

Corporate governance

Corporate governance
at Galapagos in 2016



Herman de Kock

Head of Development



Galapagos' corporate governance policies

We have adopted the Belgian Corporate Governance Code 2009 (which can be consulted on www.corporategovernancecommittee.be) as our reference code. Galapagos NV's board of directors approved a Corporate Governance Charter (which is available on our website, 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 Belgian Corporate Governance Code 2009.

The board of directors strives to comply with the rules of the Belgian Corporate Governance Code 2009 as much as possible. At the same time, the board of directors is of the opinion that certain deviations from the provisions of the Belgian Corporate Governance Code 2009 are justified, in view of our activities, our size and the specific circumstances in which we operate. In such cases, which are mentioned in this corporate governance statement, we apply the "comply or explain" principle. Reference is made to the "[Remuneration of non-executive Directors of Galapagos NV](#)" section.

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.

Board of directors of Galapagos NV

Composition of Galapagos NV's board of directors

Onno van de Stolpe – Please refer to the "[Composition of Galapagos NV's executive committee](#)" for a biography.

Rajesh Parekh, MA, DPhil has served as the Chairman of our board of directors since 2004. Dr. Parekh is a General Partner at Advent Life Sciences LLP, which he joined in 2005. 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 Celldex Therapeutics, Inc.; Avila Therapeutics, Inc.; EUSA Pharma (Europe) Limited; Thiakis Limited; Biocartis NV; and Amsterdam Molecular Therapeutics (AMT) Holding N.V. (now uniQure). Dr. Parekh currently serves as a member of the board of directors of Advent Venture Partners; Advent Life Sciences LLP; Aleta Inc.; Arrakis, Inc.; Aura Inc.; Artax Inc.; Capella BioSciences Ltd.; Cellnovo Limited; Itara Ltd.; Levicept Limited; PE Limited; and Project Paradise Limited. He is also a member of the supervisory board of the Novartis Venture Fund. 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.

Harrold van Barlingen, Ph.D. has served as a member of our board of directors since 2005. Dr. Van Barlingen is the managing director and founder of Thuja Capital B.V., Thuja Capital Holding B.V. and Thuja Capital Management B.V.. Prior to founding Thuja Capital, he headed the life sciences effort of Alpinvest Partners B.V. from 2001 to 2006, managing a portfolio of over 30 companies. Previously, he was at the Boston Consulting Group, or BCG, where he worked as a consultant in management and strategy from 1999 to 2002. Prior to BCG, he headed the continental activities of The Lewin Group (a Quintiles subsidiary), an internationally active firm specialized in the field of health economics. He holds an MSc in Medical Biology and a PhD in Medicine, both from Utrecht University. From 1991 to 1992 he was a visiting scientist at the University of Chicago. He is the author of a



wide variety of peer-reviewed scientific and pharmaco-economics papers. He currently serves on the supervisory boards of Encare Biotech B.V., TheraSolve NV, Indigo Diabetes NV (chairman) and Hemics B.V. (chairman). In addition, during the last five years he also served on the boards of Okapi Sciences NV, and arGEN-X N.V.

Werner Cautreels, Ph.D. has served as a member of our board of directors since 2009. Dr. Cautreels is the President, Chief Executive Officer and member of the board of Selecta Biosciences, Inc. Previously, Dr. Cautreels joined Solvay Pharmaceuticals SA in 1998 where he was Global Head of R&D and later Global Chief Executive Officer from 2005 onwards, until it was acquired by Abbott Laboratories Inc. in February 2010. Prior to joining Solvay he was employed by Sanofi SA, Sterling Winthrop, Inc. and Nycomed Amersham PLC in a variety of R&D management positions in Europe and in the United States from 1979 to 1998. Dr. Cautreels was a director of Innogenetics NV and ArQule, Inc. from 1999 until 2006, and of Seres Therapeutics Inc. from 2012 until 2016. He was the President of the Belgian-Luxemburg Chamber of Commerce for Russia and Belarus until June 2010. He graduated from the University of Antwerp, with a Doctorate in Chemistry, specializing in mass spectrometry. He received his management and financial education from the Harvard Business School.

Howard Rowe, JD has served as a member of our board of directors since 2010. Mr. Rowe is Managing Director at Hayfin Capital Management LLP. Prior to joining Hayfin Capital Management, 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 board of directors since 2013. Ms. Bosley has served as the President, Chief Executive Officer and member of the board of directors of Editas Medicine, Inc. since June 2014. 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. Earlier, she was part of the healthcare team at the venture firm Highland Capital Partners, Inc. Ms. Bosley graduated from Cornell University with a B.A. in Biology. She currently serves as chairman of the board of Genocoe Biosciences, Inc. and as a director of Scholar Rock, LLC. She also serves on the board of directors of the Biotechnology Innovation Organization and is a review committee member of the Wellcome Trust.

Christine Mummery, Ph.D. has served as a member of our board of directors since 30 September 2015. Dr. Mummery has served as a Professor of Developmental Biology and Chair of the Department of Anatomy and Embryology at the Leiden University Medical Centre (LUMC) since 2008 and a Professor of Vascular Modelling at the Technical University of Twente in the Netherlands since September 2015. In 2007, she was a Radcliffe fellow at the Harvard Stem Cell Institute and Massachusetts General Hospital when human-induced pluripotent stem cells were being developed, and she was the first to derive these from patients in the Netherlands. In 2002, she became a Professor at the Utrecht University Medical Centre in the Netherlands. She was a postdoctoral fellow from 1981 to 1984 at the Hubrecht Institute in Utrecht, where she later also served as a staff scientist and group leader until 2008. Dr. Mummery obtained her B.S. in Physics, Electronics, and Mathematics at the University of Nottingham and her Ph.D. in BioPhysics at London University in the United Kingdom. Her primary research



focus is currently the development and use of stem cells in cardiovascular development and disease. She served on the Ethical Councils of the Dutch Ministry of Health, is member of the Royal Netherlands Academy of Arts and Sciences (KNAW), editor-in-chief of the Cell Press journal Stem Cell Reports, former board member of the International Society for Stem Cell Research and past-president of the International Society of Differentiation. She was co-founder of Pluriomics B.V. In addition, she is on the board of ZonMw (Dutch Medical Research Council) and chairs the executive board of the Institute for human Organ and Disease Model Technologies (hDMT), a non-profit R&D institute of which we are a founding partner. She is a review committee member of the European Research Council, the Wellcome Trust (*ad hoc*) and the Heineken Jury Prize (KNAW).

Mary Kerr, Ph.D., has served as a member of our board of directors since 26 July 2016. Dr. Kerr, a UK national, is Chief Executive Officer and director at NeRRe Therapeutics. Prior to her appointment at NeRRe, Dr. Kerr held a range of senior leadership roles at GSK over more than 20 years, most recently as 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 where she led a turnaround in the performance of the HIV business in Europe. She has spent the majority 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.

About Galapagos NV's board of directors

Galapagos NV's board of directors consists of minimum five and maximum nine members, including the Chairman and the CEO. The Chairman is a non-executive director and does not hold the office of CEO. At least three directors are independent.

The directors are appointed by the shareholders' meeting upon the proposal of the board, for a renewable term of up to four years. When a position on the board becomes vacant, the other directors may temporarily fill the mandate until the shareholders' meeting appoints a new director. The nomination and remuneration committee nominates, for the approval of the 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 board.

Except for Mr. Onno van de Stolpe, all board members are non-executive directors.

In 2016, the following persons were members of the board: Dr. Raj Parekh (Chairman), Mr. Onno van de Stolpe (CEO), Dr. Harrold van Barlingen, Dr. Werner Cautreels, Mr. Howard Rowe, Ms. Katrine Bosley, Dr. Christine Mummery and Dr. Mary Kerr (as from 26 July 2016); the latter five directors were appointed as independent directors within the meaning of article 526ter of the Belgian Companies Code.

The 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 directors' expertise and experience is exemplified by the varied professional activities they carry out and offices they hold.

In 2016, the board of directors held three regular meetings, six meetings by telephone conference to discuss specific matters and two meetings in the presence of a notary (relating to the issuance of Warrant Plan 2016, Warrant Plan 2016 RMV and the issuance of shares with cancellation of the shareholders' preferential subscription rights). The meetings in the presence of a notary were both attended Mr. Van de Stolpe and Dr. Van Barlingen via telephone conference and all other directors granted a written proxy to them in advance of the meeting.



The attendance rate for the other meetings was as follows: Dr. Parekh: 89%; Mr. Van de Stolpe: 78%; Dr. Cautreels: 89%; Dr. Van Barlingen: 100%; Mr. Rowe: 78%; Ms. Bosley: 78%; Dr. Mummery: 100% and Dr. Kerr: 100% (based on meetings held after the date of her appointment as director). The overall attendance rate was 89%. In addition, certain board members also attended a number of review meetings with scientific staff of the group.

The board of directors acts as a collegial body. We do not have a formalized process in place to evaluate the board, its committees and its individual directors; the board is of the opinion that such evaluation can occur on an ongoing and informal basis within the framework of the meetings of the board and its committees.

During 2016, Galapagos NV complied with the Law of 28 July 2011 with respect to gender diversification in the board of directors, and the board will continue to monitor future compliance.

Committees

Executive committee

Composition of Galapagos NV's executive committee



Onno van de Stolpe founded our company in 1999 and has served as our Chief Executive Officer and a member of our board of directors from 1999 to the present. From 1998 to 1999, he was the Managing Director of Genomics at IntroGene B.V. (later Crucell N.V., which was acquired by Johnson & Johnson Services, Inc. in 2011). Prior to joining IntroGene in 1998, he was Managing Director of Molecular Probes Europe B.V. 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.



Bart Filius, MBA has served as our Chief Financial Officer since December 2014. 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.



Piet Wigerinck, Ph.D. joined our company in April 2008 from Tibotec-Virco Comm. VA (a subsidiary of Johnson & Johnson Services, Inc.) where he was VP Drug Discovery, Early Development and CM&C, and a member of the management board. He started his professional career as a medicinal chemist at Janssen Research Foundation in 1992. He then joined Tibotec Group NV in 1998, where, under his leadership, TMC114 (Prezista™) and TMC435 (Olysio™) were selected and moved forward into clinical trials. Dr. Wigerinck also 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. He brings over 25 years of research and development experience from both large pharmaceutical companies and biotechnology companies to our company. Dr. Wigerinck holds a Ph.D.

from the K.U. Leuven and is inventor on more than 25 patent applications.



Andre Hoekema, Ph.D. is responsible for M&A, licensing and intellectual property at Galapagos. He had the lead in rolling out our pharmaceutical alliance strategy since its start in 2006, and is the architect of our collaboration with AbbVie for CF. Dr. Hoekema joined our company in March 2005 from Invitrogen Corporation, where he was Managing Director of Corporate Development Europe, overseeing licensing and M&A for Invitrogen Europe. He brings 30 years of biotech experience from positions at Molecular Probes Europe B.V. (Managing Director of the European office), Crucell N.V. (Director of Business Development and Intellectual Property), Koninklijke DSM N.V., MOGEN International N.V. (Research and Project Management), and Genentech, Inc. (postdoctoral researcher). Dr. Hoekema studied Chemistry and holds a Ph.D. from Leiden University.

During his Ph.D. work, he invented the binary vector system for the genetic modification of plants, which he published in Nature in 1983; this has since then become the global standard in the field of agricultural biotech. He is the author of more than 30 peer-reviewed scientific papers, and an 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 B.V. and has previously served as a member of the supervisory board of VitalNext B.V.



Walid Abi-Saab, MD started his job as CMO at Galapagos 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 Pharmaceuticals 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, Abbott Laboratories and Pfizer, 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 US, 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.



About the executive committee of Galapagos NV

The tasks of the executive committee include the following matters: the research, identification and development of strategic possibilities and proposals which may contribute to our development in general, the drafting and development of policy guidelines to be approved by our board of directors, management of the group through, among other things, the implementation of policy guidelines, 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.

On 31 December 2016, the executive committee consisted of four people: Mr. Van de Stolpe (CEO, also executive director), Mr. Bart Filius (CFO), Dr. Piet Wigerinck (CSO) and Dr. Andre Hoekema (Senior Vice President, Corporate Development).

On 17 January 2017, we announced the appointment of Dr. Walid Abi-Saab as Chief Medical Officer and member of the executive committee, beginning on 1 March 2017.

The executive committee meets regularly, and in principle once per month.

Audit committee

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 board on the results of the statutory audit.

At the end of 2016, the audit committee consisted of the following three directors: Dr. Cautreels (chairman), Dr. Van Barlingen and Mr. Rowe. All members of the audit committee are non-executive directors, the majority of whom are independent within the meaning of article 526ter of the Belgian Companies Code. The chairman is an independent non-executive director. All members of the audit committee have extensive experience in the life sciences industry. The chairman 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 2016, the audit committee held seven meetings, in which it dealt with matters pertaining to audit review, risk management, monitoring financial reporting, the implementation of Sarbanes-Oxley compliant internal and external audit systems and the effects of the Belgian and European audit reform legislation. The audit committee acts as a collegial body. The overall attendance at the audit committee meetings in 2016 was 90%. Some of the meetings were attended by the statutory auditor.

Nomination and remuneration committee

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

At the end of 2016, the nomination and remuneration committee consisted of the following three non-executive directors: Dr. Parekh (chairman), Dr. Cautreels and Ms. Bosley, the majority of whom are independent directors. The committee has the necessary expertise in the area of remuneration policy.

The nomination and remuneration committee meets at least twice per year. In 2016, the nomination and remuneration committee held two meetings, dealing with matters pertaining to grants of warrants and bonuses, the nomination of our Chief Medical Officer and salary increases. The nomination and remuneration committee acts as a collegial body. The overall attendance rate at the nomination and remuneration committee meetings in 2016 was 100%. The CEO attended the meetings of this committee when the remuneration of the other members of the executive committee was discussed.

Composition of board committees (excluding the executive committee)

	Audit committee	Nomination and remuneration committee
Onno van de Stolpe		
Raj Parekh		*
Harrold van Barlingen	●	
Werner Cautreels ¹	*	●
Howard Rowe ¹	●	
Katrine Bosley ¹		●
Christine Mummery ¹		
Mary Kerr ¹		

● denotes committee membership

* denotes committee chairmanship

¹ denotes qualification as an independent director within the meaning of article 526ter of the Belgian Companies Code

Galapagos NV's share capital and shares

Share capital increases and issue of shares by Galapagos NV in 2016

On 1 January 2016, the share capital of Galapagos NV amounted to €211,388,857.22 represented by 39,076,342 shares. In the course of 2016 there were four capital increases resulting from the exercise of warrants, resulting in the issuance of 419,035 new shares, an increase of the share capital by €2,222,916.85 and an increase of the issuance premium account by €2,037,419.60. In addition, on 19 January 2016, Galapagos NV completed the closing of the global collaboration agreement with Gilead Biopharmaceutics Ireland Unlimited Company, or GBIUC, which is a direct subsidiary of Gilead Sciences, Inc., in the framework of which GBIUC made a €392,120,658.00 equity investment by subscribing to new shares at a price of €58.00 per share. This resulted in a share capital increase of €36,575,392.41, an increase of the issuance premium account by €355,545,265.59 and the issuance to GBIUC of 6,760,701 new ordinary shares.

At the end of 2016, the share capital of Galapagos NV amounted to €250,187,166.48 represented by 46,256,078 shares.

On 1 June 2016, the board of directors issued 634,250 warrants (after acceptance by the beneficiaries) within the framework of the authorized capital, for the benefit of the directors and an independent consultant of Galapagos NV, and of employees of the group under new warrant plans ("Warrant Plan 2016" and "Warrant Plan 2016 RMV"). The offer of warrants to the directors and to the members of the executive committee under Warrant Plan 2016 was approved by the annual shareholders' meeting of 26 April 2016. The warrants issued under Warrant Plan 2016 and Warrant Plan 2016 RMV have a term of eight years and an exercise price of €46.10.

Number and form of Galapagos shares

Of the 46,256,078 shares of Galapagos NV outstanding at the end of 2016, 7,299,397 were registered shares and 38,956,681 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 warrants 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 board of directors 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 board of directors 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 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. 3 June 2016. The board of directors may increase the share capital of Galapagos NV within the framework of the authorized capital for an amount of up to €49,726,531.42. In 2016, Galapagos NV's board of directors made use of the right to increase the capital in the framework of the authorized capital on one occasion: on 1 June 2016, in connection with the issuance of Warrant Plan 2016 and Warrant Plan 2016 RMV, under which an aggregate maximum of 634,250 new shares can be issued for a total maximum capital increase of €3,431,292.50 (plus issuance premium). On 31 December 2016, an amount of €46,295,238.92 still remained available under the authorized capital.

When increasing the share capital within the limits of the authorized capital, the board of directors 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 board of directors 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 80% 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 board of directors has currently not been authorized by an extraordinary shareholders' meeting to purchase or sell its own shares.



On 31 December 2016, 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 license and collaboration agreement between the company and Gilead Biopharmaceuticals Ireland Unlimited Company dated 16 December 2015 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 (i) 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; and (ii) in the event of a change of control as a result of which we acquire rights to an alternative product that would violate certain of our exclusivity obligations under the agreement, to require us to either divest or terminate this acquired program.

The amended and restated global collaboration agreement between the company and AbbVie dated 28 April 2016 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 clause 13.2 (*Change in Control of Galapagos*), entitling AbbVie, in the event of a change in control over the company, to disband the joint committees and assume their tasks, oblige us to take appropriate measures to avoid the disclosure of confidential information, terminate our co-promotion rights 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.

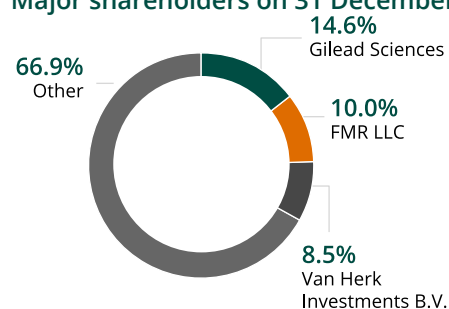


Shareholders

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 on Schedule 13G 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 2016 were Gilead Biopharmaceutics Ireland Unlimited Company (6,760,701 shares or 14.62%), FMR LLC (4,606,507 shares or 9.96%), and Van Herk Investments B.V. (3,943,150 shares or 8.52%).

Major shareholders on 31 December 2016



At the end of 2016, the CEO owned 628,289 shares of Galapagos NV and 706,874 warrants. The other members of the executive committee held an aggregate of 35,352 shares and 970,000 warrants. The other members of the board held an aggregate of 49,844 shares and 165,240 warrants. Each warrant entitles its holder to subscribe to one share of Galapagos NV.

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 16 December 2015, we signed an exclusive license and collaboration agreement to develop and commercialize filgotinib in multiple indications with Gilead Biopharmaceutics Ireland Unlimited Company. Under the terms of the collaboration, Gilead is primarily responsible for development and for seeking regulatory approval of the licensed product. We are required to use commercially reasonable efforts as requested by Gilead to assist Gilead with certain development activities. In addition, we agreed on a 20-80 cost split for development costs of the licensed product, i.e. we will bear 20% of all development costs.

In the framework of the closing of the transaction on 19 January 2016, Gilead paid a license fee of \$300 million (or €275.6 million) and made a \$425 million (or €392 million) equity investment in Galapagos NV by subscribing to new shares at a price of €58 per share, including issuance premium. This resulted in Gilead owning 6,760,701 ordinary shares of Galapagos NV, representing 14.75% of the then outstanding share capital of Galapagos. In the framework of this transaction, the parties agreed to a lock-up arrangement and a standstill arrangement.



Remuneration report

Determination of remuneration of directors and executive committee members of Galapagos NV

The procedure for establishing the remuneration policy and setting remuneration for members of the board of directors and of the executive committee is determined by the board of directors on the basis of proposals from the nomination and remuneration committee, taking into account relevant benchmarks with appropriate peer companies and, for the members of the executive committee, also the group's performance rating system.

The remuneration of the members of the board and the grant of warrants to members of the board are submitted by the board for approval to the shareholders' meeting, and are only implemented after such approval.

The fixed and variable remuneration of the CEO (who is a member of the board) is established by the board of directors based upon an authorization from the shareholders' meeting. The fixed and variable remuneration of, and grant of warrants to, the other members of the executive committee is established by the board of directors, upon recommendation of the nomination and remuneration committee.

Our remuneration policy

Principles

The objective of our remuneration policy is to attract, motivate and retain the qualified and expert individuals that we need in order to achieve our strategic and operational objectives. In light of the remuneration policy, the structure of the remuneration package for the executive committee is designed to balance short-term operational performance with the long-term objective of creating sustainable value, while taking into account the interests of all stakeholders.

The remuneration of the non-executive directors consists of a fixed annual amount, irrespective of the number of board meetings that are held during the year. The remuneration of the non-executive directors does not contain a variable part. The board fees are paid in quarterly installments at the end of each calendar quarter.

The remuneration of the CEO and of the other members of the executive committee consists of a fixed part and a variable part (bonus). Remuneration increases and bonuses are merit-driven and based on our performance rating system that is based on individual performance (including exceptional deliverables) in combination with our overall performance, compared to the level of achievement of individual and corporate objectives that are established annually. The corporate objectives and the CEO's objectives are established annually by the board of directors, and the objectives of the other members of the executive committee are established annually by the CEO and are in relation to the corporate objectives set by the board. For 2016 the corporate objectives included elements of clinical trial progression, cash position, corporate development and business development; all of these objectives were considered to be of equal importance. The level of achievement of the objectives for the CEO is reviewed at the end of each year by the nomination and remuneration committee and discussed and finally established by the board, and the level of achievement of the objectives of the other members of the executive committee is assessed by the CEO at the end of the year in connection with appraisal discussions, discussed by the nomination and remuneration committee and finally established by the board of directors.



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 other 50% is deferred for three years. The deferred 50% component is dependent on the change in the price of Galapagos NV's share relative to the Next Biotech Index (which tracks Euronext-listed biotech companies). The 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 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 and paid out
- If the 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 and paid out, and the remainder will be forfeited
- If the share price change is more than 10% worse than the change in the Next Biotech Index the deferred bonus will be forfeited

To be entitled to any deferred payment under the bonus scheme the beneficiary must still be in our employ, except in case of retirement with Galapagos' consent or in case of redundancy. If employment within the Galapagos group ends because of either retirement with Galapagos' consent or redundancy, then the deferred bonus will become payable on the last day of employment of the beneficiary with the Galapagos group. In this case, the increase or decrease in the deferred bonus will be calculated in a similar manner to that quoted above with the exception that the final reference share price will be the price at the close of business on the Amsterdam/Brussels Euronext Exchange on the last working day immediately preceding the last day of employment and the final reference value of Next Biotech Index will be the value quoted at the close of trading on the day preceding the last day of employment.

In addition, exceptional special bonuses, outside the scope of the regular bonus schemes, can be considered by the board upon recommendation of the nomination and remuneration committee in the event of and for exceptional achievements.

Relative importance of the various components

The CEO's bonus under the Senior Management Bonus Scheme can be maximum 100% of the fixed part of his annual remuneration of the year for which the bonus is awarded. The aggregate bonuses of the other members of the executive committee under the Senior Management Bonus Scheme, as amended on this point in 2016, can be maximum 75% (previously, this was 60%) of the total amount of the fixed part of their aggregate annual remuneration of the year for which the bonus is awarded. In addition, the CEO and/or the other members of the executive committee enjoy a number of benefits such as pension payments, insurances and other fringe benefits, the monetary value of which is, however, limited.

Performance-related premiums in shares, options or other rights to acquire shares

Galapagos does not provide for any performance-related premiums in shares, options or other rights to acquire shares. The warrants granted to members of the board of directors (including the CEO) are not considered as a (performance-related or otherwise) variable remuneration as defined by the Belgian Companies Code.

Information on the remuneration policy for the next two years

We currently have no plans to substantially deviate from the general principles of the remuneration policy used in 2016 and the years before, as described above, in the next two financial years.



Remuneration of non-executive directors of Galapagos NV

Upon recommendation of the nomination and remuneration committee, the annual shareholders' meeting of 26 April 2016 resolved that the compensation (excluding expenses) of the non-executive directors for the exercise of their mandate during the financial year ending 31 December 2016 was established as follows: (i) chairman of the board (Dr. Parekh): €80,000; (ii) other non-executive board members (Dr. Cautreels, Dr. Van Barlingen, Mr. Rowe, Ms. Bosley and Dr. Mummery): €40,000 each; (iii) annual additional compensation for membership of a board committee (audit committee: Mr. Rowe and Dr. Van Barlingen; nomination and remuneration committee: Dr. Cautreels and Ms. Bosley): €5,000; (iv) annual additional compensation for the chairmanship of a board committee (audit committee: Dr. Cautreels; nomination and remuneration committee: Dr. Parekh): €10,000.

The shareholders' meeting of 26 July 2016, which resolved upon the appointment of Dr. Mary Kerr as Director of Galapagos NV, acknowledged that the aforementioned remuneration principles for the financial year ending on 31 December 2016 approved by the annual shareholders' meeting of 26 April 2016 applied to determine the compensation (excluding expenses) of Dr. Kerr, *pro rata temporis*, for the period starting on the date of her appointment and ending on 31 December 2016. The compensation of Dr. Kerr for her mandate as non-executive director during the financial year ending 31 December 2016 hence amounted to €17,282.31.

The remuneration of the non-executive directors does not contain a variable part; hence no performance criteria apply to the remuneration of the non-executive directors.

In 2016, we issued two warrant plans for the benefit of employees of the group and of the directors and one independent consultant of Galapagos NV: Warrant Plan 2016 and Warrant Plan 2016 RMV. In accordance with the resolution of the annual shareholders' meeting of 26 April 2016, the following number of warrants were offered under Warrant Plan 2016 to the non-executive directors: Dr. Parekh: 15,000 warrants; and Dr. Cautreels, Ms. Bosley, Dr. Van Barlingen, Mr. Rowe and Dr. Mummery: each 7,500 warrants. All directors accepted the warrants offered. These warrants have a term of eight years. The exercise price of the warrants is €46.10. As regards the directors, the warrants vest over a period of 36 months at a rate of 1/36th per month. The warrants cannot be transferred and cannot be exercised prior to the end of the third calendar year following the year of the grant. No warrants were offered to directors under Warrant Plan 2016 RMV. The board of directors does not consider the above warrants as variable remuneration as defined by the Belgian Companies Code as they are not subject to any performance-related criteria.

The board of directors points out that provision 7.7 of the Belgian Corporate Governance Code 2009 stipulates that non-executive directors should not be entitled to performance-related remuneration such as stock-related long-term incentive schemes. In deviation from this provision, the board of directors has decided to grant warrants to non-executive directors. This way, Galapagos has additional possibilities to attract competent non-executive directors and to offer them an attractive additional remuneration that does not affect Galapagos' cash position. Furthermore, the grant of warrants is a commonly used method in the sector in which Galapagos operates. Without this possibility, Galapagos would be confronted with a considerable disadvantage compared to competitors and peer companies who do offer stock-related incentive schemes to their non-executive directors. The board of directors is of the opinion that the granting of warrants has no negative impact on the functioning of the non-executive directors.

In addition to the benefits set forth above, the non-executive directors also received benefits consisting of tax advisory services in 2016 for an amount of €14,495.



Remuneration of executive directors of Galapagos NV

Mr. Van de Stolpe is an executive member of the board of directors. As managing director and CEO, he acts as chairman of the executive committee. Mr. Van de Stolpe does not receive any specific or additional remuneration for his work on the board of directors, as this is part of his total remuneration package in his capacity as member of the executive committee.

Criteria and methods to evaluate the performance of Galapagos NV's CEO and other executive committee members in connection with their performance-based remuneration

The executive director (CEO) and the members of the executive committee are eligible for performance-based remuneration (bonus). The level of the achieved bonus is established annually by the board of directors upon recommendation of the nomination and remuneration committee (whose recommendation is based on proposals from the CEO with respect to the other members of the executive committee). The award of a bonus is merit-driven and based on the group's performance rating system that is based on annual individual performance (including exceptional deliverables) in combination with our overall performance, compared to the level of achievement of individual and corporate objectives that are established annually. The corporate objectives and the CEO's objectives are established annually by the board of directors, and the objectives of the other members of the executive committee are established annually by the CEO. For 2016 the corporate objectives included elements of clinical trial progression, cash position, corporate development and business development. Each of the corporate objectives is clear and measurable so that it is easy to determine whether or not a specific objective has been achieved or not.

Gross remuneration of our CEO for financial year 2016

- i. Base salary (fixed): €472,267 (including €18,859.44 in the form of pension contributions).
- ii. Variable remuneration (bonus): given the level of achievement of the criteria from the Senior Management Bonus Scheme to be entitled to a bonus (i.e. the corporate objectives for 2016), a bonus equal to 100% of the 2016 base salary was awarded over 2016, of which 50% was paid early January 2017, and the other 50% was deferred for 3 years. The value of the 50% deferred part of the bonus awarded over 2013 was established at the end of 2016 and resulted in a payment in early January 2017 of an amount of €652,974.18 (a multiple of 4.01 of the deferred bonus, as a result of the share price performance over the period 2013-2016 as per the provisions of the Senior Management Bonus Scheme).
- iii. Pension: €62,843 (of which €18,859.44 is part of the fixed base salary).
- iv. Other components of the remuneration: company car, tax advisory services, and payments for invalidity and healthcare cover, totaling €39,384.25.

In its meeting of 7 December 2016 (in application of article 523 of the Belgian Companies Code and without the CEO being present) the board of directors resolved, upon recommendation of the nomination and remuneration committee, to increase the CEO's salary by 2.5% as from 2017. The principles applied for such increase were in line with the Remuneration Policy described above.



Aggregate gross remuneration of the other executive committee members for financial year 2016

- i. Base salaries (fixed): €898,435 (including €60,000 in the form of pension contributions).
- ii. Variable remunerations (bonuses): given the level of achievement of the criteria from the Senior Management Bonus Scheme to be entitled to a bonus (i.e. the corporate objectives for 2016), an aggregate bonus of €673,826 (i.e. 100% of the aggregate bonus pool) was awarded over 2016 of which 50% was paid early January 2017, and the other 50% was deferred for 3 years. The value of the 50% deferred part of the bonus awarded over 2013 was established at the end of 2016 and resulted in a payment in early January 2017 of an amount of €521,192.64 (a multiple of 4.01 of the deferred bonus, as a result of the share price performance over the period 2013–2016 as per the provisions of the Senior Management Bonus Scheme).
- iii. Pensions: €164,711.91 (of which €60,000 are part of the fixed base salary).
- iv. Other components of the remunerations: company cars, tax advisory services, and payments for invalidity and healthcare cover, and other fringe benefits, totaling €45,695.

In its meeting of 7 December 2016 the board of directors resolved, upon recommendation of the nomination and remuneration committee, to implement salary increases as from 2017 for the members of the executive committee generally in line with the increases awarded in previous years, based on individual performance and taking into account relevant benchmarks. The principles applied for such increases were in line with the Remuneration Policy described above.

Shares, warrants or other rights to acquire shares awarded to, exercised by or expired for the executive committee members during financial year 2016

In 2016, only warrants were offered to the members of the executive committee, and no shares or other rights to acquire shares were awarded. No warrants expired for members of the executive committee in 2016 and, in aggregate, 215,000 warrants were exercised by members of the executive committee in 2016 (130,000 warrants were exercised by Onno van de Stolpe, 45,000 warrants by Piet Wigerinck and 40,000 warrants by Andre Hoekema). The board of directors does not consider the granted warrants as a variable remuneration, as they are not subject to any performance criteria. The following number of warrants were offered to and accepted by members of the executive committee in 2016, under Warrant Plan 2016, issued by the board of directors under the authorized capital on 1 June 2016, to Mr. Van de Stolpe: 100,000 warrants, to each of Dr. Wigerinck and Mr. Filius: 60,000 warrants, and Dr. Hoekema: 55,000 warrants.

The warrants issued under Warrant Plan 2016 have an exercise price of €46.10 per warrant, a life time of 8 years, and vest only and fully at the end of the third calendar year after the year of the grant, except for Mr. Van de Stolpe, whose warrants vest over a period of 36 months at a rate of 1/36th per month. The warrants cannot be exercised prior to the end of the third calendar year after the year of the grant; they are not transferable, and each warrant gives the right to subscribe to one share of Galapagos NV.

At the end of 2016, Mr. Van de Stolpe owned 628,289 shares of Galapagos NV and 706,874 warrants. The other members of the executive committee held an aggregate of 35,352 shares and 970,000 warrants. The other members of the board held an aggregate of 49,844 shares and 165,240 warrants. Each warrant entitles its holder to subscribe to one share of Galapagos NV.



Contractual provisions regarding compensation for severance for the Galapagos NV executive committee members

The contracts between Galapagos NV (or its relevant affiliates) and the CEO and other members of the executive committee do not provide for severance compensation. They do not contain notice periods that exceed six months. However, Galapagos NV entered into undertakings with the CEO and the other members of the executive committee, providing that in case their contract with the group is terminated as a result of a change of control of Galapagos, they would be entitled to a severance compensation of 12 months' base salary for the CEO and 9 months' base salary for the other members of the executive committee.

Severance payments for departing executive committee members during financial year 2016

Not applicable; in 2016 no members of the executive committee (including the CEO) left Galapagos.

Claw-back right of Galapagos relating to variable remuneration

There are no contractual provisions in place between Galapagos and the CEO or the other members of the executive committee that give Galapagos a contractual right to reclaim from said executives the variable remuneration that would be awarded based on erroneous financial information.



Conflict of interests and related parties

In the event of a transaction where a director's interest conflicts with the interest of Galapagos NV, the director shall notify the board of directors in advance of the conflict and will act in accordance with the relevant rules of the Belgian Companies Code (i.e. article 523 of the Belgian Companies Code). In addition, Galapagos' Corporate Governance Charter and Galapagos' Related Person Transaction Policy contain procedures for transactions between Galapagos and its directors, members of its executive committee, major shareholders or any of their immediate family members and affiliates. Without prejudice to the procedure defined in article 523 of the Belgian Companies Code, these policies provide that all transactions between Galapagos and its directors, its members of the executive committee or its representatives need the approval of the audit committee and the board of directors, 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 article 523 of the Belgian Companies Code, are enacted in the meeting minutes, and the director or member of the executive committee cannot participate in the voting.

In 2016, one conflict of interests between Galapagos NV and a director within the meaning of article 523 of the Belgian Companies Code was noted: in a meeting of the board of directors held on 7 December 2016, the following was reported in accordance with article 523 of the Belgian Companies Code and in connection with the salary increase and bonus for the CEO: the chairman declared that Mr. Onno van de Stolpe had informed the board of directors of a conflict of interest, concerning the proposed award to him of a salary increase and a bonus. The salary of Mr. Van de Stolpe was increased with 2.50% as of 2017. Given the actual level of achievement of the criteria from the Senior Management Bonus Scheme to be entitled to a bonus (i.e. the corporate objectives for 2016) a bonus equal to 100% of his 2016 salary was awarded to Mr. Van de Stolpe for 2016. It has been explained to the board that said salary increase and bonus is a justified reward for the results achieved by Mr. Van de Stolpe in 2016. The salary increase and bonus will have no material impact on the financial position of the company. The board shares the opinion of the remuneration committee that the proposed salary increase and bonus is justified and reasonable. Mr. Van de Stolpe did not take part in the deliberation and the vote concerning this decision.



Statement by the board of directors

The board of directors 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 2016.

The board of directors 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 2016, 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 board of directors will submit proposed resolutions to the shareholders' meeting to approve the annual accounts for the financial year 2016, and to release the directors and the statutory auditor from liability for the performance of their mandate during the financial year ended 31 December 2016.

Mechelen, 21 March 2017

On behalf of the board of directors

Onno van de Stolpe
CEO

Raj Parekh
Chairman