triggered by the share subscription agreement with Gilead and the warrants granted to Gilead, primarily due to the increase in the Galapagos share price.

Net other financial loss in 2020 amounted to €134.2 million, compared to net other financial loss of €38.6 million in 2019, and was primarily attributable to €106.4 million of unrealized exchange loss on our cash and cash equivalents and current financial investments in U.S. dollars (€10.6 million of unrealized exchange loss in 2019), and to €15.9 million of negative changes in (fair) value of current financial investments (€3.1 million of net negative changes in (fair) value in 2019).

## Group net results

The group realized a net loss in 2020 of €305.4 million, compared to a net profit of €149.8 million in 2019.

## Cash, cash equivalents and current financial investments

Current financial investments and cash and cash equivalents totaled €5,169.3 million on 31 December 2020 as compared to €5,780.8 million on 31 December 2019.

Total net decrease in current financial investments and cash and cash equivalents amounted to €611.5 million in 2020, compared to an increase of €4,490.0 million in 2019. This net decrease was composed of (i) €517.4 million of operational cash burn,<sup>1</sup> (ii) €28.3 million of cash proceeds from capital and share premium increase from the exercise of subscription rights in 2020, and (iii) €15.9 million of negative changes in (fair) value of current financial investments and €106.4 million of unrealized negative exchange rate differences.

Furthermore, our balance sheet held a receivable from the French government (Crédit d'Impôt Recherche<sup>2</sup>), and a receivable from the Belgian Government for R&D incentives, for a total of both receivables of €135.7 million.

<sup>1</sup> We refer to [note 19](#) of our consolidated financial statements for an explanation and reconciliation of this alternative performance measure

<sup>2</sup> *Crédit d'Impôt Recherche* refers to an innovation incentive system underwritten by the French government

## Outlook for 2021

We anticipate a year filled with announcements on regulatory developments with filgotinib as well as progress in our deep pipeline of novel target-based candidates.

In early 2021, filgotinib received a recommendation by NICE in the UK for use in moderate to severe active RA patients. This is a landmark decision, as filgotinib is the first JAK inhibitor and first advanced therapy recommended by NICE in the moderate disease population. Going forward, we anticipate reimbursement decisions in most key European markets for filgotinib in RA this year, as we complete the transition to a full European commercial operation by year-end. We anticipate a Committee for Medicinal Products for Human Use (CHMP) opinion and a European Commission (EC) approval decision for filgotinib in UC, as well as Gilead's submission for approval of filgotinib in UC in Japan. We expect that our collaboration partner Gilead will complete recruitment for the global DIVERSITY Phase 3 trial in Crohn's disease this year.

Within our broader inflammation portfolio, we expect to report topline results from several trials, including a Phase 1b trial with TYK2 inhibitor GLPG3667 in psoriasis, a Phase 1b trial with JAK1 inhibitor GLPG0555 via intra-articular injection in OA, and three Proof of Concept studies with lead Toledo candidate SIK2/3 inhibitor GLPG3970 in psoriasis, UC, and RA. Within our fibrosis portfolio, we expect to progress clinical compounds with novel mechanisms of action, casting a wide net with the aim to develop novel treatments to help patients.

Following the recent discontinuation of the ziritaxestat trials, we aim to review our plans for 2021, after which we expect to give cash burn guidance for 2021. We believe that we have the science, the people, and the capital to weather this storm, and to look forward with confidence. We wish to thank all our shareholders for their support as we review our plans and set a new course for growth of our company.

Respectfully,

**Onno van de Stolpe**  
CEO



## COVID-19 impact

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

We report the following impacts for 2020:

- *Staff*

We implemented strict measures to help prevent the spread of the virus and protect the health of our staff. We rolled out our global and site business continuity plans and took appropriate recommended precautions, including suspending almost all business travel. Over time, we learned most of the international travel could be replaced by virtual meetings resulting in improved cost efficiency, a better work-life balance, and a reduced carbon footprint. The positive impact of this forced way-of-working will therefore be retained in our future habits and updated work place strategy, called "To the Next Normal."

During lock-down periods, we arranged for essential tasks to be carried out within our facilities. Employees working on site needed an authorization letter signed by the line leader and site head. Consequently, approximately 70% of our Research staff continued working from the offices/labs, with periodic exceptions for local lockdowns during which no staff was allowed to come into the facilities. For those employees coming to the office, we have stringent cleaning and sanitation protocols in place, and we strictly respect social distancing policies at all times in order to minimize risk of exposure. Except for employees with laboratory operations and safety roles which require an on-site presence, over 95% of our staff systematically worked from home, supported by robust IT infrastructure and technologies that were rolled out globally to facilitate remote forms of work. For our employees working from home, we provided additional IT materials and a stipend to cover office expenses such as ink cartridges and paper.

It is in our culture to address what matters. During the COVID pandemic, we reached out to our employees to understand how they are coping with the new situation and understand what support they needed from the company. In May 2020, we carried out a "pulse check" employee survey. The results indicated that overall, employees felt that our company supported them well during the pandemic. Key highlights included:

- Appreciation for the support from the line leader and the business leadership
- Increased ability to adapt to home working, thanks to strong IT infrastructure and support
- Employees perceive themselves to have a greater focus on the job after working in isolation at home during the pandemic

The survey also underlined the continued need for our company to support our employees and to help them find the right work-life balance (e.g. sufficient physical exercise, information on how to set-up an ergonomic workstation at home, possibility to be 'off-line', more frequent short breaks). We helped them to stay connected as a team by organizing virtual coffee corners and using interactive applications during virtual meetings to increase engagement.

Four key areas of focus were identified as part of an overarching program called "To The Next Normal," with all its elements being fully linked to our workplace and digital strategies. This is a program intended to accelerate application of the learnings over the last year in our company's operations, investing in:

- Enhanced approach to flexibility
- Future-proof, greener approach to mobility
- Employee well-being
- Integrated digital and connected virtual collaboration

■ *Research portfolio*

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

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

■ *Development portfolio*

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

■ *Filgotinib filing process UC*

As of publication of this report, our collaboration partner Gilead had not been informed by the regulatory agencies in Europe of approval timeline delays.

■ *Manufacturing and supply chain*

To date, there has been no COVID-19 impact to the commercial supply of filgotinib. Gilead also confirmed that all sites involved in the manufacturing of filgotinib are established sites that currently manufacture other Gilead marketed products and are in good standing with the FDA and are GMP certified. Under the binding term sheet that we entered into in December 2020 to amend our arrangement with Gilead for filgotinib in Europe, Galapagos plans to become the marketing authorization holder of filgotinib in Europe by year-end 2021, and then become responsible for manufacturing. We intend to work with the same manufacturing sites to ensure continuity.

■ *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, turning virtual instead. The teams invested in virtual channels as part of the overall commercial build strategy, and these channels are being utilized during our commercial launch today. We note as yet no material impact on our commercial operations due to travel restrictions, nor has there been an impact of COVID-19 on our ability to engage in market access discussions thus far.

## At a glance

### Consolidated Key Figures

(thousands of €, if not stated otherwise)	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
<b>INCOME STATEMENT (**)</b>			
Revenues	478,053	834,901	278,666
Other income	52,207	50,896	29,000
R&D expenditure	(523,667)	(420,090)	(316,222)
S, G&A expenses	(185,225)	(96,959)	(38,523)
Operating expenses	(708,892)	(517,049)	(354,746)
Operating profit/loss (-)	(178,632)	368,748	(47,080)
Net financial results	(131,143)	(220,223)	15,662
Taxes	(1,226)	165	(822)
Net profit/loss (-) from continuing operations	(311,001)	148,689	(32,240)
Net profit from discontinued operations, net of tax	5,565	1,156	2,981
Net profit/loss (-)	(305,436)	149,845	(29,259)
<b>BALANCE SHEET</b>			
Cash and cash equivalents	2,135,187	1,861,616	1,290,796
Current financial investments	3,026,278	3,919,216	-
R&D incentives receivables	135,728	115,356	84,646
Assets	5,717,731	6,068,609	1,439,496
Shareholders' equity	2,670,355	2,875,658	1,214,249
Deferred income	2,809,133	3,000,646	149,801
Other liabilities	238,242	192,305	75,446
<b>CASH FLOW</b>			
Operational cash flow/operational cash burn (-) (*)	(517,404)	3,162,809	(158,384)
Cash flow generated/used (-) in operating activities	(427,336)	3,208,617	(142,466)
Cash flow generated/used (-) in investing activities	757,288	(3,764,660)	(15,914)
Cash flow generated in financing activities	22,040	1,335,751	287,876
Increase in cash and cash equivalents	351,994	779,708	129,497
Transfer to current financial investments	-	(198,922)	-
Effect of currency exchange rate fluctuation on cash and cash equivalents	(70,539)	(9,966)	10,089
Cash and cash equivalents on 31 December	2,143,071	1,861,616	1,290,796
Cash and cash equivalents from continuing operations	2,135,187	1,861,616	1,290,796
Cash and cash equivalents classified as assets held for sale	7,884	-	-
Current financial investments on 31 December	3,026,278	3,919,216	-
Total current financial investments and cash and cash equivalents on 31 December	5,169,349	5,780,832	1,290,796

(\*) We refer to [note 19](#) of our consolidated financial statements for an explanation and reconciliation of this alternative performance measure.

(\*\*) The 2019 and 2018 comparatives have been restated to consider the impact of classifying the Fidelta business as discontinued operations in 2020.

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

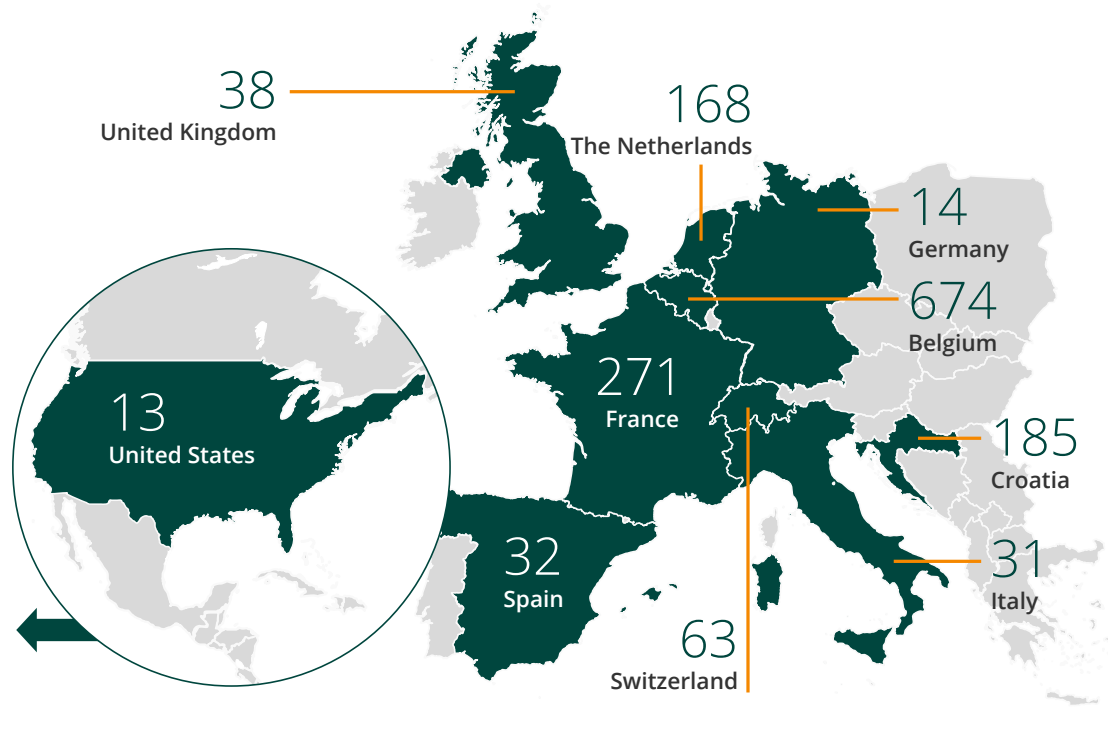
(thousands of €, if not stated otherwise)	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
<b>FINANCIAL RATIOS</b>			
Number of shares issued on 31 December	65,411,767	64,666,802	54,465,421
Basic income/loss (-) per share (in €)	(4.69)	2.60	(0.56)
Diluted income/loss (-) per share (in €)	(4.69)	2.49	(0.56)
Share price on 31 December (in €)	80.48	186.50	80.56
Total group employees on 31 December (number) (***)	1,489	1,003	725

(\*) We refer to [note 19](#) of our consolidated financial statements for an explanation and reconciliation of this alternative performance measure.

(\*\*) The 2019 and 2018 comparatives have been restated to consider the impact of classifying the Fidelta business as discontinued operations in 2020.

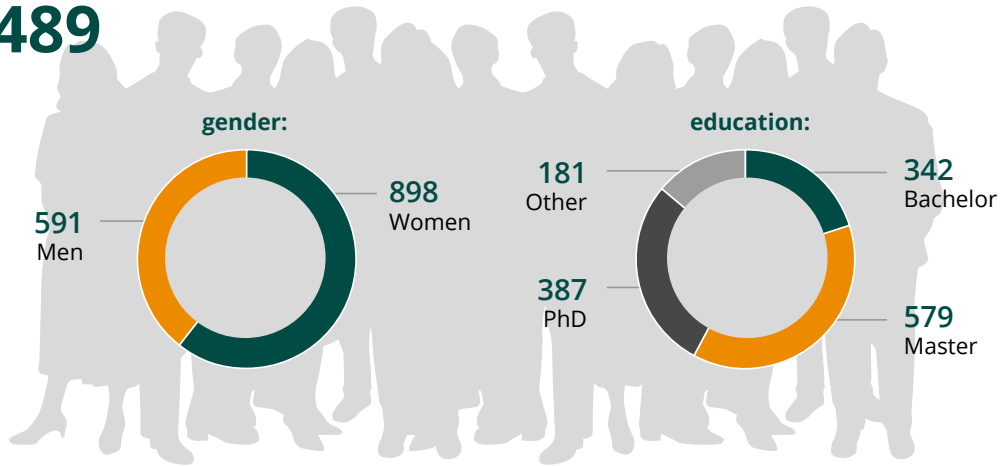
(\*\*\*) The number of employees at 31 December 2020 includes 185 employees of Fidelta, which has been sold to Selvita on 4 January 2021.

## Employees per site



Number of employees Galapagos group

**1,489**



Average age: <b>41.3</b>	Number of employees older than 45: <b>566</b>	Nationalities: <b>50</b>
Average years of service: <b>3.9</b>	Employee turnover: <b>2.2%</b>	New hires in 2020: <b>504</b>

Total number of employees includes 185 employees from Fidelta, which was sold to Selvita on 4 January 2021, and includes consultants and temporary staff

## Strategy

Our mission is to develop and commercialize first-in-class medicines based on novel targets. Using human primary cells, we discover which proteins ("targets") play a key role in disease pathways. We then identify and develop small molecules that inhibit these targets, restore the balance, and thereby positively influence the course of the disease. This approach is designed to address the root cause of the disease rather than just treating symptoms.

In 2020 we achieved our longtime ambition to become a fully integrated biotech company, with the approval and commercial launch of the first drug from our research platform, filgotinib for the treatment of RA. Moving forward, we remain focused on the development and commercialization of novel medicines in inflammation & fibrosis, with the ambition to commercialize additional therapies that are the result of our proprietary pipeline. Our aim is to further enrich our internal pipeline with business development opportunities, including the in-licensing of molecules, programs and modalities tailored to strengthen our research platform.

The key elements of our strategy include:

■ **Strengthen our innovation leadership in inflammation**

We observed strong activity in various inflammatory preclinical models with compounds targeting the SIK class of novel targets we discovered and code-named Toledo. Molecules inhibiting the SIK target family effectuate a dual mode of action on inflammation by stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines. This brings a novel mode-of-action to the field of inflammation with potential differentiation on both efficacy and safety versus currently available therapies. We are executing on a broad and accelerated program to discover and develop multiple series of compounds acting on SIK targets, aimed at activity across several conditions, including inflammation. We completed Phase 1 with GLPG3970 and initiated multiple Proof of Concept trials in inflammatory diseases in 2020. We expect to report first topline results of three trials with GLPG3970 in the second half of this year. In addition, we initiated a Phase 1b trial in psoriasis patients with TYK2 inhibitor GLPG3667, with topline results also expected in the second half of 2021. Meanwhile, we continue to advance multiple preclinical candidates in inflammation, and to scale-up our target and drug discovery productivity. We also explore additional modalities of drug therapies, and to this aim, we actively collaborate with external research partners to further accelerate our progress.

■ **Further expand European commercial access to our first marketed product, filgotinib, and gain market approval in additional inflammatory indications**

Following the European regulatory approval of filgotinib in RA and our revised agreement for filgotinib announced in December 2020 (see [Notes to the consolidated financial statements](#)), we and Gilead are securing European market access while also transitioning all European commercial operations to us. Gilead remains responsible for sales outside of Europe and obtained approval for filgotinib in RA in Japan in 2020. We and Gilead are developing filgotinib in CD and UC. Gilead submitted the application for approval of filgotinib in UC in Europe and is expected to submit the filing in Japan in the first half of 2021. Gilead is conducting Phase 3 clinical programs in CD (DIVERSITY) for which completion of recruitment is expected in the second half of 2021.

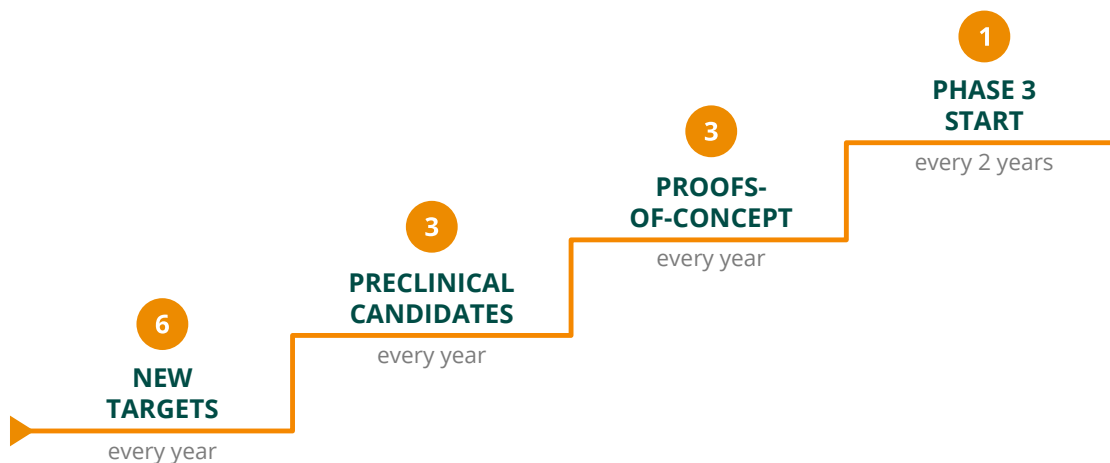
- **Tackle IPF/fibrosis with our pioneering approach**

We are building a diverse fibrosis franchise with what we believe are different and complementary modes of action in IPF and other forms of fibrosis. To date, we reported positive topline results for the PINTA Phase 2a trial with GPR84 inhibitor GLPG1205 in IPF patients and nominated a preclinical candidate from our Toledo program. Recently we added GLPG4716, a chitinase inhibitor, to our IPF portfolio. This in-licensed compound from OncoArendi is in preparation for a Phase 2 trial. We also in-licensed two early stage compounds (and have an exclusive option to in-license a total of four additional novel target programs) with novel modes of action in the field of fibrosis, thereby strengthening a growing portfolio of distinct mechanism approaches to tackle IPF and fibrosis.

- **Maximize and capture the value of our target discovery platform based on novel modes of action**

Our platform has yielded many novel mode-of-action investigational therapies across multiple therapeutic areas. Our most advanced preclinical programs are GLPG4586 (fibrosis), GLPG4605 (fibrosis), and GLPG4876 (inflammation). We aim to initiate a Phase 3 trial every other year and our ambition is to conduct three Proof of Concept trials, deliver at least three preclinical product candidates and at least six new validated targets every year.

## R&D ambition – Maintaining an active portfolio of around 30 projects



- **Build long-term value and accelerate our pipeline with our collaboration partner Gilead**

Through our transformative R&D collaboration with Gilead signed in July 2019, we plan to strengthen our discovery, development and commercial efforts to bring innovation to patients suffering from serious diseases. We strongly believe that this is a mutually beneficial collaboration, as we gain access to Gilead's extensive experience in drug development and commercialization, and Gilead to our pioneering discovery platform, with option rights to our current and future programs outside Europe. Gilead is subject to a 10-year standstill, and made a \$3.95 billion upfront payment plus a \$1.5 billion equity investment (including the exercise of Warrant A). In addition to retaining full European commercial rights, we are also eligible to receive a \$150 million opt-in fee per program, plus tiered royalties ranging from 20-24% on net sales of all our products (ex filgotinib) licensed by Gilead. See the [Notes to the consolidated financial statements](#).

## Going concern statement

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To date, we have incurred significant operating losses, which are reflected in the balance sheet showing €334.7 million accumulated losses as at 31 December 2020. We realized a consolidated net loss of €305.4 million for the year ended 31 December 2020. The supervisory board has examined the financial statements and accounting policies. Based on conservative assumptions, we believe that our existing current financial investments and cash and cash equivalents of €5,169.3 million at 31 December 2020 will enable us to fund our operating expenses and capital expenditure requirements for the coming years (and at least for the next 12 months). The supervisory board is also of the opinion that additional financing could be obtained, if required. Taking this into account, as well as the potential developments of our drug discovery and development activities, the supervisory board is of the opinion that it can submit the financial statements on a going concern basis. Whilst our current financial investments and cash and cash equivalents are sufficient for the coming years (and at least for the next 12 months), the supervisory board points out that if the R&D activities go well, we may seek additional funding to support the continuing development of our products or to be able to execute other business opportunities.

## Risk management and internal control

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

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

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

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

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

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

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



The financial risks of Galapagos are managed centrally. The finance department of Galapagos coordinates the access to national and international financial markets and considers and manages continuously the financial risks concerning the activities of the group. These relate to the following financial markets risks: credit risk, liquidity risk, currency and interest rate risk. Our interest rate risk is limited because we have nearly no financial debt. In case of decreasing interest rates we will face a reinvestment risk on our strong cash position. The group does not buy or trade financial instruments for speculative purposes. For further reference on financial risk management, see [note 32](#) 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 receipts and expenditures of the company are being made only by authorized persons
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's 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. Management takes appropriate remediation and mitigation actions in case IT deficiencies would be identified. Our internal control over financial reporting includes also additional layers of business process controls to mitigate all remaining risks associated with IT deficiencies.

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 2020 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.

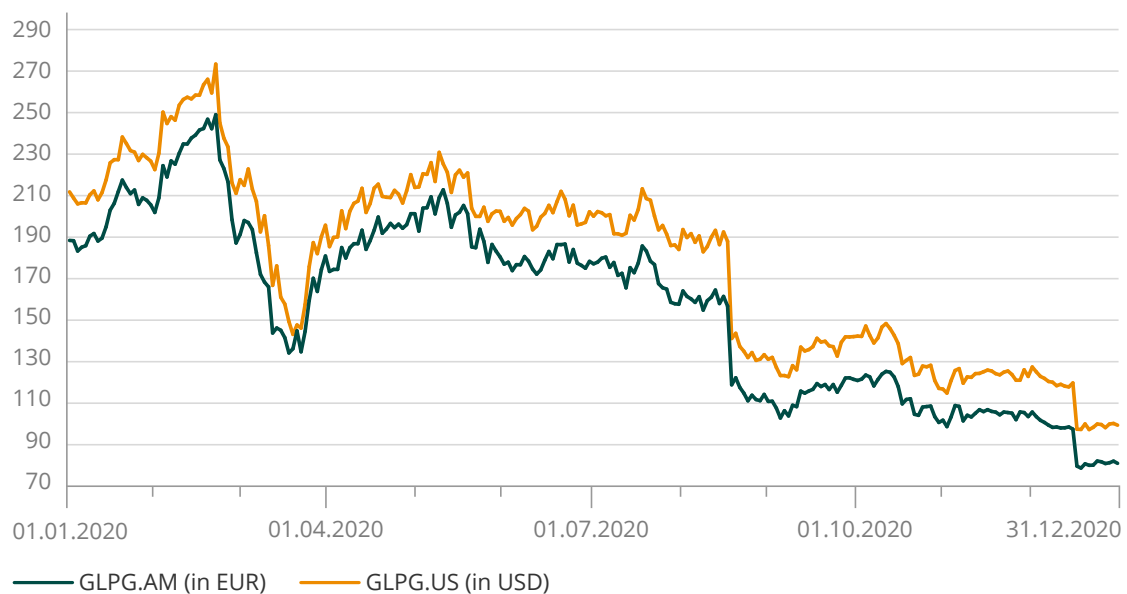
As described in Section 404 of the U.S. Sarbanes-Oxley Act of 2002 and the rules implementing such act, we will include the management and the statutory auditor's assessment of the effectiveness of internal control over financial reporting in our annual report on Form 20-F, which is expected to be filed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

Management as well as the statutory auditor concluded that the group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2020.

## The Galapagos share

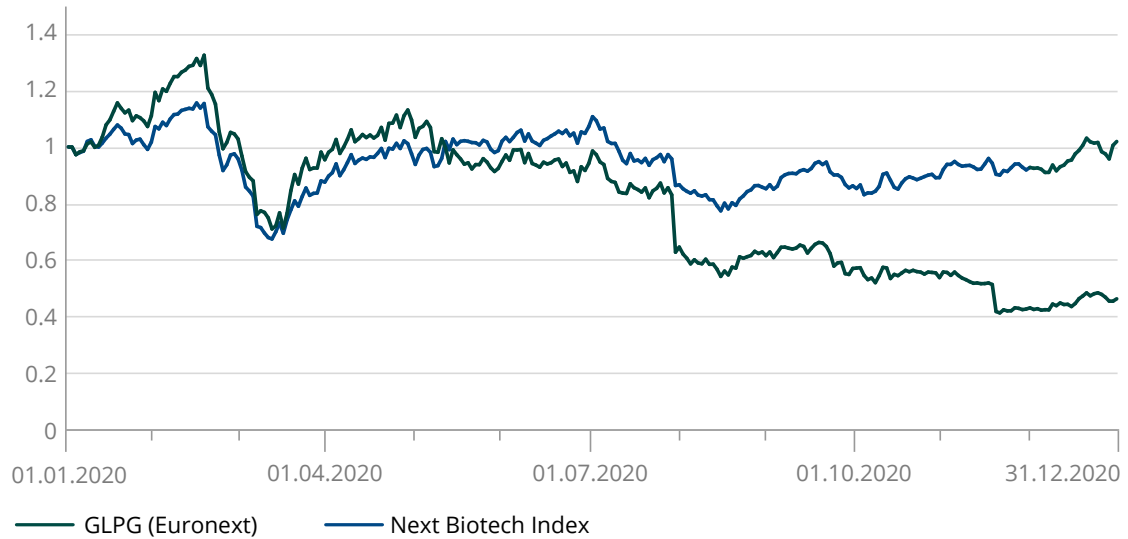
Galapagos NV (ticker: GLPG) has been listed on Euronext Amsterdam and Brussels since 6 May 2005 and on the Nasdaq Global Select Market since 14 May 2015. Galapagos NV forms part of the Bel20 index (top 20 listed companies) on Euronext Brussels, the AMX Index (Amsterdam Midcap-index) on Euronext Amsterdam, and the NBI (Nasdaq Biotechnology Index) on Nasdaq in New York. In 2019, Galapagos was added to the MSCI Global Standard Index.

### The Galapagos share in 2020

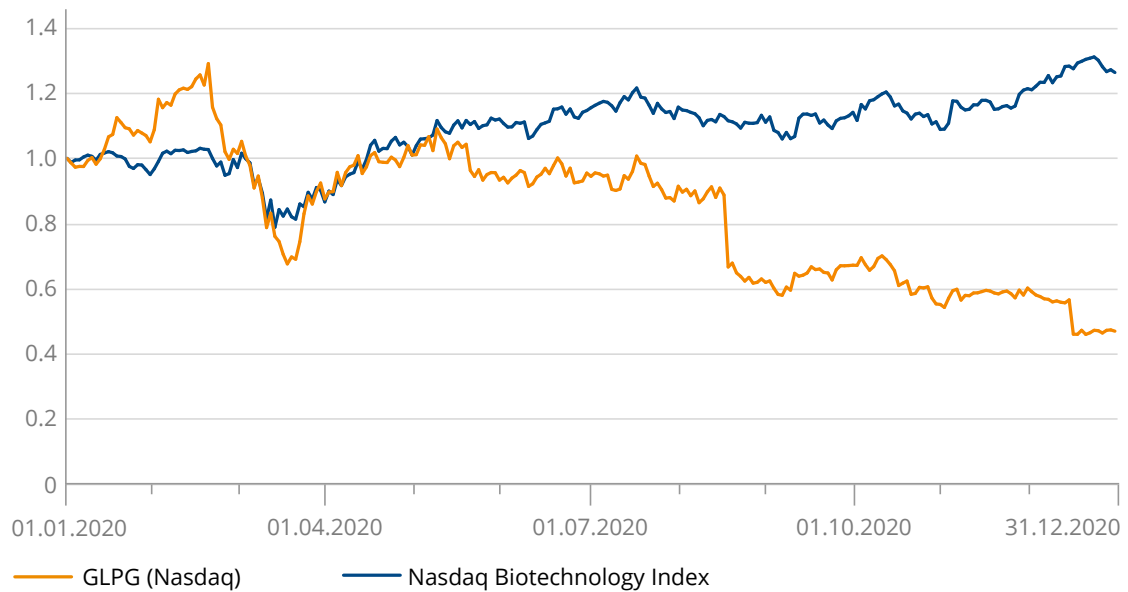


In 2020, the average daily trading volume on Euronext was 521,824 shares and €80.8 million turnover. The daily trading volume on Nasdaq in 2020 was 175,730 ADSs and \$29.1 million turnover.

**Galapagos vs Next Biotech Index in 2020**



**Galapagos vs Nasdaq Biotechnology Index in 2020**



## Investor relations activities

We currently have sell-side coverage from >20 analysts and in 2020 we attracted additional sell-side analyst coverage.

Our IR team presented at 48 (virtual) conferences in 2020 in Europe and the U.S. Several broker-organized and self-organized roadshows and virtual meetings were held throughout the U.S., Europe, and Asia, during which we held approximately 1,500 meetings.

We organized webcasts to present our 2019 Full Year, and our 2020 Q1, Half Year, and Q3 results, as well as our Toledo Roundtable, and select conference presentations.

The main topics of discussion with investors in 2020 included the filgotinib development programs and commercial strategy, the CRL and amended filgotinib agreement with collaboration partner Gilead, the R&D collaboration agreement with Gilead, our Phase 3 study with ziritaxestat as well as the Phase 2 trial with GLPG1205 in IPF patients, our ROCCELLA global Phase 2b trial with collaboration partner Servier in OA, and our Toledo program for inflammation. At the start of the pandemic, discussions were held on the influence of COVID-19 on our business operations. For more information see [COVID-19 impact](#).

## Overview statutory results of Galapagos NV

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

Galapagos NV's operating income in 2020 amounted to €1,037.0 million compared to €1,324.3 million in 2019. This decrease is due to the one-time revenue recognition in 2019 of the upfront payment received in August 2019 from Gilead related to ziritaxestat for €667.0 million, partly compensated by higher turnover for €323.0 million, primarily due to increased milestone revenues, upfront payments and royalties related to the collaboration agreement with Gilead. On the other hand there was also an increase due to internally generated intangible assets – being capitalized R&D expenses – which contributed by €60.9 million more to operating income than previous year. Other operating income amounted to €17.4 million, including €5.5 million of grants recognized for R&D projects and €9.8 million recuperation of withholding taxes for scientists.

The operating costs of 2020 amounted to €1,146.0 million compared to €930.5 million in 2019. Services and other goods increased substantially to €543.0 million compared to €444.1 million in 2019, primarily due to increased internal and external subcontracting for our preclinical studies and clinical trials as well as increased fees for insourced personnel.

Material purchases increased slightly from €7.5 million in 2019 to €10.3 million in 2020.

Personnel costs in 2020 amounted to €59.9 million compared to €52.2 million in 2019. The number of employees at Galapagos NV at the end of 2020 amounted to 508 as compared to 361 at the end of 2019, excluding insourced personnel.

Depreciation increased to €467.8 million in 2020, compared to €403.3 million in 2019, and related primarily to amortization of R&D expenses.

Galapagos NV's 2020 financial income decreased to €25.8 million compared to €27.5 million in 2019, while financial costs increased to €139.9 million compared to €64.0 million in 2019. This can mainly be explained by higher non-cash currency exchange losses on U.S. dollar in 2020. Non-recurring finance income consisted of €5.5 million of gain on sale of financial assets.

Tax income recorded in 2020 of €21.6 million as compared to €21.6 million tax income in 2019, related to tax incentives for investments in intangible fixed assets.

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

Investments in fixed assets in 2020 amounted to €55.8 million, excluding the internally generated assets. They consisted mainly of investments in intangible assets, being licenses and software, as well of costs for new laboratory and IT equipment.

Non-current and current other receivables amounted to respectively €78.3 million and €71.8 million and included the receivable for tax incentives amounting to respectively €78.3 million and €5.5 million in 2020, compared to total other receivables for tax incentives of €67.0 million in 2019.

Galapagos NV's cash position at the end of 2020 amounted to €5,122.3 million.

The non-consolidated annual accounts of Galapagos NV which we submit for your approval were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2020 closed with a loss of €196.0 million compared to a profit of €379.0 million in 2019. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €276.5 million as at 31 December 2020; we refer to the [Going concern statement](#) for justification for the application of the valuation rules under the going concern assumption.

In 2020, Galapagos NV did not make use of financial instruments, financial instruments are not actively used.

## Disclaimer and other information

This report contains all information required by Belgian law.

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

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

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

### Galapagos NV

Investor Relations

Generaal De Wittelaan L11 A3 2800 Mechelen

Belgium

Tel: +32 15 34 29 00

E-mail: [ir@glpg.com](mailto:ir@glpg.com)

A digital version of this report, including the statutory financial statements of Galapagos NV, is available on our website, [www.glpg.com](http://www.glpg.com).

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

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

With the exception of filgotinib’s approval for the treatment of rheumatoid arthritis by the European Commission and 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®, Gilead and the Gilead logo are trademarks of 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,” “estimate,” “may,” “will,” “could,” “stand to,” “continue,” as well as similar expressions. Forward-looking statements contained in this report include, but are not limited to, statements made in the “[Letter from the management](#)”, the information provided in the section captioned “Outlook for 2021”, guidance from management, including the timing and/or outcome of the strategic re-evaluation and of the expected operational cash burn during financial year 2021, financial results, statements regarding the amount and timing of potential future milestones, opt-in and/or royalty payments by Gilead, Galapagos’ strategic R&D

ambitions and potential changes of such ambitions, our statements and expectations regarding commercial sales of filgotinib, statements regarding the global R&D collaboration with Gilead and regarding the amendment of our arrangement with Gilead for the commercialization and development of filgotinib, statements regarding the expected timing, design and readouts of ongoing and planned clinical trials (i) with filgotinib in ulcerative colitis, Crohn's disease, inflammatory bowel disease and other indications (ii) with GLPG1205 and GLPG4716 in IPF, (iii) with GLPG3312, GLPG3970, and GLPG4399 in inflammation, (iv) GLPG2737 in ADPKD, (v) GLPG4059 in metabolic disease, (vi) with GLPG3970 in psoriasis, UC, RA and other indications, (vii) with GLPG3667 in psoriasis, (viii) with GLPG0555 in OA and (ix) with the Toledo program in inflammation and fibrosis, statements regarding data from Galapagos' clinical research programs with ziritaxestat which may not support registration or further development due to safety, efficacy or other reasons for IPF, SSc or any other indication, statements relating to interactions with regulatory authorities, the timing or likelihood of additional regulatory authorities' approval of marketing authorization for filgotinib for RA, UC or any other indication, including UC and IBD indication for filgotinib in Europe, Japan, and the U.S., such additional regulatory authorities requiring additional studies, the timing or likelihood of pricing and reimbursement interactions for filgotinib, statements relating to the build-up of our commercial organisation for filgotinib, the expected impact of COVID-19, and our strategy, business plans and focus. We caution the reader that forward-looking statements are not guarantees of 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 development of the industry in which we operate, to be materially different from any historic or future results, financial conditions, performance or achievements expressed or implied by such forward-looking statements. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. Among the factors that may result in differences are that our expectations regarding our 2021 revenues and financial results and our 2021 operating expenses may be incorrect (including because one or more of our assumptions underlying our revenue or expense expectations may not be realized), the inherent uncertainties associated with competitive developments, clinical trial and product development activities and regulatory approval requirements (including that data from our clinical research programs in rheumatoid arthritis, Crohn's disease, ulcerative colitis, psoriatic arthritis, ankylosing spondylitis, idiopathic pulmonary fibrosis, osteoarthritis, and other inflammatory indications may not support registration or further development of our product candidates due to safety, efficacy, or other reasons, including ziritaxestat for IPF, systemic sclerosis or any other indication), our reliance on collaborations with third parties (including our collaboration partner for filgotinib, Gilead), the timing of and the risks related to completing and implementing the amendment of our arrangement with Gilead for the commercialization and development of filgotinib, estimating the commercial potential of filgotinib and our product candidates, and Galapagos' expectations regarding the costs and revenues associated with the transfer of European commercialization rights to filgotinib may be incorrect, and the uncertainties relating to the impact of the COVID-19 pandemic. A further list and description of these risks, uncertainties and other risks can be found in our Securities and Exchange Commission filing and reports, including in our most recent annual report on Form 20-F filed with the SEC and our subsequent filings and reports filed with the SEC. We also refer to the "Risk Factors" section of this report. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. We expressly disclaim any obligation to update any such forward-looking statements in this document to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements, unless specifically required by law or regulation.



# R&D

Research &  
Development

Forward with confidence

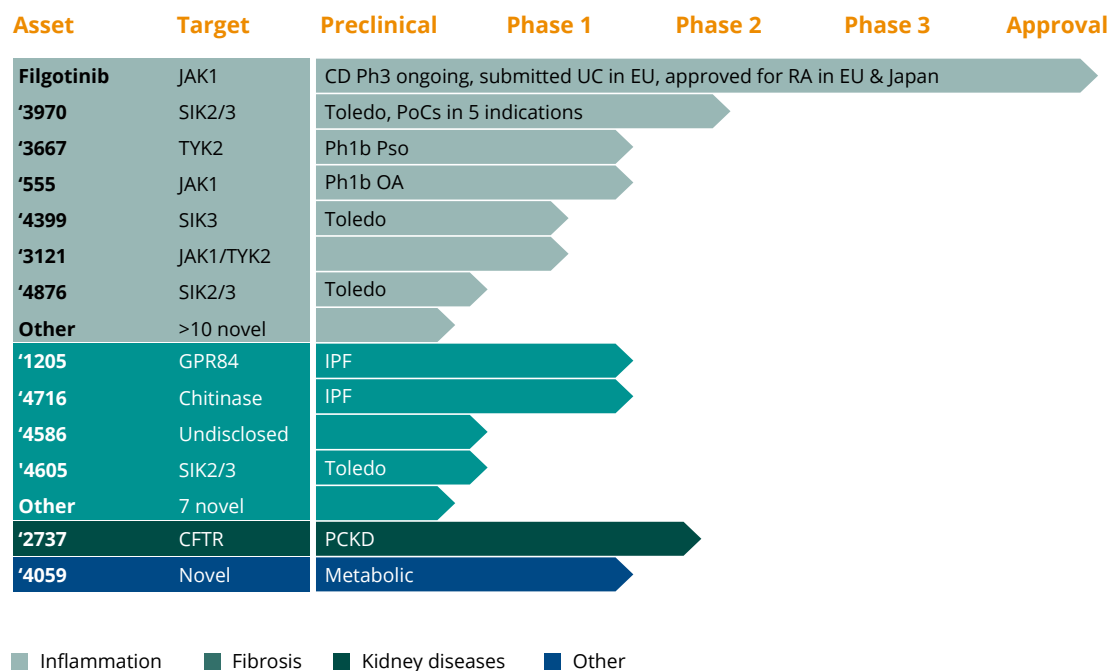
## Our broad pipeline and innovative drug discovery engine

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

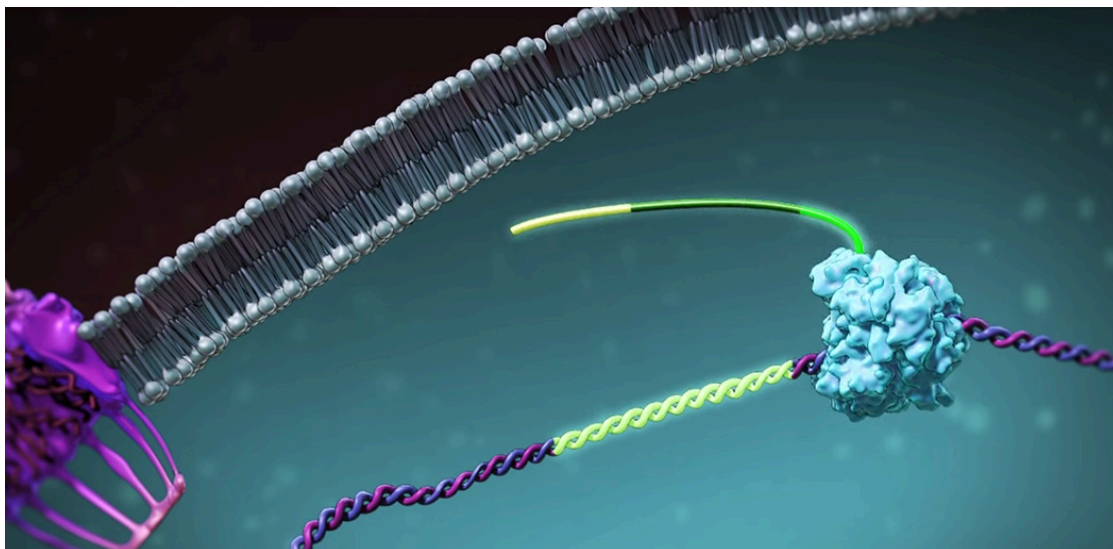
Having achieved approval for the first commercial drug from our novel target platform, we remain highly committed to progressing our deep pipeline of candidates in inflammation, fibrosis, and other indications. With our plans to initiate multiple patient trials in 2021, we set the stage for data-rich newsflow in coming years. Our broad clinical pipeline includes: preferential JAK1 inhibitor filgotinib, which is approved for the treatment of RA in Europe and Japan, filed for approval in UC in Europe, and currently in a Phase 3 trial in CD; GLPG1205, a GPR84 inhibitor which delivered positive topline results in the IPF PINTA Phase 2 trial in 2020; GLPG4716, a chitinase inhibitor incensed from OncoArendi, in preparation for a Phase 2 study in IPF; and the Toledo molecule GLPG3970, a SIK2/3 inhibitor, in Proof of Concept trials in 5 indications. In both our inflammation and fibrosis portfolios we have multiple novel mechanism of action candidates in early research. Almost exclusively these programs are based on inhibiting targets which were identified using our proprietary target discovery platform.

Filgotinib is partnered with Gilead. We have collaborations in place with OncoArendi for GLPG4716, with Fibrocor for GLPG4586 and potentially other assets, and for earlier stage assets with Ryvu and Scipher Medicine. Below is an overview of our current key pipeline assets:

### Our clinical pipeline



## Versatile target discovery platform



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

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

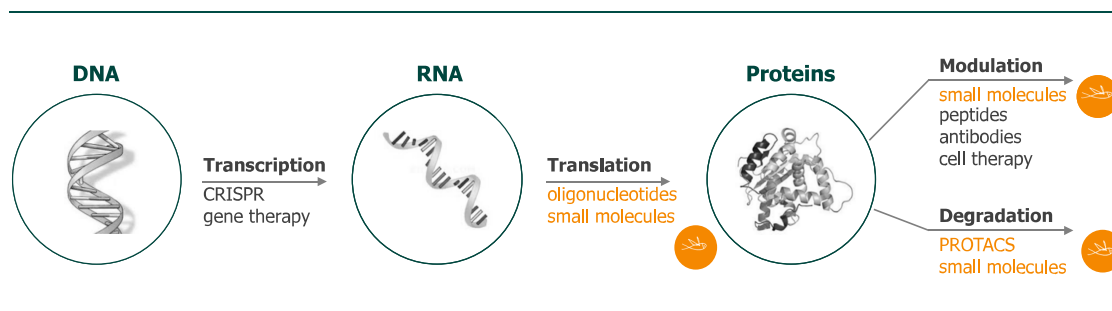
A proof of success of this unique approach is demonstrated with filgotinib which acts on JAK1, a target whose role in the specific disease was discovered by us using our discovery platform.

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

In order to study proteins in human cells, we take advantage of the distinctive properties of adenoviruses in combination with RNA interference. The adenovirus causing the common cold has the capability to infect almost every type of human cell. The adenoviruses we work with have been engineered to act as a shuttle vehicle, allowing the delivery of specific pieces of DNA into human cells. Additionally, these viruses have been made replication incompetent, meaning they do not replicate in the human cells they infect, and thus they do not interfere with the processes in the cell. We engineered the viruses to carry small pieces of DNA, specific for individual human genes. When the virus enters the cell, this DNA piece leads to the production of a short

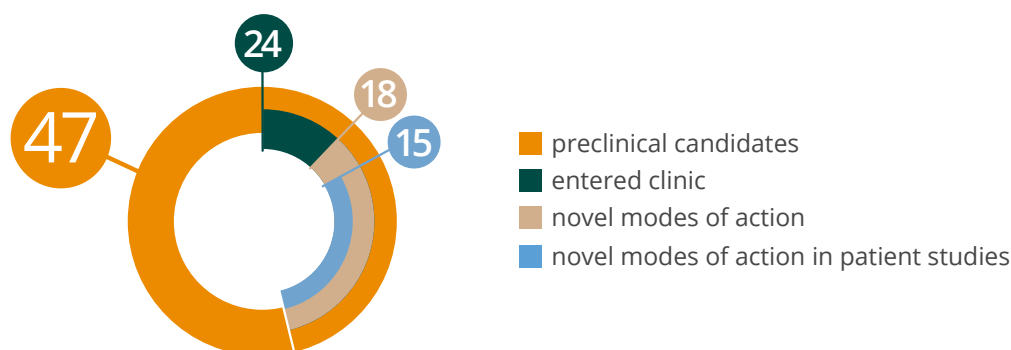
sequence of RNA that is processed in the cell to become “short interfering RNA,” or siRNA, which specifically interferes with the mRNA of the protein it was designed for. By using these viruses, we can cause the cells to block, or “knock-down,” the production of a certain protein and determine its impact on restoring normal function.

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



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

This discovery approach provides starting points for the discovery and development of drugs with new modes of action. Since 2009, we have generated 47 preclinical candidates. Of these, 24 have entered first-in-human clinical development, 18 of which are believed to have novel modes of action, and 15 entered into patient studies.



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

## Our inflammation franchise

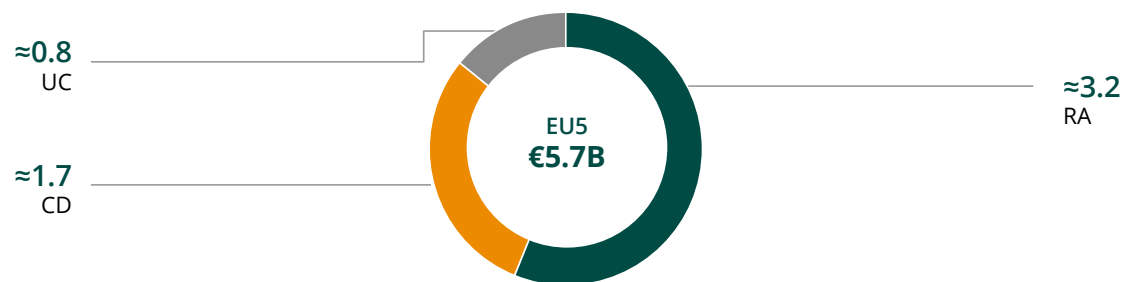
### Our filgotinib franchise

We have a collaboration agreement with Gilead to develop and commercialize filgotinib in multiple diseases. Filgotinib is approved for use in RA in Europe and Japan in September 2020. Gilead decided not to advance the approval application in RA in the U.S. following receipt of a CRL from and subsequent discussions with the U.S. FDA in 2020. Filgotinib was submitted for approval in UC in Europe in 2020 and is in a Phase 3 clinical trial in CD. Gilead expects to submit filgotinib for approval in UC in Japan in H1 2021. A regulatory path for approval in UC and CD in the U.S. is pending review of the MANTA and MANTA-RAy data by the FDA.

At the end of 2020, we and Gilead entered into a binding term sheet pursuant to which we agreed to amend the existing arrangement for the commercialization and development of filgotinib. We will assume sole commercial, operational, and development responsibility in Europe for filgotinib in RA. Gilead will retain commercial rights and remain marketing authorization holder for filgotinib outside of Europe, including in Japan where filgotinib is approved and is co-marketed with Eisai. Gilead and we will continue to investigate the potential for filgotinib to support patients living with inflammatory bowel disease (IBD). Gilead will retain operational responsibility for the current trials in Crohn's disease while we will assume operational responsibility for ongoing trials in UC. We will receive payments from Gilead in connection with changes in responsibility for the commercialization and development of filgotinib in Europe, and Gilead will receive royalties from European sales of filgotinib, starting in 2024. Please see the [Notes to the consolidated financial statements](#) for financial details of the revised agreement.

The European market for drugs that treat inflammatory diseases is considerable: we estimate that the inflammation market today in the five largest European markets is approximately €5.7 billion, with about 60% of the current market going to RA therapies and about 40% to UC and CD combined:

#### EU5 inflammation market today, €B



RA: rheumatoid arthritis CD: Crohn's disease UC: ulcerative colitis

Source: IQVIA Analytic Link (MAT to Q2 2020) – estimated value by disease at ex-manufacturer list prices. Estimates include all biologics and tsDMARDs.<sup>3</sup>

We have the ambition to achieve peak commercial sales of approximately €500 million in RA, UC, and CD in Europe in the latter half of this decade, targeting an 8-12% share of the total estimated market for RA, UC, and CD in the five largest markets in Europe.

<sup>3</sup> tsDMARDs: targeted synthetic disease-modifying antirheumatic drugs

## Filgotinib in RA

RA is a chronic autoimmune disease that affects approximately more than three million patients in the United States and Europe. RA is characterized by inflammation and degeneration of the joints. Patients suffer from pain, stiffness, and restricted mobility due to a persistent inflammation of multiple joints, ultimately resulting in irreversible damage of the joint cartilage and bone. The market for RA treatments in the EU5 currently is approximately €3.2 billion, with 60% of patients treated with advanced therapies, including injectables, biological therapies and tsDMARDs.

Despite there being many approved agents, considerable unmet need exists, as only one in five patients achieves full remission in the first year of treatment.

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

Filgotinib is a once daily, oral, preferential JAK1 inhibitor that has undergone extensive testing in Phase 1 and Phase 2 in RA, demonstrating a durable response with a consistent safety profile in RA patients. These studies supported progression to Phase 3 trials in RA. DARWIN 3 (NCT02065700), a multi-center, open-label, long-term follow up safety and efficacy trial of subjects who completed either DARWIN 1 or DARWIN 2 Phase 2b trials, is still ongoing today.

### FINCH Phase 3 program

The safety and efficacy of 100 mg and 200 mg filgotinib once daily were investigated in the FINCH clinical Phase 3 program which was initiated in August 2016 and which includes four Phase 3, randomized, multicenter studies in patients with moderate to severe RA.

The studies were designed to characterize the efficacy and safety of filgotinib in several key patient populations following the typical RA treatment pathway. These included:

- Patients who had an inadequate response to methotrexate (MTX) (FINCH 1, NCT02889796)
- Patients with difficult-to-treat RA and an inadequate response to biologic disease-modifying antirheumatic drugs (bDMARDs) (FINCH 2, NCT02873936)
- MTX-naïve patients (FINCH 3, NCT02886728)
- Eligible patients could also roll-over into a long-term extension study which is still ongoing (FINCH 4, NCT03025308)

In animal toxicology studies in the preclinical phase, filgotinib at a certain high dose induced adverse effects on the male reproductive system. Consequently, Gilead and Galapagos are performing dedicated male patient semen analysis trials in inflammation (RA, CD, UC, AS, and PSA) patients, called MANTA and MANTA-RAy, concurrent to all Phase 3 programs.

Recently, we announced the interim results and the primary endpoint. In total, 248 patients were randomized 1:1 to receive filgotinib 200 mg once daily or placebo for an initial 13-week, double-blind treatment period. The primary endpoint in both trials was the proportion of patients who had a reduction of 50% or more in sperm concentration at week 13. Patients who met this endpoint discontinued study treatment at week 13, were switched to standard of care treatment and were monitored for reversibility every 13 weeks for up to 52 weeks.

Out of the 248 randomized patients, 240 reached week 13 with two evaluable semen samples at baseline and week 13. Of those, 18 patients showed a  $\geq 50\%$  decline in sperm concentration, with 10/120 (8.3%) patients on placebo and 8/120 (6.7%) patients on filgotinib. These studies, which were designed with the input of the relevant health authorities, are not powered for statistical comparison between groups. These data will now be submitted to relevant regulatory authorities.

Beyond the double-blind, placebo-controlled, 13-week period, for which MANTA and MANTA-RAY results are pooled, patients who did not meet the primary endpoint of 50% or more decline in sperm motility or morphology could continue under their respective trial protocol on blinded treatment, receive open-label filgotinib or receive standard of care therapy based on disease response, for another 13 weeks before entering a long-term extension period. At any point, patients exhibiting a predetermined sperm decline enter a monitoring phase in which they are assessed every 13 weeks for reversibility for up to 52 weeks.

As the MANTA and MANTA-RAY trials are ongoing, and to maintain data integrity, Galapagos and Gilead intend to report additional results only after all patients in the monitoring phase have completed the protocol-defined observation period.

When the MANTA and MANTA-RAY trials are completed, Galapagos and Gilead intend to submit the full results for publication in a peer-reviewed medical journal.

### **FINCH 1 results**

The FINCH1-study achieved its primary endpoint for both doses of filgotinib in the proportion of patients achieving an American College of Rheumatology 20% response (ACR20) compared to placebo at week 12.

The FINCH 1 trial data were presented virtually at the 2020 Annual European Congress of Rheumatology (Combe *et al.* 2020) and published in *The Annals of the Rheumatic Diseases* (Combe *et al.* 2021).

### **FINCH 2 results**

In the difficult to treat bDMARD insufficient responder population, filgotinib achieved its primary endpoint in the FINCH 2 trial in the proportion of patients achieving an American College of Rheumatology 20 percent response (ACR20) at week 12. The clinical efficacy and quality of life outcomes assessed at week 12 and week 24 were presented at the Annual ACR meeting 2019 (Genovese *et al.*) and the FINCH 2 results were published in *The Journal of the American Medical Association, JAMA* (Genovese *et al.* 2019).

### **FINCH 3 results**

At week 24, the study achieved its primary endpoint of the proportion of patients achieving an American College of Rheumatology 20 percent response (ACR20). The proportion of patients achieving the primary endpoint of ACR20 response at week 24 was significantly higher for filgotinib 200 mg plus MTX and filgotinib 100 mg plus MTX compared with MTX alone.

The FINCH 3 trial data were presented at the 2019 virtual European League Against Rheumatism annual meeting (Westhovens *et al.* 2019) and published in *The Annals of the Rheumatic Diseases* (Westhovens *et al.* 2021).

### **FINCH safety data**

We and Gilead presented integrated safety data from 7 RA studies at the Annual EULAR E-Congress of Rheumatology 2020 (Winthrop *et al.*). Data were integrated from 3 Phase 3 trials (FINCH 1-3), 2 Phase 2 trials (DARWIN 1, 2), and 2 long-term extension (DARWIN 3, FINCH 4) trials including up to 5.5 years of filgotinib exposure. In this pooled analysis, filgotinib was well-tolerated, and no new safety concerns were identified. Adverse events of MACE and DVT/PE were rare and occurred in similar numbers among all treatment groups. Herpes zoster reactivation was not increased in the filgotinib groups compared with the other treatment groups. The data highlight the acceptable safety and tolerability profile of filgotinib as monotherapy and in conjunction with MTX/csDMARDs<sup>4</sup> in RA.

<sup>4</sup> csDMARD, conventional synthetic disease-modifying antirheumatic drugs

In animal toxicology studies in the preclinical phase, filgotinib induced adverse effects on the male reproductive system. Consequently, Gilead and Galapagos are performing dedicated male patient semen analysis trials in inflammation (RA, CD, UC, AS, and PsA) patients, called MANTA and MANTA-RAY, concurrent to all Phase 3 programs. Primary endpoint data from week 13 from the MANTA and MANTA-RAY studies were reported in March 2021.

#### **FINCH 4**

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

#### **Post EC approval completed clinical studies with filgotinib**

A DDI study (NCT04608344) was conducted in the form of an open-label, randomized, two-way, crossover study in healthy adult volunteers (n=27), evaluating the effect of filgotinib on the pharmacokinetics of atorvastatin, pravastatin, and rosuvastatin, which are sensitive substrates for the OATP-1B1/1B3, and the short-term safety of administering filgotinib with or without statins. All study treatments were generally well tolerated. Co-administration with filgotinib did not have a clinically meaningful impact on the exposure of atorvastatin, pravastatin, and rosuvastatin.

#### **Regulatory approvals of filgotinib in RA**

Filgotinib (200 mg and 100 mg) was approved in the EU and Japan for the treatment of adult patients with moderate to severe RA in September 2020. Filgotinib, a once-daily, oral, JAK1 preferential inhibitor was discovered and developed by us using our target and drug discovery technology platform. Based on the robust clinical trial results from the global FINCH Phase 3 and DARWIN Phase 2 programs, including more than 4,500 patient years of RA clinical study experience, filgotinib has shown favorable results in terms of onset of action, efficacy, safety, and tolerability. Patients receiving filgotinib once daily showed improvements in clinical signs and symptoms, decreases in disease activity, and less progression of structural damage in joints. As only one in five RA patients achieves full remission in the first year, despite there being many approved agents, filgotinib offers a welcome new treatment option for adult patients struggling with this challenging and complex disease in Europe and Japan.

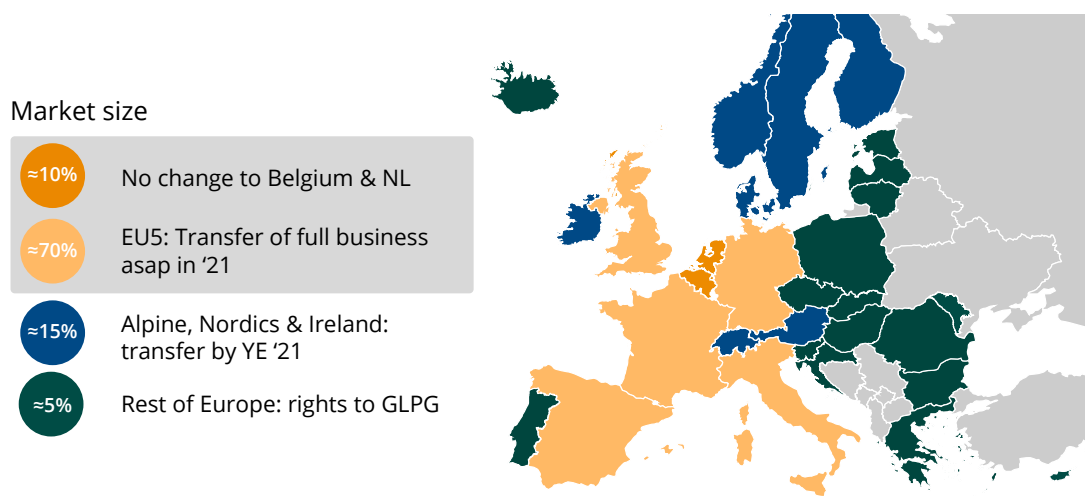
In the U.S., a CRL was received from the U.S. FDA for the New Drug Application (NDA) for filgotinib. The FDA requested data from the MANTA and MANTA-RAY studies before completing its review of the NDA. The MANTA and MANTA-RAY studies are designed to assess whether filgotinib has an impact on sperm parameters. The FDA also expressed concerns regarding the overall benefit/risk profile of the filgotinib 200 mg dose. After meetings with the FDA following the CRL, Gilead decided not to advance with resubmission of filgotinib in the US for approval as a treatment for RA.



## Commercialization of Jyseleca in RA

We and Gilead prepared to co-commercialize filgotinib in Europe, with Galapagos leading on the commercial launches in 8 of the 27 countries. With the approval of filgotinib by the European Commission in September 2020, we and Gilead commenced negotiation of access for filgotinib in member countries. Following our revised agreement with Gilead for filgotinib in Europe, we are in the process of taking over full commercial responsibility for filgotinib in RA in all 27 countries in Europe, anticipated to be substantially completed by the end of 2021. The graphic below describes the planned transition timing and relative importance of each region in Europe. See details on the revised Gilead collaboration on filgotinib in the [Notes to the consolidated financial statements](#).

### European commercial organization



### Transition to full European coverage by end 2021

Sources for market size figures: Decision Resources Group, Global Data, Galapagos Custom Research

The transition to take over full commercial operations in Europe has been planned to preserve launch momentum. We are in the process of establishing a competitive sales force to support current and potential future indications in Europe. Building this pan-European commercial operation is an acceleration of our commercial strategy in place for products under the separate ten-year research and development collaboration between us and Gilead, where we are responsible for all European commercialization.

## Filgotinib in IBD

Current treatments for IBD, including UC and CD, are dominated by anti-TNF agents.

We observed high activity and a favorable tolerability profile in a Phase 2 trial with filgotinib in CD, as reported in *The Lancet* (Vermeire *et al.* 2016). We and Gilead reported that filgotinib achieved the primary endpoint in the SELECTION Phase 3 trial in UC in 2020.

Should filgotinib be approved commercially for IBD indications, Galapagos will be lead commercial sales responsible in Europe. All other countries ex-Europe will be Gilead's commercial sales responsibility.

### Global SELECTION Phase 3 program in UC

UC is an inflammatory bowel disease resulting in ulcerations and inflammation of the inner layer of the colon and rectum. We estimate that the current market for UC treatments worldwide is \$5 billion and in Europe €0.8 billion.

Although the introduction of advanced therapies has improved the treatment of some patients, 30% of patients experience primary non-response,<sup>5</sup> and 19% to 59% of initial responders do not sustain treatment response.<sup>6,7</sup> The medical need for improved efficacy is high.

SELECTION was a global Phase 3 trial (NCT02914522) investigating efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo in 1,348 patients with moderately to severely active disease including those with prior antibody therapy failure. Men and women in SELECTION were randomized to receive placebo, 100 mg, or 200 mg filgotinib. Due to preclinical findings with filgotinib regarding semen parameters, in the U.S., randomization to 200 mg was restricted to male patients who have failed at least one anti-TNF therapy and vedolizumab, a monoclonal anti-integrin antibody marketed by Takeda. Adjacent to the filgotinib Phase 3 programs, we and Gilead are conducting dedicated studies evaluating potential impact of filgotinib on semen in male CD and UC patients (MANTA) and in RA, PsA, and AS patients (MANTA-RAy).

We announced topline data from the SELECTION trial in May 2020. Filgotinib 200 mg achieved all primary endpoints in the SELECTION study, inducing clinical remission at week 10 and maintaining clinical remission at week 58 in a significantly higher proportion of patients compared with placebo. Filgotinib 100 mg did not achieve statistically significant clinical remission at week 10.

In the SELECTION trial, clinical remission was defined as an endoscopic subscore of 0 or 1, rectal bleeding subscore of 0, and  $\geq 1$  point decrease in stool frequency from baseline to achieve a subscore of 0 or 1. Among the biologic-naïve cohort (Cohort A induction trial; n=659), 52 percent of patients had a baseline Mayo Clinic Score (MCS) of nine or higher. In the biologically-experienced cohort (Cohort B induction trial; n=689), 74 percent of patients had a baseline MCS of nine or higher, and 51 percent were previously treated with two different classes of biologics (TNF $\alpha$  antagonists and an integrin receptor antagonist).

Rates of serious infections, herpes zoster, venous thrombosis, pulmonary embolism and gastrointestinal perforation were low and comparable across treatment groups in both the induction and maintenance phases of the study. Two deaths were observed in the filgotinib 200 mg treatment group in the maintenance trial. One patient with pre-existing asthma died due to asthma exacerbation, and the second patient with pre-existing atherosclerosis died due to left ventricular heart failure per autopsy report. Neither death was deemed as related to study drug by the investigator.

<sup>5</sup> Allez M *et al.* Report of the ECCO pathogenesis workshop on anti-TNF therapy failures in inflammatory bowel diseases: definitions, frequency and pharmacological aspects. *J Crohns Colitis*. 2010 Oct;4(4):355-66

<sup>6</sup> Ma C *et al.* Outpatient Ulcerative Colitis Primary Anti-TNF Responders Receiving Adalimumab or Infliximab Maintenance Therapy Have Similar Rates of Secondary Loss of Response. *J Clin Gastroenterol*. 2015 Sep;49(8):675-82

<sup>7</sup> Shmidt E *et al.* Predictors and Management of Loss of Response to Vedolizumab in Inflammatory Bowel Disease. *Inflamm Bowel Dis*. 2018 Oct 12;24(11):2461-2467

We recently announced the interim results and primary endpoint of the ongoing MANTA and MANTA-RAY studies. The data are expected to be submitted to relevant regulatory authorities by our collaboration partner Gilead.

### **Applications for approval of filgotinib in UC**

We announced validation of the marketing application for filgotinib in the treatment of UC by the European Medicines Agency in November 2020. We anticipate that Gilead will submit filgotinib for approval in UC to the Japanese Ministry of Health, Labor, and Welfare (MHLW) in the first half of 2021. We and Gilead expect decisions on potential approvals in Europe in the course of 2021 and in Japan in the first half of 2022.

A further, potential regulatory path for approval in UC and CD in the U.S. is pending the discussion of the MANTA and MANTA-RAY semen parameter studies with FDA.

### **Commercialization of filgotinib in UC**

We are responsible for commercial sales operations for UC in Europe, pending approval in that indication. We anticipate an incremental increase in commercial costs in 2021 for this potential additional indication. Gilead will be responsible for commercial sales outside Europe, should filgotinib be approved for UC outside of Europe.

### **FITZROY Phase 2 and global DIVERSITY Phase 3 program in CD**

CD is an IBD of unknown cause, resulting in chronic inflammation of the gastrointestinal (GI) tract with a relapsing and remitting course. We estimate that the global market size for CD treatments today is \$14 billion, of which approximately €1.7 billion in the five largest European markets

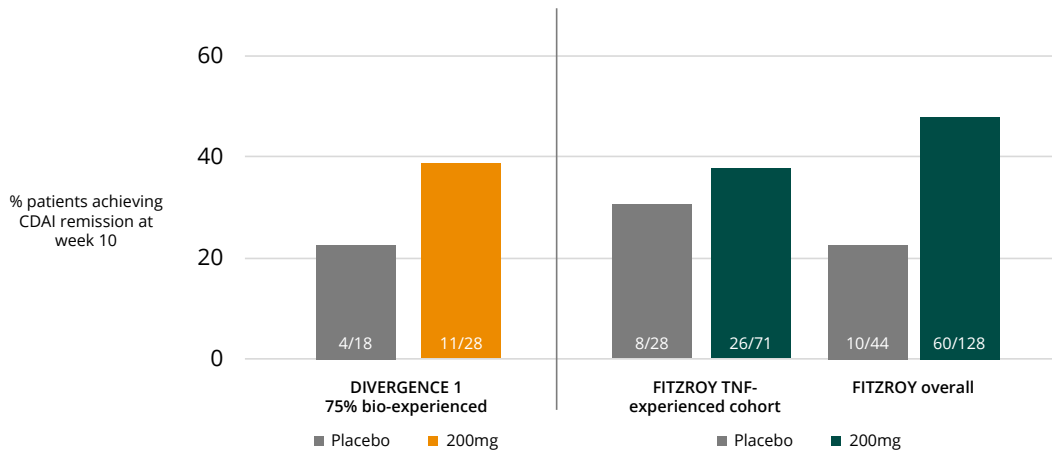
Today, with the most advanced therapies, 30-40% of CD patients on treatment achieve prolonged clinical remission. There are currently no highly effective oral therapies approved for CD and, similar to RA, treatment is dominated by injectable, biological treatments including anti-TNF therapies. Anti-TNF agents have improved the management of CD; however, not all patients respond to these drugs, and secondary loss of response during the first year is reported in up to 50% of patients per year in placebo-controlled trials. In data with more recent compounds, the sustainability of response is decreased to 10-15% loss of efficacy per year. There continues to be a considerable unmet need with these existing treatments. Dysregulation of the JAK signaling pathway has also been associated with CD, which suggests that filgotinib, with its preferential selectivity for JAK1, is a highly attractive candidate for the treatment of CD. It is hypothesized that with preferential inhibition of JAK1, unwanted effects such as anemia may be reduced. This is of particular importance to IBD patients, who frequently experience fecal blood loss.

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

Gilead initiated the Phase 3 DIVERSITY trial (NCT02914561) with filgotinib in CD in November 2016. The DIVERSITY Phase 3 trial investigates the efficacy and safety of 100 mg and 200 mg filgotinib once-daily compared to placebo in patients with moderate to severe active disease including those with prior antibody therapy failure. Gilead will recruit approximately 1,300 patients from the United States, Europe, Latin America, Canada, and Asia/Pacific regions. Men and women in the DIVERSITY trial will be randomized to receive placebo, 100 mg, or 200 mg filgotinib. Due to preclinical findings with filgotinib regarding semen parameters, in the U.S. randomization to 200 mg was restricted to male patients who have failed at least one anti-TNF therapy and vedolizumab. Adjacent to the filgotinib Phase 3 programs, we and Gilead are conducting dedicated studies evaluating the potential impact of filgotinib on semen in male CD and UC patients (MANTA) and in male RA, PsA, and AS patients (MANTA-RAY). We anticipate that Gilead will complete recruitment for DIVERSITY in 2021.

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

### CDAI remission in DIVERGENCE 1



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

Gilead retains operational responsibility for the current trials in Crohn's disease pursuant to the binding term sheet for filgotinib which we entered into in December 2020.

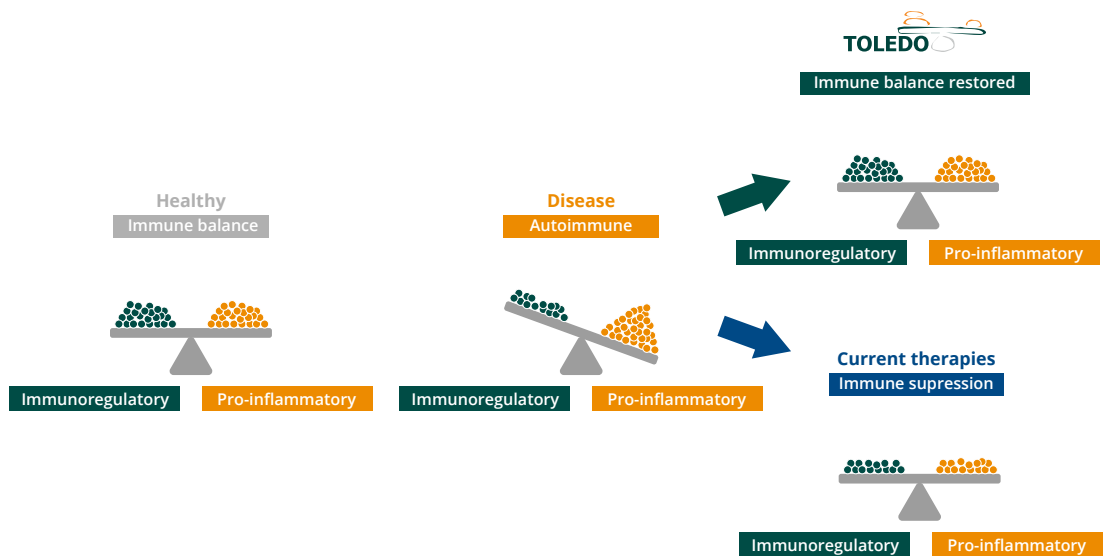
### Other indications with filgotinib

We and Gilead decided to stop the global development programs for filgotinib in PsA or AS. We at Galapagos are evaluating potential development paths for filgotinib in PsA and AS for the European market.

## Our Toledo program

“Toledo” is our program name for a novel target class, the Salt-Inducible Kinases (SIKs), which we discovered with our target discovery platform. The search for this novel target class started with the ambition to find new anti-inflammatory drug candidates with a favorable efficacy and safety profile relative to existing therapies. Although significant progress has been made with therapies in recent years, for instance in psoriasis, there remains a high unmet need for diseases related to overactive inflammation in joints, the bowel, and other organs. Molecules discovered by us and which inhibit the different members of the SIK family are expected to effectuate a dual mode of action on inflammation by stimulating anti-inflammatory cytokines and inhibiting pro-inflammatory cytokines. This potential master switch brings an opportunity to restore the immune balance that is typically out of control in auto-immune diseases and is potentially differentiated from existing therapies that predominantly act by suppressing the immune system (see figure below).

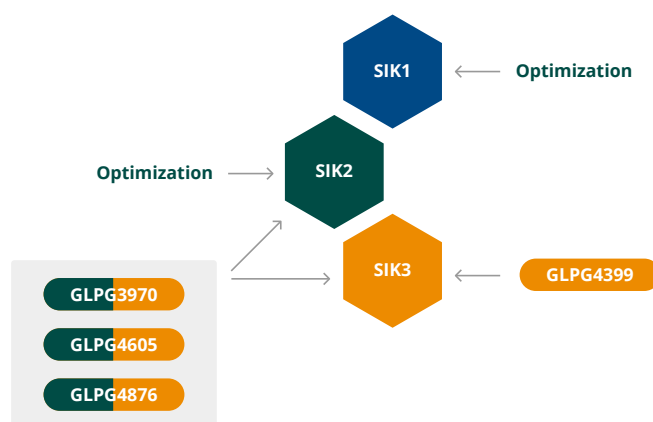
### Restoring the immune balance



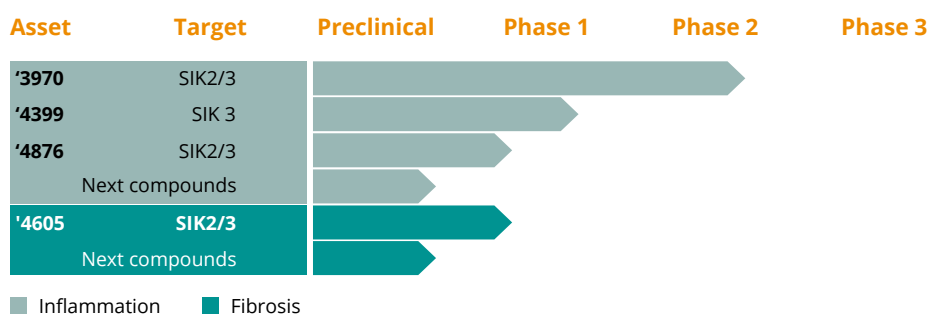
## Extensive Toledo portfolio

The family of SIKs contains three targets: SIK1, SIK2 and SIK3. In our search for compounds acting on these targets, over 3,000 molecules were synthesized leading to more than 10 different chemical series with multiple selectivity profiles. The lead molecule, GLPG3970, a SIK2/3 inhibitor, was prioritized over the first-generation compound GLPG3312, a pan-SIK inhibitor, following Phase 1 completion, given its more suitable pharmacological profile. GLPG3970 is currently being tested in five Phase 2 Proof of Concept trials. GLPG4399, a selective SIK3 inhibitor, is in Phase 1, whereas GLPG4876 and GLPG4605 are advancing preclinically (see figure below). Several other compounds with different profiles are being explored in discovery.

## Optimization through innovative chemistry



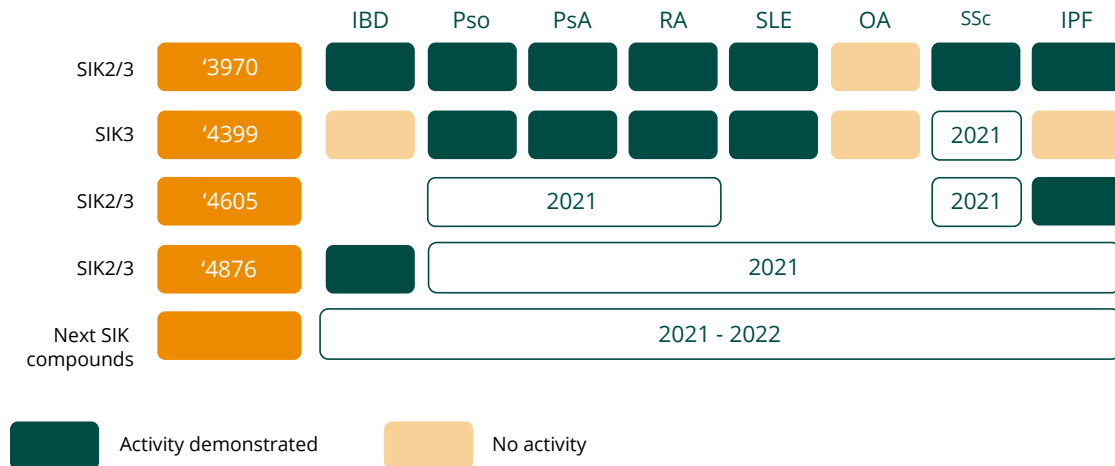
## Toledo portfolio



The developed compounds were extensively tested in a broad panel of animal models for different inflammatory diseases. Based on the collected data including cytokine profile analysis, we discovered that these SIK compounds were able to modulate several aspects of the innate and adaptive immune system opening up a wide spectrum of potential disease indications. Based on this information, combined on the findings on SIK selectivity as well as individual compound profiles, we were able to match each compound with a set of potential disease indications. The figure below describes the Toledo family of compounds with demonstrated activity in relevant preclinical disease models for inflammation and fibrosis.

The discovery strategy for the Toledo program is to continue to advance multiple candidates across different selectivity profiles. The broad panel of *in vivo* disease models guides clinical development.

### Promising and broad *in vivo* activity

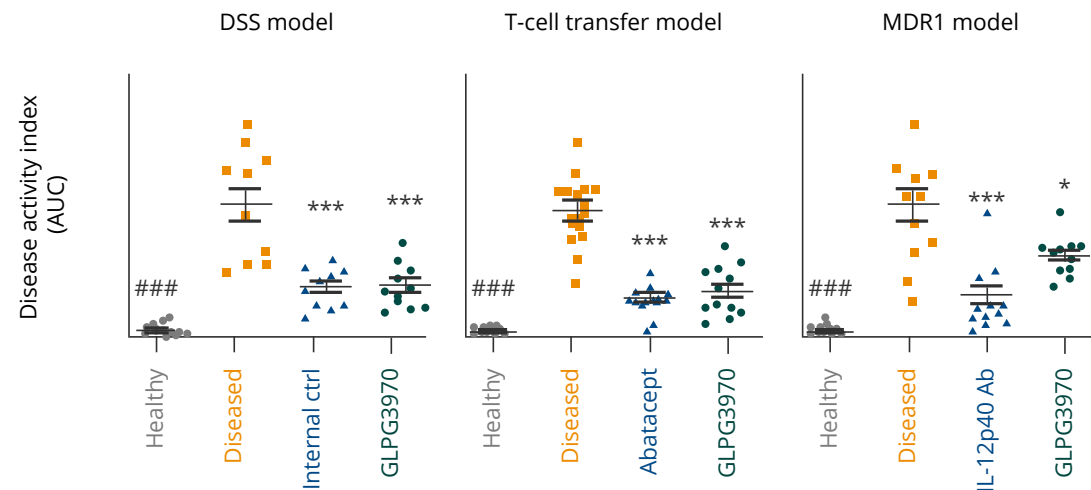


IBD: inflammatory bowel disease; Pso: psoriasis; PsA: psoriatic arthritis; RA: rheumatoid arthritis; SLE: systemic lupus erythematosus; OA: osteoarthritis; SSc: systemic sclerosis; IPF: idiopathic pulmonary fibrosis

### GLPG3970: strong *in vivo* activity

The activity of GLPG3970 has been observed *in vivo* across different IBD models, as shown below.

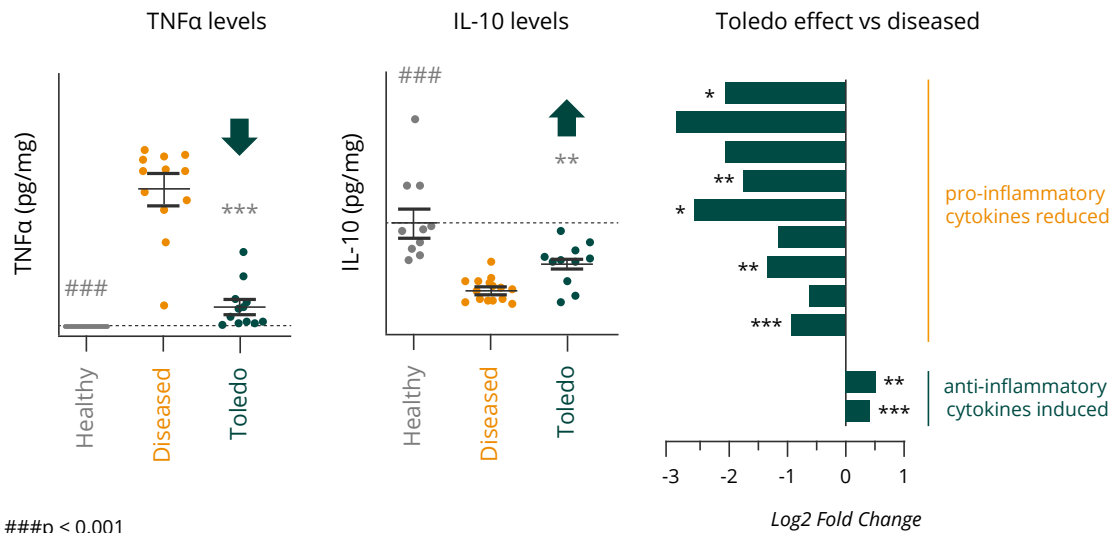
### Robust activity *in vivo* in 3 IBD models



###p < 0.001  
\*p < 0.05; \*\*\*p < 0.001 (vs diseased)  
AUC: area under the curve

As shown below, the analysis of diseased IBD colon tissue brings out the dual mode of action of GLPG3970, reducing the pro-inflammatory cytokines (such as a decrease in TNF $\alpha$  levels), and inducing the anti-inflammatory cytokines (such as an increase in IL-10 levels).

**Impacting both sides of the balance *in vivo***  
Multiplex cytokine analysis in IBD colon tissue (T-cell transfer model)

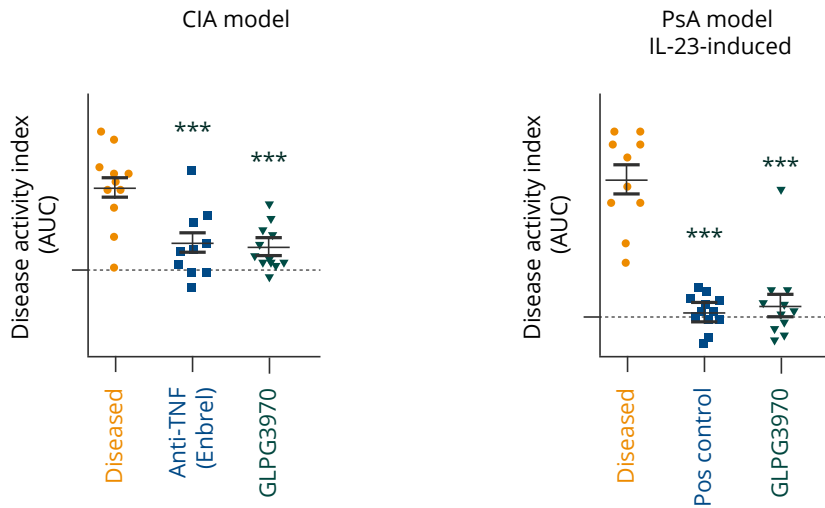


###p < 0.001  
\*p<0.05; \*\*p<0.01; \*\*\*p<0.001 (vs diseased)



We also observed strong activity of GLPG3970 in RA and psoriasis models:

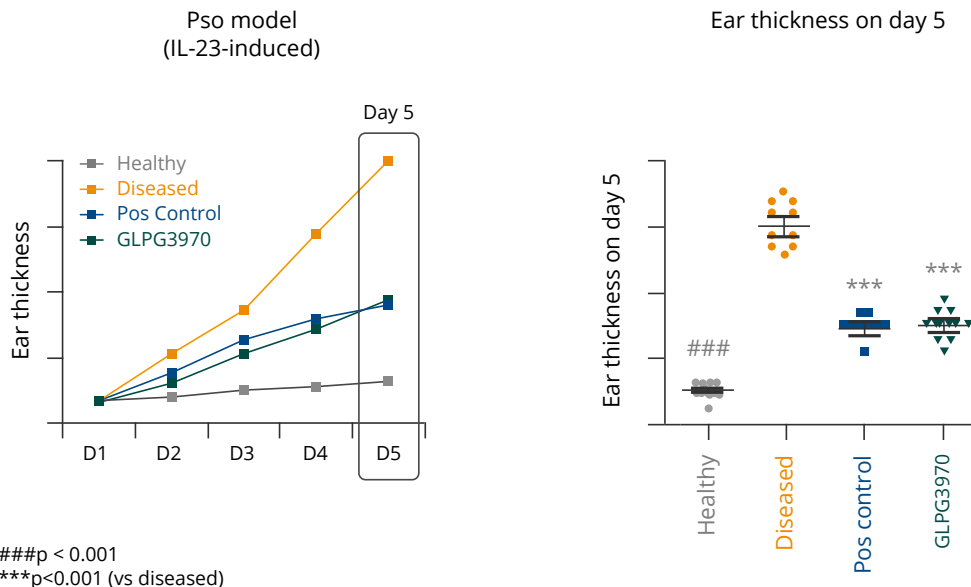
### Robust activity across arthritis models



\*\*\*p < 0.001 (vs. diseased)

CIA: collagen induced arthritis; PsA: psoriatic arthritis  
AUC: area under the curve

### GLPG3970 activity in psoriasis model



###p < 0.001  
\*\*\*p < 0.001 (vs diseased)

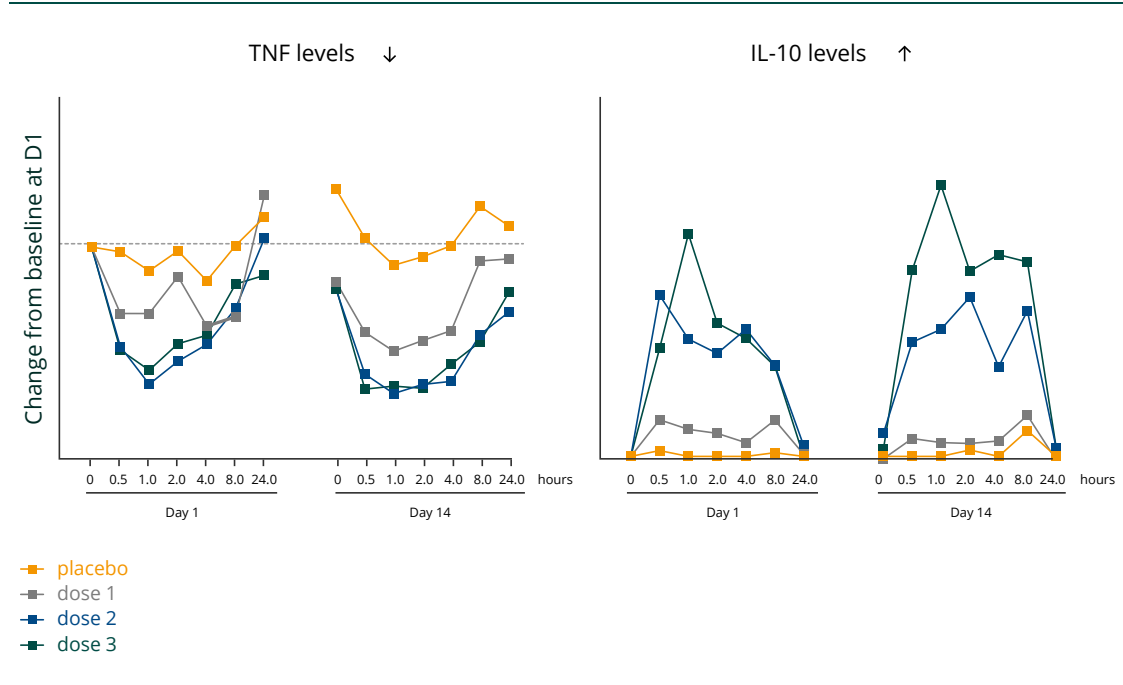
Pso: psoriasis

Source: internal data on file

### GLPG3970: encouraging data from a healthy volunteer study

Following these successful encouraging results across a range of preclinical models, we evaluated GLPG3970 in a healthy volunteer study. The results from this Phase 1 single and multiple ascending dose study demonstrated that GLPG3970 was well tolerated, with an encouraging pharmacokinetics (PK) profile. For pharmacodynamics (PD) analysis, blood was drawn from the healthy volunteers on Day 1 and on Day 14 after administration of different doses of GLPG3970 or placebo, after which the blood was stimulated *ex vivo* to measure effects on cytokine release. The figure below shows a dose-dependent effect between GLPG3970 and two cytokines. The pro-inflammatory cytokine, TNF $\alpha$ , decreased with increased compound dosing (left). The anti-inflammatory cytokine, IL-10, increased (right) with increasing compound dosing, confirming the dual activity of GLPG3970.

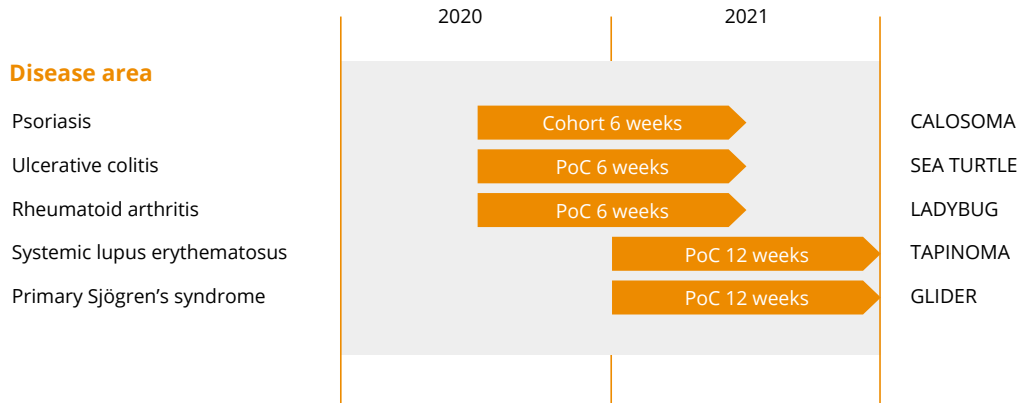
#### Dual activity confirmed *ex vivo* Mean per treatment



### GLPG3970: five PoC signal detection studies currently ongoing

Following the completion of the first part of a Phase 1 trial, GLPG3970 progressed into a Phase 1b in psoriasis and safety and “signal seeking” Phase 2 Proof of Concept trials in four additional indications, with the first three topline readouts (CALOSOMA, SEA TURTLE, LADYBUG) expected in 2021.

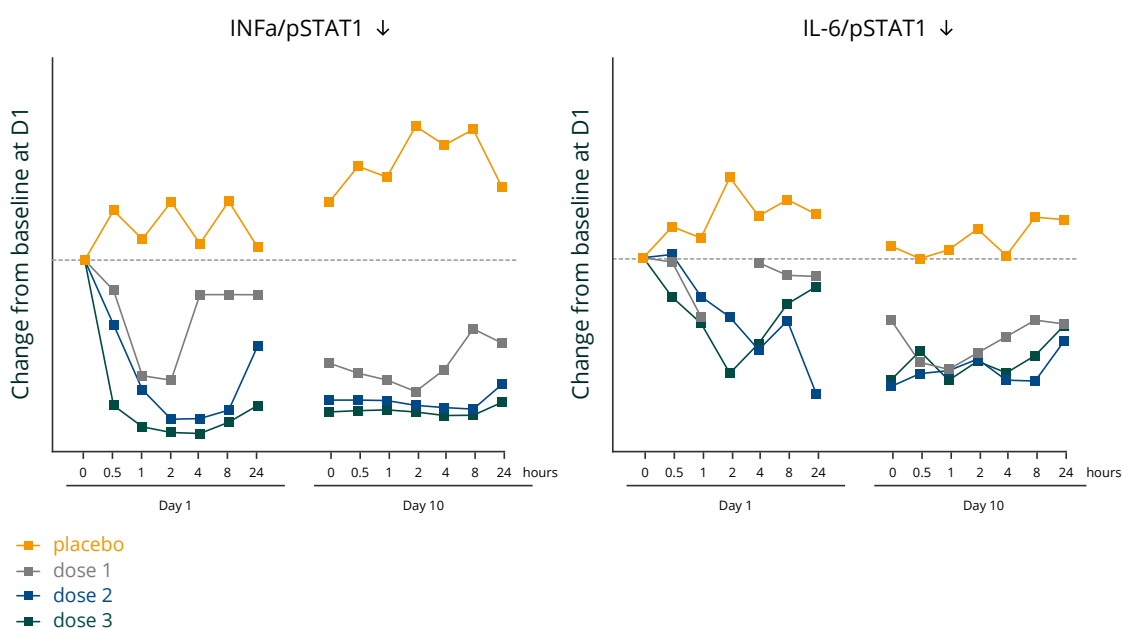
#### Parallel Proof of Concept studies



\* Timelines subject to delays due to global COVID-19 pandemic

## Our TYK2 program with GLPG3667

GLPG3667 is a reversible and selective TYK2 kinase domain inhibitor discovered by us. In 2020, we tested the molecule in a healthy volunteer study. This Phase 1 study was a randomized, double-blind, placebo-controlled dose escalation study evaluating safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of single and multiple ascending oral doses for 13 days. Blood was drawn at multiple time points on Day 1 and on Day 10 and stimulated *ex vivo* with several cytokines, including IFN $\alpha$  and IL-6, to analyze the level of inhibition in pSTAT signaling obtained by GLPG3667. The Phase 1 data showed an encouraging PK profile for once-daily dosing and PD activity:



In November 2020, we announced the first dosing in the Phase 1b trial with GLPG3667 in psoriasis patients. This Phase 1b trial is a randomized, double-blind, placebo-controlled, multi-center study to evaluate the safety, tolerability, efficacy, pharmacokinetics (PK), and pharmacodynamics (PD) of GLPG3667. A daily oral administration of GLPG3667 at two different dose levels or a placebo is being investigated for a duration of 4 weeks in 30 patients with moderate to severe plaque psoriasis. The primary endpoint is the change from baseline in Psoriasis Area Severity Index (PASI) score at 4 weeks. Recruitment is based in Europe and topline data are expected in 2021.

Pending successful completion of the Phase 1b study in psoriasis, we anticipate the evaluation of GLPG3667 in dose range finding Phase 2 studies in psoriatic arthritis and other indications, potentially starting before year end 2021.

## Our JAK1/TYK2 program with GLPG3121

We discovered GLPG3121 as a selective JAK1/TYK2 inhibitor. This asset is currently undergoing Phase 1 studies and preclinical data point to potential application of GLPG3121 in inflammatory diseases.

## Inlicensing to further strengthen the inflammation franchise

In April 2020, we announced a global collaboration with Ryvu focused on the discovery and development of novel small molecule drugs in inflammation. Under the terms of the agreement, we have an exclusive option to license IP developed by Ryvu and to continue to develop this during the collaboration. Pending achievement of pre-agreed criteria and utilizing our inlicensing option, we will be responsible for all further development of the program.

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

## GLPG1972 in OA

GLPG1972 is a drug candidate developed by us under our collaboration agreement with Servier. GLPG1972 acts on ADAMTS-5, a key aggrecanase involved in the breakdown of aggrecan in joint cartilage. ADAMTS-5 has been validated in the literature in both animal models and human explants, and ARGS, a byproduct of the cartilage breakdown action of ADAMTS-5, has been shown to be elevated in the joints of OA patients.

## ROCCELLA Phase 2b trial

ROCCELLA was a global, double-blind, placebo-controlled, dose ranging trial evaluating the efficacy and safety of three different once-daily oral doses of GLPG1972/S201086 in 932 patients with knee osteoarthritis (OA) over 52 weeks of treatment. The study population was aged between 40 to 76 years (mean age was 63), mainly female (70%), and with a mean disease duration of 7 years.

The primary objective of ROCCELLA was to demonstrate the efficacy of at least one dose of GLPG1972/S201086 compared to placebo after 52 weeks of treatment in reducing cartilage loss of the central medial tibiofemoral compartment of the target knee via quantitative MRI.

The trial failed to meet the primary objective. The change from baseline to week 52 in cartilage thickness, in mm (SD) was -0.116 (0.27) for the placebo group and -0.068 (0.20), -0.097 (0.27) and -0.085 (0.22), for the low, medium and high dose, respectively. Statistically significant difference versus placebo was not reached in any of the treated groups. There was no significant difference compared to placebo observed on secondary endpoints, including clinical outcomes.

GLPG1972 was generally well-tolerated by patients in this Phase 2 trial.

Development of GLPG1972 subsequently was discontinued in OA.

## Our fibrosis portfolio

Fibrotic disorders represent an area of significant unmet need. In the area of lung fibrosis specifically, patients have access to few drugs, which have limited benefit and side effects that often lead to discontinuation of treatment. To address the unmet need, we are building a unique fibrosis candidate portfolio with compounds that are active on different mechanisms involved in the pathogenesis of fibrosis. Our initial focus lies on IPF and adjacent indications involving lung fibrosis, with the ambition to expand to other forms of organ and skin fibrosis.

The onset of IPF starts with damaged lung epithelium, a layer that forms a protective barrier between the environment and the underlying lung tissue. The injury that occurs at this level will trigger a wound healing process, with on the immunity side the mediation of macrophages to promote tissue regeneration. To promote the closure of the wound, the macrophages will attract and activate fibroblasts. These fibroblasts, however, accumulate in an excessive way which leads to abnormal tissue repair and the deposition of extracellular matrix components that aggravate the disease. Eventually this leads to respiratory failure. GLPG1205 (GPR84 inhibitor) is believed to interfere with the immune response of lung fibrosis. In 2020, we in-licensed chitinase inhibitor GLPG4716, in preparation for a Phase 2 in IPF, with demonstrated activity on the macrophage immune response axis. In early stage development, we are advancing two other molecules from our Toledo portfolio aimed toward the immune response, two additional novel GLPG targets with a role in fibroblast activation, and one GLPG target and an in-licensed compound from Ryvu Therapeutics directed towards the extracellular matrix (see figure below).

### Casting a wide net in IPF

Aim to cover wide spectrum of fibrosis biology

Epithelium injury	Immune response: macrophages	Fibroblast activation	Extracellular matrix accumulation
	'1205 '4716 2 Toledo molecules	'4586 2 GLPG targets	GLPG target Ryvu program

### Fibrosis franchise

Asset	Target	Preclinical	Phase 1	Phase 2
'1205	GPR84	IPF		
'4716	Chitinase	IPF		
'4586	Undisclosed			
'4605	SIK2/3	Toledo		
Other	7 novel			

## About IPF

IPF is a chronic, relentlessly progressive fibrotic disorder of the lungs that typically affects adults over the age of 40. In 2018, 232,000 patients were diagnosed with IPF in the U.S., EU5 and Japan,<sup>8</sup> and this population is expected to grow, in part due to improved diagnosis. Furthermore, prevalence is expected to increase with the aging population and worsening air pollution. The clinical prognosis of patients with IPF is poor, as the median survival at diagnosis is two to four years. Currently, no therapies have been found to cure or stop the progression of IPF. The current treatment strategy aims to slow disease progression and improve quality of life. Lung transplantation may be an option for appropriate patients with progressive disease and minimal comorbidities.

Regulatory agencies have approved Esbriet (pirfenidone, marketed by Roche/Genentech) and Ofev (nintedanib, marketed by Boehringer Ingelheim) for the treatment of mild to moderate IPF. Both Esbriet and Ofev have been shown to slow the rate of functional decline in IPF and are gaining ground as the standard of care worldwide. Combined sales of both drugs reached \$2.8 billion in 2019.<sup>9</sup> These regulatory approvals represent a major breakthrough for IPF patients; however, neither drug stops the decline in lung function, and the disease in most patients on these therapies continues to progress. Additionally, the adverse effects associated with these therapies are considerable (e.g., diarrhea and liver function test abnormalities with Ofev; nausea and rash with Esbriet). Therefore, there is still a large unmet medical need as IPF remains a major cause of morbidity and mortality.

We estimate that the market of approved IPF drugs could grow to \$5 billion by 2025.

## Our IPF trials

### ziritaxestat

Ziritaxestat (GLPG1690) is a potent and selective inhibitor of autotaxin (ATX), for which Gilead in-licensed the ex-European rights in July 2019. ATX as a potential IPF target was identified in our target discovery platform and further evaluated with ziritaxestat in a preclinical lung fibrosis model (bleomycin-treated mice).

Over the past years, we announced positive topline results for our Phase 2a FLORA trial in IPF, and the NOVESA Phase 2a Proof of Concept trial in dcSSc with ziritaxestat. Ziritaxestat was found to be generally well-tolerated and no deaths were reported in these studies. The FLORA Phase 2a results were published in *The Lancet Respiratory* (Maher *et al.* 2018). In 2018, following the encouraging results from the FLORA trial, we announced the design of our worldwide ISABELA Phase 3 program consisting of two identically designed trials, ISABELA 1 & 2, aiming to enroll 1,500 IPF patients combined. Patients continued on their standard of care background treatment and were randomized to either 200 mg or 600 mg ziritaxestat once daily or placebo. The primary endpoint was the rate of decline of forced vital capacity (FVC) until week 52.

In February 2021, we discontinued the ISABELA Phase 3 trials in IPF. The decision was based on the recommendation of the Independent Data Monitoring Committee which, following a regular review of unblinded data, concluded that ziritaxestat's benefit-risk profile no longer supported continuing the program. Detailed data of the ISABELA studies will be presented at future medical meetings. All clinical trials with ziritaxestat are discontinued, including the long-term extension of the Phase 2a NOVESA trial in systemic sclerosis.

### GLPG1205

GLPG1205 is a clinical candidate for IPF that showed positive topline results in the Phase 2 PINTA trial.

GLPG1205 is a small molecule selectively antagonizing GPR84. We identified the GPR84 target using our proprietary target discovery platform. The compound showed promising results in relevant preclinical models for IPF and favorable tolerability in a healthy volunteer study.

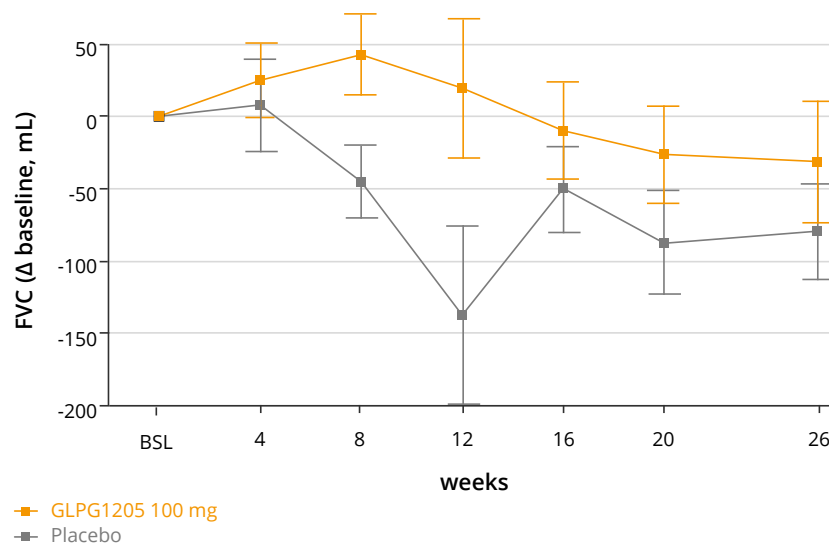
<sup>8</sup> Source: Decision Resources Group, Global Data, Galapagos Custom Research

<sup>9</sup> Sales figures from Roche (pirfenidone; Esbriet®) and Boehringer Ingelheim (nintedanib; Ofev®)

## PINTA Phase 2 in IPF

The PINTA trial was a randomized, double-blind, placebo-controlled trial investigating a 100 mg once-daily oral dose of GLPG1205. The study recruited and included a total of 68 IPF patients. Participants were administered the drug candidate or placebo (2:1 randomization) for 26 weeks and could remain on their standard of care as background therapy, i.e. nintedanib, pirfenidone or neither. The primary objective of the trial was to assess the change from baseline in FVC (in mL) over 26 weeks compared to placebo. Other measures included safety, tolerability, time to major events, changes in functional exercise capacity, quality of life, pharmacokinetics, pharmacodynamics and FRI.

In November 2020 we announced the positive topline results from the PINTA trial in IPF. At week 26, patients receiving GLPG1205 on top of standard of care showed a smaller FVC decline, with a difference of 42mL versus placebo on top of standard of care (-76mL on placebo; -34mL on treatment).



Although the study was not powered to show statistical significance, the FVC trend was consistent across the three treatment strata. In addition, the change in pulmonary lobar volume, as measured by FRI, correlated with the observed FVC decline.

No relevant safety signals were observed for GLPG1205 alone or on top of pirfenidone. The most frequently reported adverse events on GLPG1205 alone were gastrointestinal disorders, especially nausea. In the treatment arm of GLPG1205 on top of nintedanib, a higher rate of early discontinuations and higher rate of treatment emergent adverse events (TEAEs) were observed. In that same arm, there was one death due to an exacerbation of IPF, which was determined to be unrelated to study treatment.

## GLPG4716

In 2020, an additional clinical product candidate was added to our fibrosis pipeline, GLPG4716, which is currently in preparation for a Phase 2 trial.

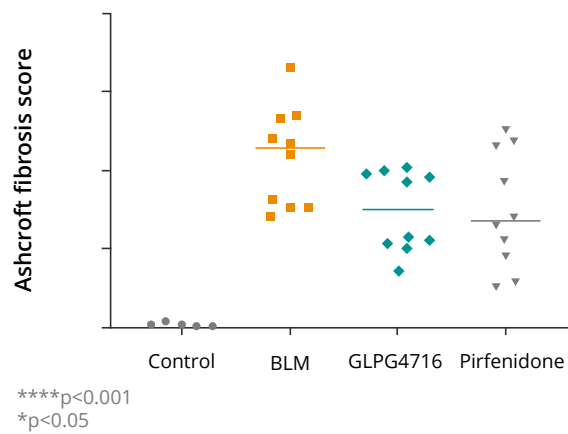
GLPG4716 is a novel, small molecule CHIT1/AMCase dual-inhibitor targeting a key pathway implicated in inflammation and tissue remodeling. We inlicensed GLPG4716 from OncoArendi in November 2020.



Increased chitinase activity is strongly induced in multiple pulmonary diseases, including IPF, SSc-ILD, sarcoidosis, as well as in other diseases with inflammatory and/or fibrotic phenotype. In humans, CHIT1 is mainly expressed by different lineages of activated blood and tissue macrophages and has been implicated in the activation and polarization cascades of macrophages, as well as the indirect activation of other immune cells. It is hypothesized that the inhibition of chitinase activity translates into a potential therapeutic benefit, as observed in a range of preclinical models. GLPG4716 has demonstrated robust anti-fibrotic activity in multiple animal models, when compared with the standard of care.

Below is the result for GLPG4716, in a preclinical IPF model, demonstrating activity comparable to one of the drugs approved for IPF:

### Activity in BLM therapeutic setting



### Our fibrosis collaborations

We have a global collaboration with Fibrocor focused on fibrosis. The collaboration was first announced in January 2019 on a novel target in IPF and expanded a year later with four additional novel target programs. Fibrocor is responsible for all research activity until lead optimization and we are responsible for the further development and commercialization of the in-licensed programs. Galapagos took an undisclosed equity stake in Fibrocor (privately held).

An exclusive collaboration and license agreement for the global development and commercialization of GLPG4716 was announced in November 2020 with OncoArendi Therapeutics. Under the terms of the agreement, we are responsible for the further development and commercialization of the program. In addition, we receive the option to initiate negotiations to obtain development or commercialization rights for selected preclinical candidate molecules.

## Other pipeline

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Beyond our inflammation franchise and fibrosis portfolio, we continue to invest in our early stage pipeline built from our pool of validated targets advancing toward clinical development. Within our deep portfolio, 13 programs are in lead optimization, three preclinical programs are developed towards testing in humans and ten are in clinical stage programs. Furthermore, in our early stage pipeline, three molecules are part of our Toledo portfolio. In December 2020, we announced the first dosing in the Phase 2 MANGROVE trial with a CFTR inhibitor, GLPG2737, in patients with autosomal dominant polycystic kidney disease (ADPKD).

### Deep R&D portfolio

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\* LO: Lead optimization

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# Risk factors

Description of the risks of which  
investors should be aware

## Risks related to commercialization

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

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

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

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

## Risks related to product development and regulatory approval

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

We are heavily dependent on the success of our product candidate filgotinib. We are also dependent on the success of our other product candidates, such as GLPG1205, GLPG4716, GLPG3970, GLPG3667, GLPG3121, and GLPG4399. Filgotinib is approved for use in RA in Europe and Japan and is currently under regulatory review for use in UC in Europe. In addition, we are heavily investing in our early stage product pipeline, including our Toledo early stage compounds, and these drug candidates must undergo rigorous preclinical and clinical testing, the results of which are uncertain and could substantially delay or prevent the drug candidates from reaching the market.

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

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

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

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

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

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

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

Filgotinib, if approved, may have a labeling statement warning for male patients. In preclinical studies, filgotinib induced adverse effects on the male reproductive system. Adjacent to the filgotinib Phase 3 programs, we and Gilead are conducting dedicated male semen analysis studies in CD and UC patients (MANTA) and in RA, PsA, and AS patients (MANTA-RAy).

Even if filgotinib does receive regulatory approval or marketing authorization, the FDA or other regulatory authorities may impose dosing restrictions that differ from the approved dosing regimen in other jurisdictions.

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

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

## Risks related to our financial position and need for additional capital

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

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

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

For further reference on financial risks in particular, see [note 32](#) of the notes to the consolidated financial statements.

## Risks related to our reliance on third parties

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

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

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

We are subject to a number of additional risks associated with our dependence on our collaborations with third parties, the occurrence of which could cause our collaboration arrangements to fail. In particular, the collaboration we entered into in July 2019 is managed by a set of joint committees comprised of equal numbers of representatives from each of us and Gilead. Conflicts may arise between us and Gilead, such as conflicts concerning the interpretation of clinical data, the achievement of milestones, the interpretation of financial provisions or the ownership of intellectual property developed during the collaboration, and there can be no assurance that the joint committees will be able to resolve any such conflicts. If any such conflicts arise, Gilead could act in a manner adverse to our best interests. Any such disagreement could result in one or more of the following, each of which could delay or prevent the development or commercialization of product candidates subject to the collaboration arrangements, and in turn prevent us from generating sufficient revenues to achieve or maintain profitability:

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

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

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

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

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

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

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

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

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

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

## Risks related to our competitive position

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

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



## Risks related to our intellectual property

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

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

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

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

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

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

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

## Risks related to our organization, structure and operation

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

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

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

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

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

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

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

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

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

As a company active in research and development in Belgium, we also expect to benefit from the “innovation income deduction” in Belgium. The innovation income deduction regime allows net profits attributable to revenue from among others patented products (or products for which the patent application is pending) to be taxed at a lower effective rate than other revenues. The effective tax rate can thus be reduced up to 3.75%. At 31 December 2020 we had €247.2 million of carryforward innovation income deduction in Belgium.

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

We have received several technological innovation grants to date, to support various research programs from an agency of the Flemish government to support technological innovation in Flanders. In 2020 we have also received a grant from the National Institute for Health and Disability Insurance. If we fail to comply with our contractual obligations under the applicable technological innovation grant agreements, we could be forced to repay all or part of the grants received.

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

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

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

## Market risks relating to the Galapagos shares

We have identified the following major market risks:

■ **Possible volatility of share price**

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

■ **Economic risk due to failure in confidence**

General public confidence about future economic conditions or performance of us or our suppliers or customers may impact the ability or willingness of others to trade with us.

■ **Dilution through capital increases**

Raising additional capital may cause dilution to our existing shareholders. By raising additional capital through capital increases with cancellation of the preferential subscription rights of our existing shareholders, these shareholders will be diluted.

■ **Dilution through exercise of subscription right plans**

The exercise of existing subscription rights can significantly increase the number of outstanding Galapagos shares.

■ **Inability to distribute dividends**

We have a limited operating history and future profitability cannot be guaranteed. Galapagos NV has significant losses carried-forward and will thus not be able to distribute dividends in the near future. This can cause people to refrain from investing in Galapagos shares.

■ **Reputational damage**

High ethical standards are maintained throughout the entire organization at all levels. Laws and guidelines are complied with. Our suppliers are required to adhere to contractual terms which include anti-bribery and anti-corruption provisions. In addition, our external consultants are required to comply with our Code of Business Conduct and Ethics and U.S. Foreign Corrupt Practices Act Policy.

**■ Belgian law provisions**

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to us and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that third parties may consider and thus deprive the shareholders of the opportunity to sell their shares at a premium (which is typically offered in the framework of a takeover bid).

## General statement about Galapagos' risks

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

# CSR report

Improving lives

Forward with confidence

## Our commitment

Our commitment to Corporate Social Responsibility (CSR) is intrinsically linked to our core mission: to discover and develop novel modes of action medicines for diseases with large unmet medical needs, primarily in inflammation and fibrosis, with the aim to improve the lives of patients worldwide.

On a daily basis, our goal is to make a valuable and sustainable contribution to society with our discovery, clinical development, and commercialization efforts. Filgotinib and GLPG1205 are clinical examples of how our approach to finding novel medicines may be able to make a difference for patients in a range of disease areas. Our unique target discovery approach addresses the root cause of the disease rather than just treating the symptoms, and we have a substantial, growing pipeline of novel candidate medicines in inflammation, fibrosis and beyond. In this way, we aim to make a sustainable positive contribution to society.

In 2020, we received approval for our first innovative product, filgotinib in RA, in Europa and Japan. Filgotinib is now being launched in these territories.



### Pioneering for patients

We are pioneering for patients.  
Exploring new frontiers to improve people's lives.  
We discover. We dare. We care.

## Implementing our CSR initiatives

Since our foundation more than 20 years ago, we focus on the discovery and development of innovative medicines to treat severe diseases with high unmet medical needs.

Based on our core mission, in 2018, we defined the four material aspects of our corporate responsibility and sustainability efforts through engagement with internal and external stakeholders across our different locations. These material aspects help us to identify and prioritize the sustainability issues that matter most to our business in terms of growth, risk and goals, and to our stakeholders, including patients, investors, analysts, employees, and suppliers. The four material aspects have remained the four pillars that define our CSR strategy and action plans in 2020 and ensure that we report on the most interesting and relevant matters. We also regularly re-evaluate the reporting aspects for materiality to ensure they continue to be current and complete.

The four priority topics and material CSR aspects that we put forward are:



### Improving people's lives

- Science and innovation management
- Building partnerships to bring innovation to patients
- Access to our candidate medicines

[Go to chapter, page 66](#)



### Our employees are the strength behind Galapagos

- Building a strong corporate culture
- Human capital management
- Employees engagement

[Go to chapter, page 72](#)



### Conducting business ethically and responsibly

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

[Go to chapter, page 80](#)



### We care about the environment, health and safety

- Environmental policy
- Eco-efficient operations
- Employee well-being

[Go to chapter, page 84](#)

To standardize our data collection, we use the Sustainable Development Goals (SDGs), also known as the Global Goals, as our reference framework to link the material aspects to our areas of engagement. The SDGs were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. This CSR report provides the non-financial information required by articles 3:6 § 4 and 3:32 § 2 of the Belgian Companies Code. For a discussion on risks, please see the section called [Risk factors](#) in this Annual Report.



We have identified eight key SDG goals where we believe we can make a difference. The table below links our material aspects and engagement areas to selected aspects of the SDG framework:

	<p><b>Good health and well-being</b> Health and improving lives through our breakthrough medicines are at the core of what we do</p>		<p><b>Quality education</b> We invest in our employees and foster an inclusive, open and supportive work environment across our nine locations in Europe and the U.S.</p>
	<p><b>Gender equality</b> We cultivate a corporate culture where we strive for gender equality</p>		<p><b>Decent work and economic growth</b> We have achieved our long term ambition of becoming a fully integrated biopharmaceutical company and currently employ &gt;1,300 people across our nine locations in Europe and the U.S.</p>
	<p><b>Industry, innovation and infrastructure</b> Our mission is to bring innovative medicines to patients suffering from severe diseases in areas of high unmet medical needs in a social and sustainable way</p>		<p><b>Reduced inequalities</b> We aim to develop a balanced workforce across a number of criteria, including gender, nationality, ethnicity, experience and disability</p>
	<p><b>Climate action</b> We value our planet and take initiatives to safeguard the environment and incorporate greener practices across our organization</p>		<p><b>Partnerships for the goals</b> We embrace internal and external partnerships to work towards our mission to bringing much needed innovation to patients</p>

As part of our commitment to CSR, we monitor new developments and practices and will consider implementing new priority goals that could further enhance our CSR activities in the future.

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

## Material aspect 1: Improving people's lives



We strive to discover, develop, and eventually commercialize breakthrough medicines with novel modes of action, addressing disease areas of high unmet medical need. At the core of our mission is the improvement of the lives of patients suffering from severe diseases with medicines that offer novel treatment options.



### We are pioneering for patients

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

#### We create value through science

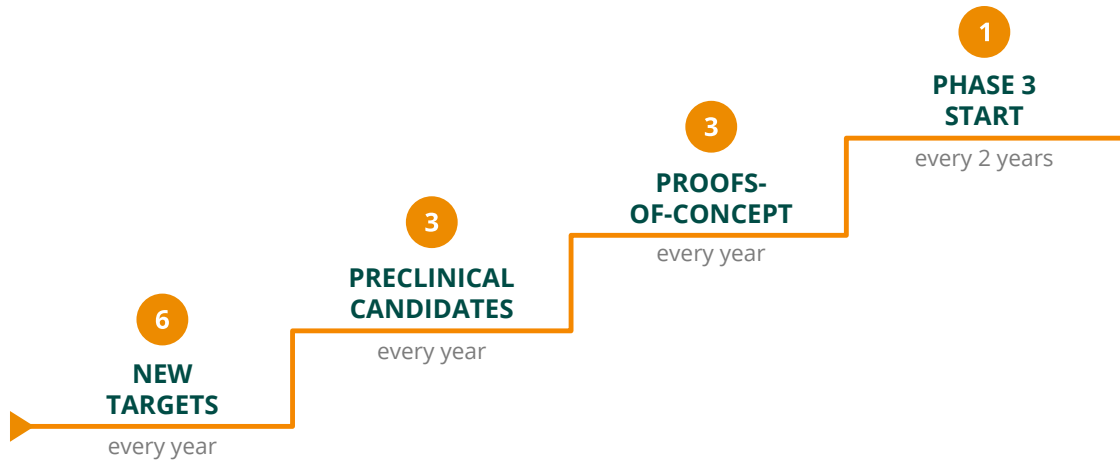
Read the Magazine, visit <https://reports.glp.com/annual-report-2020/en/magazine> >

Our highly flexible target and drug discovery platform has been applied across many therapeutic areas, and our deep pipeline today covers a range of diseases, with a focus on inflammation and fibrosis candidate drugs across all stages of development. Following the approval of our first product, filgotinib in RA, we have launched filgotinib in a number of European territories, and expect to further accelerate the commercial roll-out in Europe in the course of 2021. We hope to receive approval from the European authorities for a second indication, UC, later this year as well, and look forward to bringing filgotinib to patients living with this debilitating disease throughout Europe.

#### We think big

Work at Galapagos, visit [www.workatgalapagos.com](http://www.workatgalapagos.com) >

## R&amp;D goal



We continue to invest heavily in R&D and aim to initiate a Phase 3 trial every other year, to conduct at least three Proof of Concept trials, and deliver at least three preclinical product candidates and at least six new validated targets annually. The impact of the ongoing COVID 19 pandemic on our R&D efforts at the time of publication of this report is described [here](#).

# €524M

## Research and Development Expenses in 2020

**+25% vs 2019**

Based on our powerful drug discovery engine, we are building a deep, early pipeline of novel product candidates to ensure continued innovation, with potential benefits to patients, healthcare professionals and society.

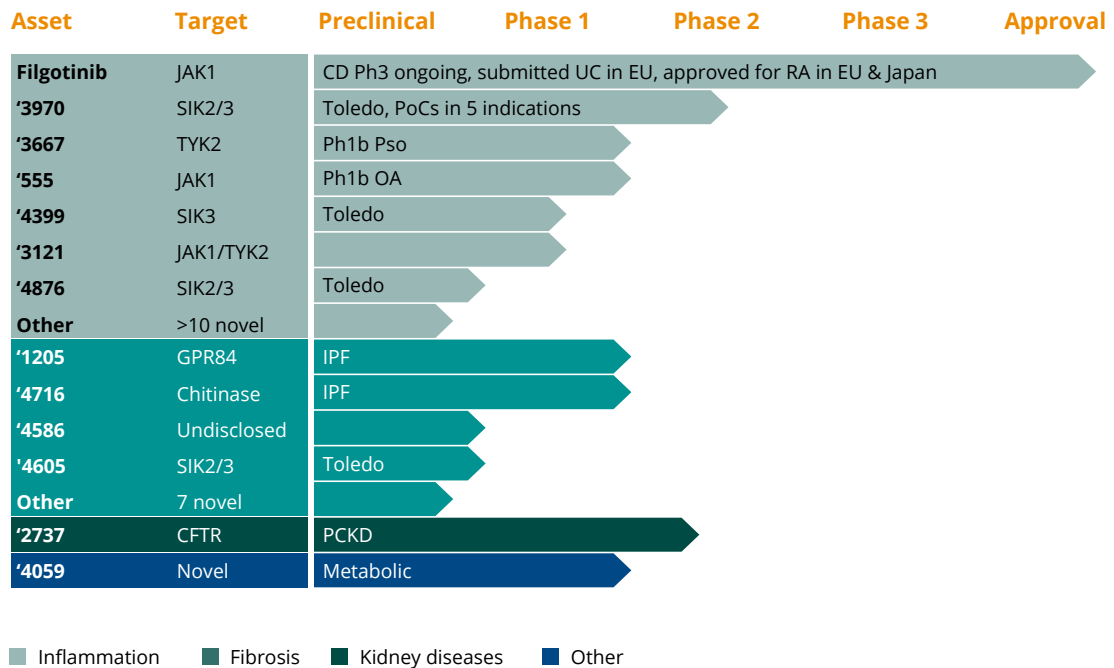
R&D portfolio



\* LO: Lead optimization

We aim to select promising programs for internal development and commercialization, and to establish ourselves further as a fully integrated biopharmaceutical company. With filgotinib now launched and with a deep pipeline of early to late stage programs, we continue to focus on our mission to deliver innovative medicines to patients.

Our clinical pipeline



## Accelerating innovation through collaborations

We have a number of collaborations with leading pharmaceutical companies to significantly enhance our R&D efforts and pursue innovation to the benefit of patients. We are very proud of the transformative R&D collaboration with Gilead that we signed in 2019. This collaboration should enable us to substantially boost our pipeline of novel product candidates.

To strengthen our inflammation pipeline further, in 2020, we entered into collaborations with Ryvu and Scipher Medicine to discover and develop novel target drugs in inflammation. Within our fibrosis pipeline, we entered into a collaboration with OncoArendi, to work jointly on innovative approaches to treat severe fibrotic diseases.

We evaluate new opportunities to add to our pipeline on a continuous basis, in order to bring innovation to patients.

## Access to our research publications

Open access publishing will best serve our aim to make our research freely available to the research community and other stakeholders. We aim to contribute to society through discovery of breakthrough therapies for diseases with large unmet medical need. By opening up access, we make our scientific research publications publicly available.

## Access to our candidate medicines

In pursuit of the development and commercialization of novel medicines that have the potential to improve people's lives, we encourage patients to participate in clinical trials whenever possible. These clinical trials are critical to gather the information (or data) needed to evaluate investigational products and seek their approval by health authorities, such as the FDA and the EMA.

Information about ongoing clinical trials for our investigational drugs is available on [clinicaltrials.gov](https://clinicaltrials.gov), a service of the U.S. National Institutes of Health that provides details on clinical trials conducted worldwide.

Next to the information on [clinicaltrials.gov](https://clinicaltrials.gov), there are several patient information portals where more information regarding Galapagos related Phase 3 studies can be found.

For example, our partner Gilead launched a study information portal regarding the Phase 3 studies with filgotinib in [Crohn's disease \(DIVERSITY\)](#).

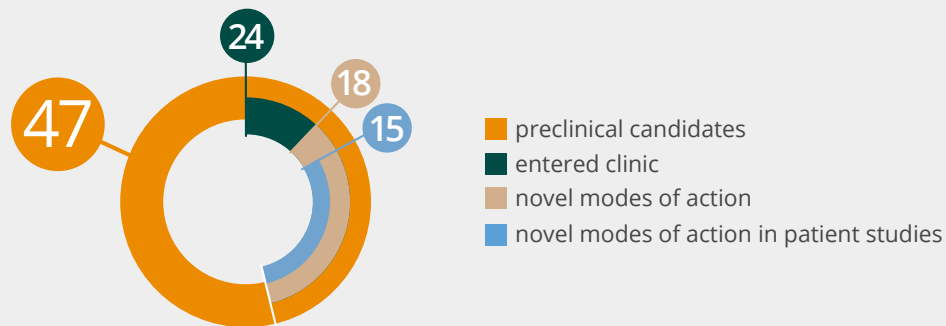
In some rare cases, patients are unable to participate in clinical trials and have exhausted all available treatment options. In these cases, Galapagos has a policy in place to assess whether the investigational product can be offered to a patient outside of a clinical trial, through a program called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



### Actions in 2020

- We delivered 5 new validated targets, compared to our goal of 6
- We nominated 3 new preclinical candidates, all with a novel mechanism of action, compared to our goal of 3
- We conducted 10 Proof of Concept trials, compared to our goal of 11
- We submitted 1 product candidate (filgotinib) for regulatory review in an additional indication in Europe, compared to our goal of 1
- We received 1 regulatory approval for our product candidate (filgotinib) in Europe and Japan
- In June 2020, we set up a new Galapagos Medical Information service, and we received 272 inquiries

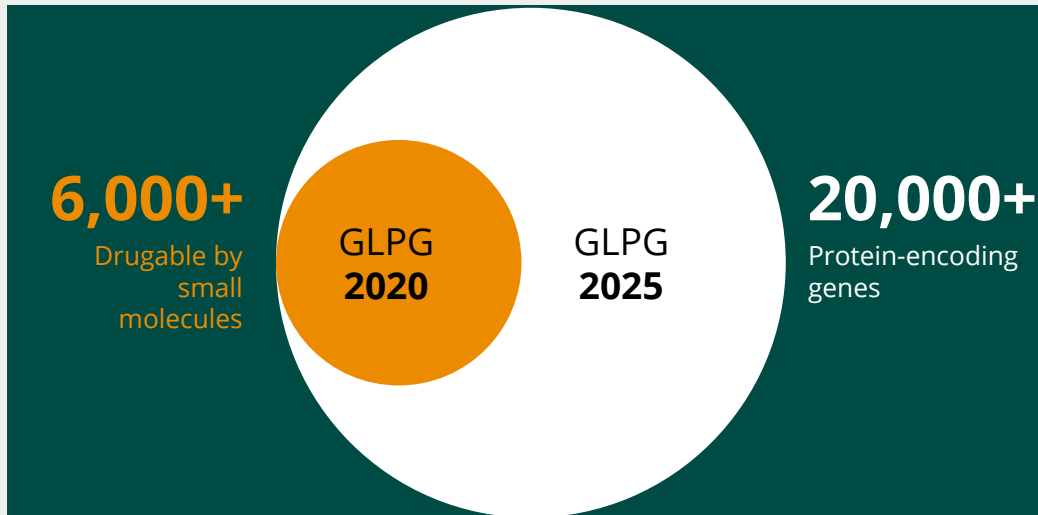
These efforts brought us to 47 preclinical candidates since 2009, most of which have novel modes of action. Of these, 24 have entered the clinic, 18 of which are expected to have novel modes of action.



### Future ambitions

- Report topline results of ongoing clinical trials, including our Proof of Concept trials from our Toledo program
- Launch an information portal on our clinical trials for patients and physicians
- Invest in our target discovery capabilities, in order to broaden our pool of targets, which in turn should deliver more validated targets and Proof of Concepts on a yearly basis
- Continue to seek win-win collaborations to bolster the early-stage pipeline
- Pending potential approval, we expect to launch in UC, an additional indication for our first innovative product, filgotinib in Europe
- Further strengthen our European commercial organization to bring innovation to patients in need of breakthrough medicines

Expand our target & drug workspace



In order to increase our chances of finding novel targets, we aim to expand our target workspace, and not only use the selected pool of 6,000 drugable genes, but the complete protein-coding genome of over 20,000 genes.

**€5.17B**

**Current Financial Investments, cash and cash equivalents at end 2020**

**A strong balance sheet to ensure future growth**

## Material aspect 2: Our employees are the strength behind Galapagos



Attracting, nurturing, and retaining our employees is key to our success in developing novel mechanism of action drugs that can make a difference for patients. The key to achieve this is to make Galapagos the coolest place to work. Our approach to talent stems from our core corporate values and our strategic talent initiatives.

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

We are dedicated to ensuring diversity of our workforce and are committed to fostering an inclusive, open and supportive work environment across our locations in Europe and the U.S.

With the goal to conduct multiple clinical trials in 2021 and our ambition to boost commercialization of our first product, filgotinib for the treatment of RA, across Europe, our organization continues to develop and build expertise, and we are committed to maintaining our corporate DNA.

### Gender Equality

We strive for gender equality across multiple dimensions, including talent attraction, female leadership and talent pipeline development, equal pay, creation of an inclusive culture, and rigorous implementation of sexual harassment policies. We are committed to supporting gender equality through policy development, representation, and transparency.

For example, in 2020, we celebrated the International Day of Women and Girls in Science, endorsing equal access to, and participation in science for women and girls. The talent and dedication of the 60% of our R&D colleagues who are women are essential to helping patients now and in the future.

We also joined a consortium of companies working on STEM initiatives, with a key focus on girls and STEM (Science, Technology, Engineering, and Mathematics) ([www.dasgeniaal.be](http://www.dasgeniaal.be) and [www.cestgenial.be](http://www.cestgenial.be)). One of the initiatives taken in 2020 was making a movie documenting the visit of a highschool girl to our Mechelen headquarters. She talks to Galapagos scientists about their passion for science, and about what scientific research can mean for the world. The movie was broadcast on national television and featured on social media channels (#STEMheroes). A version with English subtitles can be found [here](#).



In January 2021, Galapagos was included for the second year in the Bloomberg Gender Equality Index, tracking the performance of public companies committed to disclosing efforts to support gender equality.



Galapagos is proud to be included the **2021 Bloomberg Gender-Equality Index**

The list encompasses 380 companies headquartered in 44 countries and regions, across 11 sectors

## Diversity

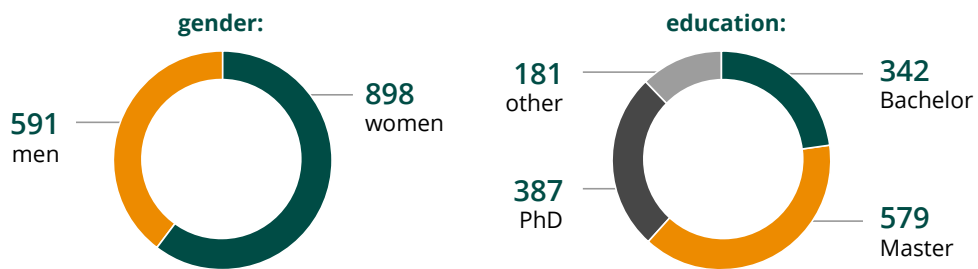
Our approach to diversity is deeply rooted in our culture. Our culture and values bind us further in everything we do. This is evidenced in our decisions and actions while we aim to continue to develop an inclusive and diverse workforce as our business further grows and evolves. We strive for diversity across gender, nationality, ethnicity, experience level, and disability.

But no matter how diverse we are, we have an aligned purpose of pursuing medical breakthroughs to improve people's lives.

### Our group in numbers

Number of employees Galapagos group

**1,489**

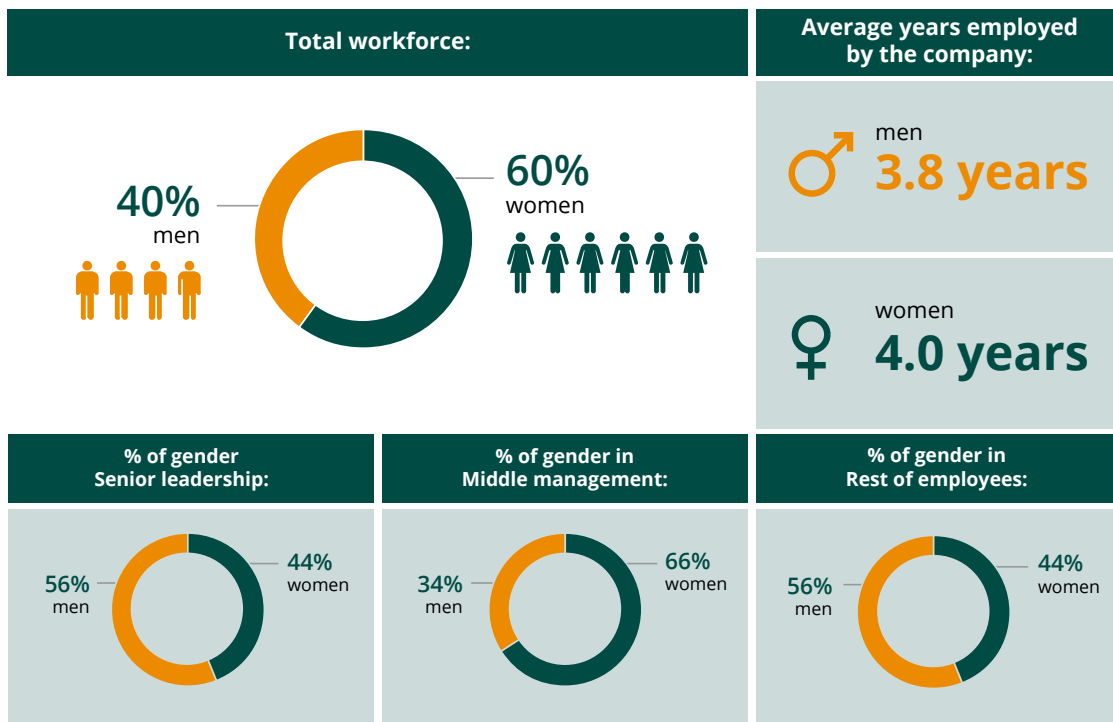


Average age: <b>41</b>	Number of employees older than 45: <b>566</b>	Nationalities: <b>50</b>
Average years of service: <b>3.9</b>	Employee turnover: <b>2.2%</b>	New hires in 2020: <b>504</b>

Total number of employees includes 185 employees from Fidelta, which was sold to Selvita on 4 January 2021, and includes consultants and temporary staff.

- We attracted 504 new employees in 2020, 58% of the hires were female
- We continue to attract people with various backgrounds and now have 50 different nationalities within the Galapagos group

- Our supervisory board currently has eight members of whom four are female (we refer to the section [supervisory board](#) of our Annual Report 2020 for further information on each board member)
- Our management board currently has six male members (we refer to the section [management board](#) of our Annual Report 2020 for further information on each board member)



## Human capital management

At Galapagos, we believe our strong culture is fundamental to our business success. Our spirit of challenging ourselves without fear of failure underpins our work. While this bold attitude is naturally in our DNA – and we recruit exceptional people who are the right fit – we have defined our culture in a behavioral framework.

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

As new people from different backgrounds join our adventure, we ensure our culture evolves in the right direction. We continue to develop structured, integrated systems and practices that ensure we are all heading in the same direction on our path of discovery – because our culture transcends everything we do.

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

At Galapagos, we offer a competitive and evolving remuneration package that aims to reward, recognize, develop, and retain our employees in a way that aligns with the company strategy and culture. Employee compensation packages include performance bonuses and, for many employees, also share-related opportunities, which help drive sustainable performance and reward employees for their contributions to our success. The benefits we offer vary from country to country, based on local practices, customs, and statutory conditions. Employee benefits include cover for critical risks and key life events as well as provisions of different forms of leave in support of proper work-life balance.

We aim to ensure an inclusive, open, and supportive professional work environment across our international locations. We organize regular engagement meetings across all our business units to inspire and align the teams behind our vision and ambition. We hold informal inspiration virtual sessions with members of our management board for new and long-time employees across the different sites.

We listen to our people through formal and informal channels established to ensure adequate anonymity and psychological safety. Surveys are conducted to evaluate our actions, impact, and agility of our people processes. These and other indicators allow us to consider actions to optimize our work environment and enhance employee experience.

During the global pandemic, we took a number of initiatives to help employees manage this unprecedented crisis, including providing additional electronics to facilitate working from home, organizing online mindfulness moments, and paying a stipend to cover the additional costs incurred at home. We also implemented engagement initiatives to create team-cohesion and strengthen the feeling of belonging to the Galapagos family.

## Our involvement with local communities and charities

We want to be part of the community in which we work and live. In the light of the ongoing COVID-19 pandemic, we transformed our annual Company Day, which traditionally includes a part dedicated to spending time with a range of charity organizations, into a cross-site “We Care” initiative. We strongly believe that our contribution to our communities is even more important than before.

Throughout our different locations, we engaged with various charity organizations supporting children and their families. With all the gifts, cards, and donations collected, we wanted to help underprivileged people enjoy a warm Holiday season.



## We promote a career in science through STEM initiatives

We actively engage in promoting science and a career in science. We joined a consortium of more than 18 international companies and local organizations with one joint objective: creating a spark for science, technology, technics, math, production and design for children between 10 and 14 years old. Together with young people, we are engaging parents, teachers and businesses to achieve this goal, and this with an inclusive and gender-sensitive approach targeting schools, businesses, events and different online channels.

Our goals are to inspire children and young people, and to create low access to STEM related subjects:

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

For more information: [www.dasgeniaal.be](http://www.dasgeniaal.be) and [www.cestgenial.be](http://www.cestgenial.be)





## Actions in 2020

- We engaged with local communities to give back to society
- We improved our talent-scouting model during COVID-19 to safeguard recruitment of candidates fitting well with the DNA of Galapagos via increased use of recruitment tools, digital, and case-based presentations
- We sharpened, digitized, and branded (“Your call for purpose”) the Galapagos career site to stimulate interaction, insight, and candidate friendliness. We engaged with external candidates and pitched our employer brand and value propositions at several career fairs
- We made our onboarding approach and program more efficient, robust, and attractive. To this end, the different business units set up onboarding initiatives and strengthened the “buddy” concept. In addition, an onboarding app was deployed to bring across the company values and assist with a smooth and effective start
- Our performance management process embodies that talent is core and that employee development is critical to our success. We foster peer engagement, internal lateral mobility, and an open feedback culture to enhance performance and stimulate personal development. In 2020, about 79 employees (of which 70%+ women) undertook new roles and assignments with increased responsibilities
- Our view that each and every employee is a talent stimulates focused learning interventions for personal and domain excellence. In 2020, we focused on enhancing team experiences, a journey that will continue in the coming years. We identified and prioritized capability development that meets performance and prepares our talents for future challenges in line with both organizational strategy and individual development ambitions
- Our Total Reward Center of Expertise led the creation and roll-out of local reward offerings in new geographic markets, enabling the hiring, engagement, and retention of employees internationally. This has been a key step to support our commercialization ambitions in the big 5 EU markets & Benelux. In addition, as part of our evolving offering, we have made enhancements at both the international and country level for the benefit of our employees, including the launch of annual stock-based awards to drive further alignment between the company and our senior employees, improvements to family leave policies, and the introduction of a financial support package enabling remote working as part of our broader reimagining of the future of work
- 2.2% turnover of employees for the Galapagos group, excluding the termination of temporary and consultancy contracts
- We set the platform to achieve digital ambitions at HR, by preparing the ground for the launch and go-live of an SAP-based performance management tool by end 2020
- With growing offices in new European locations (Germany, Spain and Italy) we also established full scale HR services and payroll for all employees
- We embarked on additional plans to stay close and connected to all our employees, supporting leadership teams to address challenges and unknowns from COVID-19. Due care was awarded to our workforce in the labs with frequent interactions. Our employees were empowered to discover new ways of working and collaborating, employing agility, heart, and humility
- Faced with the setbacks in 2020, we invested even more in preparing strong communication plans, with extensive Q&A provided to senior leaders to help them to be closer to their teams, be well equipped, and supported. A continued transparent and open tone from the top, authentic presentations during townhall meetings, and allowing questions and answers from all staff guided employees on how to put the corporate news in perspective, and to build trust in our ability to overcome these headwinds with a plan and commitment



## Future ambitions

- “We Care” is in our DNA and we continue to remain committed to impactful local communities and charities, by, for example:
  - supporting local STEM-initiatives throughout our different sites
  - donating our depreciated IT materials to local organizations for educational support
- The team will continue to focus on proactivity and ensuring quality. We aim to improve our employer branding position via campaigns that inspire: “Call for Purpose” and “In theory everything is possible - In practice, we make it happen!” Internally, we plan to boost cross-department mobilization of talents to build breadth of skills and expertise, while we create more connectivity and engagement to grow internal talents
- Our leaders are stimulated to role model key behaviors, embody corporate values and to create the context for their teams to excel and as such to improve the competitiveness of our talent and the organization. Internal talent pipelines and succession plans will be refined where appropriate
- To ensure a straightforward, future proof and attractive employee value proposition, we have embraced digital technology while constantly improving our core process. We continue to adopt cutting edge digital solutions to boost candidate and employee experience, empowering people processes across the whole organization
- We will continue to evolve our competitive remuneration package to attract, retain, and engage talented employees. Remuneration is an area of focus, as it gives Galapagos a differentiation angle and competitive advantage. In addition, we will look for further opportunities to bring to life our remuneration principles, including reinforcing linkages between pay and performance, enabling employees to share in the company’s success in alignment with shareholder interests, remaining competitive in existing and new geographic markets, and supporting employees and their families with locally relevant employee benefits
- We will continue to drive and enable both mindset and practice when it comes to organizational agility. This starts with building a resilient organization, driving connections & collaborating with empathy within the company. Sustaining in turbulent environment and being highly responsive to our people has been our prime agenda and will continue. Further, leadership and line management will be strengthened and internal mobility boosted along with our approaches to retain and grow our talents across projects and programs

## Material aspect 3: Conducting business ethically and responsibly



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

We believe that ethical behavior is particularly important and inherent to our business: preclinical and clinical testing, access to our investigational medicines through our clinical trials, expanded access to drugs currently in development for patients who are not eligible to enroll in clinical trials, and our codes of ethical conduct.

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

### Animal welfare in drug development

It is not possible to examine the complex interactions in a living organism solely by use of modeling and *in vitro* studies. *In vivo* studies remain essential in discovery, development and production of new medicines. Moreover, regulatory authorities worldwide require that new products have been evaluated in both animals and humans in order to ensure the quality, safety and efficacy of these products before granting approval. Without animal testing, no new medicines would be approved.

Galapagos explicitly forbids the unethical treatment of animals, such as animal neglect or cruelty, and strives to offer the animals a high quality of life, while constantly seeking ways to make improvements. We have implemented practices that demonstrate our commitment and responsibility to refine, reduce and replace non-clinical testing involving use of animals to the greatest extent possible, and we will continue to research, promote, and further implement alternative methods. For non-clinical development studies, including those that assess efficacy and safety of our product candidates, we firmly stand behind the “Three Rs” principle: Refinement, Reduction, and Replacement. The Three Rs principle is based on the premise that animals should be used only if a scientist’s best efforts to find a non-animal alternative have failed, and that when animals are needed, only the most humane methods should be used on the smallest number of animals required to obtain valid information.

To illustrate this point, we make more frequent use of *in silico* (computer modelling) and *in vitro* (cellular testing) designs and approaches. Examples are the implementation of *in silico* software, and *in vitro* assays to allow for the early assessment of potential safety issues. Other improvements include the implementation of new pharmacological models reducing animal-based development or the review of procedures by the ethical and animal welfare committees. We recently published an article on a novel *in silico* approach,<sup>10</sup> which was awarded by the Society of Toxicology. We are engaged in a number of partnerships, including the Virtual Human Platform, an organization that aims to accelerate the transition to animal-free safety assessments through innovation in data science, human tissue culture models and transition management.

<sup>10</sup> Bercu J et al. A cross-industry collaboration to assess if acute oral toxicity (Q)SAR models are fit-for-purpose for GHS classification and labelling. *Regulatory Toxicology and Pharmacology* 120 (2021) 104843



Our focus on animal welfare triggers a continuous improvement of, amongst others, the housing conditions of animals, better enrichment of the animal environment (food, games, social activities), reviewing any anomalies, and the commitment to immediate action. We expect the same ethos from third parties we work with such as Contract Research Organizations (CROs) and academia. We performed a thorough assessment of all third parties and have regular interactions with them on, for example, the culture of care, enrichment best practices, group housing vs single housing, and the size of cages.

In addition, we follow Directive 2010/63/EU in Europe with regards to animal testing. The requirement to be compliant with Directive 2010/63/EU forms part of the pre-assessment and selection process of the European laboratories that we use for non-clinical testing, and we monitor animal welfare in the European laboratories we engage with on a regular basis.

We also follow the national regulations defining high standards for animal welfare for our internal studies in France (GLPG internal facility). We systematically submit our projects to the National Authorities for ethical approval, and are regularly inspected in order to maintain the highest accreditations. We subcontract our preclinical safety studies to CROs that are committed to the highest standards in animal welfare and that are regularly inspected by their respective National Authorities. We demand the same level of diligence and compliance from all our suppliers, and perform regular audits.

Outside of the European Union, we require compliance with local animal welfare regulations in laboratories. In the U.S., for example, we work only with laboratories that are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care.

We are proud that the Animal Welfare Committee we implemented in 2019 continues to put a framework in place for future discussions, to enforce animal welfare best standards and to ascertain that our ethical values are well understood. The Animal Welfare Committee reports directly to the Development Management Committee and CEO of Galapagos, and in addition to its advisory role, the Committee will regularly organize audits to assess animal study practices. Its mission's to conduct gap analyses on Galapagos' expectations and to ensure compliance in all our partnering animal facilities, to exchange and agree on best practices across all sites, to develop key policies and SOPs, to define KPIs and monitor the effort and progress, and to communicate on our ethical values, both internally and externally.

## Our clinical trials ethics

Galapagos sponsors and conducts clinical trials in accordance with the applicable international standards. The [fundamental guidelines](#) are the Declaration of Helsinki (and its amendments) and Good Clinical Practice (including amendments), as well as Good Pharmacovigilance Practice guidelines of the International Council for Harmonisation. Our adherence to these internationally recognized guidelines ensures the rights, safety and well-being of participants in our clinical trials. In addition, other international guidelines like The Belmont Report, Council for Coordination of International Medical Congresses guidelines, The Nuremberg Code, United National Educational, Scientific and Cultural Organization's (Declaration on Bioethics and Human Rights) form the ethical foundation for our trial activities. We comply with laws and regulations in the countries/regions in which we are conducting our trials, including the U.S. Code of Federal Regulations and the [EU Directive on Clinical Trials](#).

Furthermore, we uphold our own internal procedures and standards for clinical trials, irrespective of the country in which the trial is conducted.

Overall, it is our policy that the interest, safety, and well-being of trial participants and patients will always supersede those of science, commerce, as well as those of society.

Our trials are only initiated if they are scientifically and medically justified and when they are externally validated by clinical experts. Moreover, they will always be reviewed by local health authorities and ethical committees before initiation. Trial participants (or their legally authorized representative) must give written

consent after being properly informed of the trial, including of its risks and potential benefits. Participants are duly informed that they are able to withdraw from the trial at any time, without any explanation, and then will receive appropriate standard care.

We or our representatives conduct regular site monitoring visits to ensure that clinical trials are conducted in accordance with the applicable approved study protocol.

Adverse events are monitored and reported to authorities and ethical committees as needed, and appropriate actions are taken when needed. Our Safety Monitoring Committee enables timely evaluation of accumulating safety data of ongoing studies, and adapts risk-management strategies to support safe and ethical conduct of Galapagos studies. An Independent Data Monitoring Committee (IDMC) may be installed to act as an advisor to Galapagos on whether to continue, modify, or terminate a trial based on periodic assessment of trial data. The IDMCs remain independent from Galapagos and are composed of members with no relevant conflicts of interest.

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

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

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

## Our code of business conduct and ethics

We have established a Code of Business Conduct and Ethics (the "Code") that outlines the binding principles of business conduct and ethical behavior that is expected from all our staff and third parties working on behalf of Galapagos.

Galapagos' supervisory board is responsible for administering the Code. The supervisory board has delegated day-to-day responsibility for administering and interpreting the Code to our General Counsel who has been appointed as our Compliance Officer under this Code.

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

We expect our employees and third-party suppliers to conduct business with integrity, ethics and respect for human rights. We expect them to turn away from conflicts of interest, corruption, and fraud. Our Code of Business Conduct and Ethics is a mandatory training and is available on our [website](#).

Our suppliers are required to adhere to contractual terms that include anti-bribery and anti-corruption provisions. We consider CSR criteria in our vendor selection process as appropriate for the type of vendor with which we are working. Our general terms and conditions of purchase also contain a specific clause on anti-bribery and anti-corruption.



### Actions in 2020

- With regard to animal welfare, in 2020, we implemented our Animal Welfare Committee, and agreed on KPIs. Its mission is to further exchange and agree on best animal welfare practices across all sites, to develop key policies and SOPs, to define KPIs and monitor the effort and progress, and to communicate on our ethical values, internally and externally
- The Animal Welfare Committee is composed of a diverse team of scientists and non-scientists, and reports directly to the Development Management Committee and CEO of Galapagos. In addition to its advisory role, the committee will regularly organize audits to assess the animal study practices
- The Animal Welfare Committee took more than 20 major "R" initiatives and made decisions that supported our "Three Rs" philosophy, and included this in our selection process for non-clinical partners
- In aiming to create value for patients around our clinical trial activities, several new roles were created in 2020 to engage with patients and patient organizations
- 93.5% of our employees completed the training on our Code of Business Conduct and Ethics
- During the onboarding process of new employees, we emphasize the importance of our Compliance & Ethics Program, our Code of Business Conduct and Ethics and all channels available for them to raise questions and concerns

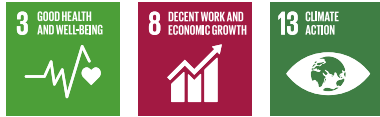


### Future ambitions

- We will continue to evaluate our internal processes and KPIs with regard to animal welfare in the Galapagos Animal Welfare Committee, for all our internal and external facilities
- We will monitor the progress made and report it yearly
- We will continue to maintain and expand our focus on patients, amongst others by co-creating our Patient Partnership Charter with patient representatives, and by obtaining patient insights, for example when designing new trials
- We will explore innovative tools and processes to reduce clinical trial burden on patients and sites
- We will share easy to understand study results with patients, per EU Clinical Trial Directive No 536/2014
- We will further strengthen the Galapagos Compliance & Ethics Program to meet the changing needs of our organization through:
  - Developing and rolling out a new Code of Conduct - titled "Making It Happen The Right Way" to reflect the ongoing changes that are relevant to Galapagos
  - Promoting our culture of speaking up both internally and with external stakeholders
  - Refining our third-party oversight through an enhanced risk assessment framework and due diligence as we enter new geographies

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

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

In addition, we operate in a highly regulated sector and are hence subject to a strict set of laws and regulations related to impact on the environment, and to the health, safety and well-being of employees.

To ensure adherence to our mission and compliance with legislation we established an EHS group department responsible for the development of an Environmental, Health and Safety (EHS) management system based on the international ISO 14001 and ISO 45001 standards, and for proposing an annual action plan to promote environmentally sound practices and health, safety and well-being at work. Management guarantees the implementation of this action plan and our EHS efforts are anchored in the shared responsibility of our staff: every employee is responsible for protecting people and the environment in and around his or her workplace. We perform internal and external audits to monitor compliance.

We promote initiatives to eliminate accidents and illness, and to provide a safe work environment and business processes.

We maintain safety monitoring records, in compliance with applicable legislation, and ensure that training of employees takes place on all handling of hazardous materials, laboratory and other safety aspects, and on other relevant policies for conducting our business. In 2020, our three research centers jointly reported 2 lost time incidents (one resulting from slip, trip & fall and one from a cut) which resulted in 6 lost calendar days.

We currently have no production sites, we do not own buildings, and our facilities have only minor environmental liabilities such as waste handling and emissions from fume hoods. Nonetheless, we aim to reduce our environmental impact further, for example by recycling and replacing paper by digital means to the extent possible, and we are committed to selecting our production partners with care.

Other examples include the bikes at our facilities in Mechelen and Leiden used by employees who need to commute between the buildings on site as well as the gradual greening of our car fleet.



## Actions in 2020

- We coordinated "license to work" conditions during the COVID-19 pandemic by performing risk analysis and defining safe conditions to work on site as well as from home
- We strengthened our EHS Governance Structure and expert skills by:
  - inviting the country leads to the corporate Site Operation Meetings, led by our Head of Operations, to align on EHS communications and accountabilities
  - recruiting a colleague with health expertise and optimizing the involvement of the occupational physician at our site in Mechelen
  - adding a position for an EHS manager dedicated to our offices in Leiden, appointing a corporate single point of contact to provide EHS support to our operations in the EU5 countries, the US and Switzerland, and contracting external EHS providers to help ensure local EHS compliance at current and new offices in the UK and Switzerland
- We further developed our EHS management system by implementing four new corporate EHS Standard Operating Procedures related to the transportation of hazardous goods, emergency preparedness, competences measurement and management of collective and personal protective equipment
- Operational, site-specific highlights include:
  - the re-authorization of biosafety and environmental permits for the buildings at our site in Mechelen
  - improved chemical safety by the implementation of software to support risk assessments for dangerous chemicals at our site in Leiden
  - improved recycling of electric and electronic laboratory waste material at our site in Romainville
- In order to protect and increase the bee population, we installed beehives on the roof of our building in Mechelen



## Future ambitions

- In 2021, we aim to execute on a workplace strategy, building on the "To The Next Normal" program intended to accelerate the learnings of our COVID-driven new ways of working, in order to embed how we want to operate as a company going forward, investing in:
  - Enhanced approach to flexibility
  - Future-proof greener approach to mobility
  - Employee Wellbeing
  - Integrated digital and connected virtual collaboration
- In light of COVID-19, we will continue to perform risk analysis and specifically provide guidance on how to safely ensure business continuity at our research labs
- We will further strengthen our EHS management system by issuing EHS guidance related to maintenance management, contractor management, work permits, and work equipment

## CSR at Galapagos – Summary



### Material Aspect 1: Improving people's lives

#### SDG



#### Areas of engagement

- We are pioneering for patients and our mission is to discover and develop innovative medicines that address high unmet medical needs
- Our science and innovation are based on our flexible target discovery platform
- We commit to an ambitious R&D goal of maintaining an active portfolio of 30 projects
- We are building a deep early-stage R&D pipeline
- We aim to extend our commercial reach with filgotinib in Europe
- We aim to bring our innovation to patients suffering from severe diseases
- We accelerate innovation through win-win partnerships

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### Material Aspect 2: Our employees are the strength behind Galapagos

#### SDG



#### Areas of engagement

- We strive for gender equality
- We aim to continue to develop an inclusive and diverse workforce
- We implemented an employee reward, recognition, and retention program
- We are involved with local communities and charities
- We promote a career in science by engaging in STEM initiatives

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## Material Aspect 3: Conducting business ethically and responsibly

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### SDG



### Areas of engagement

- Animal welfare in drug development
- Our clinical trials ethics
- Access to our medicines
- Our code of business conduct and ethics

[Go to chapter, page 80](#)

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

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### SDG



### Areas of engagement

- We strive for a minimal environmental impact
- We are compliant with our sector rules and regulations
- We ensured our "license to work" during the COVID-19 pandemic
- We strengthened our company-wide EHS structure and management system

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# Corporate governance

Corporate governance  
at Galapagos in 2020



## Galapagos' corporate governance policies

As a listed company with its registered office at Mechelen (Belgium), Galapagos is required to apply the Belgian Companies Code and Belgian Corporate Governance Code.

In 2019, a new Belgian Companies Code (the "Belgian Companies Code") was approved by the Belgian Parliament. For existing companies like Galapagos NV, there was a transition regime providing for a staggered applicability of the new provisions. Certain parts of the new code apply to Galapagos as of 1 January 2020 and the full transition was completed on Galapagos' extraordinary shareholders' meeting of 28 April 2020, which resolved to amend our articles of association as a consequence of the newly applicable Belgian Companies Code. The full text of the new articles of association is made available on the company website ([www.glp.com](http://www.glp.com)).

In light of the new Belgian Companies Code, the Belgian Corporate Governance Committee adopted a new Corporate Governance Code (the "2020 Code") (which can be consulted on [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)). The 2020 Code applies compulsorily to reporting years beginning on or after 1 January 2020.

For the reporting year beginning on 1 January 2020, the 2020 Code was our reference code. Following the amendment of our articles of association, Galapagos NV's supervisory board approved on 28 April 2020 an updated corporate governance charter (which is available on our website, [www.glp.com](http://www.glp.com)). The corporate governance charter applies in addition to the law, Galapagos NV's articles of association and the corporate governance provisions included in the Belgian Companies Code and the 2020 Code.

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

### Introduction of a two-tier governance structure

Under the Belgian Companies Code, the executive committee in accordance with article 524*bis* of the old Belgian Companies Code has been abolished. The Belgian Companies Code introduces (among other things) a two-tier system, with two new governance bodies: the supervisory board and the management board.

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

## Two-tier governance structure

SUPERVISORY BOARD Non-executive directors	MANAGEMENT BOARD Executive directors
<p><b>COMPETENCES:</b></p> <ul style="list-style-type: none"> <li>▪ Responsible for general policy and strategy</li> <li>▪ Supervision of management board</li> <li>▪ Powers reserved to supervisory board pursuant to Belgian Companies Code</li> </ul>	<p><b>COMPETENCES:</b></p> <ul style="list-style-type: none"> <li>▪ All acts necessary or useful to the realization of Galapagos' object except for those reserved to the supervisory board</li> <li>▪ Research, identification and development of strategic possibilities and proposals</li> <li>▪ Supervision of actual performance compared to strategic goals, plans and budgets</li> <li>▪ Management of the Galapagos group</li> <li>▪ Day-to-day management by CEO</li> </ul>

The supervisory board is responsible for the general policy and strategy of the company and has all powers which are specifically reserved for it under the Belgian Companies Code. The supervisory board also supervises the management board. The management board exercises all powers which are not reserved for the supervisory board in accordance with the Belgian Companies Code. Galapagos' Corporate Governance Charter describes the main aspects of our governance system, among others, the structure, composition and their roles and responsibilities.

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

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

## Supervisory board of Galapagos NV

### Composition of the supervisory board

With the implementation of the new two-tier governance structure, the mandate of Mr. Onno van de Stolpe as member of the board of directors ended on 28 April 2020, as it is not allowed pursuant to the Belgian Companies Code to be a member of the supervisory board and the management board at the same time. Mr. Onno van de Stolpe continues his mandate as member and chairman of the management board and CEO.

Our supervisory board exists of the following members:

**Rajesh Parekh, MA, DPhil** has served as the Chairman of our supervisory board since 2004. Dr. Parekh is a General Partner at Advent Life Sciences LLP, which he joined in 2006. During an academic career at Oxford University, he co-founded Oxford GlycoSciences PLC, where he served as Chief Scientific Officer and Chief

Executive Officer from 1988 until its sale to Celltech Group PLC (now UCB SA) in 2003. He has founded or served on the boards of several life sciences companies in the United States and Europe including Avila Therapeutics, Inc., EUSA Pharma (Europe) Limited, Biocartis NV, Amsterdam Molecular Therapeutics (AMT) Holding NV (now uniQure), Aura, Inc., Artax, Inc., and Project Paradise Limited. He was also a member of the supervisory board of the Novartis Venture Fund. Dr. Parekh currently serves as a member of the board of directors of Advent Life Sciences LLP, Aleta, Inc., Alpha Anomeric SA, Amphista Therapeutics Ltd., Arrakis, Inc., Aura Biosciences, Leviccept Limited, PE Limited, Pheno Therapeutics Ltd., Tridek-One Therapeutics SAS, and Zikani, Inc. He received his MA in Biochemistry and DPhil in Molecular Medicine from the University of Oxford, where he has also been a Senior Research Fellow and Professor.

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

**Katrine Bosley** has served as a member of our supervisory board since 2013. Ms. Bosley served as the President, Chief Executive Officer and member of the board of directors of Editas Medicine, Inc. from June 2014 to March 2019. Prior to joining Editas, she was the Entrepreneur-in-Residence at The Broad Institute from 2013 to 2014. From 2009 to 2012, she was President, Chief Executive Officer and member of the board of directors of Avila Therapeutics, Inc., which was acquired by Celgene Corporation in 2012. She served as President, Celgene Avilomics Research at Celgene in 2012. Prior to her time at Avila Therapeutics she was Vice President, Strategic Operations at Adnexus, a Bristol-Myers Squibb R&D Company, and was Vice President, Business Development at Adnexus Therapeutics, Inc. before that. Ms. Bosley joined Adnexus Therapeutics from Biogen Idec, Inc. where she had roles in business development, commercial operations and portfolio strategy in the United States and Europe. Ms. Bosley graduated from Cornell University with a B.A. in Biology. She served on the board of the Biotechnology Innovation Organization and currently serves on the boards of Genocea Biosciences, Inc., and of the Massachusetts Eye and Ear Institute. Ms. Bosley also serves as chairman of the board of Arrakis Therapeutics.

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

**Peter Guenter** has served as a member of our supervisory board since 30 April 2019. Mr. Guenter is a member of the Executive Board of Merck KGaA and Chief Executive Officer of Healthcare since January 2021. Before joining Merck, he served as Chief Executive Officer of Almirall from 2017 to 2020. Prior to joining Almirall, he worked at Sanofi for 22 years, most recently as Executive Vice President Diabetes and Cardiovascular Global Business Unit.

During his tenure at Sanofi, he held many senior positions including Vice President Eastern Europe and Northern Europe, Vice President Business Management and Support, General Manager Germany, Senior Vice President Europe, Executive Vice President Global Commercial Operations and Executive Vice President General Medicine and Emerging Markets. He was a member of Sanofi's Executive Committee from 2013 till August 2017. Before joining Sanofi, he held different positions in sales and marketing at Smith Kline and Ciba Geigy. Mr. Guenter is currently also a member of the board of the European Federation of Pharmaceutical Industries and Associations (EFPIA). He is a Belgian citizen and holds a Master's Degree in Physical Education from the Faculty of Medicine and Health Sciences, University of Ghent.

**Daniel O'Day** has served as a member of our supervisory board since 22 October 2019. Daniel O'Day joined Gilead in 2019 to lead the biopharmaceutical company, which has more than 11,000 employees around the world. Prior to Gilead, Mr. O'Day served as the chief executive officer of Roche Pharmaceuticals. His career at Roche spanned more than three decades, during which he held a number of executive positions in the company's pharmaceutical and diagnostics divisions in North America, Europe and Asia. During his time at Roche, Mr. O'Day demonstrated vision and leadership, helping to engineer the acquisitions of Flatiron Health and Foundation Medicine in 2018. He served as a member of the company's Corporate Executive Committee, as well as on a number of public and private boards, including Genentech. Mr. O'Day is currently the Chairman and Chief Executive Officer of Gilead Sciences, Inc. and a member of the board of directors of Pharmaceutical Research and Manufacturers of America (PhRMA). Mr. O'Day is a U.S. citizen and holds a bachelor's degree in biology from Georgetown University and an MBA from Columbia University in New York.

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

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

## About the supervisory board

Galapagos NV's supervisory board consists of minimum five and maximum nine members. All supervisory board members are non-executive directors, including the Chairman who does not hold the office of CEO. At least three supervisory board members are independent. On 31 December 2020, the supervisory board consisted of eight members, five of whom are independent within the meaning of article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code.

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

Supervisory board member	Position	Nationality	Year of birth	Year of initial appointment	Independent director <sup>(1)</sup>	Attendance rate
Rajesh Parekh	Chairman	British	1960	2004		93%
Howard Rowe	Member	British and U.S.	1969	2010	●	100%
Katrine Bosley	Member	U.S.	1968	2013	●	93%
Mary Kerr	Member	British	1961	2016	●	100%
Peter Guenter	Member	Belgian	1962	2019	●	93%
Daniel O' Day	Member	U.S.	1964	2019		71% <sup>(3)</sup>
Linda Higgins	Member	U.S.	1962	2019		86% <sup>(3)</sup>
Elisabeth Svanberg <sup>(2)</sup>	Member	Swedish	1961	2020	●	100%

(1) Independent director within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code

(2) Member of the supervisory board from 28 April 2020

(3) Pursuant to the procedure of article 7:116, paragraph 4, of the Belgian Companies Code the supervisory board member, as a Gilead representative, was not allowed to be present at two meetings and did not participate in the deliberation and voting by the supervisory board.

In 2020, the following persons, as identified in the table above, were members of the supervisory board: Dr. Parekh (Chairman), Mr. Rowe, Ms. Bosley, Dr. Kerr, Mr. Guenter, Mr. O'Day, Dr. Higgins and Dr. Svanberg (from 28 April 2020). Mr. Rowe, Ms. Bosley, Dr. Kerr, Mr. Guenter and Dr. Svanberg were appointed as independent supervisory board members within the meaning of article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code. Mr. Onno van de Stolpe (CEO) was a member of our board of directors until the implementation of the dual governance structure and supervisory board on 28 April 2020.

In 2020, the supervisory board thus consisted of (i) four women (except between 1 January 2020 and 28 April 2020 when the board consisted of three women) and (ii) four men (except between 1 January 2020 and 28 April 2020 when the board consisted of five men), representing four different nationalities and different age categories.

During 2020, Galapagos NV complied with the Law of 28 July 2011 with respect to gender diversification in the supervisory board, and in accordance with article 7:106 of the Belgian Companies Code, the supervisory board will continue to monitor future compliance. In proposing candidates, particular consideration is given to diversity in gender, age, nationality, educational and professional background, as well as complementary skills, knowledge and experience. The profiles of all supervisory board members are included in this report and available on [www.glp.com](http://www.glp.com).



The supervisory board's role is to pursue the long-term success of Galapagos. The board does so by assuming the authority and responsibilities assigned to it by Belgian corporate law and by combining entrepreneurial leadership with appropriate risk assessment and management. Each of the supervisory board members' expertise and experience is exemplified by the varied professional activities they carry out and offices they hold. During its meetings in 2020, the supervisory board dealt with matters pertaining to, among other things, our strategy and growth, the new arrangement with Gilead for the commercialization and development of filgotinib, the evaluation of other business development opportunities, the divestiture of our Croatian subsidiary Fidelta, convening of the shareholders' meeting and preparation of resolutions to be submitted for approval to the shareholders, and review and approval of our financial reporting.

In 2020, given the COVID-19 pandemic and all related safety measures, the supervisory board was unable to hold regular in person meetings, which were instead replaced by digital meeting formats. Fourteen meetings took place by telephone conference or videocall to discuss specific matters and one meeting in the presence of a notary (relating to the issuance of Subscription Right Plan 2020 and Subscription Right Plan 2020 RMV). The meeting in the presence of a notary was attended by Mr. Guenter and Mr. Van de Stolpe via telephone conference; all other directors were represented by proxy. The attendance rate for the other meetings, as identified in the table above, was as follows: Dr. Parekh: 93%; Mr. Van de Stolpe: 100% (from 1 January 2020 to 28 April 2020); Mr. Rowe: 100%; Ms. Bosley: 93%; Dr. Kerr: 100%; Mr. Guenter: 93%; Mr. O'Day: 71%; Dr. Higgins: 86% and Dr. Svanberg: 100% (from 28 April 2020). The overall attendance rate was 93%. In addition, in 2020, three unanimous written resolutions have been made by the supervisory board in accordance with article 7:113, second paragraph, of the Belgian Companies Code.

The supervisory board acts as a collegial body. A formal evaluation of the board of directors (now the supervisory board) and its committees was carried out in March 2018. Each board member provided feedback through individual assessment forms. The results were presented on an aggregate basis by the secretary of the board and served as a basis for discussion by the full board. This evaluation specifically addressed the functioning of the board, the size and composition of the board, the interaction between the board and the executive management, and the functioning of the audit committee and the nomination and remuneration committee.

## Committees

### Audit committee

Audit committee members	Function	Independent director <sup>(1)</sup>	Attendance rate
Howard Rowe	Chairman	●	100%
Mary Kerr	Member	●	100%
Peter Guenter	Member	●	100%

(1) Independent director within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code

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

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

In 2020, the audit committee held seven meetings, in which it dealt with matters pertaining to, among other things, audit review, risk management, monitoring financial reporting, the monitoring of Sarbanes-Oxley compliant internal and external audit systems and assessing the need to have a formal internal audit function. The audit committee acts as a collegial body. The overall attendance at the audit committee meetings in 2020 was 100%, as the committee member's attendance rates were all 100%. Some of the meetings were attended by the statutory auditor.

### Nomination and remuneration committee

Nomination and remuneration committee members	Function	Independent director <sup>(1)</sup>	Attendance rate
Rajesh Parekh	Chairman	●	100%
Katrine Bosley	Member	●	67% <sup>(4)</sup>
Howard Rowe <sup>(2)</sup>	Member	●	100%
Elisabeth Svanberg <sup>(3)</sup>	Member	●	100%

(1) Independent director within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code

(2) Member from the nomination and remuneration committee until 28 April 2020

(3) Member from the nomination and remuneration committee from 28 April 2020

(4) Ms. Bosley was unable to join one of the three meetings of the nomination and remuneration committee in 2020 due to illness

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

At the end of 2020, the nomination and remuneration committee consisted of the following three non-executive directors, as identified in the table above: Dr. Parekh (chairman), Ms. Bosley and Dr. Svanberg, the majority of whom are independent supervisory board members within the meaning of article 7:87 of the Belgian Companies Code and provision 3.5 of the 2020 Code. Dr. Svanberg replaced Mr. Rowe on the nomination and remuneration committee as from 28 April 2020. The committee has the necessary expertise in the area of remuneration policy.

The nomination and remuneration committee meets at least twice per year. In 2020, the nomination and remuneration committee held three meetings, dealing with, among other things, matters pertaining to grants of subscription rights, RSUs and bonuses, the nomination and remuneration of supervisory board members, the nomination and remuneration of management board members, salary increases, the legislative changes to the remuneration rules and Galapagos' remuneration policy. The nomination and remuneration committee acts as a collegial body. The attendance rate at the nomination and remuneration committee meetings in 2020 for each of its members is set forth in the above table. The CEO attended the meetings of this committee when the remuneration of the other members of the management board was discussed.

## Management board of Galapagos NV

### Composition of the management board



**Onno van de Stolpe** founded our company in 1999 and has served as our Chief Executive Officer. He was a member of our board of directors from 1999 to 2020. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene BV (later Crucell NV, which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe BV. He established the European headquarters after joining Molecular Probes, Inc. in the United States. Previously, he worked for The Netherlands Foreign Investment Agency in California, where he was responsible for recruiting biotechnology and medical device companies to locate in the Netherlands. Mr. Van de Stolpe started his career as Manager of Business Development at MOGEN International NV in Leiden. He received an MSc degree from Wageningen University. Mr. Van de Stolpe has previously served as a member of the board of directors of DCPrime BV and as a member of the

supervisory board of the Stichting Institute for Human Organ and Disease Model Technologies. In September 2020, he was elected as non-executive member of the supervisory board of Leyden Laboratories BV and as of 15 March 2021 he is a member of the board of directors of European Biotech Acquisition Corp.





**Bart Filius, MBA** has served as our Chief Financial Officer since December 2014 and as our Chief Operating Officer since September 2017. He is appointed as our President and Chief Operating Officer, effective 15 February 2021. Prior to that, Mr. Filius worked over 13 years at Sanofi SA, where he was the Chief Financial Officer of Sanofi Europe during the last three years. Earlier at Sanofi, he was the Country Manager and Chief Financial Officer of Sanofi in the Netherlands. Before that, he was Vice President for Mergers & Acquisitions, during which time he led and completed the divestiture of various franchises. Prior to joining Sanofi, he was a strategy consultant at Arthur D. Little. Mr. Filius has an MBA degree from INSEAD and a bachelor's degree in business from Nyenrode Business University. In May 2019, Mr. Filius was elected as non-executive director in the supervisory board of ProQR Therapeutics NV.



**Piet Wigerinck, Ph.D.** joined us in April 2008 as SVP Development and was appointed Chief Scientific Officer in 2012. Under his leadership, we have developed a large pipeline of novel mechanism of action drug candidates. He has supervised multiple successful Proof-of-Concept patient studies, including filgotinib, GLPG1690, and MOR106. Prior to his tenure at Galapagos, Dr. Wigerinck was Vice President, Drug Discovery, Early Development and CM&C at Tibotec-Virco Comm VA (a subsidiary of Johnson & Johnson Services, Inc.). Under his leadership at Tibotec, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Dr. Wigerinck played a key role in Tibotec's expansion into novel diseases such as Hepatitis C and advanced several compounds into Phase 1 and Phase 2 clinical trials. Dr. Wigerinck has over 30 years of R&D experience in the pharmaceutical industry and biotechnology. He holds a Ph.D. from the University of Leuven, Belgium, and is inventor of more than

25 patent applications. In May 2018, Dr. Wigerinck was elected as an independent board member of Ipsen SA in France.



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



**Walid Abi-Saab, MD** joined Galapagos as Chief Medical Officer in March 2017. Dr. Abi-Saab drives Galapagos' overall medical strategy and is responsible for late stage clinical development and operations, medical and regulatory affairs, and safety. Before, Dr. Abi-Saab worked at Shire AG where he held various clinical development leadership roles, most recently as Group Vice President, Global Clinical Development – Therapeutic Area Head, Gastro-intestinal, Endocrinology and Metabolism. Prior to that, he led clinical development activities at Novartis Pharma AG, Abbott Laboratories Inc. and Pfizer Inc., addressing a wide range of therapeutic areas and leading teams throughout the clinical development process. Under his leadership, more than 30 molecules have advanced through clinical development leading to several approvals in the United States, the EU and Canada. Prior to his pharma roles, Dr. Abi-Saab was Assistant Professor of Psychiatry and Neurosurgery at Yale University Medical

School, where he headed their Schizophrenia Research at the Clinical Neuroscience Research Unit and the Neurosurgery Epilepsy Microdialysis Research Program. Dr. Abi-Saab holds an MD degree from Université Saint Joseph in Beirut, Lebanon.



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

## About the management board

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

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

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

On 31 December 2020, the management board consisted of six people: Mr. Van de Stolpe (CEO and chairman of the management board), Mr. Filius (CFO and COO), Dr. Wigerinck (CSO), Dr. Hoekema (CBO), Dr. Abi-Saab (CMO) and Mr. Manto (CCO), representing five different nationalities and different age categories.

Mr. Bart Filius is appointed as President and Chief Operating Officer, effective 15 February 2021.

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

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

## Galapagos NV's share capital and shares

### Share capital increases and issue of shares by Galapagos NV in 2020

On 1 January 2020, the share capital of Galapagos NV amounted to €349,789,183.32 represented by 64,666,802 shares. In the course of 2020 there were four capital increases resulting from the exercise of subscription rights under employee subscription right plans, resulting in the issuance of 744,965 new shares, an increase of the share capital by €4,030,260.65 and an increase of the issuance premium account by €24,257,385.05.

At the end of 2020, the share capital of Galapagos NV amounted to €353,819,443.97 represented by 65,411,767 shares.

On 17 April 2020, the board of directors (as the two-tier governance system was not yet in place) issued 2,173,335 subscription rights (after acceptance by the beneficiaries) within the framework of the authorized capital, for the benefit of the management board members and employees of the group under new subscription right plans ("Subscription Right Plan 2020" and "Subscription Right Plan 2020 RMV").

The offer of subscription rights to our CEO, Mr. Onno van de Stolpe, under Subscription Right Plan 2020 was approved by the annual shareholders' meeting of 28 April 2020 – and solely to the extent that the extraordinary shareholders' meeting, to be held immediately after the annual shareholders' meeting, did not approve the proposed changes to the company's articles of association. The subscription rights issued under Subscription Right Plan 2020 and Subscription Right Plan 2020 RMV have a term of eight years as of the date of the offer and an exercise price of €168.42 (the average closing price of the share on Euronext Amsterdam and Brussels during the thirty days preceding the date of the offer).

### Number and form of Galapagos shares

Of the 65,411,767 shares of Galapagos NV outstanding at the end of 2020, 5,181 were registered shares and 65,406,586 shares were dematerialized shares. All shares are issued and fully paid up and are of the same class.

### Rights attached to Galapagos shares

Each share (i) entitles its holder to one vote at the shareholders' meetings; (ii) represents an identical fraction of the share capital and has the same rights and obligations and shares equally in the profit of Galapagos NV; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or subscription rights in proportion to the part of the share capital represented by the shares already held. The preferential

subscription right can be restricted or cancelled by a resolution approved by the shareholders' meeting, or by the supervisory board subject to an authorization of the shareholders' meeting, in accordance with the provisions of the Belgian Companies Code and Galapagos NV's articles of association.

## Galapagos NV's authorized capital

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

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

In 2020, Galapagos NV's supervisory board made use of the right to increase the capital in the framework of the authorized capital on one occasion: on 17 April 2020, in connection with the issuance of Subscription Right Plan 2020 and Subscription Right Plan 2020 RMV, under which a maximum of 2,280,500 new shares could be issued for a total maximum capital increase of €12,337,505 (plus issuance premium). On 31 December 2020, an amount of €55,264,659.69 still remained available under the general part of the authorized capital and an amount of €13,717,929.80 remained available under the specific part of the authorized capital.

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

## Procedure for changes in Galapagos NV's share capital

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

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

## Purchase and sale of Galapagos treasury shares

In accordance with the Belgian Companies Code, Galapagos NV may purchase, subject to the provisions of the Belgian Companies Code, Galapagos NV's own shares and dispose thereof by decision of the extraordinary shareholders' meeting approved by a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of Galapagos NV is present or represented. If the attendance quorum of 50% is not met, a new

extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. The aforementioned rules are also applicable to the acquisition of shares of Galapagos NV by its subsidiaries.

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

On 31 December 2020, neither Galapagos NV nor any subsidiary of Galapagos NV held any shares in Galapagos NV, nor did any third party hold any shares in Galapagos NV on behalf of Galapagos NV or any of its subsidiaries either.

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

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

## Anti-takeover provisions under Belgian law

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

## Material contracts containing change of control clauses

The amended and restated license and collaboration agreement between Galapagos NV and Gilead Sciences, Inc. ("Gilead") dated 23 August 2019 contains provisions granting certain rights to Gilead upon the occurrence of a public takeover bid on our shares or a change of control in respect of Galapagos NV, including clause 15.6 (*Assignment; Industry Transaction; Acquired Programs*), entitling Gilead in the event of an industry transaction involving Galapagos, as a result of which a drug company of a certain minimum size acquires control over Galapagos, to terminate our co-promotion rights, to disband all joint committees and undertake exclusive control of their activities.

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

## Procedure for amendments to Galapagos NV's articles of association

Pursuant to the Belgian Companies Code, any amendment to the articles of association, such as an increase or decrease in the share capital of Galapagos NV, and certain other matters, such as the approval of the dissolution, merger or de-merger of Galapagos NV may only be authorized with the approval of at least 75% of the votes validly cast at an extraordinary shareholders' meeting where at least 50% of Galapagos NV's share capital is present or

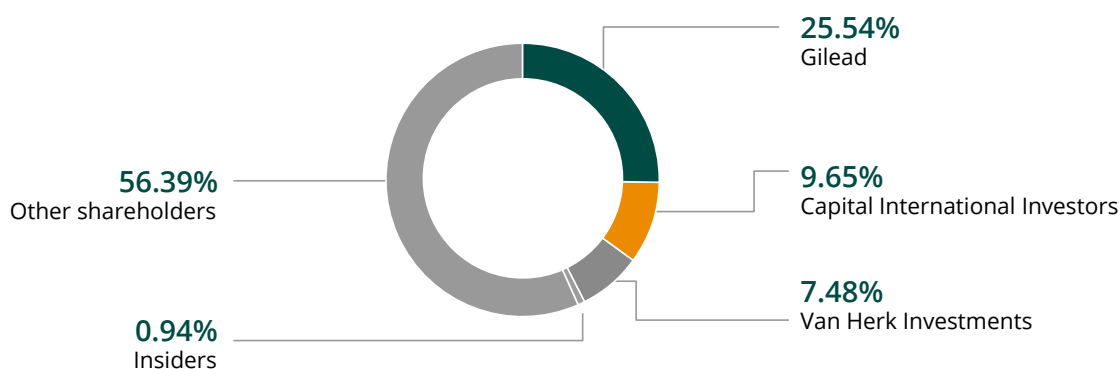
represented. If the attendance quorum of 50% is not met, a new extraordinary shareholders' meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

## Shareholders

### Major shareholders of Galapagos NV

Based on the transparency notifications received by Galapagos NV under Belgian law and the statements of acquisition of beneficial ownership filed with the U.S. Securities and Exchange Commission under U.S. securities law, the shareholders owning 5% or more of Galapagos NV's shares on 31 December 2020 were Gilead Therapeutics A1 Unlimited Company (16,707,477 shares or 25.54%), Capital International Investors (6,311,001 shares or 9.65%) and Van Herk Investments B.V. (4,893,235 shares or 7.48%).

#### Major shareholders on 31 December 2020



At the end of 2020, our CEO owned 481,139 shares of Galapagos NV and 826,874 subscription rights. The other members of our management board held an aggregate of 126,557 shares and 1,275,000 subscription rights. The other members of our supervisory board held an aggregate of 6,907 shares and 157,560 subscription rights. Each subscription right entitles its holder to subscribe to one share of Galapagos NV. Supervisory board members Daniel O'Day and Linda Higgins are representatives of our major shareholder Gilead.

### Agreements between Galapagos NV shareholders

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

### Agreements with major Galapagos NV shareholders

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

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

### **Terms of the equity investment**

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

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

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

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

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

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

### **Terms of the global research and development collaboration**

We will fund and lead all discovery and development autonomously until the end of Phase 2. After the completion of a qualifying Phase 2 study (or, in certain circumstances, the first Phase 3 study), Gilead will have the option to acquire a license to the compound outside Europe. If the option is exercised, we and Gilead will co-develop the

compound and share costs equally. Gilead will maintain option rights to our programs through the 10-year term of the collaboration. This term can be extended, at the discretion of Gilead, for up to an additional three years thereafter for those programs, if any, that have entered clinical development prior to the end of the collaboration term. On top, a final term extension can be granted in certain circumstances.

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

### **Revised filgotinib collaboration**

Under the terms of the new arrangement, we will assume all development, manufacturing, commercialization and certain other rights for filgotinib in Europe. Gilead will retain commercial rights and remain marketing authorization holder for filgotinib outside of Europe, including in Japan. The transfer will be subject to applicable local legal, regulatory and consultation requirements. We intend to transfer most activities by 31 December 2021 and complete the transition by 31 December 2022.

Beginning on 1 January 2021, we will bear the future development costs for certain studies, in lieu of the equal cost split contemplated by the previous agreement. These studies include the DARWIN3, FINCH4, FILOSOPHY, and Phase 4 studies and registries in RA, MANTA and MANTA-RAY, the PENGUIN1 and 2 and EQUATOR2 studies in PsA, the SEALION1 and 2 studies in AS, the HUMBOLDT study in uveitis in addition to other clinical and non-clinical expenses supporting these studies and support for any investigator sponsored trials in non-IBD conditions and non-clinical costs on all current trials. The existing 50/50 global development cost sharing arrangement will continue for the following studies: SELECTION and its long-term extension study (LTE) in UC, DIVERSITY and its LTE, DIVERGENCE 1 and 2 and their LTEs and support for Phase 4 studies and registries in Crohn's disease, pediatric studies and their LTEs in RA, UC and Crohn's disease, and support for investigator sponsored trials in IBD.

All commercial economics on filgotinib in Europe will transfer to us as of 1 January 2022, subject to payment of tiered royalties of 8 to 15 percent of net sales in Europe to Gilead, starting in 2024. In connection with the amendments to the existing arrangement for the commercialization and development of filgotinib, Gilead has agreed to irrevocably pay Galapagos €160 million, subject to certain adjustments for higher than budgeted development costs. Gilead paid €35 million in January 2021 and will pay an additional €75 million in 2021 and will pay €50 million in 2022. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. However, we will remain eligible to receive tiered royalty percentages ranging from 20% to 30% on Gilead's global net sales of filgotinib outside of Europe and future development and regulatory milestone-based payments of up to \$295 million and sales-based milestone payments of up to \$600 million.



## Remuneration report

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### Introduction: remuneration report 2020

#### Galapagos' remuneration policy

Galapagos' remuneration policy was prepared in accordance with the Belgian Companies Code. Galapagos' shareholders approved the current remuneration policy at the 2020 annual shareholders' meeting with 68.21% of shareholder votes. The policy applies for four years from the date of approval. The remuneration policy became effective as of 1 January 2020.

Galapagos encourages an open and constructive dialogue with its investors to discuss its approach to governance, including remuneration. The increased disclosure in this year's remuneration report reflects the input received from Galapagos' shareholders over the years as well as developments in the legislative framework, including individual disclosures for each supervisory and management board member. This year's remuneration report introduces new tables that provide additional insight into the total remuneration received by management and supervisory board members.

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

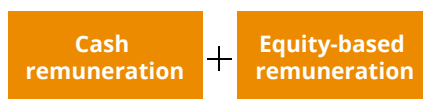
#### Peer group and benchmarking

Galapagos' remuneration policy takes into account relevant benchmarks with appropriate peer companies and, for the management board members, also the group's performance management system. For the benchmarking exercise executed in 2018, the nomination and remuneration committee worked with Willis Towers Watson as external advisor. Willis Towers Watson also provided external support for the benefit of the nomination and remuneration committee in 2020. The peer group taken into consideration consisted of publicly listed, early stage high value biotechnology companies with a comparable market capitalization in the U.S. and biotechnology and pharmaceutical companies in Europe. This benchmarking exercise indicated that in the biotechnology/pharmaceutical subsector, the "transatlantic" gap is higher than in broader general industry and in the wider health sciences sector. The observed gap in market pay levels between regional peer groups was attributable to long-term incentives; in Europe, long-term incentives were materially smaller. Galapagos' pay-mix for all executive functions was broadly in line with market practice observed within the U.S. peer group, while in comparison to the European peer group it was more leveraged toward long-term incentives. These findings were in line with and reinforced remuneration committee priorities for executive compensation. The committee found the U.S. benchmark to be more relevant than that of Europe given the majority of our competitors are based in the U.S., we have a significant number of U.S. based shareholders whose views on remuneration are based on U.S. practices, and the overall relevance of the U.S. market to the pharmaceutical industry.

## Remuneration of supervisory board members

### Remuneration structure components

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



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

Supervisory board members	Supervisory board				Audit committee		Nomination and remuneration committee		TOTAL REMUNERATION
	Cash remuneration		Equity-based remuneration		Chairman	Member	Chairman	Member	
	Chairman	Member	Cash (gross amount) granted to acquire GLPG shares <sup>(1)</sup>	Acquired GLPG shares <sup>(1)</sup>					
Dr. Rajesh Parekh	€ 100,000		€ 100,000	553			€ 20,000		€ 220,000
Mr. Howard Rowe <sup>(2)</sup>		€ 50,000	€ 50,000	273	€ 20,000			€ 5,000	€ 125,000
Ms. Katrine Bosley		€ 50,000	€ 50,000	287				€ 15,000	€ 115,000
Dr. Mary Kerr		€ 50,000	€ 50,000	273		€ 15,000			€ 115,000
Mr. Peter Guenter <sup>(3)</sup>		€ 50,000	€ 50,000	287		€ 15,000			€ 115,000
Dr. Elisabeth Svanberg <sup>(4)</sup>		€ 33,973	€ 33,835	194				€ 10,192	€ 78,000
Mr. Daniel O'Day <sup>(5)</sup>				-					N/A <sup>(5)</sup>
Dr. Linda Higgins <sup>(5)</sup>				-					N/A <sup>(5)</sup>

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

(2) Member of the nomination and remuneration committee from 1 January 2020 until 28 April 2020

(3) In addition to the above total remuneration, Mr. Peter Guenter received tax advisory services for €5,218.43

(4) Member of the nomination and remuneration committee from 28 April 2020 onwards

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

### Cash remuneration

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

For the financial year 2020 the chairman of the supervisory board received cash remuneration of €100,000 and the other members €50,000 each. In addition, committee membership entitles the supervisory board members to an additional €15,000 in cash and committee chairmanship to an additional €20,000 in cash.

## Equity based remuneration

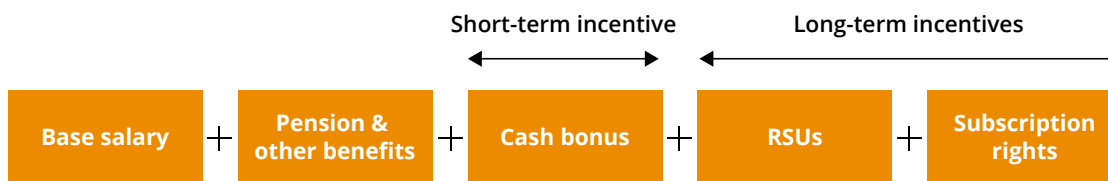
In accordance with provision 7.6 of the 2020 Code, Galapagos also grants supervisory board members an equivalent to remuneration in shares. During the financial year 2020, the supervisory board members received the following additional cash compensation: for the chairman of the supervisory board €100,000 and for the other members €50,000 each, in each case subject to the requirement to use the net amount (after taxes) to acquire Galapagos shares. These share purchases took place on 21 December 2020 and resulted in the number of shares identified in the table above. The shares that each supervisory board member so acquires are to be held until at least one year after the supervisory board member leaves the supervisory board and at least three years after the time of acquisition. These latter payments make up the equivalent of an equity component of the supervisory board members' remuneration, as recommended by the 2020 Code.

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

## Remuneration of management board members

### Remuneration structure components

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



## Performance criteria and evaluation methods for management board members

For 2020, the performance criteria considered in decision-making for cash bonuses and annual RSU grants include the elements identified in the table below, whereby each of the corporate objectives is further detailed in a clear and measurable way to enable robust evaluation by the nomination and remuneration committee as well as the supervisory board. Our ambition is to establish ourselves as a successful commercial stage biopharmaceutical company focused on the development and commercialization of novel medicines in areas of unmet medical needs to improve the lives of people suffering from serious diseases. In order to achieve this long-term goal, we want to keep innovation in our research efforts while making sound clinical progress year over year and maintaining a healthy cash position. In addition, our corporate development goals aim to foster the growth of the company and the creation of value for all shareholders. Finally, our commercial development goal is intended to bring us closer to becoming a commercially successful biopharmaceutical company which brings novel medicines to market (subject to having obtained governmental approvals), by preparing and executing successful commercial launches of our first product.

CORPORATE OBJECTIVES Each equally weighted
<b>Cash position</b> Actual cash burn versus guidance
<b>Corporate development</b> Achievement of business development transaction, organizational growth, and quality goals
<b>Research progress</b> Numbers of targets identified and pre-clinical candidates nominated
<b>Clinical trial progress</b> Target number of clinical trials initiated and completed
<b>Commercial development</b> Filgotinib commercialization plan

Mid 2020, the management board determined that at departmental level some adjustments to the objectives for the impact of COVID-19 would be made; no adjustments were made to the corporate level objectives. The management board therefore adhered strictly to the pre-pandemic objectives for 2020 at corporate level.

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

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

The nomination and remuneration committee is responsible for evaluating the management board members' performance in accordance with the principles set out above. The nomination and remuneration committee is composed exclusively of non-executive directors and a majority of its members qualify as independent supervisory board members. This helps prevent the occurrence of conflicts of interest regarding the implementation of the remuneration policy in relation to the management board members. The management board members are not invited to take part in any discussions of the nomination and remuneration committee related to their own individual remuneration.

## Total remuneration

Management board member	Fixed remuneration			Variable remuneration			Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Other components <sup>(1)</sup>	Pension	One-year variable <sup>(2)</sup>	Multi-year variable			
					Vested RSUs	Granted SRs <sup>(3)</sup>		
Onno van de Stolpe <sup>(4)</sup>	€ 618,000	€ 37,563	€ 90,000	€ 140,400	€ 1,205,820	€ -	€ 2,091,784	Fixed: 35.64% Variable: 64.36%
Bart Filius	€ 416,500	€ 24,446	€ 60,000	€ 67,206	€ 844,131	€ -	€ 1,412,283	Fixed: 35.47% Variable: 64.53%
Andre Hoekema	€ 366,750	€ 32,226	€ 54,000	€ 58,440	€ -	€ -	€ 511,416	Fixed: 88.57% Variable: 11.43%
Piet Wigerinck	€ 412,000	€ 14,409	€ 60,000	€ 55,518	€ 844,131	€ -	€ 1,386,058	Fixed: 35.09% Variable: 64.91%
Walid Abi-Saab	€ 412,000	€ 14,965	€ 60,000	€ 55,518	€ 844,131	€ -	€ 1,386,614	Fixed: 35.12% Variable: 64.88%
Michele Manto	€ 325,000	€ 14,509	€ 48,750	€ 55,518	€ 241,126	€ -	€ 684,903	Fixed: 56.69% Variable: 43.31%

(1) Other components are the value of the benefits and perquisites awarded, such as a company car, tax advisory services, health and disability insurance

(2) The one-year variable is the short-term cash bonus awarded to each management board member in respect of 2020 and paid in April 2021

(3) The value of the subscription rights ("SRs") granted during the financial year 2020 is calculated by comparing the exercise price with the average share price of the share as quoted on Euronext Brussels and Amsterdam during the financial year 2020

(4) Mr. Onno van de Stolpe's base salary is €618,000, including €18,859.44 in the form of personal pension contributions. The €90,000 pension amount does not include the amount of €18,859.44, which is part of Mr. Onno van de Stolpe's fixed base salary

### Fixed remuneration

The supervisory board, for the CEO upon recommendation of the nomination and remuneration committee and for the other management board members upon proposals of the CEO, decided that for the financial year 2020 each management board member received the base salary (gross amount) as identified in the total remuneration table above. The fixed remuneration is a base salary designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions.

### Variable remuneration

Galapagos' policy is to grant a number of long-term incentives based on the individual performance for the performance year while also considering individual impact on long-term value creation. Bonuses consist both of a short-term cash component and a long-term RSU component. Management board members were also offered subscription rights in 2020.

Under our remuneration policy, the CEO's cash bonus can be maximum 75% of the fixed part of his annual remuneration of the year for which the bonus is awarded. The aggregate cash bonuses of the other members of the management board can be maximum 50% of the total amount of the fixed part of their aggregate annual remuneration of the year for which the bonus is awarded. An equivalent number of RSUs will be granted to the CEO and the other members of the management board under the RSU Annual Long-Term Incentive Plan.

#### (a) Short-term variable remuneration

The supervisory board determined an overall achievement of 60% (out of a maximum of 100%) against the 2020 corporate objectives. Factors reducing the achievement included actual cash burn being higher than our expected internal goal, as a result of not achieving milestones in the U.S. after Gilead's receipt of the CRL from the FDA for RA, and overall delay in program timelines due to COVID-19.

Mid 2020, the management board determined that at departmental level some adjustments to the objectives for the impact of COVID-19 would be made, however no adjustments were made to the corporate level objectives. The management board therefore adhered strictly to the pre-pandemic objectives for 2020 at the corporate level.

Taking into account 2020 company performance more broadly, the supervisory board determined that a 30% funding level, rather than the 60% achieved, would be appropriate for the management board. The supervisory board, for the CEO upon recommendation of the nomination and remuneration committee and for the other management board members upon proposals of the CEO, considered this level of funding together with individual performance of management board members in order to determine the individual cash bonus outcomes for 2020 set out in the total remuneration table above: Mr. Onno van de Stolpe (€140,400; 22.50% of 2020 base salary), Mr. Bart Filius (€67,206; 15.93% of 2020 base salary), Dr. Andre Hoekema (€58,440; 15.84% of 2020 base salary), Dr. Piet Wigerinck (€55,518; 13.35% of 2020 base salary), Dr. Walid Abi-Saab (€55,518; 13.35% of 2020 base salary) and Mr. Michele Manto (€55,518; 17.08% of 2020 base salary). These 2020 bonuses will be paid in April 2021, and an equivalent number of RSUs will be granted under the 2021 RSU Annual Long-Term Incentive Plan as long-term variable remuneration.

### **(b) Long-term variable remuneration**

In 2020 the management board members were offered new subscription rights under Subscription Right Plan 2020 and each accepted all subscription rights granted as per the following: Mr. Onno van de Stolpe: 85,000 subscription rights, Mr. Bart Filius: 50,000 subscription rights, each of Dr. Piet Wigerinck and Dr. Walid Abi-Saab: 40,000 subscription rights and each of Dr. Andre Hoekema and Mr. Michele Manto: 30,000 subscription rights. Further reference is made to the [Equity components of the remuneration](#), which contains, among others, a description of the 2020 grant of subscription rights.

The total remuneration table above sets forth the value of the number of RSUs vested and paid out in 2020 for each management board member. Each RSU represents the right to receive, at Galapagos' discretion, one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date.

As part of the management board's long-term variable remuneration, a number of RSUs equivalent to the 2020 short-term cash bonuses (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2021) will be granted under the 2021 RSU Annual Long-Term Incentive Plan.

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

The 50% deferred part of the bonus awarded and relating to the financial year 2017 was entirely forfeited and not paid out in 2020 as a result of the share performance of Galapagos NV's share over the period 2017 – 2020 relative to the Next Biotech Index (which tracks Euronext-listed biotech companies) as per the provisions of the Senior Management Bonus Scheme.

### **Pension and other components**

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

## **Equity components of the remuneration**

### **Subscription rights awarded, exercised or expired**

In 2020, we issued two subscription right plans for the benefit of employees of the group and of management board members: Subscription Right Plan 2020 and Subscription Right Plan 2020 RMV. The management board members were offered new subscription rights under Subscription Right Plan 2020, subject to acceptance.

Subscription rights is the new term for instruments formerly referred to as "warrants" under the new Belgian Companies Code. The final number of accepted subscription rights under Subscription Right Plan 2020 was enacted by notary deed of 2 July 2020. The table below sets forth the numbers of subscription rights offered and accepted by each management board member in 2020 under Subscription Right Plan 2020.

The main characteristics of the subscription right plans are as follows:

- The subscription rights are offered for no consideration;
- The subscription rights typically have a lifetime of eight years and a vesting period of three years after the year of grant;
- Forfeiture rules apply in case of termination prior to the end of the vesting period; and
- The subscription rights are not transferable.

Under Subscription Right Plan 2020, the subscription rights have a lifetime of eight years and an exercise price of €168.42. Each subscription right gives the right to subscribe for one new Galapagos share. For all the beneficiaries, the subscription rights vest only and fully on the first day of the fourth calendar year following the calendar year in which the grant was made. The subscription rights can in principle not be exercised prior to 1 January 2024. The table below sets forth the main characteristics for subscription right plans issued during previous years.

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

No subscription rights expired for management board or supervisory board members in 2020.

The table below sets forth the subscription rights outstanding and exercisable per 31 December 2020 for the management board and supervisory board members, the subscription rights awarded to the management board members during 2020 and exercised by the management board or supervisory board members in 2020:

	Plan <sup>(1)</sup>	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs outstanding per 31/12/2020	Number of SRs exercisable per 31/12/2020	SRs offered & accepted during 2020	SRs exercised during 2020	SRs expired in 2020
<b>Supervisory board members</b>										
Dr. Rajesh Parekh	WP 2016	16/08/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10				15,000	
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	15,000				
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	15,000				
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	15,000				
Mr. Howard Rowe	WP 2012	09/03/2012	36 months 1/36 per month	01/01/2016 – 02/09/2020	€ 14.19				2,520	
	WP 2013	16/05/2013	36 months 1/36 per month	01/01/2017 – 15/05/2021	€ 19.38				2,520	
	WP 2014	25/07/2014	36 months 1/36 per month	01/01/2018 – 24/07/2022	€ 14.54	2,520	2,520			
	WP 2015	30/04/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	2,520	2,520			
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	7,500	7,500			
	WP 2016	16/08/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	7,500	7,500			
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500				
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				
Ms. Katrine Bosley	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				
	WP 2015	30/04/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	2,520	2,520			
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	7,500	7,500			
	WP 2016	16/08/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	7,500	7,500			
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500				
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				

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



	Plan <sup>(1)</sup>	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs outstanding per 31/12/2020	Number of SRs exercisable per 31/12/2020	SRs offered & accepted during 2020	SRs exercised during 2020	SRs expired in 2020
Dr. Mary Kerr	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	7,500				
	WP 2018	24/08/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	7,500				
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				
Mr. Peter Guenter	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	7,500				
Dr. Elisabeth Svanberg	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Linda Higgins	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Daniel O'Day	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Management board members</b>										
Mr. Onno van de Stolpe	WP 2012	11/02/2012	36 months 1/36 per month	01/01/2016 – 02/09/2020	€ 14.19				55,000	0
	WP 2013	29/07/2013	36 months 1/36 per month	01/01/2017 – 15/05/2021	€ 19.38	41,874	41,874		30,000	0
	WP 2014	14/10/2014	36 months 1/36 per month	01/01/2018 – 24/07/2022	€ 14.54	100,000	100,000			0
	WP 2015	29/06/2015	36 months 1/36 per month	01/01/2019 – 29/04/2023	€ 28.75	100,000	100,000			0
	WP 2015.B	02/03/2016	36 months 1/36 per month	02/03/2019 – 21/12/2023	€ 49.00	100,000	100,000			0
	WP 2016	31/07/2016	36 months 1/36 per month	01/01/2020 – 31/05/2024	€ 46.10	100,000	100,000			0
	WP 2017	30/08/2017	36 months 1/36 per month	01/01/2021 – 16/05/2025	€ 80.57	100,000				0
	WP 2018	18/06/2018	36 months 1/36 per month	01/01/2022 – 18/04/2026	€ 79.88	100,000				0
	WP 2019	12/07/2019	36 months 1/36 per month	01/01/2023 – 10/04/2027	€ 95.11	100,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	85,000			85,000	0

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

	Plan <sup>(1)</sup>	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs outstanding per 31/12/2020	Number of SRs exercisable per 31/12/2020	SRs offered & accepted during 2020	SRs exercised during 2020	SRs expired in 2020
Mr. Bart Filius	WP 2015.B	02/03/2016	100% 3rd year after year of grant 02/03/2019	02/03/2019 – 21/12/2023	€ 49.00				50,000	0
	WP 2016	31/07/2016	100% 3rd year after year of grant 01/01/2020	01/01/2020 – 31/05/2024	€ 46.10				60,000	0
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000				0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	80,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	65,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	50,000		50,000		0
	WP 2012	11/02/2012	100% 3rd year after year of grant 01/01/2016	01/01/2016 – 02/09/2020	€ 14.19				20,000	0
	WP 2013	29/07/2013	100% 3rd year after year of grant 01/01/2017	01/01/2017 – 15/05/2021	€ 19.38				20,000	0
	WP 2014	14/10/2014	100% 3rd year after year of grant 01/01/2018	01/01/2018 – 24/07/2022	€ 14.54	30,000	30,000		10,000	0
	WP 2015	29/06/2015	100% 3rd year after year of grant 01/01/2019	01/01/2019 – 29/04/2023	€ 28.75	30,000	30,000			0
Dr. Andre Hoekema	WP 2015.B	02/03/2016	100% 3rd year after year of grant 02/03/2019	02/03/2019 – 21/12/2023	49	40,000	40,000			0
	WP 2016	31/07/2016	100% 3rd year after year of grant 01/01/2020	01/01/2020 – 31/05/2024	€ 46.10	55,000	55,000			0
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000				0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	50,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	30,000		30,000		0

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

	Plan <sup>(1)</sup>	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs outstanding per 31/12/2020	Number of SRs exercisable per 31/12/2020	SRs offered & accepted during 2020	SRs exercised during 2020	SRs expired in 2020
	WP 2013	15/07/2013	100% 3rd year after year of grant 01/01/2017	01/01/2017 – 15/05/2021	€ 19.38				10,000	0
	WP 2014	09/23/2014	100% 3rd year after year of grant 01/01/2018	01/01/2018 – 24/07/2022	€ 14.54				40,000	0
	WP 2015	29/06/2015	100% 3rd year after year of grant 01/01/2019	01/01/2019 – 29/04/2023	€ 28.75				30,000	0
	WP 2015.B	02/03/2016	100% 3rd year after year of grant 02/03/2019	02/03/2019 – 21/12/2023	€ 49.00	40,000	40,000		10,000	0
Dr. Piet Wigerinck	WP 2016	16/08/2016	100% 3rd year after year of grant 01/01/2020	01/01/2020 – 31/05/2024	€ 46.10	60,000	60,000			0
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000				0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	60,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	40,000		40,000		0

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

	Plan <sup>(1)</sup>	Grant date	Vesting period	Exercise period	Exercise price	Number of SRs outstanding per 31/12/2020	Number of SRs exercisable per 31/12/2020	SRs offered & accepted during 2020	SRs exercised during 2020	SRs expired in 2020
Dr. Walid Abi-Saab	WP 2016.B	06/04/2017	100% 3rd year after year of grant 06/04/2020	06/04/2020 – 19/01/2025	€ 62.50	10,000	10,000	140,000	0	
	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	45,000				0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	60,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	50,000				0
	SR Plan 2020	23/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	40,000		40,000		0
Mr. Michele Manto	WP 2017	30/08/2017	100% 3rd year after year of grant 01/01/2021	01/01/2021 – 16/05/2025	€ 80.57	60,000				0
	WP 2018	18/06/2018	100% 3rd year after year of grant 01/01/2022	01/01/2022 – 18/04/2026	€ 79.88	30,000				0
	WP 2019	12/07/2019	100% 3rd year after year of grant 01/01/2023	01/01/2023 – 10/04/2027	€ 95.11	40,000				0
	SR Plan 2020	16/06/2020	100% 3rd year after year of grant 01/01/2024	01/01/2024 – 17/04/2028	€ 168.42	30,000		30,000		0

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

At the end of 2020, Mr. Onno van de Stolpe held 481,139 shares of Galapagos NV and 826,874 subscription rights, Mr. Bart Filius held 25,000 shares and 255,000 subscription rights, Dr. Piet Wigerinck held 55,200 shares and 310,000 subscription rights, Dr. Walid Abi-Saab held 2,500 shares and 205,000 subscription rights, Dr. Andre Hoekema held 42,857 shares and 345,000 subscription rights, and Mr. Michele Manto held 1,000 shares and 160,000 subscription rights.

## RSUs awarded to, vested or expired for the management board members

In 2020, the management board were offered new RSUs under 2020 RSU Annual Long-Term Incentive Plan and the 2020 RSU Retention Plan, subject to acceptance. The members of the management board accepted all RSUs offered to them. The grant under the 2020 RSU Annual Long-Term Incentive Plan is the long-term portion of the bonus for 2019 and this RSU grant will vest in full three years after the offer date. The second RSU grant has a four-year vesting period, with 25% vesting each year and a first vesting date on 1 May 2021. The RSUs are not transferable. The table below sets forth the number of RSUs offered to and accepted by each management board member: Mr. Onno van de Stolpe: 18,317 RSUs, Mr. Bart Filius: 12,600 RSUs, Dr. Piet Wigerinck and Dr. Walid Abi-Saab: 12,080 RSUs each, Dr. Andre Hoekema: 832 RSUs and Mr. Michele Manto: 5,920 RSUs.

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

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

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

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

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs granted	RSUs vested during 2020
Mr. Onno van de Stolpe	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	15,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	25,606	6,401
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	2,392	
	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	15,925	
	Mr. Bart Filius	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000
Plan 2019.II		16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	17,924	4,481
Plan 2019.III		16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	
Plan 2020.I		06/05/2020	100% three years after offer date	06/05/2023	1,452	
Plan 2020.II		06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	11,148	
Dr. Andre Hoekema	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	3,000	
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	16,922	
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	832	
Dr. Piet Wigerinck	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000	
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020 01/05/2021 01/05/2022 01/05/2023	17,924	4,481
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	10,153	
	Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	932	
	Plan 2020 II.	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	11,148	

Management board member	Plan	Offer date	Vesting period	Vesting date	Number of RSUs granted	RSUs vested during 2020	
Dr. Walid Abi-Saab	Plan 2019.I	16/10/2019	100% three years after offer date	16/10/2022	5,000		
	Plan 2019.II	16/10/2019	25% / year Four-year vesting period	01/05/2020			
				01/05/2021			
				01/05/2022		17,924	4,481
				01/05/2023			
	Plan 2019.III	16/10/2019	50% two years after offer date 50% three years after offer date	16/10/2021 16/10/2022	10,153		
Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	932			
Mr. Michele Manto	Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021			
				01/05/2022			
				01/05/2023	5,121	1,280	
Plan 2020.I	06/05/2020	100% three years after offer date	06/05/2023	612			
Plan 2020.II	06/05/2020	25% / year Four-year vesting period	01/05/2021 01/05/2022 01/05/2023 01/05/2024	5,308			

## Evolution of remuneration and company performance

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

Comparative table of remuneration and company performance									
	2020	% change	2019	% change	2018	% change	2017	% change	2016
<b>Director's remuneration<sup>(1)</sup></b>									
<b>Management board<sup>(2)(3)</sup></b>									
Mr. Onno van de Stolpe, CEO	€ 758,400	-82%	€ 4,322,105	209%	€ 1,398,236	-2%	€ 1,422,880	5%	€ 1,361,375
	€ 2,091,784	-73%	€ 7,666,471	242%	€ 2,242,627	49%	€ 1,503,607	-11%	€ 1,696,742
Mr. Bart Filius, COO/CFO	€ 483,706	-86%	€ 3,558,571	275%	€ 948,675	109%	€ 453,270	6%	€ 428,420
	€ 1,412,283	-75%	€ 5,747,118	251%	€ 1,636,303	210%	€ 527,571	-19%	€ 648,500
Dr. Andre Hoekema, CBO	€ 425,190	-87%	€ 3,346,490	360%	€ 728,244	26%	€ 579,764	-8%	€ 633,417
	€ 511,416	-90%	€ 5,071,465	320%	€ 1,207,775	83%	€ 661,725	-22%	€ 853,371
Dr. Piet Wigerinck, CSO	€ 467,518	-81%	€ 2,461,071	179%	€ 882,807	18%	€ 745,795	18%	€ 634,704
	€ 1,386,058	-66%	€ 4,127,775	195%	€ 1,400,211	74%	€ 805,999	-5%	€ 846,077
Dr. Walid Abi-Saab, CMO <sup>(4)</sup>	€ 467,518	-77%	€ 2,075,500	277%	€ 550,542	-26%	€ 745,795	N/A	N/A
	€ 1,386,614	-63%	€ 3,790,471	250%	€ 1,082,398	-51%	€ 2,206,938	N/A	N/A
Mr. Michele Manto, CCO <sup>(5)</sup>	€ 380,518	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	€ 684,903	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Supervisory board<sup>(6)(7)</sup></b>									
Dr. Rajesh Parekh	€ 120,000	33%	€ 90,000	0%	€ 90,000	0%	€ 90,000	0%	€ 90,000
	€ 220,000	-62%	€ 577,950	183%	€ 204,300	127%	€ 90,000	-30%	€ 127,800
Mr. Howard Rowe	€ 75,000	36%	€ 55,000	5%	€ 52,500	17%	€ 45,000	0%	€ 45,000
	€ 125,000	-58%	€ 298,975	173%	€ 109,650	144%	€ 45,000	-30%	€ 63,900
Ms. Katrine Bosley	€ 65,000	44%	€ 45,000	0%	€ 45,000	0%	€ 45,000	0%	€ 45,000
	€ 115,000	-60%	€ 288,975	183%	€ 102,150	127%	€ 45,000	-30%	€ 63,900
Dr. Mary Kerr	€ 65,000	44%	€ 45,000	3%	€ 43,750	9%	€ 40,000	125%	€ 17,782
	€ 115,000	-60%	€ 288,975	186%	€ 100,900	152%	€ 40,000	125%	€ 17,782
Mr. Peter Guenter <sup>(8)</sup>	€ 65,000	117%	€ 30,000	N/A	N/A	N/A	N/A	N/A	N/A
	€ 115,000	-58%	€ 273,975	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Elisabeth Svanberg <sup>(9)</sup>	€ 44,164	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	€ 77,999	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Daniel O'Day	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Linda Higgins	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



Comparative table of remuneration and company performance									
	2020	% change	2019	% change	2018	% change	2017	% change	2016
<b>Company performance</b>									
<b>Financial KPIs (thousands of €, except for the stock price and number of employees)</b>									
Operational Cash burn (-) / operational cash flow	-517,400	-116%	3,162,804	2097%	-158,379	-3%	-154,089	-166%	231,881
R&D expenditure <sup>(10)</sup>	531,354	24%	427,320	32%	322,875	48%	218,502	57%	139,573
Cash position on 31 Dec <sup>(11)</sup>	5,169,349	-11%	5,780,832	348%	1,290,796	12%	1,151,211	18%	973,241
# of employees on 31 Dec <sup>(12)</sup>	1,489	48%	1,003	38%	725	21%	600	18%	508
Stock price performance (Last trading day FY)	80.48	-57%	186.50	132%	80.56	2%	78.98	30%	60.94
<b>Operational KPIs</b>									
# of new validated targets	5		6		2		9		6
# of new PCCs	3		3		4		5		5
# of PoC topline	3		3		4		2		3
# of Ph3 starts	0		1		2		0		2
<b>Average remuneration of employees on FTE basis<sup>(13)</sup></b>									
Employees of the Group	€ 104,290	4%	€ 100,682	4%	€ 97,139	4%	€ 93,726	8%	€ 86,809

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

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

(3) The second row shows the total remuneration of each management board member, including equity-based remuneration such as RSUs vested and subscription rights granted during the year. The value of the subscription rights is calculated by comparing the exercise price of the subscription right plan with the average share price as quoted on Euronext Brussels and Amsterdam during the respective financial year. For example, for financial year 2020 the exercise price of the Subscription Right Plan 2020 is compared with the average share price as quoted on Euronext Brussels and Amsterdam during the financial year 2020

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

(5) Management board member from 1 January 2020

(6) The first row shows the total cash remuneration of each supervisory board member, consisting of the board fees

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

(8) Supervisory board member from 30 April 2019

(9) Supervisory board member from 28 April 2020

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

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

(12) The number of employees per 31 December includes employees and insourced personnel (external contractors)

(13) The average remuneration of employees is calculated on FTE basis, excluding trainees and internships, for employees employed for the full applicable financial year. It takes into account the employees' base salary, annual cash bonus and (if any) exceptional cash bonus during the respective financial year. During 2019, all Galapagos' employees received an exceptional bonus as a result of the Gilead transaction. Annual cash bonuses are included in the year upon which performance is based and not in the year in which they are paid. Due to the timing of the 2020 year-end process, the actual annual figures for employees had not been finalized by the date of this report. Therefore, 2020 annual bonus figures represent target figures multiplied by the applicable approved organizational bonus funding scores, being the company's best estimate of actual bonus outcomes

## Ratio between the highest and lowest remuneration

The ratio between the highest and lowest remuneration at Galapagos during financial year 2020 is: 1:27.

The ratio is calculated on the basis of the lowest FTE pay, excluding trainees and internships. The remuneration which has been taken into account in this exercise includes the annual base salary, annual cash bonus and (if any) exceptional bonus; annual cash bonus is included in the year upon which performance is based and not in the year in which it is paid. Due to the timing of the 2020 year-end process, the actual annual bonus figures for employees below the management board level had not been finalized by the date of this report. Therefore, target figures for these employees were used, multiplied by the applicable approved organizational bonus funding scores, being the company's best estimate of 2020 actual bonus outcomes.

## Minimum share ownership

From financial year 2020, the remuneration policy has set a minimum threshold of shares to be held at any time by the CEO to the number of shares equivalent to one year of the CEO's annual base salary and by the other management board members to the number of shares equivalent to six months' of the relevant management board member's annual base salary.

Management board members	Minimum share ownership objective for 2020	Actual share ownership per 31/12/2020
Onno van de Stolpe, CEO	3,218	481,139
Bart Filius, COO & CFO	1,073	25,000
Andre Hoekema, CBO	966	42,857
Piet Wigerinck, CSO	1,073	55,200
Walid Abi-Saab, CMO	1,073	2,500
Michele Manto, CCO	746	1,000

## Severance clauses and payments

### Contractual provisions regarding compensation for severance for management board members

The contracts between Galapagos NV and the management board members do not provide for severance compensation. They do not contain notice periods that exceed six months. However, Galapagos NV entered into undertakings with Mr. Onno van de Stolpe, Mr. Bart Filius, Dr. Andre Hoekema, Dr. Piet Wigerinck and Dr. Walid Abi-Saab, providing that in case their contract with the group is terminated as a result of a change of control of Galapagos, they would be entitled to a severance compensation of 12 months' base salary for the CEO and 9 months' base salary for the other management board members.

### Severance payments for departing management board members

Not applicable; in 2020 no management board members left Galapagos.

### Claw-back right of Galapagos relating to variable remuneration

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

The RSU plans and 2020 subscription rights plan contain bad leaver provisions that can result in forfeiture of any unvested RSU and/or subscription rights grants in case the beneficiary leaves Galapagos prior to the relevant vesting date.

During the financial year 2020 no claw-back events occurred.

## Deviations from the remuneration policy

During the financial year 2020, the supervisory board did not decide to deviate from any items of the Galapagos' remuneration policy and no deviations did occur.

## Conflict of interests and related parties

We consider that Gilead became a related party of Galapagos in 2019 because of Gilead's then 25.84% shareholding (now: 25.54%) in Galapagos and the fact that Gilead is entitled to propose two candidates to be appointed to our supervisory board under the share subscription agreement.

On 15 December 2020, we entered into a related party transaction with Gilead within the meaning of article 7:116 of the Belgian Companies Code, by agreeing to amend the structure of our agreement relating to the development and commercialization of filgotinib in Europe. The press release issued on 15 December 2020, available on our website, contains the disclosures required under article 7:116 of the Belgian Companies Code. Daniel O'Day and Linda Higgins recused themselves from the supervisory board meetings held on 3 December 2020 and 15 December 2020 regarding this related party transaction, since they are representatives of Gilead.

A more detailed explanation of our transactions with Gilead in 2020 can be found in the section titled [Agreements with major Galapagos NV shareholders](#). We further refer to [note 30](#).

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

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

In 2020, the following conflicts of interests between Galapagos NV and a director within the meaning of article 7:115 of the Belgian Companies Code were noted:

- in a meeting of the board of directors held on 17 February 2020, the following was reported in accordance with article 7:115 of the Belgian Companies Code in connection with the proposed amendment of the remuneration practices for the members of the executive committee: the chairman declared that Mr. Onno van de Stolpe had informed the board of directors of a potential conflict of interest, concerning the proposed amendment of the remuneration practices for the members of the executive committee. The board considered that said compensation review was based on a benchmark exercise, and that the proposed amendments aim to align the remuneration practices with the practices among other Belgian listed companies. The review of the remuneration practices will have no material impact on the financial position of the company. The board shared the opinion of the remuneration committee that the proposed amendments are justified and reasonable. Mr. van de Stolpe did not take part in the deliberation and the vote concerning this decision.
- in a meeting of the board of directors held on 24 March 2020, the following was reported in accordance with article 7:115 of the Belgian Companies Code in connection with the grant of RSUs to the CEO: the chairman declared that Onno van de Stolpe had informed the board of directors of a conflict of interest, concerning the proposed award to him of RSUs. Further to the resolutions of the board of directors of 17 December 2019, a bonus equal to 75% of his 2019 salary was awarded to Mr. Van de Stolpe in cash and an equivalent number of RSUs (based on the average share price of the Galapagos share on Euronext Amsterdam during the month of April 2020) to be granted under the Annual Long-Term Incentive Plan 2020. In addition, the grant of RSUs under the RSU Retention Plan 2020 to Mr. Van de Stolpe was approved by the board. The board considered that said RSU grants are a justified reward for the results achieved by Mr. Van de Stolpe in 2019. Furthermore, the board deemed the grant of RSUs to be an important tool in the retention of Mr. Van de Stolpe as CEO of the company. The RSU grants will have no material impact on the financial position of the company. The board shared the opinion of the remuneration committee that the RSU grants are justified and reasonable. Mr. Van de Stolpe did not take part in the deliberation and the vote concerning this decision.

## Code of Business Conduct and Ethics

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

The Code of Business Conduct and Ethics is available at <https://www.glp.com/governance-information>.

One breach of our Code of Business Conduct and Ethics was reported to the audit committee in 2020.

## Statement by the supervisory board

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The supervisory board of Galapagos NV, represented by all its members, declares that, as far as it is aware, the statutory accounts and consolidated financial statements, prepared according to the applicable standards for financial statements, give a true and fair view of the equity, financial position and the results of Galapagos as of 31 December 2020.

The supervisory board of Galapagos NV, represented by all its members, further declares that, as far as it is aware, this report to the shareholders for the financial year ending on 31 December 2020, gives a true and fair view on the development, results and position of Galapagos and on the most important risks and uncertainties with which Galapagos is confronted.

The supervisory board will submit proposed resolutions to the shareholders' meeting to approve the annual accounts for the financial year 2020, and to release the supervisory board members and the statutory auditor from liability for the performance of their mandate during the financial year ended 31 December 2020.

Mechelen, 23 March 2021

On behalf of the supervisory board

**Howard Rowe**

Chairman of the audit committee

**Raj Parekh**

Chairman of the supervisory board

# Financial statements

Consolidated and non-  
consolidated financial  
statements for 2020

## 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
	2020	2019 <sup>(*)</sup>	
Revenues	478,053	834,901	6
Other income	52,207	50,896	6
<b>Total revenues and other income</b>	<b>530,260</b>	<b>885,797</b>	
Research and development expenditure	(523,667)	(420,090)	7
Sales and marketing expenses	(66,468)	(24,577)	7
General and administrative expenses	(118,757)	(72,382)	7
<b>Total operating expenses</b>	<b>(708,892)</b>	<b>(517,049)</b>	
<b>Operating profit/loss (-)</b>	<b>(178,632)</b>	<b>368,748</b>	
Fair value re-measurement of share subscription agreement and warrants	3,034	(181,644)	9
Other financial income	18,667	21,389	10
Other financial expenses	(152,844)	(59,968)	10
<b>Profit/loss (-) before tax</b>	<b>(309,775)</b>	<b>148,525</b>	
Income taxes	(1,226)	165	11
<b>Net profit/loss (-) from continuing operations</b>	<b>(311,001)</b>	<b>148,689</b>	
<b>Net profit from discontinued operations, net of tax</b>	<b>5,565</b>	<b>1,156</b>	<b>25</b>
<b>Net profit/loss (-)</b>	<b>(305,436)</b>	<b>149,845</b>	
<b>Net profit/loss (-) attributable to:</b>			
Owners of the parent	(305,436)	149,845	
<b>Basic income/loss (-) per share</b>	<b>(4.69)</b>	<b>2.60</b>	<b>12</b>
<b>Diluted income/loss (-) per share</b>	<b>(4.69)</b>	<b>2.49</b>	<b>12</b>
<b>Basic income/loss (-) per share from continuing operations</b>	<b>(4.78)</b>	<b>2.58</b>	
<b>Diluted income/loss (-) per share from continuing operations</b>	<b>(4.78)</b>	<b>2.47</b>	

(\*) The 2019 comparatives have been restated to consider the impact of classifying the Fidelta business as discontinued operations in 2020.

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

Consolidated statement of comprehensive income / loss (-)

(thousands of €)	Year ended 31 December		Notes
	2020	2019 <sup>(*)</sup>	
Net profit/loss (-)	(305,436)	149,845	
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit obligation	(6,065)	(4,107)	
Items that may be reclassified subsequently to profit or loss:			
Translation differences, arisen from translating foreign activities	(1,024)	415	
Realization of translation differences upon liquidation of foreign operations	(1,023)		
<b>Other comprehensive loss, net of income tax</b>	<b>(8,112)</b>	<b>(3,692)</b>	
<b>Total comprehensive income/loss (-) attributable to:</b>			
Owners of the parent	(313,548)	146,154	
<b>Total comprehensive income/loss (-) attributable to owners of the parent arises from:</b>			
Continuing operations	(318,841)	145,050	
Discontinued operations	5,293	1,104	
<b>Total comprehensive income/loss (-)</b>	<b>(313,548)</b>	<b>146,154</b>	

(\*) The 2019 comparatives have been restated to consider the impact of classifying the Fidelta business as discontinued operations in 2020.

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



## Consolidated statements of financial position

(thousands of €)	31 December		Notes
	2020	2019	
<b>Assets</b>			
Intangible assets	67,565	24,927	13
Property, plant and equipment	103,378	66,052	14
Deferred tax assets	4,475	4,205	21
Non-current trade receivables	50,000		17
Non-current R&D incentives receivables	111,624	93,407	16
Other non-current assets	11,343	14,091	15
<b>Non-current assets</b>	<b>348,384</b>	<b>202,682</b>	
Trade and other receivables	148,418	54,009	17
Current R&D incentives receivables	24,104	21,949	16
Current financial investments	3,026,278	3,919,216	18
Cash and cash equivalents	2,135,187	1,861,616	19
Other current assets	11,953	9,138	17
<b>Current assets from continuing operations</b>	<b>5,345,941</b>	<b>5,865,927</b>	
<b>Assets classified as held for sale</b>	<b>23,406</b>	<b>-</b>	<b>25</b>
<b>Total current assets</b>	<b>5,369,347</b>	<b>5,865,927</b>	
<b>Total assets</b>	<b>5,717,731</b>	<b>6,068,609</b>	
<b>Equity and liabilities</b>			
Share capital	291,312	287,282	20
Share premium account	2,727,840	2,703,583	20
Other reserves	(10,907)	(4,842)	
Translation differences	(3,189)	(1,142)	
Accumulated losses	(334,701)	(109,223)	
<b>Total equity</b>	<b>2,670,355</b>	<b>2,875,658</b>	
Retirement benefit liabilities	14,996	8,263	
Non-current lease liabilities	23,035	19,558	22
Other non-current liabilities	8,096	6,989	23
Non-current deferred income	2,365,974	2,586,348	24
<b>Non-current liabilities</b>	<b>2,412,101</b>	<b>2,621,158</b>	

(thousands of €)	31 December		Notes
	2020	2019	
Current lease liabilities	6,401	5,826	22
Trade and other liabilities	172,386	143,434	23
Current tax payable	1,248	2,037	11
Current financial instruments	3,164	6,198	9
Current deferred income	443,159	414,298	24
<b>Current liabilities from continuing operations</b>	<b>626,357</b>	<b>571,793</b>	
Liabilities directly associated with assets classified as held for sale	8,917	-	25
<b>Total current liabilities</b>	<b>635,274</b>	<b>571,793</b>	
<b>Total liabilities</b>	<b>3,047,375</b>	<b>3,192,951</b>	
<b>Total equity and liabilities</b>	<b>5,717,731</b>	<b>6,068,609</b>	

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

## Consolidated cash flow statements

(thousands of €)	2020	2019	Notes
<b>Net profit/loss (-) of the year</b>	<b>(305,436)</b>	<b>149,845</b>	
Adjustment for non-cash transactions	230,723	248,027	26
Adjustment for items to disclose separately under operating cash flow	4,067	(7,731)	26
Adjustment for items to disclose under investing and financing cash flows	(2,472)	(5,061)	26
Change in working capital other than deferred income	(146,092)	12,698	26
Increase/decrease (-) in deferred income	(207,787)	2,804,202	24
<b>Cash generated/used (-) in operations</b>	<b>(426,998)</b>	<b>3,201,980</b>	
Interest paid	(9,033)	(1,158)	
Interest received	10,054	7,852	
Corporate taxes paid	(1,358)	(57)	
<b>Net cash flows generated/used (-) in operating activities</b>	<b>(427,336)</b>	<b>3,208,617</b>	
Purchase of property, plant and equipment	(42,522)	(22,385)	14
Purchase of and expenditure in intangible fixed assets	(48,793)	(23,300)	13
Proceeds from disposal of property, plant and equipment	49	-	14
Purchase of current financial investments	(4,574,206)	(4,787,284)	18
Interest received related to current financial investments	3,500	5,059	18
Sale of current financial investments	5,415,316	1,063,344	18
Acquisition of financial assets	(2,681)	(177)	15
Proceeds from sale of financial assets held at fair value through profit or loss	6,626	82	15
<b>Net cash flows generated/used (-) in investing activities</b>	<b>757,288</b>	<b>(3,764,660)</b>	
Payment of lease liabilities	(6,247)	(5,091)	22
Proceeds from capital and share premium increases, gross amount	-	960,087	20
Issue costs paid related to capital and share premium increases	-	(4,447)	20
Proceeds from capital and share premium increases from exercise of subscription rights	28,287	17,167	20
Proceeds from capital and share premium increases from exercise of warrant A by Gilead	-	368,035	20
<b>Net cash flows generated in financing activities</b>	<b>22,040</b>	<b>1,335,751</b>	
<b>Increase in cash and cash equivalents</b>	<b>351,994</b>	<b>779,708</b>	

(thousands of €)	2020	2019	Notes
Cash and cash equivalents at beginning of year	1,861,616	1,290,796	19
Transfer to current financial investments	-	(198,922)	
Increase in cash and cash equivalents	351,994	779,708	
Effect of exchange rate differences on cash and cash equivalents	(70,539)	(9,966)	
Cash and cash equivalents at end of the year	2,143,071	1,861,616	19

(thousands of €)	31 December		Notes
	2020	2019	
Current financial investments	3,026,278	3,919,216	18
Cash and cash equivalents	2,135,187	1,861,616	19
Cash and cash equivalents classified as assets held for sale	7,884		25
Current financial investments and cash and cash equivalents	5,169,349	5,780,832	

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 2019	236,540	1,277,780	(1,557)	(735)	(297,779)	1,214,249
Change in accounting policy (modified retrospective application IFRS 16)					416	416
<b>Restated total equity at 1 January 2019</b>	<b>236,540</b>	<b>1,277,780</b>	<b>(1,557)</b>	<b>(735)</b>	<b>(297,363)</b>	<b>1,214,665</b>
Net profit					149,845	149,845
Other comprehensive income/loss (-)			415	(4,107)		(3,692)
<b>Total comprehensive income/loss (-)</b>			<b>415</b>	<b>(4,107)</b>	<b>149,845</b>	<b>146,154</b>
Share-based compensation					38,297	38,297
Derecognition of financial liability from share subscription agreement and warrant A		135,702				135,702
Issue of new shares	36,945	923,142				960,087
Share issue costs	(4,447)					(4,447)
Exercise of warrant A by Gilead	14,162	353,873				368,035
Exercise of subscription rights	4,082	13,085				17,167
<b>On 31 December 2019</b>	<b>287,282</b>	<b>2,703,583</b>	<b>(1,142)</b>	<b>(4,842)</b>	<b>(109,223)</b>	<b>2,875,658</b>
<b>On 1 January 2020</b>	<b>287,282</b>	<b>2,703,583</b>	<b>(1,142)</b>	<b>(4,842)</b>	<b>(109,223)</b>	<b>2,875,658</b>
Net loss					(305,436)	(305,436)
Other comprehensive loss			(2,047)	(6,065)		(8,112)
<b>Total comprehensive loss</b>			<b>(2,047)</b>	<b>(6,065)</b>	<b>(305,436)</b>	<b>(313,548)</b>
Share-based compensation					79,959	79,959
Exercise of subscription rights	4,031	24,257				28,288
<b>On 31 December 2020</b>	<b>291,312</b>	<b>2,727,840</b>	<b>(3,189)</b>	<b>(10,907)</b>	<b>(334,701)</b>	<b>2,670,355</b>

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.

### R&D

The R&D operations are specialized in the discovery and development of small molecules. Our ambition is to become a leading global biotechnology company focused on the development and commercialization of novel medicines. Our strategy is to leverage our unique and proprietary target discovery platform, which facilitates our discovery and development of therapies with novel modes of action.

The components of the operating result presented in the financial statements include the following companies: Galapagos NV, Galapagos Biopharma Belgium BV, Galapagos Real Estate Belgium BV (Mechelen, Belgium); Galapagos SASU (Romainville, France); Galapagos B.V., Galapagos Biopharma Netherlands B.V. and Galapagos Real Estate Netherlands B.V. (Leiden, the Netherlands); Galapagos, Inc. and its subsidiary Xenometrix, Inc. (United States); Galapagos GmbH (Basel, Switzerland); Galapagos Biotech Ltd. (Cambridge, UK); Galapagos Biopharma Germany GmbH (München, Germany); Galapagos Biopharma Spain S.L.U. (Madrid, Spain) and Galapagos Biopharma Italy S.r.l. (Milan, Italy).

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

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 fee-for-service segment). Fidelta d.o.o. had 185 employees on 31 December 2020 working in the operating facilities in Croatia. As net assets associated with our fee-for-service business will be recovered principally through a sale transaction rather than through continuing use, we classified these assets and the associated liabilities as held for sale in our financial statements for the year ended 31 December 2020. The transaction was completed on 4 January 2021 for a total consideration of €37.1 million (including the customary adjustments for cash and working capital).

### Impact of COVID-19 on the financial statements

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

## 2. Summary of significant transaction

On 14 July 2019 we and Gilead announced that we entered into a 10-year global research and development collaboration. Through this agreement, Gilead gained exclusive access to our innovative portfolio of compounds, including clinical and preclinical programs and a proven drug discovery platform.

At inception of this collaboration in 2019, we received an upfront payment €3,569.8 million (\$3.95 billion) and a €960.1 million (\$1.1 billion) equity investment from Gilead. On 6 November 2019 Gilead exercised warrant A, which resulted in an additional equity investment of €368.0 million.

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

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

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

During Q4 2020, Gilead decided not to pursue FDA approval of the RA indication for filgotinib in the U.S. as a result of Complete Response Letter (CRL) from the Food and Drug Administration (FDA). Due to this, Gilead and we agreed to amend our existing collaboration for the commercialization and development of filgotinib. Under the new arrangement, we will assume sole responsibility in Europe for filgotinib in RA and in all other potential future indications and will fully support the costs of certain of the development activities. In connection with the changes in responsibility for the commercialization and development of filgotinib in Europe, we received a payment of €35.0 million (\$42.5 million) from Gilead in January 2021 and are entitled to additional payments of €125.0 million (\$151.8 million), of which €75.0 million will be paid in 2021 and €50.0 million will be paid in 2022. In addition, we will no longer be eligible to receive future milestone payments relating to filgotinib in Europe and we will pay royalties on net sales of filgotinib in Europe to Gilead as from 1 January 2024.

This modification 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)) 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. If GLPG1690 had been approved in the United States, Gilead would have paid us an additional \$325 million regulatory milestone fee. 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. If certain secondary efficacy endpoints for GLPG1972 had been met, Gilead would have paid us up to an additional \$200 million. Following opt-in on GLPG1972, we would have been eligible to receive up to \$550 million in regulatory and sales based milestones. In November 2020, Gilead declined to exercise its option to GLPG1972.

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, we will 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 will be subject to applicable local legal, regulatory and consultation requirements. The parties intend to transfer most activities by 31 December 2021 and complete the transition by 31 December 2022. Beginning on 1 January 2021, we will 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 include the DARWIN3, FINCH4, FILOSOPHY, and Phase 4 studies and registries in RA, MANTA and MANTA-RAY, the PENGUIN1 and 2 and EQUATOR2 studies in PsA, the SEALION1 and 2 studies in AS, the HUMBOLDT study in uveitis in addition to other clinical and non-clinical expenses supporting these studies and support for any investigator sponsored trials in non-IBD conditions and non-clinical costs on all current trials. The existing 50/50 global development cost sharing arrangement will continue for the following studies (defined as “Group B activities”): SELECTION and its long-term extension study (LTE) in UC, DIVERSITY and its LTE, DIVERGENCE 1 and 2 and their LTEs and support for Phase 4 studies and registries in Crohn’s disease, pediatric studies and their LTEs in RA, UC and Crohn’s disease, and support for investigator sponsored trials in IBD. All commercial economics on filgotinib in Europe will transfer to us as of 1 January 2022, subject to payment of tiered royalties of 8 to 15% of net sales in Europe to Gilead, starting in 2024. In connection with the amendments to the existing arrangement for the commercialization and development of filgotinib, Gilead has agreed to irrevocably pay us €160 million, which will be split between a €110 million payment in 2021 (of which €35 million has been received in January 2021) and a €50 million payment in 2022 and is subject to certain adjustments for higher than budgeted development costs. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. Other terms of the original license agreement remain in effect, including the remaining \$295 million in development and regulatory milestones (excluding the remaining approval milestones in Europe that became forfeited), sales-based milestone payments of up to \$600 million and tiered royalties ranging from 20 – 30% payable in territories outside Europe (whereas before it was applicable for all countries outside of Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom).

In addition, we achieved two regulatory approval milestones in 2020 totaling \$105 million.

### 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) EUR



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 of the closing of the subscription agreement 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 did not exercise any of its warrants during 2020 and warrant A came to maturity in October 2020. Gilead's ownership slightly diluted to 25.54% at 31 December 2020.

### 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 Financial 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 January 1, 2019

##### IFRS 16 Leases

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

We adopted IFRS 16 on 1 January 2019, in accordance with the transitional provisions of IFRS 16, using the modified retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of the comparative figures.

On adoption of IFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments and discounted using our incremental borrowing rate as of 1 January 2019. Our weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.55%.

The differences between our total operating lease commitments as reported in our consolidated financial statements of 31 December 2018 and the total lease liabilities recognized in our statement of financial position as at 1 January 2019 are summarized below.

(thousands of €)

Operating lease commitments disclosed as at 31 December 2018	27,704
Less: discounting effect using the lessee's incremental borrowing rate at the date of initial application	(1,223)
Less: other	(569)
<b>Lease liability recognized as at 1 January 2019</b>	<b>25,912</b>
Of which are:	
current lease liabilities	4,516
non-current lease liabilities	21,396

The change in accounting policy affected the statement of financial position as at 1 January 2019 as follows:

(thousands of €)	1 January
	<b>2019</b>
Property, plant and equipment (right-of-use assets)	26,406
Other current assets (prepaid expenses)	(494)
<b>Effect on total assets</b>	<b>25,912</b>
Accumulated losses	416
Lease liabilities (current and non-current)	25,912
Deferred income	(416)
<b>Effect on total equity and liabilities</b>	<b>25,912</b>

We applied the following practical expedients, as permitted by IFRS 16, on transition date:

- Reliance on the previous definition of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous instead of performing an impairment review;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- No recognition of right-of-use assets and liabilities for leases of low value assets.

We refer to our updated accounting policy on leases as a result of the adoption of IFRS 16.

Other new standards and interpretations applicable for the annual period beginning on 1 January 2019 did not have any impact on our consolidated financial statements.

### **New standards and interpretations applicable for the annual period beginning on 1 January 2020**

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

### **Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2020**

A number of new standards are effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. However we have not early adopted new or amended standards in preparing our consolidated financial statements. Of the standards that are not yet effective, we expect no standard to have a material impact on our financial statements in the period of initial application.

### **Consolidated reporting**

The consolidated financial statements comprise the financial statements of Galapagos NV and entities controlled by Galapagos NV. Control is achieved where Galapagos NV has the power to direct the relevant activities of another entity so as to obtain benefits from its activities. The results of subsidiaries are included in the income statement and statement of comprehensive income from the effective date of acquisition up to the date when control ceases to exist. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with our accounting policies. All intra-group transactions, balances, income and expenses are eliminated when preparing the consolidated financial statements.

## Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from our development activities is recognized only if all of the following conditions are met:

- Technically feasible to complete the intangible asset so that it will be available for use or sale
- We have the intention to complete the intangible assets and use or sell it
- We have the ability to use or sell the intangible assets
- The intangible asset will generate probable future economic benefits, or indicate the existence of a market
- Adequate technical, financial and other resources to complete the development are available
- We are able to measure reliably the expenditure attributable to the intangible asset during its development

### (i) Internally generated intangible assets

The amount capitalized as internally generated intangible assets is the sum of the development costs incurred as of the date that the asset meets the conditions described above. Because of risks and uncertainties inherent to the regulatory authorizations and to the development process itself, management estimates that the conditions for capitalization are not met until we obtain regulatory approval from the competent authorities.

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

### (ii) Licenses, patents & know-how

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

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

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

In the event an asset has an indefinite life, this fact is disclosed along with the reasons for being deemed to have an indefinite life. Intangible assets with an indefinite useful life and intangible assets which are not yet available for use are tested for impairment annually, and whenever there is an indication that the asset might be impaired.

### (iii) Software

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

#### **(iv) Contract costs**

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

#### **Property, plant and equipment**

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

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

Depreciation is recognized so as to write off the cost of assets over their useful lives, using the straight-line method, on the following bases:

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

Leasehold improvements are depreciated over 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.

## 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, outside of the Gilead transaction, fully settled at 31 December 2019. Additionally, we don't have financial debts at 31 December 2020.

### (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 our investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend income, are recognized in profit or loss.

**Equity instruments**

We hold investments in equity instruments, which based on IFRS 9, are designated as financial assets at fair value through profit or loss. 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 short-term deposits, bonds and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value.

**(b) Financial assets at amortized cost**

**Receivables**

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

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

Receivables mainly comprise trade and other receivables and current/non-current R&D incentives receivables.

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

**Current financial investments measured at amortized cost**

Current financial investments measured at amortized cost include treasury bills that have a maturity equal or less than 12 months. We apply settlement date accounting for the recognition and de-recognition of current financial investments measured at amortized cost.

**Cash**

Cash are financial assets measured at amortized cost and comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their value.

**Cash equivalents measured at amortized costs**

Cash equivalents measured at amortized cost comprise short-term deposits that are readily convertible to cash and are subject to an insignificant risk of changes in value.

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

### **(ii) Financial liabilities**

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

Financial liabilities mainly comprise trade and other liabilities.

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

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

### **(iii) Financial instruments: derivative assets/liabilities**

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

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

## **Taxation**

Income tax in the profit or loss accounts represents the sum of the current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit of the year. The taxable profit of the year differs from the profit as reported in the financial statements as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability-method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. As such, a deferred tax asset for the carry forward of unused tax losses will be recognized to the extent that is probable that future taxable profits will be available.

## Foreign currencies

### ■ Functional and presentation currency

Items included in the financial statements of each of our entities are valued using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Euros, which is our presentation currency

### ■ Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transaction. We use monthly transaction rates based on the closing exchange rates of the foreign currencies on the last business day of the month preceding the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the 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 milestones, license fees, non-refundable upfront fees and royalties received in connection with collaboration and license agreements. We also generated revenue from our fee-for-service activities, which is reported as discontinued operations per 31 December 2020.



The revenue recognition policies can be summarized as follows:

We recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. To determine revenue recognition for agreements that we determine are within the scope of IFRS 15, we perform the following five steps:

**(i) identify the contract**

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

**(ii) identify the performance obligations in the contract**

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

**(iii) determine the transaction price**

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

**(a) License fees or upfront payments**

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

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

**(b) Milestone payments other than sales based milestones**

A milestone payment is only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where milestone payments are included in the transaction price we estimate the amount to be included in the transaction price using the most likely amount method. The transaction price is allocated to each performance obligation on a stand-alone selling price basis. We recognize revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, we re-evaluate the probability of achievement of relevant milestones and any related constraint. If necessary we adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

**(c) Reimbursement income for R&D services**

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

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

**(d) Sales based milestone payments and royalties**

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

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

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

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

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

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

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.

## **Other income**

### **Grants and R&D incentives**

As we carry out extensive research and development activities, we benefit from various grants and R&D incentives from certain governmental agencies. These grants and R&D incentives generally aim to partly reimburse (approved) expenditures incurred in our research and development efforts and are credited to the income statement, under other income, when the relevant expenditure has been incurred and there is reasonable assurance that the grants or R&D incentives are receivable.

## **Equity instruments**

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

## **Employee benefits**

### **(i) Defined contribution plans**

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

### **(ii) Defined benefit plans**

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized

in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expenses or income
- Re-measurement

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in our defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or a reduction in future contributions to the plans. A liability for a termination benefit is recognized at the earlier of when we can no longer withdraw the offer of the termination benefit and when we recognize any related restructuring costs.

### **(iii) Staff bonus plan**

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

### **(iv) Management bonus plan**

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

The management board members, together with other senior managers, are eligible to receive bonuses under the Senior Management Bonus Scheme established in 2006. Pursuant to the rules of the Senior Management Bonus Scheme, 50% of the bonus is paid immediately around year-end and the payment of the remaining 50% is deferred for three years. The deferred 50% component is dependent on the Galapagos share price change relative to the Next Biotech Index (which tracks Euronext-listed biotech companies). The Galapagos share price and the Next Biotech Index at the start and end of the 3-year period is calculated by the average price over the preceding and last month of the 3-year period, respectively.

- If the Galapagos share price change is better than or equal to the change in the Next Biotech Index, the deferred bonus will be adjusted by the share price increase/decrease percentage and paid out
- If the Galapagos share price change is up to 10% worse than the change in the Next Biotech Index, 50% of the deferred bonus will be adjusted by the share price increase/decrease percentage and paid out, and the remainder will be forfeited
- If the Galapagos share price change is more than 10% worse than the change in the Next Biotech Index the deferred bonus will be forfeited

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

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

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

## Share-based payments

### (i) Equity-settled share-based payments

We grant equity-settled incentives to certain employees, members of the supervisory board and consultants in the form of subscription rights. Equity-settled subscription rights are measured at fair value at the date of acceptance. The fair value determined at the acceptance date of the subscription rights is expensed over time until the end of the vesting period, based on our estimate of subscription rights that are expected to be exercised. Fair value is measured by use of the Black & Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

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

Management board members and other employees were granted RSUs in 2019 and 2020. An RSU is a grant that takes the form of a promise that employees will receive Galapagos stock in the future and it will be payable, at the company's discretion in cash or in shares, upon completion of a certain vesting period. Each RSU reflects the value of one Galapagos share.

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

## Provisions

Provisions are recognized on the balance sheet when we have a present obligation as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of the money and, when appropriate, the risk specific to the liability.

## Impairment

### (i) Financial assets

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

For trade receivables, in the absence of a significant financing component, the loss allowance is measured at an amount equal to lifetime expected credit losses. Those are the expected credit losses that result from all possible default events over the expected life of those trade receivables.

Impairment losses are recognized in the consolidated income statement.

### (ii) Property, plant and equipment and intangible assets

For intangible assets with an indefinite life or intangible assets not available for use yet, we perform an impairment test at least on an annual basis. Furthermore we review at each balance sheet date the carrying amount of our tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset or cash generating unit is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss resulting from a sale of a subsidiary is recognized as income. In other cases impairment losses of goodwill are never reversed.

### **Net income/loss per share**

Basic net income/loss per share is computed based on the weighted average number of shares outstanding during the period. Diluted net income per share is computed based on the weighted average number of shares outstanding including the dilutive effect of subscription rights, if any.

### **Segment reporting**

The group had two reportable segments, R&D and fee-for-service business. Due to the disposal of Fidelta d.o.o. (our fee-for-service segment), we have reported this segment as discontinued operations at 31 December 2020. Galapagos is therefore operating as a single operating segment.

### **Assets held for sale and discontinued operations**

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

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

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

They are stated at the lower of carrying amount and fair value less costs to sell with any resulting impairment recognized. Assets related to discontinued operations and assets of disposal group held for sale are not depreciated. The prior-year consolidated balance sheet is not restated.

On 23 November 2020, we signed a share purchase agreement in relation to the sale of our fee-for-service business. As the net assets associated with our fee-for-service business will be recovered principally through a sale transaction rather than through continuing use, we classified these assets and the associated liabilities as held for sale in our financial statements for the year ended 31 December 2020.

On 4 January 2021, we concluded the sale of our fee-for-service business to Selvita S.A.

Where applicable and in accordance with IFRS 5, we have restated the 2019 comparatives in the consolidated income statement and in the notes to consider the impact of classifying the Fidelta business as discontinued operations in 2020.

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Our estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

The following are the critical judgments that we have made in the process of applying the accounting policies and the key sources of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements presented elsewhere in this annual report.

### Critical judgments in applying accounting policies

#### IFRS 15 – Revenue recognition Gilead

Our critical judgments were as follows:

##### Identification of the contract

- Although formal executive contracts are still being finalized with Gilead, we assessed that the impact of the modification must already be accounted for in our consolidated financial statements for the year ended 31 December 2020 given the legally binding and enforceable character of the term sheet that was signed between us and Gilead on 15 December 2020 as a consequence of both parties' decision to amend our existing agreement for the commercialization and development of filgotinib.
- Despite our obligation to pay future sales-based royalties to Gilead and a change in the governance structure for the development activities, we concluded that all activities are still beneficial for the further development of filgotinib, for which Gilead still owns the ex-Europe rights. The contract modification has 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 subsequently concluded that there continues to be only one performance obligation with respect to filgotinib after the contract modification.

##### Identification of the performance obligation

- The modification 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. 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 modification 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 that all ongoing and planned clinical trials (including long term extension trials) would be completed until their final stage.

### 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 2020.

#### 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. 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. Our total deferred income balance related to this filgotinib performance obligation amounts to €818.7 million on 31 December 2020.

## 5. Segment information

### Operational segmentation

The group had two reportable segments, R&D and fee-for-service business. Due to the disposal of Fidelta d.o.o. (our fee-for-service segment), we reported this segment as discontinued operations. Galapagos is therefore operating as a single operating segment.

### Geographical information

In 2020 our continuing operations were mainly located in Belgium, France and the Netherlands and our top 3 customers represented 99.9% of the revenues. Our client base in 2020 and 2019 included three of the largest pharmaceutical companies in the world.

Following table summarizes our revenues by destination of customer:

(thousands of €)	Year ended 31 December	
	2020	2019
United States of America	472,445	793,873
Europe	5,607	41,028
<b>Total revenues</b>	<b>478,053</b>	<b>834,901</b>

Following table summarizes our revenues by major customers:

	Year ended 31 December			
	2020		2019	
	(thousands of €)	%	(thousands of €)	%
<b>Gilead</b>				
United States of America <sup>(1)</sup>	472,445	99%	793,873	95%
Europe <sup>(1)</sup>	1,460	0%	-4,570	-1%
<b>AbbVie</b>				
Europe	(52)	0%	26,356	3%
<b>Novartis</b>				
Europe	4,125	1%	19,177	2%
<b>Total revenues from major customers</b>	<b>477,978</b>	<b>100%</b>	<b>834,836</b>	<b>100%</b>

(1) Following the contract amendment with Gilead in 2019, the revenue recognized for filgotinib for the year ended 31 December 2019, included a negative catch-up effect on closing date of €245.9 million resulting from the decrease in the percentage of completion applied to previously received upfront and milestones for that program.

On 31 December 2020, we held €171 million (€91 million in 2019) of property, plant and equipment and intangible assets distributed as follows:

(thousands of €)	31 December	
	2020	2019 <sup>(1)</sup>
Belgium	113,524	57,007
France	18,398	18,102
The Netherlands	28,210	7,951
Croatia	-	6,182
Switzerland	7,668	1,057
Spain	2,755	-
Other	388	681
<b>Total</b>	<b>170,943</b>	<b>90,979</b>

(1) In accordance with IFRS 8 we only present the total of the property, plant and equipment and intangible assets in this disclosure note. This is a change in presentation compared to the amounts that were published in this disclosure note for the year ended 31 December 2019. We elected to adjust the historical consolidated financial information presented in this disclosure note to reflect this change in presentation.

As the net assets associated with Fidelta d.o.o. (Croatia) will be recovered principally through a sale transaction rather than through continuing use, we have classified these assets and the associated liabilities as held for sale in our financial statements for the year ended 31 December 2020.



## 6. Total revenues and other income

### Revenues

The following table summarizes details of revenues for the years ended 31 December 2020 and 2019 by collaboration and by category of revenue: upfront payments and license fees, milestone payments, reimbursement income, other revenues and commercial revenues.

Disaggregation of revenues

(thousands of €)	Year ended 31 December		2020	2019
	Over time	Point in time		
<b>Recognition of non-refundable upfront payments and license fees</b>			<b>411,417</b>	<b>812,058</b>
Gilead collaboration agreement for ziritaxestat		✓	-	666,968
Gilead collaboration agreement for filgotinib <sup>(1)</sup>	✓		181,816	62,602
Gilead collaboration agreement for drug discovery platform	✓		229,601	80,918
AbbVie collaboration agreement for CF	✓		-	1,569
<b>Milestone payments</b>			<b>46,261</b>	<b>2,878</b>
Gilead collaboration agreement for filgotinib <sup>(1)</sup>	✓		46,261	(21,187)
AbbVie collaboration agreement for CF	✓		-	24,065
<b>Reimbursement income</b>			<b>4,073</b>	<b>19,900</b>
Novartis collaboration agreement for MOR106	✓		4,125	19,177
AbbVie collaboration agreement for CF	✓		(52)	723
<b>Other revenues</b>			<b>70</b>	<b>66</b>
Other revenues		✓	70	66
<b>Commercial revenues</b>			<b>16,232</b>	<b>-</b>
Sale of goods		✓	2	-
Royalties		✓	16,227	-
Other commercial revenues		✓	2	-
<b>Total revenues</b>			<b>478,053</b>	<b>834,901</b>

(1) Following the contract amendment with Gilead in 2019, the revenue recognized for filgotinib for the year ended 31 December 2019 included a negative catch-up effect on closing date of €245.9 million resulting from the decrease in the percentage of completion applied to previously received upfront and milestones for that program.

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

Allocation of transaction price

(thousands of €)	Filgotinib agreement 2015	Mile- stones achieved during 2015-2019	Option, License and Colla- boration agreement (14 July 2019)	31 December 2019	Other movements in 2020	Filgotinib amend- ment (15 December 2020)	31 December 2020
Upfront consideration	275,558		3,569,815	3,845,373		160,000	4,005,373
Milestones achieved		104,171		104,171	90,192		194,363
Royalties				-	16,227		16,227
Impact initial valuation of share subscription	39,003		85,601	124,604			124,604
	314,561	104,171	3,655,416	4,074,148	106,419	160,000	4,340,567
Less:							
Warrant issuance liabilities							
Warrant A				(43,311)			(43,311)
Initial warrant B				(2,545)			(2,545)
Subsequent warrant B				(16,184)	8,325		(7,859)
	314,561	104,171	3,655,416	4,012,108	114,744	160,000	4,286,852
Allocation to performance obligations							
Ziritaxestat			666,967	666,967			666,967
Filgotinib <sup>(1)</sup>	314,561	104,171	641,663	1,060,395	106,419	160,000	1,326,814
Drug discovery platform (10 years)			2,284,747	2,284,747	8,325		2,293,072

(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, considering the effects of the amendment of 15 December 2020.

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 will be 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). 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 24](#) for more information). The value initially allocated to the subsequent warrant B reflects the fair value of the underlying liability on 31 December 2019. On 31 December 2020 the value of the subsequent warrant B decreased to €7.9 million, driven by the decrease of our share price in 2020, partly compensated by an increase in the implied volatility.

On 15 December 2020 we and Gilead signed a term sheet modifying our existing collaboration for filgotinib. As a result of this modification an additional consideration of €160.0 million was allocated to the filgotinib performance obligation.

A summary of all current contracts with customers is given below:

### **Collaboration with Gilead**

On 14 July 2019 we and Gilead announced that we had entered into a 10-year global research and development collaboration. Through this agreement, Gilead gained exclusive access to our innovative portfolio of compounds, clinical and preclinical programs and a proven drug discovery platform.

As part of this deal, our existing license and collaboration agreement for filgotinib with Gilead was amended for the first time. Under this revised filgotinib agreement, we obtained greater involvement in filgotinib's global strategy and participate more broadly in the commercialization of the product in Europe, providing the opportunity to build a commercial presence on an accelerated timeline.

On 15 December 2020 our license and collaboration agreement for filgotinib with Gilead was amended a second time. Under the new arrangement, we will assume sole responsibility in Europe for filgotinib in RA and in all future indications.

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**

- In connection with this agreement with Gilead, we recognized a deferred income and an offsetting current financial asset (derivative) of €85.6 million upon signing of the share subscription agreement with Gilead in 2019 as required under IFRS 9. The deferred income has been added to the transaction price at inception of the agreement because it is considered to be part of the overall consideration received for the three performance obligations.
- We considered that the transaction price included a premium paid by Gilead (through the upfront payment) to acquire warrants (warrant A and warrant B) in the future, upon approval by the shareholders. We measured both warrants at fair value and recognized a warrant issuance liability at closing of the transaction for the same amount (as part of the current deferred income line). This liability is re-measured at each reporting period with a corresponding impact on the allocation of the transaction price to the performance obligation relating to the drug discovery platform as long as the warrants are not approved by the shareholders. Due to the fact that warrant A and initial warrant B were already approved in 2019, only the remeasurement of subsequent warrant B still has an impact on the transaction price considered for the revenue recognition of the performance obligation relating to the drug discovery platform.
- We assessed that the contract modification of 15 December 2020 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. As a consequence, the increase in the transaction price of €160.0 million as a result of this modification has been allocated in its entirety to the filgotinib performance obligation.

### Financing component

- There are two performance obligations determined in the agreement with Gilead for which the period between the transfer of the promised goods/services to Gilead and the payment of the underlying consideration by Gilead exceeds one year, being the performance obligation relating to the drug discovery platform and the performance obligation resulting from the filgotinib amendment. Although the consideration paid for the drug discovery platform will be recognized over a period of 10 years as from receipt of the funds, management concluded not to consider any financing component for this performance obligation as the granting of an exclusive access and option rights on day one is the predominant value of the drug discovery platform performance obligation. As a consequence, management has considered it is only appropriate to adjust the part of the transaction price that was allocated to the filgotinib performance obligation, for the time value of money. The additional consideration as a result of the contract modification of 15 December 2020 has also been adjusted for the time value of money.

### License on GLPG1690

- The transaction price allocated to this performance obligation reflects our assessment of the stand-alone selling price of this performance obligation and was valued based on a discounted cash flow approach including, amongst others, assumptions on the estimated market share and size, peak sales and probability of success.
- This performance obligation is completely satisfied at 31 December 2019. Following the very recent discontinuation of the ziritaxestat trials, we don't expect future milestone payments or royalties.
- After granting the license for GLPG1690, we shared Phase 3 costs equally with Gilead. Any cost reimbursement from Gilead was not recognized as revenue but accounted as a decrease of the related expenses.

### Filgotinib amendment

- There is one single performance obligation under IFRS 15: the transfer of a license combined with performance of R&D activities. This is because we considered that the license is not distinct in the context of the contract.
- The standalone selling price of the filgotinib amendment was determined through the cost-plus-margin approach. Management estimated that an appropriate margin is indirectly embedded in the increased involvement in the development and global strategy of filgotinib, our sole responsibility for filgotinib in Europe and the accompanying increase in the risk.
- The transaction price is currently composed of a fixed part, being non-refundable upfront and license fees and a variable part, being milestone payments, sales based milestones and sales based royalties, and cost reimbursements for R&D activities delivered. Milestone payments are included in the transaction price of the arrangement to the extent that it is highly probable that a significant reversal of revenue will not occur. Milestone payments received from Gilead are recognized in revenue over time till the end of the development plan. Sales based milestones and sales based royalties are also part of the arrangement and are recognized as revenues at a point in time at the moment they occur. During 2020 we reported €16.2 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 modification from 2020 leading to a small decrease in the percentage of completion. Nevertheless, we recognized higher revenues in financial year 2020 as compared to financial year 2019 for filgotinib because the total transaction price increased due to the contract modification (€160.0 million) and the milestone payments obtained in 2020 for the regulatory approval of filgotinib for RA in Europe and Japan for a total amount of \$105 million (€90.2 million).

### **Access rights to the drug discovery platform, option rights and R&D activities**

- The revenue allocated to the drug discovery platform will be 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 2020.

### **Collaboration with Novartis**

Together with our collaboration partner MorphoSys, we closed a license agreement with Novartis for MOR106 in July 2018. MorphoSys and we received an equal share of an upfront payment of €95 million and were entitled to potential future milestone payments and royalties. Novartis would bear all future research, development, manufacturing and commercialization costs related to MOR106. Costs reimbursements received from Novartis were recognized in revenues when costs were incurred and agreed by the parties as we were acting as a principal in the scope of the performance of the R&D activities.

On 28 October 2019, we announced the end of the clinical development program of MOR106 in AtD.

On 17 December 2019, Novartis sent us a termination notice, informing us of its decision to terminate the agreement in its entirety. The termination became effective in 2020.

### **Collaboration with AbbVie**

We concluded as follows for the related revenue recognition:

- There was one single performance obligation under IFRS 15: the transfer of a license combined with performance of R&D activities. This was because we considered that the license was not capable of being distinct and was not distinct in the context of the contract.
- The transaction price of our agreement with AbbVie was composed of a fixed part, being upfront license fees, and a variable part, being milestone payments and cost reimbursements for R&D activities delivered. Milestone payments were only included in the transaction price to the extent that it was highly probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is subsequently resolved. Given the nature of our industry, we only consider this once the milestone event is achieved. Sales based milestones and sales based royalties are a part of our arrangement but are not yet included in our revenues.
- The transaction price was allocated to the single performance obligation and revenues were recognized over the estimated service period based on a pattern that reflects the transfer of the license and progress to complete satisfaction of the R&D activities. This is because we considered that there is a transformational relationship between the license and the R&D activities to be delivered.
- We chose an input model to measure the satisfaction of the single performance obligation that considers a percentage of costs incurred for this program that are completed each period (percentage of completion method).
- Costs reimbursements received from AbbVie were recognized in revenues when costs were incurred and agreed by the parties as we were acting as a principal in the scope of our stake of the R&D activities of these license and collaboration agreements.

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

The performance obligation related to this agreement was considered fully satisfied on 31 December 2019.

## Other income

The following table summarizes other income for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
Grant income	5,452	6,549
R&D incentives	45,951	43,923
Other	804	425
<b>Total other income</b>	<b>52,207</b>	<b>50,896</b>

The majority of the grant income was related to grants from a Flemish agency and the national government, representing approximately 99% of all reported grant income in 2020 (2019: 99%). In many cases these carry clauses which require us to maintain a presence in the same region for a number of years and invest according to pre-agreed budgets. In 2020, we also received a grant of €5.0 million from the National Institute for Health and Disability Insurance (2019: €5.5 million). This grant aims to incentivize innovative Belgian biotech companies who are performing research and development activities in order to identify new medicines.

R&D incentives income was primarily composed of:

- Income from an innovation incentive system of the French government, which represented €12.4 million of other income for the year ended 31 December 2020 compared to €12.4 million for the year ended 31 December 2019
- Income from Belgian R&D incentives with regard to incurred R&D expenses, which represented €21.7 million of other income for the year ended 31 December 2020 compared to €21.7 million for the year ended 31 December 2019
- Tax rebates on payroll withholding taxes of R&D personnel in Belgium and the Netherlands, representing €11.9 million of other income for the year ended 31 December 2020 compared to €9.9 million for the year ended 31 December 2019

## 7. Operating costs

Operating result has been calculated after charging (-)/crediting:

### Research and development expenditure

The following table summarizes research and development expenditure for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
Personnel costs	(161,509)	(118,875)
Subcontracting	(301,841)	(255,725)
Disposables and lab fees and premises costs	(22,349)	(19,573)
Depreciation	(11,707)	(9,330)
Professional fees	(12,692)	(1,834)
Other operating expenses	(13,570)	(14,753)
<b>Total research and development expenditure</b>	<b>(523,667)</b>	<b>(420,090)</b>

The R&D expenditure increase reflects the increase of our investments to advance our R&D programs. This increase was principally due to:

- Increased R&D personnel costs were explained by an enlarged workforce following the growth in our R&D activities as well as increased costs of the subscription right plans.
- The increase in subcontracting costs is mainly due to increased expenditure for filgotinib development due to the increased cost share. Moreover expenditures have further increased as we advance our Toledo program and our other programs.
- Professional fees increased due to additional consulting expenses related to the implementation of new software applications.

The table below summarizes our research and development expenditure for the years ended 31 December 2020 and 2019, broken down by program:

(thousands of €)	Year ended 31 December	
	2020	2019
Filgotinib program	(126,879)	(100,032)
Ziritaxestat program	(55,902)	(75,951)
OA program on GLPG1972	(22,966)	(19,958)
Toledo program	(87,107)	(47,204)
CF program	(69)	(3,897)
AtD program on MOR106	(7,618)	(24,051)
Other programs	(223,126)	(148,997)
<b>Total research and development expenditure</b>	<b>(523,667)</b>	<b>(420,090)</b>

## Sales and marketing expenses

The following table summarizes the sales and marketing expenses for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
Personnel costs	(31,727)	(7,558)
Depreciation	(140)	(61)
External outsourcing costs	(27,174)	(15,721)
Professional fees	(3,420)	(459)
Other operating expenses	(4,007)	(777)
<b>Total sales and marketing expenses</b>	<b>(66,468)</b>	<b>(24,577)</b>

The increase in our sales and marketing expenses in 2020 is mainly due to the preparation of the commercial launch for filgotinib and is primarily explained by an increase in personnel costs due to recruitments and increased costs of subscription right plans, as well as related increase in outsourcing costs. The latter was mainly due to additional costs incurred relating to our co-promotion activities with Gilead for filgotinib, for which we have recharged €4.7 million to Gilead, which was recorded as a deduction of sales and marketing expenses (compared to €8.2 million recharges by Gilead to us for the year ended 31 December 2019).

## General and administrative expenses

The following table summarizes the general and administrative expenses for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
Personnel costs	(70,110)	(51,204)
Depreciation	(5,147)	(1,421)
Legal and professional fees	(25,592)	(11,568)
Other operating expenses	(17,908)	(8,190)
<b>Total general and administrative expenses</b>	<b>(118,757)</b>	<b>(72,382)</b>

The increase in our general and administrative expenses in 2020 was mainly due to a planned increase in the staff supporting the growth of the company, higher costs related to the subscription right plans and additional legal and professional fees.

## 8. Staff costs

The table below summarizes the number of our employees of our continuing operations on 31 December 2020 and 2019:

	2020	2019
Number of employees on 31 December	1,304	845
<b>Total</b>	<b>1,304</b>	<b>845</b>



The average number of employees of our continuing operations during the years 2020 and 2019 was:

	Year ended 31 December	
	2020	2019
Members of the management board	6	5
Research and development	611	523
Commercial	144	27
Corporate and support	335	156
<b>Total</b>	<b>1,096</b>	<b>711</b>

Their aggregate remuneration comprised:

(thousands of €)	Year ended 31 December	
	2020	2019
Wages and salaries	(139,681)	(113,660)
Social security costs	(26,471)	(14,566)
Retirement benefit costs	(7,337)	(4,715)
Costs related to subscription right plans	(79,959)	(38,297)
Other personnel costs	(9,897)	(6,399)
<b>Total personnel costs</b>	<b>(263,345)</b>	<b>(177,636)</b>

## 9. Fair value re-measurement of share subscription agreement and warrants granted to Gilead

Total fair value re-measurement for the years ended 31 December 2020 and 31 December 2019 can be split up as follows:

(thousands of €)	Year ended 31 December	
	2020	2019
Fair value re-measurement of the share subscription agreement	-	(142,350)
Fair value re-measurement of warrant A	-	(35,642)
Fair value re-measurement of initial warrant B	3,034	(3,653)
<b>Total fair value re-measurement of share subscription agreement and warrants granted to Gilead</b>	<b>3,034</b>	<b>(181,644)</b>

### Gilead share subscription agreement

On 23 August 2019, the closing date of the contract, Gilead made a €960.1 million equity investment in Galapagos NV by subscribing to 6,828,985 new ordinary shares at a price of €140.59 per share, including issuance premium. The equity subscription was accounted for as a financial asset at signing date of the contract on 14 July 2019 and changes in fair value were recorded through profit or loss until closing date, when the financial liability was derecognized.

In the year ended 31 December 2019 we recognized a fair value loss of €142.4 million, which reflects the increase in the Galapagos share price between signing and closing of the Gilead agreement. On 23 August 2019, the fair value of the financial liability amounting to €56.7 million was derecognized through the share premium account in equity.

	Year ended 31 December
(thousands of €)	2019
Fair value of financial asset at signing date	85,601
Change in fair value recorded in profit or loss	(142,350)
Fair value of financial liability at closing date	(56,749)
Derecognition at closing date	56,749
Fair value on 31 December 2019	-

### Gilead warrants A and B

We measured the warrants (warrant A and initial and subsequent warrant B) at fair value and recognized a warrant issuance liability at closing date of the transaction. Upon approval of the issuance of warrant A and initial warrant B on 22 October 2019 (warrant approval date) the variable consideration was re-measured with a corresponding impact on the transaction price allocated to the performance obligation relating to our drug discovery platform, and the warrant issuance liability became a financial liability measured at fair value with changes through profit or loss as from that moment.

On 6 November 2019 Gilead exercised warrant A and as such increased its ownership in Galapagos to 25.10% of the then outstanding shares.

Between the warrant approval date and the exercise of warrant A our share price increased significantly, resulting in a fair value loss of €35.6 million recognized in profit or loss in 2019. On 6 November 2019 the related financial liability, amounting to €79.0 million was derecognized through the share premium account in equity.

Management assessed that the financial liability relating to this warrant A had no remaining fair value on 31 December 2019 mainly because Gilead further increased its ownership to 25.84% on 31 December 2019. Gilead's ownership did not materially decrease during 2020 and the warrant A expired on 22 October 2020.

	Year ended 31 December
(thousands of €)	2019
Fair value of financial liability at warrant approval date	(43,311)
Change in fair value recorded in profit or loss	(35,642)
Derecognition at warrant A exercise date	78,953
Fair value on 31 December 2019	-

The issuance of initial warrant B was approved on 22 October 2019 by the extraordinary general meeting of shareholders and is not yet exercised by Gilead at 31 December 2020. The fair value measurement of this financial liability is categorized as level 3 in the fair value hierarchy. Initial warrant B has been valued on the basis of a Longstaff-Schwartz Monte Carlo model. The input data used in the model were derived from market observations (volatility, discount rate and share price) and from management estimates (number of shares to be issued and applied discount for lack of marketability). The recognized fair value gain of €3.0 million is mainly the result of the decrease of our share price in 2020, partly compensated by an increase in the implied volatility. The fair value of the financial liability related to the initial warrant B of €3.2 million on 31 December 2020 (€6.2 million at 31 December 2019) is presented as current financial instrument in our consolidated statement of financial position and will be re-measured at each reporting period.

(thousands of €)	Year ended 31 December	
	2020	2019
Fair value of financial liability at 1 January	(6,198)	-
Fair value of financial liability at warrant approval date	-	(2,545)
Change in fair value recorded in profit or loss	3,034	(3,653)
Fair value on 31 December	(3,164)	(6,198)

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 24](#) for more information). Subsequent warrant B has been valued on the basis of a Longstaff-Schwartz Monte Carlo model. The input data used in the model were derived from market observations (volatility, discount rate and share price) and from management estimates (number of shares to be issued and applied discount for lack of marketability).

## 10. Other financial income/expenses

The following table summarizes other financial income and expenses for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
<b>Other financial income:</b>		
Interest income	10,030	14,305
Effect of discounting long term R&D incentives receivables	93	93
Currency exchange gain	4,697	775
Fair value gain on financial assets held at fair value through profit or loss	2,397	5,355
Fair value gain on current financial investments	-	611
Gain upon sale of financial assets held at fair value through profit or loss	-	2
Other finance income	1,450	248
<b>Total other financial income</b>	<b>18,667</b>	<b>21,389</b>
<b>Other financial expenses:</b>		
Interest expenses	(9,389)	(1,268)
Effect of discounting long term deferred income	(16,278)	(6,900)
Currency exchange loss	(110,416)	(47,720)
Loss upon sale of financial assets held at fair value through profit or loss	(88)	-
Fair value loss on current financial investments	(15,901)	(3,700)
Other finance charges	(773)	(380)
<b>Total other financial expenses</b>	<b>(152,844)</b>	<b>(59,968)</b>
<b>Total net other financial expenses</b>	<b>(134,177)</b>	<b>(38,579)</b>

The currency exchange loss in 2020 of €110.4 million primarily consisted of an unrealized exchange loss of €106.4 million on deposits and current financial investments held in U.S. dollars, as compared to a realized currency exchange loss in 2019 of €34.9 million on the U.S. dollars upfront payment from Gilead and an unrealized exchange loss in 2019 of €10.6 million on deposits and current financial investments 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.

Net currency exchange loss amounted to €105.7 million for the year ended 31 December 2020, compared to a net currency exchange loss of €46.9 million for the year ended 31 December 2019.

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 2020 also included €16.3 million of costs (€6.9 million for the year ended 31 December 2019) linked to the accounting under IFRS 15 for a financing component embedded in the upfront consideration received from Gilead in connection with the revised agreement for filgotinib.

Interest income was related to interests on term deposits, notice accounts and current financial investments.

For the year ended 31 December 2020, fair value gain on financial assets held at fair value through profit or loss consisted of positive effects from the fair value re-measurement of financial assets classified as equity investments which qualify for level 1 fair value measurement based upon the closing price of such securities at each reporting date. The fair value loss on the current financial investments reflects 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 2020. These fair value losses are mainly the result of the negative returns on the EUR denominated money market funds.

## 11. Income taxes

The following table summarizes the income tax recognized in profit or loss for the years ended 31 December 2020 and 2019.

(thousands of €)	Year ended 31 December	
	2020	2019
Current tax	(1,069)	(1,372)
Deferred tax	(157)	1,537
<b>Total income taxes</b>	<b>(1,226)</b>	<b>165</b>

Current tax, consisting of corporate income taxes, and deferred tax income/cost (-) related to subsidiaries working on a cost plus basis.

### Tax liabilities

The below table illustrates the tax liabilities related captions in the consolidated statement of financial position as at 31 December 2020 and 2019.

(thousands of €)	31 December	
	2020	2019
Current tax payable	1,248	2,037
<b>Total tax liabilities</b>	<b>1,248</b>	<b>2,037</b>

On 31 December 2020, the tax liabilities were primarily related to our subsidiaries operating on a cost plus basis.

### Taxes recognized in profit or loss

For the purpose of the disclosure below corporation tax was calculated at 25% (2019: 29.58%) – 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	
	2020	2019
<b>Profit/loss (-) before tax</b>	<b>(309,775)</b>	<b>148,525</b>
Income tax debit/credit (-), calculated using the Belgian statutory tax rate on the accounting profit/loss (-) before tax (theoretical)	(77,444)	43,934
<b>Tax expenses/income (-) in income statement (effective)</b>	<b>1,226</b>	<b>(165)</b>
<b>Difference in tax expenses/income to explain</b>	<b>78,670</b>	<b>(44,097)</b>
Effect of tax rates in other jurisdictions	184	960
Effect of non-taxable revenues	(10,196)	(13,079)
Effect of share-based payment expenses without tax impact	19,990	10,318
Effect of expenses/income (-) not subject to tax	(639)	53,394
Effect of non-tax-deductible expenses	1,053	724
Effect of recognition of previously non recognized deferred tax assets	(475)	(2,286)
Effect of tax losses (utilized) reversed	(150)	(136)
Effect from under or over provisions in prior periods	(25)	30
Effect of non-recognition of deferred tax assets	69,141	47,413
Effect of derecognition of previously recognized deferred tax assets	157	-
Effect of use of investment deduction	(370)	-
Effect of use of IID	-	(141,435)
<b>Total explanations</b>	<b>78,670</b>	<b>(44,097)</b>

Non-taxable revenues for the years ended 31 December 2020 and 2019 were related to non-taxable subsidies and tax credits. Expenses/income (-) not subject to tax for the years ended 31 December 2020 and 2019 mainly consisted of the fair value re-measurement of the derivative financial liabilities related to share subscription agreement and the warrants granted to Gilead in 2019 (see [note 9](#)).

## 12. Income/loss (-) per share

Basic income/loss (-) per share is calculated by dividing the net income/loss (-) attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted income/loss (-) per share is calculated based on the weighted average number of shares (diluted) also considering outstanding subscription rights, for which our average share price of the year was higher than the exercise price. The possible increase in the number of shares resulting from the outstanding initial warrant B has not been included in the calculation of the diluted income per share as at 31 December 2019 because they were antidilutive.

	Year ended 31 December	
	2020	2019
Net profit/loss (-) attributable to owners of the parent (thousands of €)	(305,436)	149,845
<b>Number of shares (thousands)</b>		
Weighted average number of shares for the purpose of basic income / loss (-) per share	65,075	57,614
Basic income/loss (-) per share (€)	(4.69)	2.60
Net profit/loss (-) attributable to owners of the parent (thousands of €)	(305,436)	149,845
<b>Number of shares (thousands)</b>		
Weighted average number of shares for the purpose of diluted income / loss (-) per share	65,075	57,614
Number of dilutive potential ordinary shares	-	2,498
Diluted income/loss (-) per share (€)	(4.69)	2.49

As we reported a net loss in 2020, the outstanding subscription rights (specified in [note 29](#)) have an anti-dilutive effect rather than a dilutive effect. Consequently, basic and diluted loss per share is the same for 2020.

### 13. Intangible assets

(thousands of €)	Software & databases	Brands, licenses, patents & know-how	Contract costs	Total
<b>Acquisition value</b>				
On 1 January 2019	9,111	2,719	-	11,832
Additions	5,463	2,453	15,384	23,300
Sales and disposals	(64)	-	-	(64)
Translation differences	31	-	-	31
<b>On 31 December 2019</b>	<b>14,541</b>	<b>5,172</b>	<b>15,384</b>	<b>35,099</b>
Additions	9,494	39,299	-	48,793
Sales and disposals	(17)	-	-	(17)
Reclassifications to assets held for sale	(159)	(38)	-	(197)
Translation differences	(143)	(1)	-	(144)
<b>On 31 December 2020</b>	<b>23,717</b>	<b>44,432</b>	<b>15,384</b>	<b>83,534</b>
<b>Amortization and impairment</b>				
On 1 January 2019	7,250	949	-	8,200
Amortization	816	678	512	2,006
Sales and disposals	(63)	-	-	(63)
Translation differences	31	-	-	31
<b>On 31 December 2019</b>	<b>8,034</b>	<b>1,626</b>	<b>512</b>	<b>10,173</b>
Amortization	2,303	2,289	1,538	6,130
Sales and disposals	(17)	-	-	(17)
Reclassifications to assets held for sale	(143)	(33)	-	(176)
Translation differences	(142)	-	-	(142)
<b>On 31 December 2020</b>	<b>10,034</b>	<b>3,883</b>	<b>2,050</b>	<b>15,968</b>
<b>Carrying amount</b>				
On 31 December 2019	6,507	3,546	14,872	24,927
<b>On 31 December 2020</b>	<b>13,683</b>	<b>40,549</b>	<b>13,334</b>	<b>67,565</b>

New additions in 2020 primarily related to the capitalization of in-licensing fees and milestones paid for acquired in process research and development and option rights for a total amount of €39.3 million and software acquisitions for a total amount of €9.5 million.

On 31 December 2020, our balance sheet did not hold any internally generated assets capitalized as intangible asset.

## 14. Property, plant and equipment

Fully owned

(thousands of €)	Land & leasehold improvements	Installation & machinery	Furniture, fixtures & vehicles	Other tangible assets	Total
<b>Acquisition value</b>					
On 1 January 2019	5,011	38,031	3,452	4,827	51,321
Additions	273	6,382	649	15,076	22,380
Sales and disposals		(1,521)	(97)		(1,618)
Reclassifications		1,792	3	(1,795)	-
Reclassifications to right-of-use				(251)	(251)
Translation differences		(30)	22		(8)
<b>On 31 December 2019</b>	<b>5,284</b>	<b>44,655</b>	<b>4,028</b>	<b>17,856</b>	<b>71,823</b>
Additions	885	3,737	1,824	32,218	38,664
Sales and disposals	(51)	(1,096)	(81)		(1,228)
Reclassifications	10,625	(623)	2,084	(12,086)	-
Reclassifications to assets held for sale	(2)	(8,938)	(484)	(686)	(10,110)
Translation differences	(2)	(127)	(19)	(30)	(178)
<b>On 31 December 2020</b>	<b>16,739</b>	<b>37,607</b>	<b>7,352</b>	<b>37,273</b>	<b>98,972</b>
<b>Depreciations and impairment</b>					
On 1 January 2019	2,686	23,403	1,819	275	28,184
Depreciations	394	4,018	399	7	4,818
Sales and disposals		(1,521)	(99)		(1,620)
Reclassifications to right-of-use				(251)	(251)
Translation differences		(15)			(15)
<b>On 31 December 2019</b>	<b>3,080</b>	<b>25,885</b>	<b>2,119</b>	<b>31</b>	<b>31,117</b>
Depreciations	654	3,587	1,418	7	5,666
Sales and disposals	(51)	(1,058)	(77)		(1,186)
Reclassifications	46	(1,675)	1,629		-
Reclassifications to assets held for sale		(4,327)	(448)	(39)	(4,814)
Translation differences	(1)	(61)	(13)		(75)
<b>On 31 December 2020</b>	<b>3,728</b>	<b>22,350</b>	<b>4,628</b>	<b>-</b>	<b>30,708</b>
<b>Carrying amount</b>					
On 31 December 2019	2,204	18,770	1,909	17,825	40,707
<b>On 31 December 2020</b>	<b>13,011</b>	<b>15,257</b>	<b>2,724</b>	<b>37,273</b>	<b>68,264</b>

The other tangible assets mainly consist of assets under construction, which are not yet available for use and therefore not yet depreciated as per 31 December 2020.



Right-of-use

(thousands of €)	Land & building	Installation & machinery	Furniture, fixtures & vehicles	Total
<b>Acquisition value</b>				
On 1 January 2019	-	-	-	-
Change in accounting policy (modified retrospective application IFRS 16)	24,056	219	2,130	26,406
<b>Restated balance on 1 January 2019</b>	<b>24,056</b>	<b>219</b>	<b>2,130</b>	<b>26,406</b>
Additions	3,270	84	1,176	4,530
Reclassifications		251		251
Translation differences	38			38
<b>On 31 December 2019</b>	<b>27,364</b>	<b>554</b>	<b>3,307</b>	<b>31,225</b>
Additions	18,341	186	2,932	21,459
Sales and disposals		(6)	(161)	(167)
Reclassifications to assets held for sale	(5,940)		(263)	(6,202)
Translation differences	(88)	-	(3)	(90)
<b>On 31 December 2020</b>	<b>39,678</b>	<b>734</b>	<b>5,812</b>	<b>46,225</b>
<b>Depreciations and impairment</b>				
On 1 January 2019	-	-	-	-
Depreciations	4,666	91	867	5,624
Reclassifications		251		251
Translation differences	4			4
<b>On 31 December 2019</b>	<b>4,670</b>	<b>342</b>	<b>867</b>	<b>5,879</b>
Depreciations	5,350	128	1,405	6,883
Sales and disposals		(6)	(161)	(167)
Reclassifications to assets held for sale	(1,334)		(115)	(1,448)
Translation differences	(36)		(1)	(36)
<b>On 31 December 2020</b>	<b>8,651</b>	<b>464</b>	<b>1,995</b>	<b>11,111</b>
<b>Carrying amount</b>				
On 31 December 2019	22,694	212	2,440	25,345
On 31 December 2020	31,027	270	3,817	35,113

Carrying amount

(thousands of €)	31 December	
	2020	2019
Property, plant and equipment fully owned	68,264	40,707
Right-of-use	35,113	25,345
<b>Total property, plant and equipment</b>	<b>103,378</b>	<b>66,052</b>

Due to adoption of IFRS 16 on 1 January 2019 we recognized an opening balance of right-of-use assets of €26.4 million on the balance sheet.

There are no pledged items of property, plant and equipment. There are also no restrictions in use on any items of property, plant and equipment.

## 15. Other non-current assets

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

(thousands of €)	31 December	
	2020	2019
Non-current restricted cash	1,482	1,418
Financial assets held at fair value through profit or loss	8,951	11,275
Other non-current assets	910	1,399
<b>Total other non-current assets</b>	<b>11,343</b>	<b>14,091</b>

Restricted cash on 31 December 2020 was composed of bank guarantees on real estate lease obligations in Belgium and in the Netherlands for €1.0 million. and €0.5 million, respectively.

Financial assets held at fair value through profit or loss consisted of equity instruments of both listed and non-listed companies. We have no restrictions on the sale of these equity instruments and the assets are not pledged under any of our liabilities. These instruments are designated as financial assets held at fair value through profit or loss. The fair value of the equity instrument of the listed company is determined by reference to the closing price of such securities on Euronext at each reporting date (classified as level 1 in the fair value hierarchy). 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).

Fair value changes on financial assets with fair value through profit or loss are recognized in other financial income/other financial expenses.

The table below illustrates these financial assets held at fair value through profit or loss as at 31 December 2020 and 2019.

(thousands of €)	31 December	
	2020	2019
<b>Cost at 1 January</b>	<b>4,736</b>	<b>4,818</b>
Acquisitions of the year	1,994	-
Disposals of the year	(2,820)	(82)
<b>Cost at 31 December</b>	<b>3,910</b>	<b>4,736</b>
<b>Fair value adjustment at 1 January</b>	<b>6,539</b>	<b>1,182</b>
Cancellation of fair value adjustment following disposal	(3,894)	2
Fair value adjustment of the year	2,397	5,355
<b>Fair value adjustment at 31 December</b>	<b>5,042</b>	<b>6,539</b>
<b>Net book value at 31 December</b>	<b>8,951</b>	<b>11,275</b>

## 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 2020, and 2019.

(thousands of €)	31 December	
	2020	2019
Non-current R&D incentives receivables	111,624	93,407
Current R&D incentives receivables	24,104	21,949
<b>Total R&amp;D incentives receivables</b>	<b>135,728</b>	<b>115,356</b>

The increase in R&D incentives receivables is explained by additional R&D incentives reported in 2020 for €34.1 million (€12.4 million related to French incentives and €21.7 million related to Belgian incentives), by the release of discounting profit of €0.1 million, decreased by the setup of tax provisions in France and Belgium for respectively €0.4 million and €0.2 million and decreased by the payments received in 2020 related to French and Belgian incentives amounting to respectively €8.6 million and €4.7 million. The R&D incentives receivables are future expected refunds or tax deductions resulting from tax incentives on research and development expenses in France and Belgium. Non-current R&D incentives receivables are reported at their net present value and are therefore discounted over the period until maturity date.

The table below provides detailed information on the maturity of the non-current R&D incentives receivables reported in our balance sheet on 31 December 2020.

(thousands of €)	31 December 2020					Total
	Maturity date					
	2022	2023	2024	2025	2026 - 2030	
French non-current R&D incentives receivables - discounted value	10,223	11,911	11,722			33,856
Belgian non-current R&D incentives receivables - discounted value	6,647	8,429	11,078	13,716	37,898	77,768
<b>Total non-current R&amp;D incentives receivables - discounted value</b>	<b>16,870</b>	<b>20,340</b>	<b>22,800</b>	<b>13,716</b>	<b>37,898</b>	<b>111,624</b>

## 17. Trade and other receivables and other current assets

(thousands of €)	31 December	
	2020	2019
<b>Non-current trade receivables</b>	<b>50,000</b>	-
Trade receivables	134,632	39,603
Prepayments	219	292
Other receivables	13,568	14,114
<b>Trade and other receivables</b>	<b>148,418</b>	<b>54,009</b>
Inventories	355	255
Accrued income	1,096	4,443
Deferred charges	10,502	4,439
<b>Other current assets</b>	<b>11,953</b>	<b>9,138</b>
<b>Total trade and other receivables &amp; other current assets</b>	<b>210,371</b>	<b>63,147</b>

Non-current and current trade and other receivables increased primarily due to the outstanding receivable as at 31 December 2020 of €160.0 million on Gilead related to the recently renegotiated agreement of December 2020 for filgotinib. We refer to note 2 [Summary of significant transaction](#) for more details.

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

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

On 31 December 2020, we did not have any provision for expected credit losses.

## 18. Current financial investments

On 31 December 2020, our current financial investments amounted to €3,026.3 million compared to €3,919.2 million on 31 December 2019. On 31 December 2019 these current financial investments included a short-term bond fund and money market funds. On 31 December 2020 these current financial investments included treasury bills (€1,454.4 million) and money market funds (€1,571.9 million). Our portfolio of treasury bills contains only AAA rated paper, issued by Germany and The Netherlands. 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 2020, our current financial investments included \$524.6 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.

We refer to [note 32](#) for more information on these current financial investments.

## 19. Cash and cash equivalents

(thousands of €)	31 December	
	2020	2019
Cash at banks	1,239,993	907,939
Term deposits	895,194	953,677
<b>Cash and cash equivalents from continuing operations</b>	<b>2,135,187</b>	<b>1,861,616</b>
Cash and cash equivalents included in assets classified as held for sale	7,884	-
<b>Total cash and cash equivalents</b>	<b>2,143,071</b>	<b>1,861,616</b>

We discuss the evolution of our cash and cash equivalents including the cash and cash equivalents classified as held for sale.

Cash and cash equivalents may comprise cash at banks, short term bank deposits and money market funds that are readily convertible to cash and are subject to an insignificant risk of changes in value. Our cash management strategy monitors and optimizes our liquidity position. Our cash management strategy allows short term deposits with an original maturity exceeding 3 months while monitoring all liquidity aspects. Cash and cash equivalents comprised €895.2 million of term deposits which all had an original maturity longer than 3 months. 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 2020, our cash and cash equivalents included \$894.3 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.

The net increase in cash and cash equivalents of €281.5 million was composed of (i) €517.4 million of operational cash burn, offset by (ii) €28.3 million of cash proceeds from capital and share premium increase from exercise of subscription rights in 2020, (iii) the net sale of current financial investments of €841.1 million, and less (iv) €70.5 million of negative unrealized exchange differences.

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

1. the net proceeds, if any, from share capital and share premium increases included in the net cash flows generated/used (-) in financing activities
2. the net proceeds or cash used, if any, in acquisitions or disposals of businesses; the movement in restricted cash and movement in current financial investments, if any, included in the net cash flows generated/used (-) in investing activities.

This alternative performance 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 flow, net cash inflow from the Gilead transaction and the operational cash burn adjusted for the Gilead transaction, to the closest IFRS measures, for each of the periods indicated:

(thousands of €)	2020	2019
Increase in cash and cash equivalents (excluding effect of exchange differences)	351,994	779,710
Less:		
Net proceeds from capital and share premium increases	(28,287)	(1,340,842)
Net purchase/sale (-) of current financial investments	(841,110)	3,723,940
<b>Total operational cash flow/cash burn (-)</b>	<b>(517,404)</b>	<b>3,162,809</b>
Upfront consideration received from Gilead		3,569,815
Realized exchange loss on Gilead upfront		(34,853)
Costs associated to the transaction with Gilead		(37,849)
<b>Net operational cash proceeds from the Gilead transaction</b>	<b>-</b>	<b>3,497,113</b>
<b>Operational cash burn adjusted for Gilead transaction</b>	<b>(517,404)</b>	<b>(334,304)</b>

## 20. 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	
	2020	2019
<b>On 1 January</b>	<b>287,282</b>	<b>236,540</b>
Share capital increase	4,031	55,189
Costs of capital increase	-	(4,447)
<b>Share capital on 31 December</b>	<b>291,312</b>	<b>287,282</b>
Aggregate share capital	353,819	349,789
Costs of capital increase (accumulated)	(62,507)	(62,507)
<b>Share capital on 31 December</b>	<b>291,312</b>	<b>287,282</b>

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 2019 and 31 December 2020 is as follows:

Date	Share capital increase new shares (in thousands €)	Share capital increase due to exercise subscription rights (in thousands €)	Number of shares issued (in thousands of shares)	Aggregate number of shares after transaction (in thousands of shares)	Aggregate share capital after transaction (in thousands €)
1 January 2019				54,466	294,600
20 March 2019		808	149		
20 June 2019		1,127	208		
23 August 2019	36,945		6,829		
19 September 2019		1,632	302		
6 November 2019		14,162	2,618		
25 November 2019		515	95		
<b>31 December 2019</b>				<b>64,667</b>	<b>349,789</b>
<b>1 January 2020</b>				<b>64,667</b>	<b>349,789</b>
17 March 2020		824	152		
28 May 2020		2,356	436		
18 September 2020		467	86		
4 December 2020		384	71		
<b>31 December 2020</b>				<b>65,412</b>	<b>353,819</b>

On 31 December 2020, Galapagos NV's share capital amounted to €353,819 thousand, represented by 65,411,767 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 2020 and 2019.

(thousands of €, except share data)	Number of shares	Share capital	Share premium	Share capital and share premium	Average exercise price subscription rights (in €/subscription right)	Closing share price on date of capital increase (in €/share)
On 1 January 2020	64,666,802	287,282	2,703,583	2,990,865		
17 March 2020: exercise of subscription rights	152,220	824	4,531	5,355	35.18	141.40
28 May 2020: exercise of subscription rights	435,540	2,356	15,558	17,914	41.13	186.60
18 September 2020: exercise of subscription rights	86,280	467	1,936	2,403	27.85	117.70
4 December 2020: exercise of subscription rights	70,925	384	2,232	2,616	36.88	100.30
<b>On 31 December 2020</b>	<b>65,411,767</b>	<b>291,312</b>	<b>2,727,840</b>	<b>3,019,153</b>		

(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 2019	54,465,421	236,540	1,277,780	1,514,320		
<b>20 March 2019: exercise of subscription rights</b>	149,370	808	2,673	3,481	23.30	90.32
<b>20 June 2019: exercise of subscription rights</b>	208,310	1,127	3,198	4,325	20.76	113.55
<b>23 August 2019: share subscription by Gilead</b>						
Ordinary shares (fully paid)	6,828,985	36,945	923,142	960,087		
Derecognition of financial liability from share subscription agreement			56,749	56,749		
Underwriter discounts and offering expenses (paid)		(4,447)		(4,447)		
<b>Total share subscription by Gilead</b>	<b>6,828,985</b>	<b>32,498</b>	<b>979,891</b>	<b>1,012,389</b>		<b>148.90</b>
<b>19 September 2019: exercise of subscription rights</b>	301,745	1,632	5,043	6,675	22.12	145.25
<b>6 November 2019: exercise of warrant A by Gilead</b>						
Exercise of warrant A	2,617,791	14,162	353,873	368,035		
Derecognition of financial liability related to warrant A			78,953	78,953		
<b>Total exercise of warrant A by Gilead</b>	<b>2,617,791</b>	<b>14,162</b>	<b>432,826</b>	<b>446,988</b>	<b>140.59</b>	<b>170.75</b>
<b>25 November 2019: exercise of subscription rights</b>	95,180	515	2,172	2,687	28.23	172.95
On 31 December 2019	64,666,802	287,282	2,703,583	2,990,865		

The supervisory board is authorized for a period of five years starting from the date of publication in the Annexes to the Belgian State Gazette of the shareholders' resolution that granted the renewed authorization to increase the share capital of Galapagos NV within the framework of the authorized capital through contributions in kind or in cash, with limitation or cancellation of the shareholders' preferential subscription rights. Said authorization can be renewed. The authorized capital of Galapagos consists of two parts. A general authorization for capital increases up to 20% of the share capital at the time of convening the shareholders' meeting of 22 October 2019 (i.e. €67,022,402.04) was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 13 November 2019. A specific authorization for capital increases of more than 20% and up to 33% of the share capital at the time of the convening the shareholders' meeting of 25 April 2017 (i.e. €82,561,764.93), was renewed and is valid for a period of five years from the date of publication of this renewal in the Annexes to the Belgian State Gazette, i.e. 31 May 2017. This specific part of the



authorized capital can, however, only be used in a number of specific circumstances and upon a resolution of the supervisory board that all independent supervisory board members (within the meaning of article 7:87 of the Belgian Companies Code and 2020 Code) approve. The supervisory board is currently not authorized to increase the share capital after notification by the FSMA (Financial Services and Markets Authority) of a public takeover bid on Galapagos NV's shares.

As of 31 December 2020, an amount of €55,264,659.69 still remained available under the general part of the authorized capital and an amount of €13,717,929.80 remained available under the specific part of the authorized capital.

## 21. Deferred tax

(thousands of €)	31 December	
	2020	2019
<b>Recognized deferred tax assets and liabilities</b>		
<b>Assets</b>	<b>4,475</b>	<b>4,205</b>
<b>Liabilities</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets unrecognized</b>	<b>365,639</b>	<b>289,833</b>
<b>Deferred taxes in the consolidated income statement</b>	<b>(157)</b>	<b>1,537</b>
Tax benefit arising from previously unrecognized tax assets used to reduce deferred tax expense (+)	581	1,537
Deferred tax expenses relating to temporary differences	(44)	-
Deferred tax expenses relating to use or derecognition of previously recognized deferred tax assets	(695)	-

The consolidated tax losses, innovation income deduction, dividend received deduction and investment deduction carried forward and the deductible temporary differences on 31 December 2020 amounted in total to €1,485.8 million (2019: €1,179.0 million), €2.7 million were related to tax losses with expiry date between 2026 and 2034.

The available statutory tax losses carried forward that can be offset against future statutory taxable profits amounted to €478.6 million on 31 December 2020 (€374.1 million on 31 December 2019). These statutory tax losses can be compensated with future statutory profits for an indefinite period except for an amount of €2.7 million in the United States and the Netherlands with expiry date between 2026 and 2034. On 31 December 2020, the available tax losses carried forward in Galapagos NV (Belgium) amounted to €416.6 million (2019: €307.7 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 2020, a carried forward tax deduction amounting to €247.2 million (2019: €224.7 million) that can also be offset against future statutory taxable results. In addition, Galapagos NV (Belgium) also has available investment deduction carried forward of €1 million (2019: €1 million) and dividend received deduction carried forward of €8.4 million (2019: nil) that can be offset against future taxable profits. There is no limit in time for the innovation income deduction, the dividend received deduction and investment deduction carried forward.

With the exception of 2019, we have a history of losses. We forecast to continue incurring taxable losses in the foreseeable future as we continue to invest in clinical and preclinical development programs and discovery platforms. Consequently, no deferred tax asset was set up as at 31 December 2020, except for four subsidiaries operating on a cost plus basis, for which deferred tax assets were recognized for €4.5 million (2019: €4.2 million).

## 22. Lease liabilities

Due to adoption of IFRS 16 on 1 January 2019 we recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17.

(thousands of €)	Lease payments		Present value of lease payments	
	31 December		31 December	
	2020	2019	2020	2019
<b>Lease liabilities</b>				
Within one year	6,772	6,189	6,401	5,826
In the second to fifth years inclusive	20,399	16,320	19,833	15,783
After five years	3,214	3,844	3,201	3,775
	<b>30,385</b>	<b>26,353</b>	<b>29,436</b>	<b>25,384</b>
Less future finance charges	949	969		
<b>Present value of lease obligation</b>	<b>29,436</b>	<b>25,384</b>		
Less amount due for settlement within 12 months			6,401	5,826
<b>Amount due for settlement after 12 months</b>			<b>23,035</b>	<b>19,558</b>

## 23. Trade and other liabilities

(thousands of €)	31 December	
	2020	2019
Trade and other liabilities	171,316	142,510
Other non-current liabilities	8,096	6,989
Accrued charges	1,070	923
<b>Total trade and other liabilities</b>	<b>180,482</b>	<b>150,422</b>

The increase in trade and other liabilities is mainly due to higher trade liabilities on 31 December 2020, reflecting the intensification of our investments in our R&D programs, and higher personnel payables due to the increase in the number of staff.

## 24. 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 ziritaxestat	Gilead collaboration agreement for drug discovery platform <sup>(2)</sup>	AbbVie collaboration agreement for CF	Deferred income related to contracts in our fee-for-service segment	Other deferred income (grants)
<b>On 1 January 2019</b>	<b>149,801</b>	<b>145,798</b>	-	-	3,224	471	308
Upfront received and impact of initial valuation of share subscription	3,655,416	641,663	666,967	2,346,787			
Milestones received	49,727	27,317			22,410		
Significant financing component <sup>(3)</sup>	6,900	6,900					
Revenue recognition of upfront	(1,009,663)	(260,207)	(666,967)	(80,918)	(1,570)		
Revenue recognition of milestones	(51,156)	(27,092)			(24,064)		
Catch-up effect on closing date <sup>(1)</sup>	245,883	245,883					
Other movements	(46,262)			(45,856)		(109)	(297)
<b>On 31 December 2019</b>	<b>3,000,646</b>	<b>780,261</b>	-	<b>2,220,013</b>	-	<b>362</b>	<b>10</b>
Upfront payments	160,000	160,000					
Milestones received	90,192	90,192					
Significant financing component <sup>(3)</sup>	16,278	16,278					
Revenue recognition of upfront	(411,417)	(181,816)		(229,601)			
Revenue recognition of milestones	(46,261)	(46,261)					
Other movements	(305)					(362)	57
<b>On 31 December 2020</b>	<b>2,809,133</b>	<b>818,654</b>		<b>1,990,412</b>	-	-	<b>67</b>

(1) Following the contract amendment, the revenue recognized for filgotinib for the year ended 31 December 2019 included a negative catch-up effect resulting from the decrease in the percentage of completion applied to previously received upfront and milestones for that program.

(2) The upfront received and the outstanding balance on 31 December 2020 and on 31 December 2019 comprise the issuance liabilities for the warrants and the upfront payment allocated to the drug discovery platform. Other movements in 2019 include the derecognition of warrant issuance liabilities through the share premium account.

(3) 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 paid by Gilead.

## 25. 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 fee-for-service segment). As net assets associated with our fee-for-service business will be recovered principally through a sale transaction rather than through continuing use, we have classified these assets and the associated liabilities as held for sale in our financial statements for the year ended 31 December 2020.

The transaction was completed on 4 January 2021 for a total consideration of €37.1 million (including the customary adjustments for cash and working capital). Fidelta will continue performing drug discovery services for us for the next five years for which we have purchase commitments for an aggregate amount of €27.0 million.

Held for sale assets are stated at their carrying amount, which is lower than the fair value less costs to sell.

As we expect to continue to purchase services from Fidelta d.o.o. after the closing of the transaction, we eliminated the intragroup revenue and cost in discontinued operations.

### (i) Financial performance

(thousands of €, except share and per share data)	Year ended 31 December	
	2020	2019
Revenues	16,140	10,084
Other income	-	8
<b>Total revenues and other income</b>	<b>16,140</b>	<b>10,092</b>
Research and development expenditure	(7,685)	(7,229)
General and administrative expenses	(2,000)	(1,319)
<b>Total operating expenses</b>	<b>(9,685)</b>	<b>(8,548)</b>
<b>Operating profit</b>	<b>6,455</b>	<b>1,544</b>
Other financial income	179	93
Other financial expenses	(176)	(102)
<b>Profit before tax</b>	<b>6,458</b>	<b>1,535</b>
Income taxes	(893)	(379)
<b>Net profit</b>	<b>5,565</b>	<b>1,156</b>
Basic income per share from discontinued operations	0.09	0.02
Diluted income per share from discontinued operations	0.08	0.02
Weighted average number of shares (in thousands of shares)	65,075	57,614
Weighted average number of shares - Diluted (in thousands of shares)	67,572	60,112

## (ii) Assets and liabilities

The following assets and liabilities were classified as held for sale in relation to the discontinued operations:

(thousands of €)	2020
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
<b>Total assets classified as held for sale</b>	<b>23,406</b>
Non-current lease liabilities	4,115
Other non-current liabilities	70
Trade and other liabilities	3,649
Current lease liabilities	727
Income tax payable	356
<b>Liabilities associated with assets classified as held for sale</b>	<b>8,917</b>
<b>Net assets</b>	<b>14,488</b>

## (iii) Cash flow

(thousands of €)	2020	2019
Net cash flows generated in operating activities	7,173	2,911
Net cash flows used in investing activities	(2,284)	(1,350)
Net cash flows used in financing activities	(664)	(709)
<b>Net cash flows from discontinued operations</b>	<b>4,225</b>	<b>852</b>

## 26. Note to the cash flow statement

(thousands of €)	2020	2019
<b>Adjustment for non-cash transactions</b>		
Depreciation and amortization	18,682	12,448
Share-based compensation expenses	79,959	38,297
Decrease in retirement benefit obligations and provisions	(260)	(156)
Unrealized exchange losses and non-cash other financial result	105,055	11,169
Discounting effect of deferred income	16,278	6,900
Fair value re-measurement of share subscription agreement and warrants	(3,034)	181,644
Net change in (fair) value of current financial investments	15,900	3,081
Fair value adjustment financial assets held at fair value through profit or loss	(2,396)	(5,355)
Other non-cash expenses	539	
<b>Total adjustment for non-cash transactions</b>	<b>230,723</b>	<b>248,027</b>
<b>Adjustment for items to disclose separately under operating cash flow</b>		
Interest expense	9,424	1,302
Interest income	(7,476)	(9,247)
Tax expense	2,119	214
<b>Total adjustment for items to disclose separately under operating cash flow</b>	<b>4,067</b>	<b>(7,731)</b>
<b>Adjustment for items to disclose under investing and financing cash flows</b>		
Gain (-)/loss on sale of fixed assets	82	(2)
Interest income on current financial assets	(2,554)	(5,059)
<b>Total adjustment for items to disclose separately under investing and financing cash flow</b>	<b>(2,472)</b>	<b>(5,061)</b>
<b>Change in working capital other than deferred income</b>		
Increase (-)/decrease in inventories	(100)	20
Increase in receivables	(177,155)	(67,263)
Increase in liabilities	31,163	79,940
<b>Total change in working capital other than deferred income</b>	<b>(146,092)</b>	<b>12,698</b>

## 27. Off-balance sheet arrangements

### Contractual obligations and commitments

We entered into lease agreements for offices, laboratories and cars. As a consequence of the adoption of IFRS 16 Leases, on 1 January 2019, lease obligations in the scope of the new standard are presented as lease liabilities in the statements of financial position and no longer disclosed separately as off-balance sheet commitments. We refer to [note 22](#) for a breakdown of our lease liabilities.

On 31 December 2020, we had outstanding obligations for future purchase commitments, which become due as follows:

(thousands of €)	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Purchase commitments	347,873	271,922	73,009	2,870	72

On 31 December 2019, we had outstanding obligations for 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	251,670	175,006	70,675	5,989	-

On 31 December 2019 we were committed to two leases which had not yet started. The total future cash outflows for leases that had not yet commenced were as follows:

(thousands of €)	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Lease commitments not commenced	8,986	5,793	1,502	1,502	188

In addition to the tables above, we have a contractual cost sharing obligation related to our collaboration agreement with Gilead for filgotinib. The contractual cost sharing commitment amounted to €614.1 million at 31 December 2019.

On 31 December 2020, after the recent renegotiation of the filgotinib collaboration, our estimate of this cost sharing commitment amounts to €493.4 million, for which we have direct purchase commitments of €18.1 million at 31 December 2020 (€27.5 million at 31 December 2019) reflected in the tables above.

## 28. 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 including customary adjustments for net cash and working capital. In accordance with common practice, we gave representations and warranties which are capped and limited in time.

In December 2015, we entered into a license and collaboration agreement to co-develop filgotinib with Gilead in rheumatoid arthritis, Crohn's disease, ulcerative colitis and other indications. This agreement was revised a first time in August 2019 and in December 2020, we agreed to further revise this agreement. Under the terms of the new arrangement, we will assume all development, manufacturing, commercialization and certain other rights for filgotinib in Europe. Beginning on 1 January 2021, we will bear the future development costs for certain studies, in lieu of the equal cost split contemplated by the previous agreement. The existing 50/50 global development cost sharing arrangement will continue for certain other studies.

All commercial economics on and commercialization responsibilities for filgotinib in Europe will transfer to us as of 1 January 2022, subject to payment by us 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 has agreed to irrevocably pay us €160 million, subject to certain adjustments for higher than budgeted development costs. Gilead paid €35 million and will pay an additional €75 million in 2021 and will pay €50 million in 2022. In addition, we will no longer be eligible to receive any future milestone payments relating to filgotinib in Europe. However, we will remain eligible to receive tiered royalty percentages ranging from 20% to 30% on Gilead's global net sales of filgotinib outside of Europe and future development and regulatory milestone-based payments of up to \$295 million and sales-based milestone payments of up to \$600 million. We achieved two milestones under the first revised agreement in September 2020 totaling \$105 million.

As a result of the Option, License and Collaboration agreement signed with Gilead in July 2019, we share further development costs for GLPG1690 equally with Gilead. We were also entitled to an additional milestone for GLPG1690 upon approval in the United States and we were eligible to receive tiered royalties ranging from 20 – 24% on net sales of GLPG1690 by Gilead in all countries outside Europe. In February 2021, we and Gilead announced our decision to discontinue all ongoing development activities with GLPG1690.

As explained in the summary of the significant transaction in [note 2](#) to our consolidated financial statements, Gilead received exclusive option rights to acquire a license on compounds. Exercising such an option would trigger an opt-in payment, a 50 – 50 cost share mechanism for the future development activities, potential future development and sales based milestones and royalties.



## 29. Share based payments

### Subscription right plans

Presented below is a summary of subscription right activities for the reported periods. Various subscription right plans were approved for the benefit of our employees, and for members of the supervisory board and independent consultants of Galapagos NV.

The subscription rights granted under subscription right plans created from 2011 onwards vest at the end of the third calendar year following the year of the grant, with no intermediate vesting.

The subscription rights offered to members of the supervisory board vest over a period of 36 months at a rate of 1/36th per month. As of 2020, we no longer grant subscription rights to supervisory board members.

Subscription rights 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.

The table below sets forth a summary of subscription rights outstanding and exercisable on 31 December 2020, per subscription right plan:

Subscription right plan	Allocation date	Expiry date	Exercise price (€)	Outstanding per 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding per 31 December 2020	Exercisable per 31 December 2020
BNL (2006)	21.12.2007	20.12.2020	7.12	1,050		(1,050)			-	-
2007 RMV	25.10.2007	24.10.2020	8.65	14,980		(14,980)			-	-
2008	26.06.2008	25.06.2021	5.60	1,365					1,365	1,365
2012	03.09.2012	02.09.2020	14.19	80,040		(80,040)			-	-
2013	16.05.2013	15.05.2021	19.38	120,434		(64,770)			55,664	55,664
2014	25.07.2014	24.07.2022	14.54	252,340		(83,000)			169,340	169,340
2015	30.04.2015	29.04.2023	28.75	282,473		(63,000)			219,473	219,473
2015 (B)	22.12.2015	21.12.2023	49.00	329,500		(68,000)			261,500	261,500
2015 RMV	22.12.2015	21.12.2023	49.00	57,500		(17,500)			40,000	40,000
2016	01.06.2016	31.05.2024	46.10	504,250		(161,625)			342,625	342,625
2016 RMV	01.06.2016	31.05.2024	46.10	120,000		(51,000)			69,000	69,000
2016 (B)	20.01.2017	19.01.2025	62.50	150,000		(140,000)			10,000	10,000
2017	17.05.2017	16.05.2025	80.57	595,500					595,500	-
2017 RMV	17.05.2017	16.05.2025	80.57	127,500					127,500	-
2018	19.04.2018	18.04.2026	79.88	1,085,245			(2,000)		1,083,245	-
2018 RMV	19.04.2018	18.04.2026	79.88	137,500					137,500	-
2019	10.04.2019	09.04.2027	95.11	1,486,690			(8,850)		1,477,840	-
2019 RMV	10.04.2019	09.04.2027	95.11	194,750			(1,750)		193,000	-
2020	17.04.2020	16.04.2028	168.42	-	1,925,185		(19,151)		1,906,034	-
2020 RMV	17.04.2020	16.04.2028	168.42	-	248,150		(8,625)		239,525	-
<b>Total</b>				<b>5,541,117</b>	<b>2,173,335</b>	<b>(744,965)</b>	<b>(40,376)</b>	<b>-</b>	<b>6,929,111</b>	<b>1,168,967</b>

	Subscription rights	Weighted average exercise price (€)
<b>Outstanding on 31 December, 2018</b>	<b>4,626,782</b>	<b>53.30</b>
Exercisable on 31 December, 2018	882,734	14.05
Granted during the year	1,699,690	95.11
Forfeited during the year	(30,750)	88.92
Exercised during the year	(754,605)	22.75
Expired during the year	-	-
<b>Outstanding on 31 December, 2019</b>	<b>5,541,117</b>	<b>70.09</b>
Exercisable on 31 December, 2019	1,139,682	30.16
Granted during the year	2,173,335	168.42
Forfeited during the year	(40,376)	144.79
Exercised during the year	(744,965)	37.97
Expired during the year	-	-
<b>Outstanding on 31 December, 2020</b>	<b>6,929,111</b>	<b>103.95</b>
Exercisable on 31 December, 2020	1,168,967	37.84

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

	2020	2020 RMV	2019	2019 RMV
	17 April 2020	17 April 2020	10 April 2019	10 April 2019
Exercise Price (€)	168.42	168.42	95.11	95.11
Weighted average share price at acceptance date (€)	178.95	178.95	107.05	107.45
Weighted average fair value on the acceptance date (€)	86.45	85.79	40.04	40.05
Weighted average estimated volatility (%)	51.30	51.32	35.86	35.63
Weighted average expected life of the subscription right (years)	6	6	6	6
Weighted average risk free rate (%)	(0.44)	(0.44)	(0.27)	(0.28)
Expected dividends	None	None	None	None

The exercise price of the subscription rights is determined pursuant to the applicable provisions of the Belgian Law of 26 March 1999.

The weighted average estimated volatility is calculated on the basis of the implied volatility of the share price over the 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 2020 amounted to €79,959 thousand (2019: €38,297 thousand).

The following table provides an overview of the outstanding subscription rights per category of subscription right holders on 31 December 2020 and 31 December 2019:

Category (in number of subscription rights)	31 December	
	2020	2019
Supervisory board members	157,560	222,600
Management board members	2,101,874	2,171,874
Other	4,669,677	3,146,643
<b>Total subscription rights outstanding</b>	<b>6,929,111</b>	<b>5,541,117</b>

The outstanding subscription rights at the end of the accounting period have a weighted average exercise price of €103.95 (2019: €70.09) and a weighted average remaining life of 2,050 days (2019: 2,023 days).

### Restricted stock units (RSUs)

Each RSU represents the right to receive one Galapagos share or a payment in cash of an amount equivalent to the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the relevant vesting date, in accordance with the terms and conditions of the relevant RSU program.

We currently have the following types of restricted stock unit (RSU) programs:

- **Plan 2020.I**, under which the grants are intended to be made every year, subject to a decision of the supervisory board. This plan is intended to provide a long-term incentive to certain of our employees and management board members and replaces the deferred portion of the bonus under the former Senior Management Bonus Scheme;
- **Plan 2019.II and Plan 2020.II** These plans are aimed at retaining a specific set of our employees and management board members whose retention is deemed so important for the future performance of Galapagos that an additional incentive is desired. The beneficiaries are nominated by the nomination and remuneration committee and the supervisory board approves the list of beneficiaries. 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 supervisory board, as announced in our remuneration policy included in the annual report relating to financial year 2018 under the header "Information on the remuneration policy for the next two years";
- **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.

The main characteristics of all these plans are as follows:

- the RSUs are offered for no consideration;
- four-year vesting period, with 25% vesting each year, except for the RSUs granted under the Plan 2019.I and, solely for beneficiaries who are management board members, the RSUs granted under the Plan 2020.I, that will all vest at the same time three years after the offer date and the RSUs granted under Plan 2019.III, of which 50% vests after two years and 50% vests after three years;
- payout will be in cash or shares, at Galapagos' discretion, it being understood that in respect of members of the management board, any vesting prior to the third anniversary of the offer date will always give rise to a payment in cash rather than a delivery of shares as an incentive;
- in case of termination of service before the vesting date, forfeiture rules apply.

The table below sets forth a summary of RSUs outstanding at 31 December 2020, per RSU plan:

RSU plan	Offer date	Outstanding at 1 January 2020	Granted during the year	Forfeited during the year	Paid in cash during the year	Outstanding at 31 December 2020
Plan 2019.I	16.10.2019	33,000	-	-	-	33,000
Plan 2019.II	16.10.2019	109,075	-	-	(27,268)	81,807
Plan 2019.III	16.10.2019	71,072	-	-	-	71,072
Plan 2020.I	06.05.2020	-	55,928	(1,052)	-	54,876
Plan 2020.II	07.05.2020	-	72,841	-	-	72,841
<b>Total</b>		<b>213,147</b>	<b>128,769</b>	<b>(1,052)</b>	<b>(27,268)</b>	<b>313,596</b>

(in number of RSUs)	31 December	
	2020	2019
Outstanding at 1 January	213,147	-
Granted during the year	128,769	213,147
Forfeited during the year	(1,052)	-
Paid in cash during the year	(27,268)	-
Outstanding at 31 December	313,596	213,147

The RSUs are measured based on the volume-weighted average price of the Galapagos share on Euronext Brussels over the 30-calendar day period preceding the reporting period and they are re-measured at each reporting date. We recognize the corresponding expense and liability over the vesting period.

The following table provides an overview of the outstanding RSUs per category of RSU holders on 31 December 2020 and 31 December 2019.

Category (in number of RSUs)	31 December	
	2020	2019
Management board members	229,276	188,571
Other	84,320	24,576
Total outstanding RSUs	313,596	213,147

## 30. Related parties

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

#### Gilead

Gilead is exercising significant influence over Galapagos as from the equity subscription on 23 August 2019. As a result of the equity subscription we received a transparency notification from Gilead on 28 August 2019 confirming they held 22.04% of the then issued and outstanding shares of Galapagos.

Furthermore, the extraordinary general meeting of shareholders of 22 October 2019 approved the issuance of Warrant A and initial warrant B to Gilead allowing them to further increase its ownership of Galapagos to up to 29.9% of the company's issued and outstanding shares. 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 of the closing of the subscription agreement and this warrant will have substantially similar terms, including as to exercise price, to the initial Warrant B. On 6 November 2019 Gilead exercised warrant A, which resulted in an additional equity investment of €368.0 million. By exercising Warrant A Gilead increased its ownership in Galapagos to 25.10% of the then outstanding shares. Gilead further increased its ownership to 25.84% at 31 December 2019. Gilead's ownership then diluted to 25.54% at 31 December 2020, due to four capital increases resulting from the exercise of subscription rights under employee subscription right plans in the course of 2020. On 6 January 2021 we received a transparency notification from Gilead notifying a change in the chain of intermediary companies through which Gilead holds its shares in Galapagos and confirming they held 25.54% of the then issued and outstanding shares of Galapagos.

The presumption of significant influence is also confirmed by the fact that Gilead has the right, for as long as it holds more than 20% of Galapagos' share capital, to appoint two investor board designees to Galapagos' supervisory board.

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

Relations with Gilead

(thousands of €)	31 December	
	2020	2019
Non-current trade receivables	50,000	-
Trade and other receivables	132,825	31,645
Trade and other payables	27,699	39,100

The non-current trade receivables and the trade and other receivables balances mainly relate to a total of €160.0 million to receive in relation to the recently modified collaboration for filgotinib of which €110.0 million will be received in 2021 and €50.0 million in 2022. Additionally, the trade and other receivables contain €22.8 million of receivables relating to our collaborations for GLPG1690 and filgotinib. The outstanding liabilities mainly relate to the cross charges from Gilead for the development costs sharing of filgotinib in the fourth quarter of 2020 (€24.8 million).

Due to the approval of filgotinib, by both the Japanese and European authorities in September 2020, we received milestone payments of respectively \$30.0 million (€25.8 million) and \$75.0 million (€64.4 million) from Gilead that are recognized in revenue over time until the end of the development period.

During 2020 we recognized in revenue €229.6 million (€80.9 million for the year ended 31 December 2019) relating to the performance obligation for the drug discovery platform and a total of €228.1 million (€41.4 million for the year ended 31 December 2019) 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 royalty income for an amount of €16.2 million in relation to the commercialization of filgotinib.

Furthermore, we recognized €34.1 million (€17.7 million for the year ended 31 December 2019) of cost reimbursements from Gilead related to the development of GLPG1690 as a decrease of the related expenses (on the line research and development expenditure). An amount of €101.0 million (€72.0 million for the year ended 31 December 2019) relating to cross charges from Gilead relating to filgotinib was recognized as expense on the line research and development expenditure.

Finally, we recognized €4.7 million as a deduction of sales and marketing expenses and €3.1 million as a deduction of research and development expenditure (compared to €8.2 million additional sales & marketing expenses for the year ended 31 December 2019) mainly relating to our 50/50 profit/(cost) share mechanism with Gilead for direct sales of filgotinib in the shared territory and expenses incurred for the co-promotion activities for filgotinib.

As at 31 December 2020 we have two outstanding performance obligations under IFRS 15 towards Gilead, being the performance obligation related to our drug discovery platform and the performance obligation relating to filgotinib. This results in an outstanding deferred income balance of €2.0 billion for the drug discovery platform (including the warrant issuance liability relating to subsequent Warrant B) and €819 million for the performance obligation relating to filgotinib.

A detailed explanation of our transactions with Gilead in 2019 and 2020 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 31](#) for an overview of the consolidated companies of the group, which are all wholly-owned subsidiaries of Galapagos NV.

Intercompany transactions between Galapagos NV and its subsidiaries, and amongst the subsidiaries, have been eliminated in the consolidation and are not disclosed in this note.

### Relationship and transactions with key management personnel

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

#### Remuneration of key management personnel

On 31 December 2020, our management board had six members: Mr. Onno van de Stolpe, Mr. Bart Filius, Dr. Piet Wigerinck, Dr. Andre Hoekema, Dr. Walid Abi-Saab and Mr. Michele Manto. They provide their services to us on a full-time basis. On 31 December 2020, our supervisory board consisted of eight members: Dr. Raj Parekh, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Mary Kerr, Mr. Peter Guenter, Mr. Daniel O'Day, Dr. Linda Higgins and Dr. Elisabeth Svanberg. With the implementation of the new two-tier governance structure, the mandate of Mr. Onno van de Stolpe as member of the board of directors ended on 28 April 2020, as it is not allowed to be a member of the supervisory board and the management board at the same time. Mr. Onno van de Stolpe continues his mandate as member and chairman of the management board and CEO.

Only the CEO was, prior to the implementation of the two-tier governance structure, a member of both the executive committee and the board of directors. Our CEO did not receive any special remuneration for his board membership, as this was part of his total remuneration package in his capacity as management board member. As from 1 January 2020, Galapagos no longer grants any subscription rights to supervisory board members, taking into account the stricter rules of the Belgian Companies Code. Prior to 2020, supervisory board members were granted subscription rights and hence the table below for 2019 contains disclosures for supervisory board members.

Reference is made to the Remuneration Report, which discloses the remuneration awarded to each supervisory board and management board member individually during 2020.

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

Remuneration of key management personnel

Thousands of € (except for the number of subscription rights and RSUs)	Year ended 31 December	
	2020	2019
<b>Short-term benefits</b>		
Management board members as a group <sup>(1)</sup>	3,102	14,129
Gross salary	2,531	2,121
Employer social security on gross salary	-	61
Cash bonus	433	1,230
Exceptional bonus	-	10,500
Employer social security on exceptional bonus	-	108
Other short-term benefits	138	109
<b>Long-term benefits for management board members as a group<sup>(2)</sup></b>	-	1,874
<b>Board fees and other short-term benefits for supervisory board members</b>		
Raj Parekh	220	90
Howard Rowe	125	55
Werner Cautreels <sup>(3)</sup>	-	15
Katrine Bosley	115	45
Christine Mummery <sup>(3)</sup>	-	13
Mary Kerr	115	45
Peter Guenter <sup>(4)</sup>	115	30
Daniel O'Day <sup>(5)</sup>	-	-
Linda Higgins <sup>(5)</sup>	-	-
Elisabeth Svanberg <sup>(6)</sup>	78	-
<b>Post-employment benefits<sup>(7)</sup></b>	392	323
<b>Total benefits excluding subscription rights and RSUs</b>	<b>4,262</b>	<b>16,618</b>

Thousands of € (except for the number of subscription rights and RSUs)	Year ended 31 December	
	2020	2019
Number of subscription rights granted in the year		
Management board members as a group	275,000	315,000
Onno van de Stolpe	85,000	100,000
Bart Filius	50,000	65,000
Andre Hoekema	30,000	50,000
Piet Wigerinck	40,000	50,000
Walid Abi-Saab	40,000	50,000
Michele Manto	30,000	40,000
Supervisory board members as a group	-	45,000
Raj Parekh	-	15,000
Howard Rowe	-	7,500
Werner Cautreels <sup>(3)</sup>	-	-
Katrine Bosley	-	7,500
Christine Mummy <sup>(3)</sup>	-	-
Mary Kerr	-	7,500
Peter Guenter <sup>(4)</sup>	-	7,500
Daniel O'Day <sup>(5)</sup>	-	-
Linda Higgins <sup>(5)</sup>	-	-
Elisabeth Svanberg <sup>(6)</sup>	-	-
<b>Total number of subscription rights granted in the year</b>	<b>275,000</b>	<b>360,000</b>
<b>Total cost of subscription right plans granted in the year under IFRS 2</b>	<b>22,921</b>	<b>14,236</b>
Number of RSUs granted in the year <sup>(8)</sup>		
Onno van de Stolpe	18,317	57,528
Bart Filius	12,600	39,846
Andre Hoekema	832	19,922
Piet Wigerinck	12,080	33,077
Walid Abi-Saab	12,080	33,077
Michele Manto	5,920	5,121
<b>Total number of RSUs granted in the year</b>	<b>61,829</b>	<b>188,571</b>

(1) Mr. Manto was appointed as Chief Commercial Officer and member of the management board, effective as of 1 January 2020. As a result the management board consisted of six persons in 2020

(2) Only management board 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 FY2020 the deferred part of the bonus is not paid out.

(3) Director's mandate expired on 30 April 2019

(4) Mr. Guenter's supervisory board mandate began on 30 April 2019

(5) Supervisory board member's mandate began on 22 October 2019

(6) Supervisory board member's mandate began on 28 April 2020

(7) Only management board members are granted post-employment benefits

(8) This is the sum of the RSUs awarded during the respective financial year, excluding the RSUs representing the deferred portion of the bonus for 2019 in FY2019 and for 2020 in FY2020 (each time to be granted in the following financial year). Only management board members were awarded RSUs

## Other

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



## 31. Consolidated companies as of 31 December 2020

Name of the subsidiary	Country	% voting right Galapagos NV (directly or indirectly through subsidiaries)	Change in % voting right previous period (2020 vs 2019)
Biofocus DPI AG (liquidated)	Switzerland	0%	(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 Biotech Ltd.	United Kingdom	100%	-
Galapagos BV	The Netherlands	100%	-
Galapagos GmbH	Switzerland	100%	-
Galapagos, Inc.	United States	100%	-
Galapagos NV	Belgium	Parent company	-
Galapagos Real Estate Belgium BV	Belgium	100%	-
Galapagos Real Estate Netherlands B.V.	The Netherlands	100%	-
Galapagos SASU	France	100%	-
Fidelta d.o.o.	Croatia	100%	-
Xenometrix, Inc. in liquidation	United States	100%	-

In the course of 2020 we merged Galapagos Real Estate 2 BV with Galapagos Real Estate 1 BV, with the latter being the surviving entity whose company name changed into Galapagos Real Estate Belgium BV. Our dormant Swiss subsidiary BioFocus DPI AG was deconsolidated in 2020 and the final actions for its liquidation were completed in 2020. In 2021 solely its deregistration from the Swiss commercial register still needs to occur.

On 23 November 2020 we signed a share purchase agreement for the sale of our subsidiary Fidelta d.o.o. (Zagreb, Croatia). As we expect that the net assets associated with Fidelta d.o.o. will be recovered principally through a sale transaction rather than through continuing use, we have classified these assets and the associated liabilities as held for sale in our financial statements for the year ended 31 December 2020. On 4 January 2021 we closed the sale of our fee-for-service business Fidelta. Selvita S.A. acquired 100% of the outstanding shares in Fidelta.

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.

## 32. Financial risk management

### Financial risk factors

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

Categories of financial assets and liabilities:

(thousands of €)	31 December	
	2020	2019 <sup>(1)</sup>
<b>Financial assets held at fair value through profit or loss</b>		
Equity instruments	8,951	11,275
Current financial investments	1,571,858	3,919,216
<b>Financial assets at amortized cost</b>		
Current financial investments	1,454,420	-
Cash and cash equivalents	2,135,187	1,861,616
Other non-current assets	907	1,399
Restricted cash (current and non-current)	1,482	1,418
Trade receivables	184,632	39,603
<b>Total financial assets</b>	<b>5,357,438</b>	<b>5,834,526</b>
<b>Financial liabilities held at fair value through profit or loss</b>		
Current financial instruments	3,164	6,198
<b>Financial liabilities at amortized cost</b>		
Trade payables	134,905	116,749
Lease liabilities	29,436	25,384
<b>Total financial liabilities</b>	<b>167,505</b>	<b>148,331</b>

(1) The historical consolidated financial information for 2019 presented in this disclosure note has been adjusted mainly to correct for the amounts of other receivables and other payables that are outside the scope of IFRS 9.

The carrying amounts of trade payables and trade receivables are considered to be the same as their fair values, due to their short-term nature.

### Financial assets held at fair value through profit or loss

Financial assets held at fair value through profit or loss consisted of equity instruments of listed/non-listed companies and current financial investments.

We have no restrictions on the sale of these equity instruments and the assets are not pledged under any of our liabilities. These instruments are classified as financial assets held at fair value through profit or loss. The equity investments in listed companies qualify for level 1 fair value measurement based upon the closing price of such securities on Euronext at each reporting date.

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

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 €5,169.3 million on 31 December 2020. 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 regard to milestone and upfront payments to be received, taking into account our past track record, including the assumption that not all new projects that are being planned will be realized.

All our current financial investments and 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 a limited amount of creditworthy customers, many of which are large pharmaceutical companies, spread over different geographical areas. To limit the risk of financial losses, we have developed a policy of only dealing with creditworthy counterparties.

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

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

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

(thousands of €)	31 December	
	2020	2019
60 - 90 days	-	87
90 - 120 days	-	-
more than 120 days	-	-

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 money market funds and treasury bills with an AAA rating. The money market funds are invested in a well-diversified portfolio of highly rated assets.

### Interest rate risk

The only variable interest-bearing financial instruments are cash and cash equivalents and current financial investments. Our interest rate income is impacted by the negative interest rate environment in EUR, and the low interest rate environment in USD.

Changes in interest rates may cause variations in interest income and expenses resulting from short-term interest-bearing assets. Management does not expect the short-term interest rates to decrease significantly in the immediate foreseeable future, which limits the interest exposure on our cash and cash equivalents and current financial investments.

### Effect of interest rate fluctuation

A 100 basis points increase in interest rates at balance sheet date would have increased profit or loss, and equity, by approximately €51.7 million (2019: €57.8 million); a 100 basis points decrease in interest rates would have decreased profit or loss, and equity, by approximately €51.7 million (2019: €57.8 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, GB pounds and Croatian kuna.

To limit this risk, we attempt to align incoming and outgoing cash flows in currencies other than EUR. In addition, contracts closed by our different entities are mainly in the functional currencies of that entity, except for the alliance 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	
	2020	2019
Increase in Euros - U.S. Dollars	(116,690)	(133,373)
Increase in Euros - GB Pounds	303	113
Increase in Euros - CH Francs	2,013	538
Increase in Euros - HR Kunas	-	650
Increase in U.S. Dollars - GB Pounds	-	(894)

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

### Capital risk factors

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

Our capital structure consists of current financial investments, cash and cash equivalents, financial debt (as of 31 December 2020, we only have leasing liabilities), and equity attributed to the holders of our equity instruments, such as capital, reserves and results carried forward, as mentioned in the consolidated statement of changes in equity.

We manage our capital structure and make the necessary adjustments in the light of changes of economic circumstances, the risk characteristics of underlying assets and the projected cash needs of the current research and development activities.

The adequacy of the capital structure will depend on many factors, including scientific progress in the research and development programs, the magnitude of those programs, the commitments to existing and new clinical CROs, the ability to establish new alliance or collaboration agreements, the capital expenditures, the new commercial activities, market developments and any future acquisition.

Neither Galapagos NV nor any of its subsidiaries are subject to any externally imposed capital requirements, other than those imposed by generally applicable company law requirements.

### 33. Statutory auditor's remuneration

The statutory auditor's fees for carrying out his mandate at group level amounted to €1,202.8 thousand in 2020 (2019: €1,406.8 thousand). The fees for audit-related services executed by the statutory auditor, related to the performance of the audit or review of the company's affiliates financial statements, amounted to €23.9 thousand (2019: €29.2 thousand). Audit-related services executed by persons related to the statutory auditor for carrying out an auditor's mandate at the level of the Company's affiliates, amounted to €29.2 thousand in 2020 (2019: €29.2 thousand). Other fees related to audit-related fees, which generally the auditor provides, amounted to €161.3 thousand in 2020 (2019: €43.0 thousand). Other fees related to non-audit services executed by the statutory auditor amounted to €47.7 thousand in 2020 (2019: €148.2 thousand). Other fees related to non-audit services executed by persons related to the statutory auditor amounted to €890.7 thousand in 2020 and related to IT services and CSV services (2019: €46.6 thousand). The audit committee and the supervisory board are of the opinion that these non-audit services do not affect the independence of the statutory auditor in the performance of his audit. The abovementioned additional fees were fully approved by the audit committee in accordance with article 3:64 of the Belgian Companies Code.

### 34. Events after balance sheet date

On 19 March 2021, 99,814 subscription rights were exercised (with an average exercise price of €22.62 per subscription right), of which 41,874 subscription rights were exercised by our CEO, 10,000 subscription rights by other members of our management board, and 5,040 subscription rights by former members of our supervisory board. This resulted in a share capital increase (including issuance premium) of €2,258,042.82 and the issuance of 99,814 new ordinary shares. The closing price of our share on 19 March 2021 was €68.48.

On 10 February 2021, we announced the discontinuation of all development with ziritaxestat due to an insufficient risk-benefit profile observed in the ISABELA Phase 3 program.

On 4 January 2021, we completed the sale of Fidelta to Selvita S.A. for a total consideration of €37.1 million (including the customary adjustments for cash and working capital). Fidelta will continue performing drug discovery services for us for the next five years for which we have purchase commitments for an aggregate amount of €27.0 million.

Our consolidated financial statements were approved by the supervisory board and authorized for publication, on 23 March 2021. They were signed on behalf of the supervisory board by:

(signed)

**Raj Parekh**

Chair of the supervisory board

23 March 2021

**Howard Rowe**

Chair of the audit committee

## Non-consolidated financial statements

### Income statement

(thousands of €)	Year ended 31 December	
	2020	2019
Turnover	558,798	902,817
Internally generated intangible assets	460,802	399,874
Other operating income	17,407	21,655
<b>Operating income</b>	<b>1,037,007</b>	<b>1,324,346</b>
Raw materials, consumables and goods for resale	(10,349)	(7,522)
Services and other goods	(543,041)	(444,088)
Remuneration, social security costs and pensions	(59,947)	(52,231)
Depreciation, impairment and other amounts written off on constitution costs, intangible and tangible assets	(467,807)	(403,311)
Increase in provisions	(11,210)	-
Other operating charges	(53,495)	(23,301)
Non-recurring operating costs	(105)	(38)
<b>Operating profit/loss (-)</b>	<b>(108,947)</b>	<b>393,855</b>
Finance income	25,787	27,511
Non-recurring finance income	5,476	-
Finance cost	(139,863)	(63,967)
<b>Profit /loss (-) before taxes</b>	<b>(217,548)</b>	<b>357,399</b>
Taxes	21,577	21,619
<b>Profit/loss (-) for the year</b>	<b>(195,971)</b>	<b>379,018</b>
Loss brought forward	(80,528)	(459,547)
<b>Accumulated losses to be carried forward</b>	<b>(276,499)</b>	<b>(80,528)</b>

Balance sheet

(thousands of €)	31 December	
	2020	2019
<b>Assets</b>		
<b>Non-current assets</b>	<b>258,820</b>	<b>147,221</b>
Intangible fixed assets	54,806	11,137
Tangible fixed assets	14,544	9,507
Financial fixed assets	61,183	64,361
Non-current trade and other receivables	128,287	62,215
<b>Current assets</b>	<b>5,340,351</b>	<b>5,856,271</b>
Inventories	355	252
Trade and other receivables	207,387	88,623
Deferred costs	9,723	4,103
Accrued income	572	3,710
Cash and cash equivalents	5,122,314	5,759,583
<b>Total assets</b>	<b>5,599,171</b>	<b>6,003,491</b>
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>2,729,348</b>	<b>2,897,031</b>
Share capital and reserves	353,819	349,789
Share premium account	2,652,028	2,627,771
Accumulated losses	(276,499)	(80,528)
<b>Liabilities</b>	<b>2,869,823</b>	<b>3,106,459</b>
<b>Non-current liabilities</b>	<b>11,211</b>	<b>3,361</b>
Provisions	11,211	-
Other non-current liabilities	-	3,361
<b>Current liabilities</b>	<b>2,858,613</b>	<b>3,103,098</b>
Trade and other payables	217,868	227,243
Tax, payroll and social security liabilities	12,780	12,061
Accrued costs	1,149	1,089
Deferred income	2,626,816	2,862,705
<b>Total equity and liabilities</b>	<b>5,599,171</b>	<b>6,003,491</b>

The non-consolidated annual accounts of Galapagos NV were prepared in accordance with Belgian accounting rules as well as with the legal and regulatory requirements. They show a negative result. The financial year 2020 closed with a loss of €196.0 million compared to a profit of €379.0 million in 2019. The non-consolidated annual accounts of Galapagos NV show accumulated losses of €276.5 million as at 31 December 2020; we refer to the [Going concern statement](#) for justification for the application of the valuation rules under the going concern assumption.

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

## Report of the statutory auditor

### Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2020 – Consolidated financial statements

The original text of this report is in Dutch

In the context of the statutory audit of the consolidated financial statements of Galapagos NV ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 28 April 2020, in accordance with the proposal of the supervisory board issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2022. We have performed the statutory audit of the consolidated financial statements of Galapagos NV for 15 consecutive periods. We are the statutory auditor of Galapagos NV for 21 consecutive years.

### Report on the consolidated financial statements

#### Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income and comprehensive income/loss, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 5 717 731 (000) EUR and the consolidated statement of income and comprehensive income/loss shows a loss for the year then ended of 305 436 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2020 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the supervisory board and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Determination of the accounting treatment for the amendment to the license and collaboration agreement for filgotinib - Refer to Notes 2, 4, 6, and 24 to the financial statements**

#### **Key Audit Matter Description**

On December 15, 2020, the Company entered into a binding term sheet with Gilead Sciences, Inc. ("Gilead") (the "December 2020 Amendment") to amend the license and collaboration agreement for filgotinib previously signed with Gilead in August 2019 ("the 2019 Collaboration") and to agree on the transfer of development, manufacturing, commercialization and certain other rights to filgotinib in Europe.

As part of the IFRS-15 Revenue from Contracts with Customers ("IFRS 15") analysis, the accounting treatment for the December 2020 Amendment required judgment in respect of the following:

- Timing of the contract modification: management's assessment of the legally binding and enforceable nature of the term sheet resulted in management accounting for the contract modification in 2020;
- Determining the appropriate IFRS standard: the contract modification has been analysed under the requirements of IFRS 15, as Gilead is still considered to be a customer;
- Identification of performance obligations: no new or additional performance obligations were identified within the contract modification, resulting in only the partly satisfied filgotinib performance obligation being impacted via the cumulative catch-up method;
- Allocation of the total transaction price: the increased fixed consideration as a result of the modification has been allocated in its entirety to the filgotinib performance obligation, with the Company concluding that the change in the scope of the filgotinib performance obligation and the change in both the fixed and variable consideration are reflective of the updated stand-alone selling price for the remaining activities under this performance obligation;
- Determination of the percentage of completion: in the process of estimating the costs to complete the Company considered that all ongoing and planned clinical trials (including the long term extension trials) would be completed through their final stage.

The evaluation of the reasonableness of management's estimates and assumptions related to these specific critical judgments and accounting estimates require a high degree of auditor judgment and a significant degree of extra audit effort, including the need to involve our accounting specialists.

#### **How the Key Audit Matter Was Addressed in the Audit**

Our audit procedures to address all critical judgments related to the December 2020 Amendment included reading the binding term sheet and management's accounting position paper to understand the terms of this contract and evaluate management's conclusions.

In relation to management's critical judgments related to the December 2020 Amendment, our audit procedures included the following:

- We tested the effectiveness of controls over the accounting treatment of significant unusual transactions, which is one of management's controls over the application of IFRS 15.

- With the assistance of our accounting specialists:
  - We evaluated the legally binding and enforceable nature of the term sheet to assess the date of the contract modification;
  - We tested management's identification of the applicable IFRS standard and the distinct performance obligations by evaluating whether the underlying goods, services, or both were highly interdependent and interrelated with one or both of the performance obligations that were partly satisfied at the time of the contract modification.
  - We read minutes of board and committee meetings as well as management's position paper to understand the parties intended use of the licenses and other obligations included in the December 2020 Amendment;
  - We evaluated whether the change in the scope of the filgotinib performance obligation resulting from the December 2020 Amendment and the change in both the fixed and variable consideration are reflective of the updated stand-alone selling price for the remaining activities under this performance obligation.
- We assessed the assumptions made in estimating the costs to complete the filgotinib development activities by comparing these with management's past experience, external information (including information from Gilead) and other observable evidence and by performing sensitivities on the current year's revenue recognition resulting from changes to these estimates.

## IT systems which impact financial reporting

### Key Audit Matter Description

During the year, the group implemented various new IT systems, including a new ERP-system and a new reporting and consolidation system. These IT systems form a critical component of the group's financial reporting activities and impact all account balances. The group places significant reliance on its IT systems and the associated controls.

We have identified the IT systems, which impact financial reporting as a key audit matter because of the:

- Implementation of new key IT systems during the year;
- Reliance on these systems within the group;
- Importance of the IT controls over the systems to maintaining an effective control environment. A key interdependency exists between the ability to rely on IT controls and the ability to rely on system configured automated controls and system reports;
- Pervasive nature of these systems;
- Considerable involvement of our IT specialists; and
- Additional effort needed from the audit team to test compensating controls, evaluate management's mitigating or remediating actions or perform additional substantive testing in response to any unaddressed IT risks.

The key IT systems impact a range of business processes, including General Ledger, Procurement and Financial Consolidation.

We refer to the section "Risk management and internal control" of the Annual Report for the related management disclosure.

### How the Key Audit Matter Was Addressed in the Audit

With the assistance of our IT specialists, we performed the following risk assessment and audit procedures to test IT controls over the in scope IT systems, which are those systems that we considered key for financial reporting purposes:

- Identified the IT risks for each IT system based on our understanding of the flows of transactions and the IT environment;

- Determined whether each general IT control, individually or in combination with other controls, is appropriately designed to address the associated IT risk; and
- Tested the effectiveness of the relevant general IT controls.

Where there were deficiencies in the IT controls, we tested additional manual business process controls that addressed the related IT risks. If no such manual business controls were identified, we performed additional testing such as evaluating management's mitigating actions or expanding the scope and nature of our direct testing procedures on the account balances that were impacted by these IT deficiencies.

### **Responsibilities of the supervisory board for the preparation of the consolidated financial statements**

The supervisory board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the supervisory board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the supervisory board is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the supervisory board either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

### **Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the supervisory board in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the supervisory board;

- conclude on the appropriateness of the use of the going concern basis of accounting by the supervisory board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

## Other legal and regulatory requirements

### Responsibilities of the supervisory board

The supervisory board is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

### Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

### Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements that is part of the section on corporate social responsibility of the annual report (section "CSR Report"). This non-financial information has been established by the company in accordance with the United Nations' Sustainable Development Goals ("SDG's"). In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with these SDG's.

### Statements regarding independence

Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.

The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

### Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Signed at Zaventem, March 25, 2021

#### **The statutory auditor**

**Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL**

Represented by Nico Houthaeve

## Glossary of terms

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### **100 points clinical response**

Percentage of patients achieving a 100-point decrease in CDAI score during a clinical trial in CD patients

### **ACR**

American College of Rheumatology

### **ACR20 (ACR 20/50/70)**

American College of Rheumatology 20% response rate signifies a 20% or greater improvement in the number of swollen and tender joints as well as a 20% or greater improvement in three out of five other disease-activity measures. ACR50 and ACR70 reflect the same, for 50% and 70% response rates, respectively

### **ADAMTS-5**

ADAMTS-5 is a key enzyme involved in cartilage breakdown (Larkin 2015)

### **Adenovirus**

A common virus that causes cold-like symptoms and is used as a research tool for the lab in the discovery of new drugs

### **ADPKD**

Autosomal dominant polycystic kidney disease, a disease where typically both kidneys become enlarged with fluid-filled cysts, leading to kidney failure. Other organs may be affected as well

### **ADS**

American Depositary Share; Galapagos has a Level 3 ADS listed on Nasdaq with ticker symbol GLPG and CUSIP number 36315X101. One ADS is equivalent to one ordinary share in Galapagos NV

### **AFM**

Dutch Authority for the Financial Markets

### **Anemia**

Condition in which the patient has an inadequate number of red blood cells to carry oxygen to the body's tissues

### **Ankylosing spondylitis (AS)**

AS is a systemic, chronic, and progressive spondyloarthropathy primarily affecting the spine and sacroiliac joints, and progressing into severe inflammation that fuses the spine, leading to permanent painful stiffness of the back

### **Anti-TNF**

Tumor necrosis factor. An anti-TNF drug acts by modulation of TNF

### **Assays**

Laboratory tests to determine characteristics

**Atopic dermatitis (AtD)**

Also known as atopic eczema, atopic dermatitis is a common pruritic inflammatory condition affecting the skin, which most frequently starts in childhood

**ATS**

ATS, the American Thoracic Society improves global health by advancing research, patient care, and public health in pulmonary disease, critical illness, and sleep disorders

**Attrition rate**

The historical success rate for drug discovery and development, based on publicly known development paths. Statistically seen, investment in at least 12 target-based programs is required to ensure that at least one of these will reach a Phase 3 study. Most new drug R&D programs are discontinued before reaching Phase 3 because they are not successful enough to be approved

**Autotaxin (ATX)**

An enzyme important for generating the signaling molecule lysophosphatidic acid (LPA). Ziritaxestat targets autotaxin for IPF and SSc

**BID dosing**

Twice-daily dosing (bis in die)

**Bioavailability**

Assessment of the amount of product candidate that reaches a body's systemic circulation after (oral) administration

**Biomarker**

Substance used as an indicator of a biological process, particularly to determine whether a product candidate has a biological effect

**Black & Scholes model**

A mathematical description of financial markets and derivative investment instruments that is widely used in the pricing of European options and subscription rights

**Bleomycin model**

A preclinical model involving use of bleomycin (a cancer medication) to induce IPF symptoms

**Bridging trial**

Clinical trial performed to "bridge" or extrapolate one dataset to that for another situation, i.e. to extrapolate data from one population to another for the same drug candidate, or to move from IV to subcutaneous dosing

**CALOSOMA**

Phase 1 program with GLPG3970 in psoriasis

**Cash position**

Current financial investments and cash and cash equivalents

## CDAI

Crohn's Disease Activity Index, evaluating patients on eight different factors, each of which has a pre-defined weight as a way to quantify the impact of CD

## CDAI remission

In the FITZROY trial, the percentage of patients with CD who showed a reduction of CDAI score to <150

## CFTR

Cystic fibrosis transmembrane conductance regulator (CFTR) is a membrane protein and chloride channel in vertebrates that is encoded by the CFTR gene. It is hypothesized that inhibition of the CFTR channel might reduce cyst growth and enlargement for patients with ADPKD. GLPG2737 is a CFTR inhibitor

## CHIT1/AMCase

Chitotriosidase (CHIT1) is a protein coding gene, and AMCase is an inactive acidic mammalian chitinase. CHIT1 is predominantly involved in macrophage activation. Inhibition of chitinase activity translates into a potential therapeutic benefit in lung diseases like IPF, as shown in preclinical models. GLPG4716 is a CHIT1/AMCase inhibitor targeting a key pathway in tissue remodeling

## CHMP

Committee for Medicinal Products for Human Use is the European Medicines Agency's (EMA) committee responsible for human medicines and plays a vital role in the authorization of medicines in the European Union (EU)

## CIR

*Crédit d'Impôt Recherche*, or research credit. Under the CIR, the French government refunds up to 30% of the annual investment in French R&D operations, over a period of three years. Galapagos benefits from the CIR through its operations in Romainville, just outside Paris

## Clinical Proof of Concept (PoC)

Point in the drug development process where the product candidate first shows efficacy in a therapeutic setting

## Complete Response Letter (CRL)

A letter sent by the FDA to indicate that the review cycle for an application is complete and the application is not ready for approval in its present form

## Compound

A chemical substance, often a small molecule with drug-like properties

## Contract research organization (CRO)

Organization which provides drug discovery and development services to the pharmaceutical, biotechnology and medical devices industry

## Corticosteroids

Any of a group of steroid hormones produced in the adrenal cortex or made synthetically. They have various metabolic functions and some are used to treat inflammation



**Crohn's disease (CD)**

An IBD involving inflammation of the small and large intestines, leading to pain, bleeding, and ultimately in some cases surgical removal of parts of the bowel

**CRP**

C-reactive protein is a protein found in the blood, the levels of which rise in response to inflammation

**Cystic fibrosis (CF)**

A life-threatening genetic disease that affects approximately 80,000 people worldwide. Although the disease affects the entire body, difficulty breathing is the most serious symptom as a result of clogging of the airways due to mucus build-up and frequent lung infections

**Cytokine**

A category of small proteins which play important roles in signaling in processes in the body

**DARWIN**

Phase 2 program for filgotinib in RA. DARWIN 1 explored three doses, in twice-daily and once-daily administration, for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who remained on their stable background treatment with MTX. DARWIN 2 explored three once-daily doses for up to 24 weeks in RA patients with insufficient response to methotrexate (MTX) and who washed out of their treatment with MTX. DARWIN 1 and 2 were double-blind, placebo-controlled trials which recruited approximately 900 patients globally and for which results were reported in 2015. DARWIN 3 is a long term extension trial in which all patients are on 200 mg filgotinib, except for U.S. males who are on 100 mg. The week 156 results from DARWIN 3 were reported in 2019

**DDI study**

Drug-drug interaction study. This type of study will assess if there is a change in the action or side effects of a drug caused by concomitant administration with another drug

**Deep venous thrombosis (DVT)**

The formation of one or more blood clots in one of the body's large veins, most commonly in the lower limbs. The blood clots can travel to the lung and cause a pulmonary embolism

**Degradation**

The process by which proteins are lost through the use of drugs such as PROTACs or small molecules

**Development**

All activities required to bring a new drug to the market. This includes preclinical and clinical development research, chemical and pharmaceutical development and regulatory filings of product candidates

**Discovery**

Process by which new medicines are discovered and/or designed. At Galapagos, this is the department that oversees target and drug discovery research through to nomination of preclinical candidates

**Disease-modifying**

Addresses the disease itself, modifying the disease progression, not just the symptoms of the disease

**DIVERGENCE**

Phase 2 programs with filgotinib in Crohn's disease. DIVERGENCE 1 was an exploratory study in small bowel CD and DIVERGENCE 2 in fistulizing CD

**DIVERSITY**

Phase 3 program evaluating filgotinib in CD

**DLCO**

DLCO (diffusion capacity of the lung for carbon monoxide) is the extent to which oxygen passes from the air sacs of the lungs into the blood. This is measured in IPF patients

**DMARDs**

Disease modifying anti rheumatic drugs; these drugs address the disease itself rather than just the symptoms

**Dose-range finding study**

Phase 2 clinical study exploring the balance between efficacy and safety among various doses of treatment in patients. Results are used to determine doses for later studies

**Double-blind**

Term to characterize a clinical trial in which neither the physician nor the patient knows if the patient is taking placebo or the treatment being evaluated

**Efficacy**

Effectiveness for intended use

**EMA**

European Medicines Agency, in charge of European market authorization of new medications

**Endoscopy**

A non-surgical procedure involving use of an endoscope to examine a person's digestive tract

**EQUATOR**

A Phase 2 trial with filgotinib in psoriatic arthritis patients

**Esbriet**

An approved drug (pirfenidone) for IPF, marketed by Roche

**Fast Track**

A designation by the FDA of an investigational drug for expedited review to facilitate development of drugs which treat a serious or life-threatening condition and fill an unmet medical need

**FDA**

The U.S. Food and Drug Administration is an agency responsible for protecting and promoting public health and in charge of American market approval of new medications

**Fee-for-service**

Payment system where the service provider is paid a specific amount for each procedure or service performed

**Fibrotic score**

The Ashcroft fibrotic score involves measuring pulmonary fibrosis through examination of histopathology tissue

**FIH**

First-in-human clinical trial, usually conducted in healthy volunteers with the aim to assess the safety, tolerability and pharmacokinetics of the product candidate

**Filgotinib**

Formerly known as GLPG0634, commercial name is Jyseleca. Small molecule preferential JAK1 inhibitor, approved in RA in Europa and Japan. In the U.S. a CRL was received in RA. Application for approval for ulcerative colitis was filed in Europe. Filgotinib is partnered with Gilead. Filgotinib currently is in Phase 3 trials in CD

**FINCH**

Phase 3 program evaluating filgotinib in RA

**Fistulizing CD**

Fistulae are inflammatory tracts that most often occur between the distal colon and the perianal region. Fistulae are one of the most severe sequelae of luminal CD and the lifetime risk of occurrence is close to 50% of those with active CD

**FITZROY**

A double-blind, placebo controlled Phase 2 trial with filgotinib in 177 CD patients for up to 20 weeks. Full results were published in The Lancet in 2016

**FLORA**

A double-blind, placebo-controlled exploratory Phase 2a trial with ziritaxestat in up to 24 IPF patients; topline results were reported in August 2017

**FORM 20-F**

Form 20-F is an SEC filing submitted to the US Securities and Exchange Commission

**FRI**

Functional respiratory imaging is a technology which enhances 3D visualization and quantification of a patient's airway and lung geometry

**FSMA**

The Belgian market authority: Financial Services and Markets Authority, or Autoriteit voor Financiële Diensten en Markten

**FTE**

Full-time equivalent; a way to measure an employee's involvement in a project. For example, an FTE of 1.0 means that the equivalent work of one full-time worker was used on the project

**Futility analysis**

Analysis of the likelihood of a trial to meet its primary endpoint, based on a subset of the total information to be gathered. The term 'futility' is used to refer to the low likelihood of a clinical trial to achieve its objectives. In particular, stopping a clinical trial when the interim results suggest that it is unlikely to achieve statistical significance can save resources that could be used on more promising research

**FVC**

Forced vital capacity is the amount of air which can be forcibly exhaled from the lungs after taking the deepest breath possible. FVC is used to help determine both the presence and severity of lung diseases such as IPF

**G&A expenses**

General & administrative expenses

**Genome**

An organism's complete set of genetic information needed to build that organism and allow it to grow and develop

**GLIDER**

Phase 2 Proof of Concept trial with SIK2/SIK3 inhibitor GLPG3970 in Sjögren's syndrome

**GLPG0555**

A JAK1 inhibitor currently in Phase 1b in osteoarthritis

**GLPG0634**

Molecule number currently known as filgotinib and Jyseleca

**GLPG1205**

A GPR84 inhibitor discovered by us. We reported topline results in 2020 from the PINTA Phase 2 patient trial with GLPG1205 in IPF

**GLPG1690**

Autotaxin inhibitor discovered by us and currently known as ziritaxestat. All development with ziritaxestat was discontinued in February 2021

**GLPG1972/S201086**

GLPG1972/S201086, also referred to as GLPG1972, is part of the OA collaboration with Servier. Galapagos and Servier reported there was no signal of activity in the ROCCELLA global Phase 2b trial with GLPG1972/S201086

**GLPG2737**

A compound currently in Phase 2 in PKCD. This compound is part of the CF collaboration with AbbVie but Galapagos regained rights outside of CF

**GLPG3121**

A compound currently in Phase 1 targeting JAK1/TYK2 directed toward inflammation

**GLPG3312**

A SIK1/SIK2/SIK3 inhibitor directed towards inflammation (IBD). Work on this molecule is discontinued

**GLPG3667**

A TYK2 kinase inhibitor discovered by us, currently in Phase 1b in psoriasis

**GLPG3970**

A SIK2/SIK3 inhibitor currently in multiple Phase 2 Proof of Concept studies. Currently the lead molecule in the Toledo program

**GLPG4059**

A compound currently in Phase 1 with undisclosed mode of action directed toward metabolic diseases

**GLPG4399**

A SIK3 inhibitor currently in the preclinical phase directed toward inflammation

**GLPG4586**

A compound with undisclosed mode of action currently in the preclinical phase directed toward fibrosis. This is the first preclinical candidate to emerge from the collaboration with Fibrocor

**GLPG4605**

A SIK2/SIK3 inhibitor in the preclinical phase, currently directed toward fibrosis

**GLPG4716**

A chitinase inhibitor inlicensed from OncoArendi, directed toward fibrosis

**GLPG4876**

A SIK2/SIK3 inhibitor in the preclinical phase, currently directed toward inflammation

**GPR84 inhibitor**

Drug candidate aimed at inhibiting or blocking G-protein coupled receptor 84. GLPG1205 is a GPR84 inhibitor aimed at IPF

**HDL**

High-density lipoprotein. HDL scavenges and reduces low-density lipoprotein (LDL) which contributes to heart disease at high levels. High levels of HDL reduce the risk for heart disease, while low levels of HDL increase the risk of heart disease

**Hemoglobin**

A protein inside red blood cells that carries oxygen from the lungs to tissues and organs in the body and carries carbon dioxide back to the lungs

**Histology**

Study of the microscopic structures of tissues

**Histopathology**

Microscopic examination of tissues for manifestations of a disease

**IBD**

Inflammatory Bowel Disease. This is a general term for an autoimmune disease affecting the bowel, including CD and UC. CD affects the small and large intestine, while UC affects the large intestine. Both diseases involve inflammation of the intestinal wall, leading to pain, bleeding, and ultimately, in some cases, surgical removal of part of the bowel

**In-/out-licensing**

Receiving/granting permission from/to another company or institution to use a brand name, patent, or other proprietary right, in exchange for a fee and/or royalty

**In vitro**

Studies performed with cells outside their natural context, for example in a laboratory

**In vivo**

Studies performed with animals in a laboratory setting

**Inflammatory diseases**

A large, unrelated group of disorders associated with abnormalities in inflammation

**Inspiratory capacity**

Total lung capacity or the amount of gas contained in the lung at the end of a maximal inhalation

**Intellectual property**

Creations of the mind that have commercial value and are protected or protectable, including by patents, trademarks or copyrights

**Intersegment**

Occurring between the different operations of a company

**Investigational New Drug (IND) Application**

United States Federal law requires a pharmaceutical company to obtain an exemption to ship an experimental drug across state lines, usually to clinical investigators, before a marketing application for the drug has been approved. The IND is the means by which the sponsor obtains this exemption, allowing them to perform clinical studies

**IPF**

Idiopathic pulmonary fibrosis. A chronic and ultimately fatal disease characterized by a progressive decline in lung function. Pulmonary fibrosis involves scarring of lung tissue and is the cause of shortness of breath. Fibrosis is usually associated with a poor prognosis. The term "idiopathic" is used because the cause of pulmonary fibrosis is still unknown

**ISABELA**

Phase 3 clinical program investigating ziritaxestat in IPF patients. All development with ziritaxestat was discontinued in February 2021

**JAK**

Janus kinases (JAK) are critical components of signaling mechanisms utilized by a number of cytokines and growth factors, including those that are elevated in RA. Filgotinib is a preferential JAK1 inhibitor

**Jyseleca®**

Jyseleca® is the brand name for filgotinib

**LADYBUG**

Phase 2 program with GLPG3970 in rheumatoid arthritis

**LDL**

Low-density lipoprotein. LDL contributes to heart disease at high levels

**Lipoprotein**

Lipoproteins are substances made of protein and fat that carry cholesterol through your bloodstream. There are two main types of cholesterol: High-density lipoprotein (HDL), or "good" cholesterol and Low-density lipoprotein (LDL), or "bad" cholesterol

**Liver enzymes**

Inflamed or injured liver cells secrete higher than normal amounts of certain chemicals, including liver enzymes, into the bloodstream

**LPA**

Lysophosphatidic acid (LPA) is a signaling molecule involved in fibrosis

**Lymphocyte**

Type of white blood cell that is part of the immune system

**MACE**

Major adverse cardiovascular events; a composite endpoint frequently used in cardiovascular research

**MANTA**

A Phase 2 semen parameter trial with filgotinib in male patients with CD or UC

**MANTA-RAY**

Phase 2 semen parameter trial with filgotinib in male patients with RA, PsA, or AS

**MHLW**

Japanese Ministry of Health, Labor and Welfare (MHLW), in charge of Japanese market authorization of new medications

**Milestone**

Major achievement in a project or program; in our alliances, this is usually associated with a payment

**Modulation**

The process by which the function of proteins is changed through the use of drugs such as small molecules, peptides, antibodies or cell therapy

**Molecule collections**

Chemical libraries, usually consisting of drug-like small molecules that are designed to interact with specific target classes. These collections can be screened against a target to generate initial "hits" in a drug discovery program

**MTX**

Methotrexate; a first-line therapy for inflammatory diseases

**NDA**

New Drug Application

**Neutrophil**

Type of immune system cell which is one of the first cell types to travel to the site of an infection in the body. Neutrophils are another type of white blood cell which fight infection by ingesting and killing microorganisms

**NK cells**

Natural killer cells, type of white blood cell with granules of enzymes which can attack tumors or viruses

**NOVESA**

A Phase 2 trial to evaluate ziritaxestat in systemic sclerosis (SSc). All development with ziritaxestat was discontinued in February 2021

**Ofev**

An approved drug (nintedanib) for IPF, marketed by Boehringer Ingelheim

**Oligonucleotide**

Short DNA or RNA molecule that can be used as research tools or therapeutic drug to change protein expression

**Oral dosing**

Administration of medicine by the mouth, either as a solution or solid (capsule, pill) form

**Osteoarthritis (OA)**

The most common form of arthritis, usually occurring after middle age, marked by chronic breakdown of cartilage in the joints leading to pain, stiffness, and swelling

**Outsourcing**

Contracting work to a third party

**PCKD**

Polycystic kidney disease is a genetic disorder in which the renal tubules become structurally abnormal, resulting in the development and growth of multiple cysts within the kidney

**Pharmacokinetics (PK)**

Study of what a body does to a drug; the fate of a substance delivered to a body. This includes absorption, distribution to the tissues, metabolism and excretion. These processes determine the blood concentration of the drug and its metabolite(s) as a function of time from dosing

**Phase 1**

First stage of clinical testing of an investigational drug designed to assess the safety and tolerability, pharmacokinetics of a drug, usually performed in a small number of healthy human volunteers

**Phase 2**

Second stage of clinical testing, usually performed in no more than several hundred patients, in order to determine efficacy, tolerability and the dose to use



### Phase 3

Large clinical trials, usually conducted in several hundred to several thousand patients to gain a definitive understanding of the efficacy and tolerability of the candidate treatment; serves as the principal basis for regulatory approval

### Phenotypic screening

Phenotypic screening is a strategy used in drug discovery to identify molecules with the ability to alter a cell's disease characteristics. Animal models and cell-based assays are both strategies used to identify these molecules. In contrast to target-based drug discovery, phenotypic screening does not rely on knowing the identity of the specific drug target or its hypothetical role in the disease. A key benefit this approach has over target-based screening, is its capacity to capture complex biological mechanisms that are not otherwise achievable

### PINTA

Phase 2 trial with GPR84 inhibitor GLPG1205 in IPF patients

### Pivotal trials

Registrational clinical trials

### Placebo-controlled

A substance having no pharmacological effect but administered as a control in testing a biologically active preparation

### Preclinical

Stage of drug research development, undertaken prior to the administration of the drug to humans. Consists of *in vitro* and *in vivo* screening, pharmacokinetics, toxicology, and chemical upscaling

### Preclinical candidate (PCC)

A new molecule and potential drug that meets chemical and biological criteria to begin the development process

### Product candidate

Substance that has satisfied the requirements of early preclinical testing and has been selected for development, starting with formal preclinical safety evaluation followed by clinical testing for the treatment of a certain disorder in humans

### Proof of Concept (POC)

A clinical trial in which first evidence for efficacy of a candidate drug is gathered. A Proof of Concept trial is usually with a small number of patients and for short duration to get a first impression of drug activity

### Proof of Concept study

Phase 2 patient study in which activity as well as safety in patients is evaluated, usually for a new mechanism of action

### PROTAC

Proteolysis targeting chimera, a special small molecule capable of removing unwanted proteins that play a role in disease processes

**Psoriasis**

A chronic skin disease which results in scaly, often itchy areas in patches.

**Psoriatic arthritis (PsA)**

Psoriatic arthritis or PsA is an inflammatory form of arthritis, affecting up to 30% of psoriasis patients. Psoriatic arthritis can cause swelling, stiffness and pain in and around the joints, and cause nail changes and overall fatigue

**Pulmonary embolism**

A blockage in one of the pulmonary arteries in the lungs

**QD dosing**

Once-daily dosing (qd from the Latin quaque die)

**R&D operations**

Research and development operations; unit responsible for discovery and developing new product candidates for internal pipeline or as part of risk/reward sharing alliances with partners

**Replication**

The process by which DNA is copied to produce two identical DNA molecules during the process of cell division

**Rheumatoid arthritis (RA)**

A chronic, systemic inflammatory disease that causes joint inflammation, and usually leads to cartilage destruction, bone erosion and disability

**ROCCELLA**

Global Phase 2b trial, together with our collaboration partner Servier, with GLPG1972/S201086 (GLPG1972) in osteoarthritis (OA). In 2020, Galapagos and Servier reported that no signal of efficacy was found in the ROCCELLA trial, and have stopped further development of GLPG1972 in this indication

**Screening**

Method usually applied at the beginning of a drug discovery campaign, where a target is tested in a biochemical assay against a series of small molecules or antibodies to obtain an initial set of "hits" that show activity against the target. These hits are then further tested or optimized

**SEA TURTLE**

Phase 2 program with GLPG3970 in ulcerative colitis

**SEC**

Securities and Exchange Commission in the US

**SELECTION**

Phase 3 program evaluating filgotinib in UC patients

**SES-CD scores**

Simple endoscopic score for CD, involving review of five pre-defined bowel segments, assigning values from 0 (unaffected) to 3 (highly affected)

### Short interfering RNA

A research tool that is used to silence the activity of specific genes

### SIK

Salt-inducible kinase. This is the target family for the portfolio of molecules in the Toledo program

### Sjögrens syndrome

Sjögren's Syndrome is a systemic inflammatory disease which can be felt throughout the body, often resulting in chronic dryness of the eyes and mouth

### S&M expenses

Sales and marketing expenses

### Small bowel CD (SBCD)

CD causes chronic inflammation and erosion of the intestines. It can affect different regions of gastrointestinal tract including the stomach and small and large intestines. While isolated SBCD is an uncommon presentation of CD, involvement of some portion of the small bowel, particularly the ileum, is common

### Statin

Statins are a class of lipid-lowering medications that reduce illness and mortality in those who are at high risk of cardiovascular disease. They are the most common cholesterol-lowering drugs. Low-density lipoprotein (LDL) carriers of cholesterol play a key role in the development of atherosclerosis and coronary heart disease via the mechanisms described by the lipid hypothesis

### Systemic lupus erythematosus

An autoimmune disease, with systemic manifestations including skin rash, erosion of joints or even kidney failure.

### Systemic sclerosis (SSc)

Systemic sclerosis (SSc) or scleroderma is an autoimmune disease. One of the most visible manifestations is hardening of the skin. In diffuse cutaneous SSc, which has one of the highest mortality rates among rheumatic diseases, fibrosis occurs in multiple organs, such as the lung

### TAPINOMA

Phase 2 Proof of Concept trial with SIK2/SIK3 inhibitor GLPG3970 in SLE

### Target

Protein that has been shown to play a role in a disease process and that forms the basis of a therapeutic intervention or discovery of a medicine

### Target discovery

Identification and validation of proteins that have been shown to play a role in a disease process

### TEAE

Treatment Emergent Adverse Event, is any event not present prior to the initiation of the treatments or any event already present that worsens in either intensity or frequency following exposure to the treatments

### Technology access fee

License payment made in return for access to specific technology (e.g. compound or virus collections)

### Toledo

Toledo is the program name for the target family of SIK inhibitors

### Topical corticosteroids

Corticosteroids which are administered through the skin using an ointment

### Transcription

The process of making an RNA copy of a DNA gene sequence

### Translation

The process by which a protein is synthesized from mRNA

### TYK

Tyrosine kinase is an enzyme that can transfer a phosphate group from ATP to the tyrosine residues of specific proteins inside a cell. It functions as an "on" or "off" switch in many cellular functions. Tyrosine kinases belong to a larger class of enzymes known as protein kinases which also attach phosphates to other amino acids such as serine and threonine. GLPG3667 is a reversible and selective TYK2 kinase domain inhibitor

### Ulcerative colitis (UC)

UC is an IBD causing chronic inflammation of the lining of the colon and rectum (unlike CD with inflammation throughout the gastrointestinal tract)

### Uveitis

Uveitis is the term that refers to inflammation inside the eye. This inflammation can be caused by infection, autoimmune reaction, or by conditions confined primarily to the eye

### Venous thrombotic events

When a blood clot breaks loose and travels in the blood, this is called a venous thromboembolism (VTE). The abbreviation DVT/PE refers to a VTE where a deep vein thrombosis (DVT) has moved to the lungs (PE or pulmonary embolism)

### Ziritaxestat

Formerly known as GLPG1690. Ziritaxestat is a novel drug candidate targeting autotaxin; all development with ziritaxestat was discontinued in February 2021

## Financial calendar

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### 28 April 2021

Annual Shareholders' Meeting in Mechelen, Belgium

### 06 May 2021

First quarter 2021 results

### 05 August 2021

Half year 2021 results

### 04 November 2021

Third quarter 2021 results

### 24 February 2022

Full year 2021 results

## Colophon

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### Concept, design and online programming

nexxar GmbH, Vienna – Online annual reports and online sustainability reports

[www.nexxar.com](http://www.nexxar.com)

### Photography – Management board

Frank van Delft

### Photography – Our employees

Frederik Beyens

### Animation 'Embarking on an era of patient partnership'

Morse studio & Deep Thought Productions

### Video 'Together we make it happen - Emma Chaffin, UK'

Darren Wilson & Deep Thought Productions

### Magazine Copy

Gerard Ivall, Rob Buitter

Copy deadline: 25 March 2021

This report is also available in Dutch and available for download in the [Downloads](#) section of this report or at [www.glp.com](http://www.glp.com)

## Contact

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**Elizabeth Goodwin**

Vice President Investor Relations  
Galapagos NV  
Generaal De Wittelaan L11 A3  
2800 Mechelen, Belgium  
Tel +1 781 460 1784  
Email: [ir@glpg.com](mailto:ir@glpg.com)



**Sofie Van Gijssel**

Senior Director Investor Relations  
Galapagos NV  
Generaal De Wittelaan L11 A3  
2800 Mechelen, Belgium  
Tel. +32 485 19 14 15  
Email: [ir@glpg.com](mailto:ir@glpg.com)



**Sandra Cauwenberghs**

Director of Investor Relations  
Galapagos NV  
Generaal De Wittelaan L11 A3  
2800 Mechelen, Belgium  
Tel. +32 15 34 29 00  
Email: [ir@glpg.com](mailto:ir@glpg.com)



**Carmen Vroonen**

Global Head of Communications  
& Public Affairs  
Galapagos NV  
Generaal De Wittelaan L11 A3  
2800 Mechelen, Belgium  
Tel. +32 473 82 48 74  
Email:  
[communications@glpg.com](mailto:communications@glpg.com)



**Kyra Obolensky**

Senior Director Corporate  
Communications  
Galapagos NV  
Generaal De Wittelaan L11 A3  
2800 Mechelen, Belgium  
Tel. +32 491 92 64 35  
Email:  
[communications@glpg.com](mailto:communications@glpg.com)